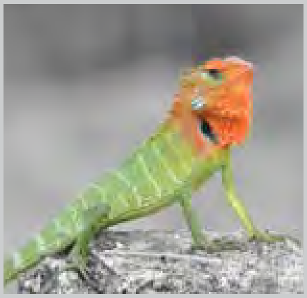
ANNUAL REPORT 2014




Watawala Plantations PLC

a sunshine enterprise

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Our Vision

We will take a path no one has walked before and many will want to follow

Our Path

Fully utilize the technological advancements and land resources in an eco friendly manner to respect and understand the community in which we do business, celebrate the diversity and the power of our people

Our Core Values

We will

Ensure that our business is always customer focussed and we continuously strive to meet their demands with the highest level of service. Be committed to offer the highest quality products at all times to our customers globally. Recognize and motivate our employees who are the live wire of the organization to achieve their fullest potential and provide equal opportunities regardless of gender, religion, race or colour to excel in their work. Value transparency and honest in everything we do. Contribute positively to the long term sustainability and development of the external community and the environment we operate in. Be innovative and strive for continuous improvement in whatever we do.

Recognize that our shareholders are of utmost importance to us and ensure best possible returns to them.

Cover Story

Watawala Plantations PLC engaged a team of two researchers of repute to conduct studies on the biodiversity of 5 of the upcountry estates with the objective of assessing the significance of a given tea plantation ecosystem in maintaining vertebrates and invertebrates diversity in order to obtain the Rainforest Alliance Certification. During the surveys a total of 193 Vertebrates and 138 invertebrates were identified and recorded from these 5 estates. The studies revealed that each of the habitats identified in the estates provided unique niches and supported maintenance of natural diversity and that the vegetation structure and the complexity of the ecosystem in tea plantations play a vital role in sustaining animal diversity. A number of observations were made on the threatened and endangered species that included records of rare species attesting to the importance of the ecosystem, some of which are featured in the annual report for our stakeholders information. The outcome of these studies will be used to develop strategies to conserve the diversity and to minimize the impact of human activities on the ecosystem. We are conscious of our responsibilities as stewards of these lands where the studies have provided an initial record of the species observed and we are committed to ensuring that their habitats are preserved to facilitate growth of endangered and vulnerable species populations.

About the Report

This is the first Integrated Annual Report of Watawala Plantations PLC covering the period 1st April 2013 to 31st March 2014. The report is based on the Integrated Reporting Framework and uses the G4 Standards for Sustainability Reporting published by the Global Reporting Initiative and the Sri Lanka Financial Reporting Standards. The Report for the period 1st April 2012 to 31st March 2013 was prepared besed on the G3.1 standard for sustainability. We aim to present a balanced and comprehensive but concise analysis of our strategy, performance and outlook for the future in relation to our economic, social and environmental goals in the short, medium and long term. Material events after this date up to the sign off by the Board of Directors on 17th May 2014 are included in the report to enhance value to users.

Watawala Plantations PLC is a plantation management company and this report covers 19 plantations located in the Hatton/ Watawala, Lindula and Udugama regions which grow tea, rubber and palm oil as the principal products. Tea plantations account for 68% of revenue and -64% profits during the financial year 2013/14 and accounts for 52% total assets as at 31st March 2014. Palm Oil contributed 23% of revenue and 146% of profits during the reporting period whilst accounting for 28% of total assets at the close of the financial year. The focus of the report is to provide relevant financial and non-financial information on material developments and issues with sufficient narrative to represent fairly the events that shaped our performance during the reporting period and are likely to impact our future performance. All narrative and information provided in this report relates to the company and not the group. A material development or issue is defined as one that substantively affects our ability to create value in the short, medium or long term to our stakeholders. Our ability to manage these developments affects our performance and we seek to proactively engage our stakeholders to stay informed about likely developments in order to mitigate risks that may arise and to evaluate opportunities for growth and enhance performance.

This integrated report conforms to the requirements of the Companies Act No.7 of 2007, the Continuing Listing Requirements of the Colombo Stock Exchange, the Code of Best Practice on Corporate Governance jointly issued by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka, the International IR Framework issued by the International Integrated Reporting Council and the G4 Guidelines issued by the Global Reporting Initiative. The financial statements have been prepared in accordance with the Sri Lanka Financial Reporting Standards which comprises the International Financial Reporting Standards bound volume 2012. We continue to monitor developments in corporate reporting in Sri Lanka and the international arena to ensure that our reports are in line with best practice in this rapidly evolving field.

KPMG has provided independent external assurance on the Sustainability Report which includes social and environmental performance indicators.

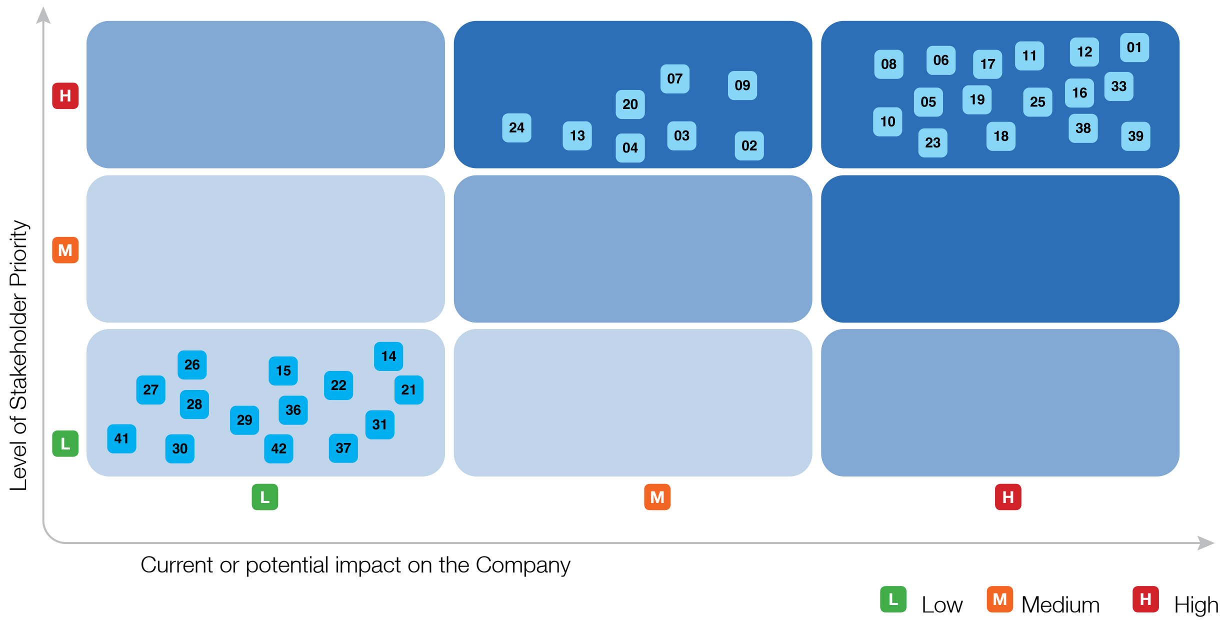
Material aspects and boundaries are defined in accordance with the GRI G4 standards with reference to the responses from our stakeholder engagement processes. There has not been any significant changes in material aspects and boundaries from the previous year. Each aspect was evaluated to identify the significance to the Company and stakeholders and rated High, Moderate or Low after due consideration to the impacts of the Company's activities.

Any questions on this Report or its content can be directed to:

Mr. B.V.Sinthaka Ruwan
Acting General Manage-Finance

No 60, DharmapalaMawatha,
Colombo 03.
Tel – 011 4 702 400
sinthaka.ruwan@wpl.sunshineholdings.lk

Materiality of Stakeholder Issues



Issues indicated in this area are of high significance and impact both stakeholders and organization. All indicators shown in this area are fully discussed in the Detailed Annual Report.

Issues indicated in this area have a relatively moderate impact on our business. They too were addressed during the reporting period and are fully or partially reported in the Detailed Annual Report.

Issues found in this area of the grid have only a minor impact thus may not be reported on.

1 Economic Performance
2 Compliance
3 Products & Services
4 Labour Practices & Decent Work
5 Labour Management Relations
6 Materials
7 Energy
8 Water
9 Biodiversity
10 Emissions
11 Effluents & Wastes
12 Freedom of Association & Collective Bargaining
13 Local Communities
14 Grievance Mechanisms for Impacts on Society
15 Customer Health & Safety
16 Training & Education
17 Diversity & Equal Opportunity
18 Labour Practices Grievance Mechanism
19 Occupational Health & Safety
20 Market Presence
21 Indirect Economic Impacts
22 Procurement Practices
23 Transport
24 Non Discrimination
25 Human Rights Grievance Mechanisms
26 Anti Corruption
27 Public Policy
28 Products & Services Labelling
29 Supplier Environmental Assessment
30 Environmental Grievance Mechanisms
31 Equal Remuneration Women & Men
32 Supplier Assessment of Labour Practice
33 Child Labour
34 Forced or Compulsory Labour
35 Security Practices
36 Indigenous Rights
37 Assessment
38 Supplier Human Rights Assessment
39 Anti Competitive Behaviour
40 Supplier Assessment for impacts of society
41 Marketing Communication
42 Customer Privacy


path no one has walked be
any will want to follow "
Watawala

Statement of the Board of Directors of Watawala Plantations PLC

The Board of Directors of Watawala Plantations PLC acknowledges its responsibility to ensure the integrity of the annual integrated report and are of the opinion that it addresses all material issues and presents fairly the Company's integrated performance. The Annual Integrated Report has been prepared in line with the statutory framework within which we operate and international best practice with reference to integrated reporting.

Dr. Dan Seevaratnam
Director/Chief Executive Officer

17 May 2014

Our Relevance

Watawala Plantations PLC is a diversified plantaion company with 12,440 hectares (ha) cultivated with palm oil, tea and rubber in 19 estates, operate a palm oil mill, 15 tea factories and 2 rubber factories creating employment for 11,035 people. It is a subsidiary of Estate Management Services (Pvt) Ltd., a joint venture between Sunshine Holdings, TATA Global Beverages Ltd., and Pyramid Wilmar Plantations Private Limited which is part of Wilmar International. TATA Global Beverages is the 2nd largest tea company in the world with a brand presence in over 40 countries and interests in tea, coffee and water. Wilmar International is the Asia's largest agribusiness group headquartered in Singapore. The joint ventures with two giants in our major areas of interest provide Watawala Plantations with unparalelled access to markets, technology and knowledge provding a strong launching pad for our future growth as we seek to take a differentiated path, raising the bar on our own performance.

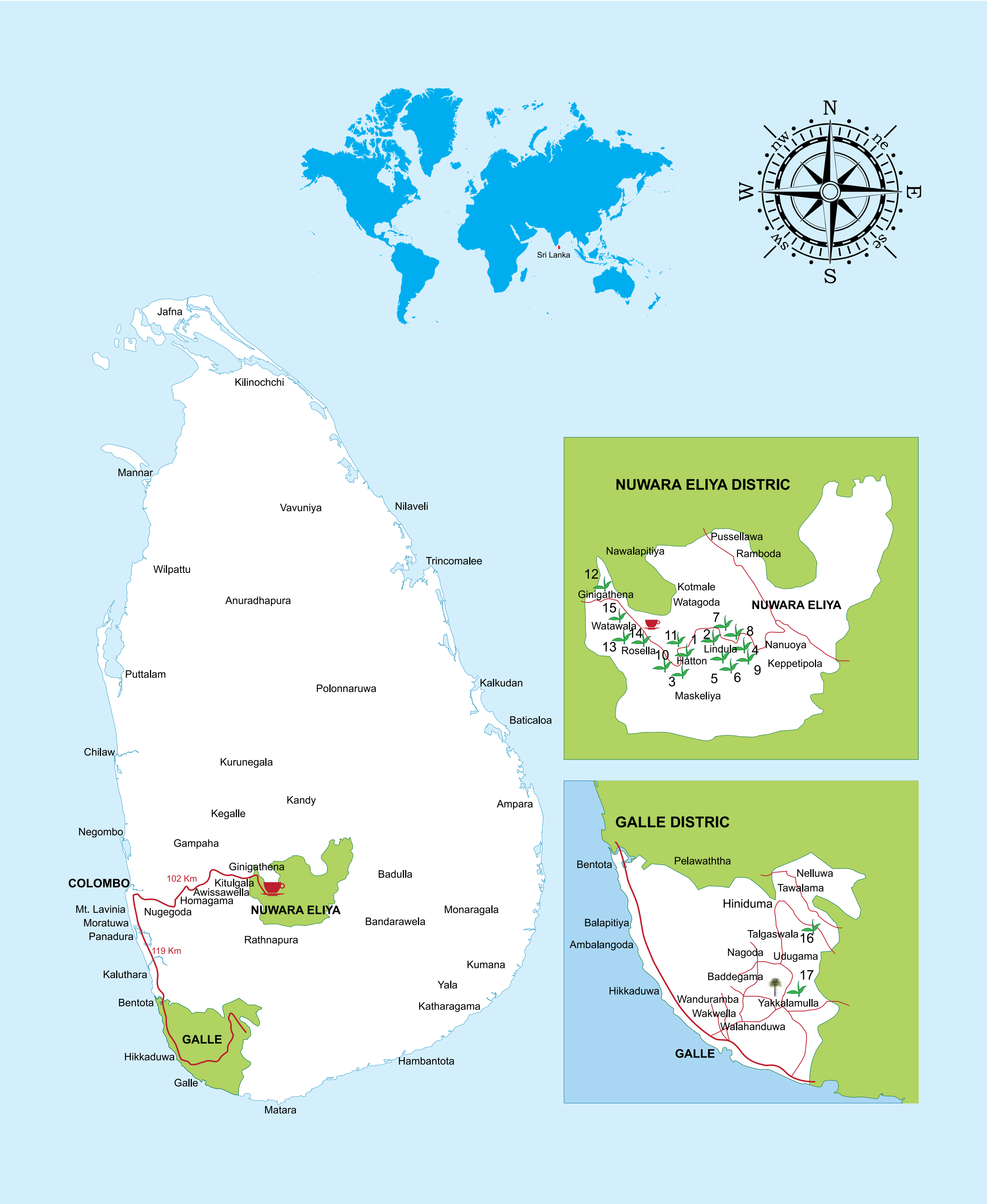
Of the total land extent 4,451 Ha (36%) is planted in Tea, 701 Ha (6%) in Rubber and 2,921 Ha (23%) with Oil Palm. The remaining extent of 4,367 Ha (35%) comprises of timber and fuel wood plantation, extents in conservation forestry, spices, vegetable cultivation, jungle and patana, buildings, roads, etc. These estates are home to 54,505 people and provide livelihoods to over 11000 People.

Oil palm accounts for 146% of profits and 23% of the company's revenue. We produced 8.1 million kg of palm oil in the reporting period which accounts for approximately 6% of the country's consumption of palm oil. It is an important import substitution crop as 100,000 Metric Tonnes (MT) of palm oil were imported in to the country at a cost of Rs10 bn in 2013/14.

Tea produced on our estates account for 3% of the country's total tea production. Watawala Plantations also recorded the highest volume sales at the Colombo Tea Auctions in 2013.

Rubber 3% of revenue. Whilst we have the largest rubber factory in the country. The export sector has contributed for 7% of the total revenue.

Watawala Plantations has obtained and continue to comply with the followings certifications on various aspects of our business practices. These confirm our commitment to the triple bottomline approach in managing corporate performance.



Sri Lanka
N
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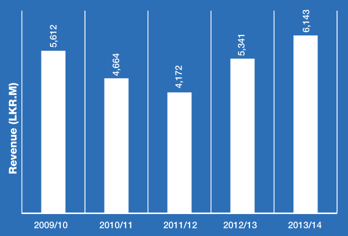
Jafna
Kilinochchi
Mannar
Vavuniya
Nilaveli
Wilpattu
Trincomalee
Anuradhapura
Puttalam
Polonnaruwa
Kalkudan
Baticaloa
Chilaw
Kurunegala
Kandy
Kegalle
Ampara
Negombo
Gampaha
Ginigathena
Badulla
COLOMBO
102 Km
Kitulgala
Awissawella
Homagama
Mt. Lavinia
Nugegoda
NUWARA ELIYA
Monaragala
Moratuwa
Bandarawela
Panadura
Rathnapura
119 Km
Kumana
Kaluthara
Yala
Bentota
Katharagama
GALLE
Hikkaduwa
Hambantota
Galle
Matara
NUWARA ELIYA DISTRIC
Pussellawa
Nawalapitiya
Ramboda
12
Kotmale
Ginigathena
Watagoda
NUWARA ELIYA
15
7
Watawala
14
11
2
8
1
13
Rosella
10
Lindula
4
Nanuoya
Hatton
9
Keppetipola
3
5
6
Maskeliya
GALLE DISTRIC
Bentota
Pelawaththa
Nelluwa
Tawalama
Hiniduma
Balapitiya
Talgaswala
16
Ambalangoda
Nagoda
Udugama
17
Baddegama
Hikkaduwa
Wanduramba
Yakkalamulla
Wakwella
Walahanduwa
GALLE

Performance Highlights

Financial Capital



Revenue

6,143 RS.MN

Revenue

15%

Revenue Increase

Earnings Per Share
2.10 RS.

Non Current Assets
5,560 RS.MN

Total Assets
7,052 RS.MN

Equity
4,218 RS.MN

Intellectual Capital

Estate	Garden Mark	Made Tea Kg.	Estate	Garden Mark	Made Tea Kg.
ABBOTSLEIGH	- FLORENCE	538,664	LIPPAKELLE	- LIPPAKELLE	88,029
DICKOYA	- ADISHAM	313,911	TANGAKELLE	- CYMRU	154,860
SHANNON	- SHANNON	194,838	VELLAIOYA	- VELLAIOYA	526,073
OUVAHKELLE	- OUVAHKELLE	58,853	STRATHDON	- STRATHDON	427,865
WALTRIM	- WALRIM	369,226	KENILWORTH	- KENILWORTH	352,230
HENFOLD	- HENFOLD	331,360	CAROLINA	- CAROLINA	396,663
AGARAKANDE	- EAST FASSIFERN	109,839	HOMADOLA	- HOMADOLA	83,853

Manufactured Capital

Factory Capacity (Kg)

TEA - 43,000 KG/DAY
RUBBER - 4200 KG/DAY
PALM OIL - 45,000 KG/DAY

Property, Plant & Equipment

1,840 RS.MN

Production

TEA - 9.9MN KG.
RUBBER - 0.5 MN KG.
PALM OIL - 8.1 MN KG.

Human Capital

Head Count

11,035

94%

Retention Rate

Total Employee Cost

3.69 RS.BN

Investment in Training

6.9 RS.MN

Staff Welfare Costs

5.6 RS.MN

Performance Highlights

Social & Relationship Capital

No. of Customers
258

No. of Out-growers
148

No. of suppliers
769

Natural Capital

Hectares managed
12,440

Tea	**36%**
Rubber	**6%**
Palm oil	**23%**

Hectares cultivated
9,775
79%

Live stock/Dairy
45
RS.MN

Biological Assets - Consumable
576
RS.MN

Biological Assets – Bearer
2,518
RS.MN

A Record Breaking Feat In The Plantation Sector –
Watawala Bags Gold for Sixth Successive Year

Winner – GOLD AWARD (Plantation Sector)

CA Sri Lanka Annual Report Awards

Excellence in financial reporting, high levels of transparency, good governance leading to good performance, have been the selection criteria for CA Sri Lanka awards, from its inception 49 years ago. Winning GOLD for the sixth consecutive year, is an affirmation of our best practices in all of these areas and our commitment towards achieving excellence – the single factor that gives us the edge over our competition.

Awards 2013/14

We have received a number of awards for business excellence in key areas of our operations including, financial reporting, human resources, manufacturing, business processes and from our buyers affirming our commitment to quality.

South Asia Federation of Accountants
- Gold Award - Best Presented Annual Report Awards 2012 - Agriculture Sector

National Chamber of Commerce
- Runners up Award - National Business Excellence Awards 2013 - Agricultural & Plantation Sector

Institute of Charted Accountants Sri Lanka
- Gold Award - Best Annual Report in the Plantation Sector 2013

Provincial Department of Industrial Development & Enterprise Development
- Three Star Award - Kenilworth
- Three Star Award - Waltrim
- One Star Award - Carolina
- Merit Award - Henfold

Japan Sri Lanka Technical & Cultural Association
- Ian Dias Memorial CSR Award Bronze - Kenilworth Estate
- Merit Award for 5S implementation

Certifications

Certifications awarded confirm our commitment to preservation of human rights and the environment and our processes and procedures pertaining to the quality of our products. These also serve to benchmark our policies, agricultural practices, processes and procedures with international best practice. They have been awarded based on comprehensive reviews of the company's practices against pre-defined criteria and affirm our compliance with the same.

ISO 22000:2005	This certifies that our food safety management systems addresses the food safety management risks across the food supply chain.	**7 Estates Certified** Abbotsleigh, Dickoya, Waltrim, Shannon, Kenilworth, Carolina, Homadola
HACCP	Certifies that our Hazards Analysis and Critical Control Points systems for biological, chemical and physical hazards from raw material production , procurement and handling to manufacturing, distribution and consumption is compliant with international best practice	**5 Estates Certified** Abbotsleigh, Dickoya, Waltrim, Shannon, Kenilworth,
Ethical Tea Partnership	Certifies that our products meet with international standards on social and environmental practices.	**10 Estates Certified** Abbotsleigh, Dickoya, Waltrim, Henfold, Shannon, Tangakelle, Kenilworth, Vellaioya, Carolina, Homadola
Fair Trade	This certifies that our products meet international Fairtrade Standards which cover environmental, labour and developmental aspects .	**7 Estates Certified** Abbotsleigh, Dickoya, Waltrim, Henfold, Kenilworth, Vellaioya, Homadola
Sri Lanka Standards Institution - Sri Lanka Tea Board	This product certification centres around essential elements of the quality management system combined with additional requirements on process control and product testing	**5 Estates Certified** Abbotsleigh, Dickoya, Waltrim, Shannon, Kenilworth,
Rainforest Alliance	The Rainforest Alliance works to conserve biodiversity and improve livelihoods by promoting and evaluating the implementation of the most globally respected sustainability standards in a variety of fields. The certification is based on standards which are designed to generate ecological, social and economic benefits	**5 Estates Certified** Dickoya, Waltrim, Ouvahkelle, Lippakelle, Kenilworth

Our business model

We grow Oil Palm, Tea and Rubber in 12440 hectares of land in three administrative regions, namely, Hatton/Watawala, Lindula and Undugama. It is a labour intensive process due to the need to maintain the quality of the produce and we place significant emphasis on ensuring the welfare of our employees and empowering them. We also process produce purchased from small growers and home gardeners in our factories supporting livelihoods in the communities. Significant emphasis is given to preserving the environment as we are very much aware of the need to do so as the climate is a key determining factor of our performance.

In the plantation we

* Grow crops,
* Enrich the soil,
* Protect our crops,
* Harvest the crops

In our factories we add value by

* processing our harvest
* sorting

Our produce is

* catalogued by brokers and sold at auctions (> 90%)
* sold direct to buyers (< 10%

Motivate & Empower our teams

Preserve and rejuvenate the environment

Contribute to the socio-economic development of the communities we operate in

Key Business Activity	Income Statement Impact	Relevance to Financial Position	Key Risks
We grow palm oil, tea and rubber on plantations leased from the Government of Sri Lanka.	Impairments in value of plantations and amortisation of leasehold land and property, plant and equipment are charged to the Income statement. Staff costs incurred for replanting and new planting in mature areas is charged to the income statement under Staff Costs	Palm oil, tea ,rubber, caliandra, and other crops are reflected in the statements of financial position as bearer biological assets which are depreciated over remaining period of the lease. Property,plant & equipment used in the estates and head office are included at cost in the statements of financial position. Staff costs incurred in replanting and new planting in immature areas are capitalised as additions to bearer biological assets.	▪ Weather patterns ▪ Labour migration ▪ Labour disruptions ▪ Talent attraction and retention ▪ High dependency on tea as 36% of hectares under cultivation is tea. ▪ Soil erosion and low yielding fields ▪ Compliance with laws and certification requirements
We harvest crops for processing in our factories.	We incur staff costs for harvesting our crops which are charged to the income statement as Staff Costs.	Processed, unprocessed and semi-processed agricultural produce is reflected in Inventories and are measured at net realisable value.	▪ Fall in product quality and resultant quality claims ▪ Over production due to rush crop situation
Crops processed in our factories are sold at auctions or direct to buyers	Proceeds received from the sale of our palm oil, tea and rubber is recorded as revenue in the income statement. Staff costs and other costs such as consumables incurred in the processing of our produce is charged to the income statement.	Trade receivables are recorded when there is a contractual right to receive cash.	▪ Impact of global economic developments on commodities markets ▪ Adverse action by foreign governments in key markets ▪ Impairment of trade receivables

Birds

A total of 89 species of birds including 10 species of endemics and 8 species of migrants were recorded at the Kenilworth estate. Among them, 12 nationally threatened bird species were identified (The National Red List, 2012). The diversity of birds and their distribution with respect to available habitat types show the importance of the Kenilworth as an ideal bird habitat, within the Mid Country wet zone tea growing area of Sri Lanka.

The bird featured on this page is the Common Hawk Cuckoo, commonly called the Brainfever Bird, native to Sri Lanka, and also across much of the Indian peninsula, Bangladesh and Pakistan. It is also found at altitudes of 2600 feet in the Himalayas. It is a brood parasite, laying its eggs in nests of other birds, mostly the babblers. Its habitat is dry deciduous forests, where it is mostly solitary. It is called the Hawk-cuckoo as it resembles a sparrow hawk.

Chairman's Message

Dear Stakeholder,

Your company has turned in a commendable performance recording a profit for the year of LKR 434 mn, maintaining its position as the Company with the highest profits in the plantation sector. Watawala Plantations PLC also recorded the highest tea production during the year amongst the Regional Plantation Companies(RPCs), a fact confirmed by the awards received from the two largest tea brokers in the country.

For the financial year 2013/14, the Board has recommended a final dividend of 50 cents per share for approval by the shareholders at the Annual General Meeting.

The Board continues to provide strategic direction, insights and guidance to an efficient Corporate Management team that has won many awards and accolades for its performance. We congratulate the Management Team and all the employees on being recognised for their achievements in their respective fields.

Global Trends

Recent trends show that outside of China, tea demand is headed in two directions. In tea-dominant markets, bagged black tea continues its sustained growth among daily drinkers, especially in those emerging markets. In non-tea markets, fruit/herbal tea is gaining interest among consumers as a healthier option. This latter group presents a high value opportunity, but also demonstrates the complexity that global tea manufacturers face in promoting the product.

World tea consumption is still largely concentrated in Asia and the Middle East with China, India and Pakistan accounting for over two thirds of the consumption projected growth. Over 50% of global tea exports are to Middle East, North Africa and the former Soviet Union countries.

Global Economy

The overall performance of the Company was set against the backdrop of a period of economic recovery with both the Eurozone countries and the US reflecting positive signs of recovery. Global growth was 3% for 2013 with fresh impetus derived mainly from advanced economies. The performance of emerging markets, previously the standard bearers for growth, moderated as international investors showed more sensitivity to policy changes as opportunities in advanced economies increased. Russia/ CIS countries continues to be the prime destination of Ceylon Tea.

Sri Lankan Economy

Sri Lanka's GDP growth for 2013 against this backdrop was 7.2% reflecting a return to a higher growth trajectory compared to the 6.2% recorded in 2012. Inflation remained in single digits moving to 4.7% on a year-on-year basis for 2013 whilst unemployment was curtailed at 4.4% despite an increase in the labour force. Per capita income was USD 3,280 taking the country closer to its goal of USD 4,000 by 2016. The agriculture sector recorded a growth of 4.7% as it was affected by torrential rains in the first half of the year with tea and rubber recording a decrease in production over the previous year. The agriculture sector accounted for 10.8% of the share of GDP whilst the services and industry sectors contributed 58.1% and 31.1% respectively.

Corporate Performance

Profit for the year as determined by the Total Comprehensive Income for the year of LKR 434 mn represents a 40% decrease over the previous year due to the wage increase. Asset growth has been consistent over the past few years at 7% improving from LKR 6,613 mn to LKR 7,052 mn driven by planned investments in plantations, factories and crop and non-plantation diversification initiatives. Oil Palm continues to be the main contributor to profits with LKR 632 mn profit after tax and other comprehensive income for the year 2013/14 as the Company operates one of just two Oil Palm Mills in the country in this vital import substitution initiative. Tea recorded a loss of LKR 276mn after tax and other comprehensive income, significantly impacting the overall profitability of the company despite our leading position as the highest tea producer among the RPC. This reflects underlying structural issues that need industry wide consensus and action to resolve. These issues were further aggravated by torrential rains in the first half of the financial year which resulted in two factories being flooded and the consequential loss of harvest and production. Rubber too was disappointing and was similarly affected by adverse weather conditions resulting in reduction of the days of tapping which contributed to the decrease in production and recording a net loss of LKR 28mn after other comprehensive income. Diversification projects for timber and exports show promise and potential in contributing positively to the bottom line and we will continue to explore these opportunities further with planned investments.

A financial restructuring was undertaken to improve financial costs to take advantage of declining interest rates. Accordingly short term liabilities were converted as appropriate to long term debt reflecting more accurately the financing needs of the Company. We have continued to invest in the plantations, factories and new projects and instilled a culture that commits to maintaining good agricultural practices in keeping with the triple bottom line approach endorsed by the Board. Increased investments in all categories of biological assets and a state of the art factory at Waltrim reflects our commitment to the long term vision even in lean years. The focus on energy management has also resulted in operational efficiencies as we moved away from dependency on fossil fuels to renewable resources where possible. The installation of a turbine at the Nakiyadeniya Palm Oil Mill is an example of our aggressive strategy in energy management where waste from the palm oil fruit is used to fire the turbine enabling the company to generate 500kWh of electricity.

Strong Partners

The Sunshine Holdings PLC and Tata Global Beverages Ltd, the two shareholders of our parent company, Estate Management Services (Pvt) Limited welcomed a new joint venture partner Pyramid Wilmar Plantations (Pvt) Ltd. Pyramid Wilmar Plantations (Pvt) Ltd is a joint venture between Asia's leading agribusiness group, Wilmar International Limited, Asia's largest Palm Oil producer , listed in the Singapore Stock Exchange. This new alliance enables Watawala Plantations to leverage on Wilmar International's expertise in Palm Oil cultivation and marketing , further strengthening our position.

The Board is committed to leveraging the strengths of our parent company's joint venture partners and believe that the current positioning improves the outlook for the company as it strengthens our access in both advanced markets and emerging markets.

Estate Management Services increased its shareholding in Watawala Plantations during the year from 53.75% at the close of the previous financial year to 75.65% in August 2013.

Stakeholder Engagement

The Board is conscious of the need to engage key stakeholders in a structured manner and review the efficacy of the engagement mechanisms to ensure that their needs are identified with a view to initiating a considered response which is mutually beneficial in the long term. We commend the Corporate Management to the mechanisms embedded in the organization to identify the needs of stakeholders and the initiatives taken to address the identified needs of the customers, employees, suppliers, investors, and regulators in discharge of our responsibilities as a good corporate citizen. We firmly believe that these activities build sustainable organisations and that the model is appropriate for the industry which has long gestation periods requiring commitment to a long term vision.

The Board has also initiated a response to the needs of the shareholders identified at last year Annual General Meeting. AccordinglyThe Board of Directors unanimously consented to mutually terminate the agreement for management services and payment of management fees entered in to by and between Estate Management Services (Pvt) Ltd., and your Company pursuant to an agreement reached with Estate Management Services (Pvt) Ltd. This terminated the agreement which had been entered in to for a period of 5 years from 1st July 2013. The Board also agreed to take over the related expenses associated with the provision of the management services. This arrangement will take effect from 1st April 2014. Disclosure of this was made to the Colombo Stock Exchange in accordance with the Listing Rules on 17th March 2014.

Governance

The Board composition changed during the year with retirement of the former Chairman, Mr.Govindasamy Sathasivam and Mr.R.K.Krishnakumar who provided wise counsel, strategic insights and set the tone at the top. The consequent appointment of Mr. L. Ramanayake as an independent non-executive director and Mr. C.P. Thomas as non-executive director representing Tata Global Beverages Ltd, and the appointment of Mr. M.Sajad Mawzoon following the strategic alliance with Pyramid Wilmar Plantations broadens the skills and expertise of the Board as they brings years of industry experience to the table. The Board now comprises three non-executive independent directors members which includes myself as Chairman, 6 non-executive non independent directors and 2 executive directors.

Acknowledgements

I wish to express my sincere appreciation of the services of the outgoing Chairman Mr. Govindasamy Sathasivam who was key to steering this company over a period of 17 years during which we consolidated our position as the leading plantation company in the country. We also express our thanks to Mr.R.K. Krishnakumar who retired during the year. We thank our employees led by the Corporate Management Team who continue to execute our vision in accordance with our values to turn in award winning results. Our appreciation extends to our strategic partners and investors who place their confidence in us to grow together creating value in mutually beneficial relationships.

Sunil G Wijesinha
Chairman
17 May 2014

Managing Director's Review

Dear Stakeholder,

Your Company continued to grow and posted solid results despite the year was a challenging one, not only for Watawala Plantations PLC but for the entire plantation sector due to biennial wage negotiations which resulted in a 20% wage hike which came in to effect from 1st April 2013.

Operating Environment

In 2013, the Sri Lanka's Agriculture sector accounted for 10.8% of the country's GDP growth compared with 11.1% reported in the previous year. The weak performance of the Agriculture sector during the first half of the year due to extreme weather conditions dragged its annual growth rate down to 4.7% in 2013 which was 5.8% in 2012.

The contribution to GDP by Tea was 0.9% reflecting an expansion in tea production of 3.6% recording the highest ever output of 340.2 mn kilograms despite unfavourable weather conditions in the 2nd quarter of 2013.

Rubber contributed 0.2% to GDP as production contracted following unfavourable weather conditions in 2013. The yield per hectare declined by 14.2% as a result of the reduced number of days available for tapping due to rain. Prices for rubber at Colombo Auctions also declined by 10% during the year exacerbating the woes of the rubber industry.

Focussed Strategy

Our strategy has been to invest our money where it belongs, in our people, in the land and state of the art manufacturing facilities to ensure that we have high quality products. A well trained, motivated and empowered team has been a great asset as they have been the fount of ideas for improved performance in the field and at our offices.

Crop diversification is a strategic priority as Watawala Plantations is a diversified plantation Company. It is also a strategy that has proven profitable and sustainable as we seek to reduce the quantum of edible oil imported in to the country through our Oil Palm Plantations and the Palm oil Mill which is currently one of just two palm oil mills in the country. We have also focussed on non-plantation diversification to minimise risks inherent to our core-business by investing in dairy farming and planting of timber. We have been focussing on rejuvenating the land through tree planting programmes that add to the canopy and the stock of biological assets.

Energy management has been a key area of focus as the industry grappled with rising energy costs and we do not burn fossil fuels in any of our factories now due to our investments in this vital area. Examples of initiatives include investment in a turbine that burns the waste of the oil palm mill and generate 500kWh of electricity and use of briquettes that we produced made from the waste in our tea factories.

We continue to improve our factories to ensure they meet our internal demanding standards and maintaining consistency over quality.

Corporate Performance

Watawala Plantations recorded Total Comprehensive Income for the year of LKR 434 mn. Oil Palm continued to be the main contributor to profits as the segment contributed LKR 632 mn to profit after tax and other comprehensive income. Relatively low yielding tea fields and high costs of production remain the key challenges in the Tea sector which resulted in a loss of LKR 276 mn significantly impacting the overall profitability of the Company. The rubber segment's cumulative net loss after tax and other comprehensive income was LKR 28mn on the back of subdued prices coupled with 8% decline in production compared to previous year mainly due to less number of tapping days as a result of heavy rainfall prevailed during 1st half of the year. The export sector recorded a profit of LKR 25mn with a revenue growth of 57% backed by increased volume.

Investing in People

We have focussed not only on the tea bush but our people who tend it and have a trained, educated and motivated team producing results that set the industry benchmarks in all areas of operations. We have been committed to the training, development and empowerment of our team even during years when profits were lean, ensuring that they are true partners in our progress. Structured committees established at field, estate, region and company levels facilitate identification of their needs and enable our employees to contribute their suggestions which have proved invaluable in our quest to maintain a balanced focus on the triple bottom line.

Our investment in people has also focussed on uplifting various aspects of our employees' lives as well the lives of those who reside on the estates and we work with a number of government and non-government organisations to facilitate their socio-economic progress. Established programmes include:

- assuring 100% education for all children living on our estates,
- Sight for all campaigns including cataract surgeries and distribution of spectacles
- programmes to educate them on issues impacting their lives such as domestic violence, pregnancy and sexually transmitted diseases and prevention
- Health camps and Well Woman clinics
- Child Development centres and libraries
- Self-employment workshops including a vocational training centre for the disabled
- Nutritional programmes
- Programmes and excursions for the elderly
- Construction of toilets

Women empowerment has been a key focus as many of our Associates are females and the programme to develop female Kanganee's has served to demolish gender barriers which were firmly entrenched in the communities and provides a career path to those who are able to adapt.

Industry Challenges

As a plantation company, our performance is dependent on weather patterns and therefore, we understand the impacts of climate change as it impacts us directly and we engage in a number of activities to ensure that we discharge our duties as stewards of the land in good faith. The industry is also dependent on the vagaries of the commodity market which has performed well during the period under review.

Lack of long term development finance in the country remains a challenge that exacerbates the long term investment required. We welcome the government's proposals in the 2014 budget in this regard and trust that it will facilitate sourcing of long term funds for the plantation sector. However, it is noted that the plantation sector is relegated to a back seat in the country's development plans at a time when many countries are focussing efforts to improve the global food supply chain. The industry requires a stable policy environment and sufficient resource allocation to ensure its performance in the long term as it impacts a significant proportion of the population and economy.

Whilst Watawala Plantations enjoys harmonious relations with the trade unions, legacy issues in the industry remain which require changes in attitudes and mindsets to facilitate working towards common goals which are mutually beneficial. Considerable work is done at estate level to facilitate the socio economic advancement of our employees.

The industry continues to be challenged by the biennial wage negotiations. The politically affiliated trade unions pose challenges to the profitability of the industry as negotiated wage increases are not matched with comparable increases in productivity. We believe that the work for wage system needs to change in order to resolve many issues in the plantation sector and are exploring an out-grower model sharing profit versus wages as a possible remedy.

Other challenges facing the industry include rising costs of energy, low yielding tea plantations which require significant investments for replanting and the relatively low level of evolution in technology which hampers productivity and yields.

The industry also needs to attract talented youth to ensure that there is a sufficient pipeline of talent to manage the estates. As there are diverse opportunities available for employment, many talented persons do not take planting preferring employment in city environs as the plantation industry lacks appeal to the new generation. Measures need to be taken collectively to attract, develop and retain people of talent in the industry to realise the full potential of this industry which continues to contribute significantly to the economic development of the country.

Achievements & Accolades

The awards are testimony to your company's focus on excellence in all areas of operations and are key to brand building. Ranging from awards for financial performance to rankings of quantities produced and business excellence in our operations, they inspire and motivate our employees to reach stretched goals. These include

- Best Presented Annual Report 2012 under the Agriculture Sector category at the South Asian Federation of Accountants (SAFA) Annual Report Awards Ceremony held in Islamabad, Pakistan
- Best Annual Report in the Plantation sector awarded by the Institute of Chartered Accountants of Sri Lanka
- Runners up at the National Business Excellence Awards 2013 - Agricultural & Plantation Sector awarded by the National Chamber of Commerce
- Special Award for The Commendable Achievement of Being the Largest Producer in the Corporate Sector with a Sale Quantity of 9.87 Million

Kgs among the Regional Plantation Companies in 2013 awarded by Forbes & Walker and also by John Keells PLC at separate ceremonies.

Additionally 6 of our estates won awards in a number of categories for highest recorded prices and improvements in turnover. I congratulate the managers of Strathdon, Vellaioya, Waltrim, Carolina, Kenilworth and Abbotsleigh for their achievements.

Watawala Plantations obtained certification from the Rainforest Alliance confirming our eco-friendly agricultural practices on 5 estates which adds to our existing portfolio of certifications which include certifications for Food Safety Management and environment and social aspects of how we conduct business.

The Way Forward

A diversified plantations industry has been critical to the socio economic development of many countries and is the focal point of the global food industry as we cope with climate change and increasing global population with demands that strain the current food supply chain. It is a business that embraces the well-being of the people and the planet as our sustainability is inextricably interwoven with the land and the people, who, in multi-faceted roles, impact our industry as consumers, employees and other stakeholders. Watawala Plantations impacts 11,000 lives directly and 60,000 lives indirectly if we simply count the people on the estates. Our social relevance is far greater when consumers, buyers and providers of ancillary services are factored in.

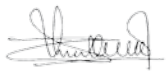
The outlook for Watawala Plantations is favourable considering both internal and external factors. Internal factors include planned investments in expanding Palm Oil plantations and production efficiencies in the extraction process. Watawala Plantations has focussed on our role as a producer with expertise in agriculture but are reviewing strategic options to capture the value addition aspects of the supply chain. As land is a limiting factor for expansion in Palm Oil within the country, we will explore opportunities for expansion overseas as well if necessary.

External factors contributing to the positive outlook include new medical research confirming many benefits of drinking tea and the recent increase in popularity as a zero calorie beverage in new markets with immense potential such as USA and China. Specialised value added brands are positioning tea as a trendy upmarket beverage in countries such as USA as traditional carbonated beverages in this market are reducing in popularity due to the health issues.

We are committed to our long term vision of a profitable, diversified plantation company that sets the benchmarks for operational excellence in the country. Our focus on the triple bottom line approach will continue to be the foundation for our corporate philosophy and strategic direction as we focus on development of people and land to yield sustainable earning and growth in the coming year.

Acknowledgements

The commendable performance achieved during the financial year ended 31st March 2014 has been possible due to the efforts of the corporate and estate management teams and our associates who have worked together to strive and thrive. I also express my sincere appreciation of the strategic guidance and support provided by the Board of Directors whose valuable insights have enhanced our positioning in the industry. Our shareholders, customers, suppliers and strategic partners have all contributed to various aspects of our performance and we are appreciative of your continued support and look forward to growing our relationships in the coming year.



Vish Govindasamy
Managing Director
17 May 2014

Amphibians

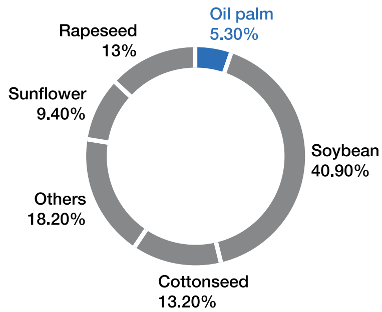
During the survey at Dickoya estate, 10 species of amphibians were recorded. Interestingly, among them 8 species are endemic and all of them are in the national threatened category. According to the data gathered, 5 amphibian species were grouped under the genus Pseudophilautus and all of them are in the nationally threatened list.

The Dull Green shrub frog (Pseudophilautus viridis) is an endemic species which is on the National Red List of Endangered Species. It's habitat is heavily degraded former forests and is threatened by habitat loss. This species has also been observed on the Ouvahkelle, Waltrim and Lippakelle estates.

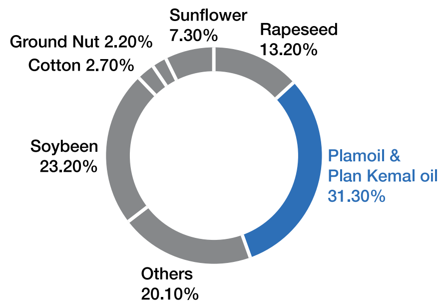
Operational Review

Palm Oil

Oil palm is considered the most efficient oilseed crop in the world. it is estimated that one hectare of oil palm can produce upto twelve times more oil than other oilseeds Oil World an independent forecasting service for oilseeds, estimated that among the 10 major oilseeds, oil palm accounted for 5.3% of global land use for cultivation, but produced 31.3% of global oils and fats output.



10 Major Oilseeds: Area in 2011 (Total - 253.9 Mil hectares)
(Source : oil World 2012)



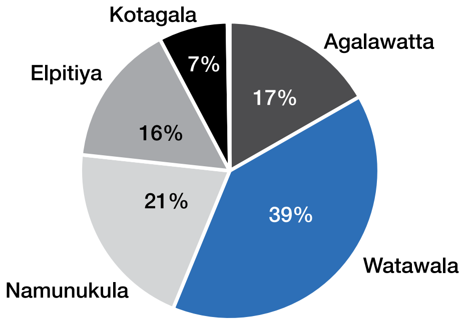
Globl production of Oils and fats in 2011(Total - 179.32 miltonnes)
Includes oils and fats such as butter, fish oil, tallow and grease

Indonesia and Malaysia produce about 85% of the world's palm oil. Other producer countries include Thailand, Columbia, Nigeria, Papua New Guinea and Ecuador.

Sri Lanka is estimated to consume about 150,000 metric tonnes of edible oil a year. Coconut oil amounted to 55% of this share in 2012. However with coconut oil production declining by 45% to 45,208 metric tonnes in 2013, import of oil palm its closest substitute, increased by 41% to 89,969 metric tonnes despite the upward revision of Special Commodity Levy on refined palm oil. (Source: Central Bank report 2013)

Watawala Plantations is the largest producer of Palm Oil in Sri Lanka and our estates are situated in the Udugama Region, in the Southern Province. Watawala Planations commands a 42% share of the Oil Plantation Industry in Sri Lanka having 2,921 hectares out of the total of 7000 hectares of cultivation in Sri Lanka. (Source Ministry of Plantation Industries – progress report 2013).

Oil Palm Cultivation



During the financial year 2013/14, Oil Palm contributed 23% of the Company's Revenue and 97% of the Operating Profit.

Performance

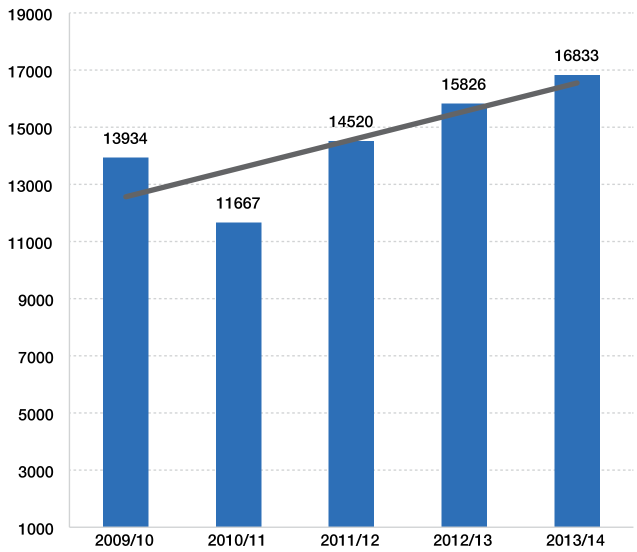
Key Performance Area	Metric	2014	2013	% Change
Revenue	Rs. 000	1,392,375	1,323,444	5.2
Gross profit	Rs. 000	805,808	691,116	17.0
Operating profit	Rs. 000	658,946	577,253	18.0
Total comprehensive income	Rs. 000	632,557	548,110	15.0
Hectarage cultivated	Hectares	2,921	3,071	-4.9
Production	Kgs	8,127,425	7,454,516	9.0
Yield per hectare	Kgs/Hectare	16,833	15,826	6.4
Bearer biological assets	Rs. 000	1,446,672	1,257,404	15.0
Property plant & equipment	Rs. 000	399,968	291,300	37.3
Head count	Workers directly involved in cultivation & production	450	473	-4.8

Palm Oil production was 8,127 metric tonnes up 9% over the previous year while revenue from the sale of Palm Oil amounted to LKR 1,392mn. up by 5% over 2012/13.

Our operating profit improved by 18% over the previous year due to the benefits of good agronomic practices assiduously practiced over the last 5 years. We have understood that performance depends on addressing 3 key stress factors; physical, nutrient and moisture. Canopy Management ensures that young palms optimises the Leaf Area Index whilst pruning of older palms to maximise light interception and utilisation. Proper drainage facilities enhances the correct moisture in the soil, and timely application of fertilizer to provide the right nutrient to the plant and ultimately to the soil.

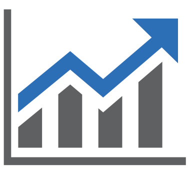
Through a recent innovation of maintaining fish ponds Watawala Plantations also hopes to create a mini ecosystem, conducive to its crop. The increased yield in 2013/14 comes through the product initiatives undertaken by our teams which also includes educating all concerned continuously, and closely monitoring the harvesting operations in order to harvest the fresh fruit bunches at the most appropriate time. The yield pattern for the last 5 years is shown below.

Last 5 Years Output Yield per hectare end March 2014

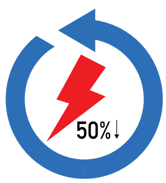


Outlook for 2014

Increased output and profits



Energy bill halved



Enhanced Value Chain

The government's vision to develop oil palm as a commercial crop to meet the local edible oil requirement of the country and saving the foreign exchange for import of edible oil augurs well for Watawala Plantations. We expect to develop unutilised and underutilised land within the planation to expand cultivation in keeping with government's plan to expand the extent of oil palm cultivation in Sri Lanka up to 25,000 hectares by 2022 (Source Ministry of Plantation Industries – progress report 2013)

As local demand continues to be high, Watawala Plantations expects to enhance its crop YOY by 10% in the coming year. The steam turbine which was commissioned at the palm oil processing mill at Udugama early 2014 is expected to halve the energy bill of Rs.1.5 million per month, with the ultimate aim of disengaging from the national grid and reducing cost of production.

Tea

Tea crops were affected by a higher intensity of rainfall in the 6 months from May to October 2013. The tea on the western slopes of Sri Lanka were affected by an increase in rainfall of 1,300mm, 38% higher than the previous year. This created flash floods that affected some of our factories and displaced several families for which a substantial cost was incurred in rectifying same. Further, in the first three months of 2014, the tea plantations experienced an extremely dry spell which again affected our crops.

Performance

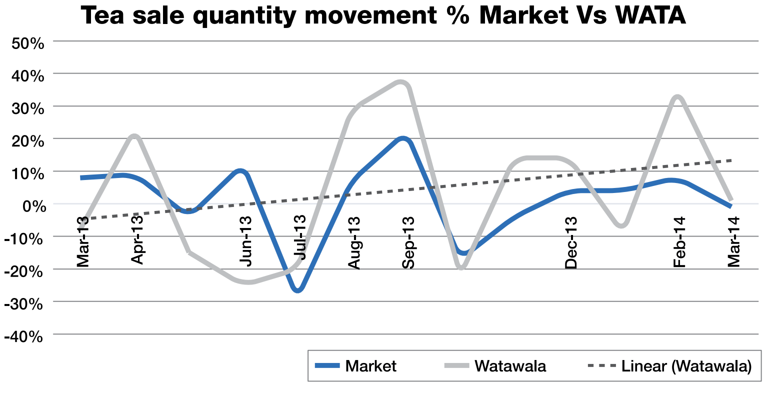
Key Performance Area	Metric	2014	2013	% Change
Revenue	Rs.000	4,164,561	3,655,744	13.9
Gross profit	Rs.000	88,374	317,484	-72.0
Operating profit	Rs.000	(79,778)	120,483	-166.0
Total comprehensive income*(loss)*	Rs.000	(276,912)	58,081	-577.0
Hectarage cultivated	Hectares	4,451	4,472	-0.5
Yield per pectare	Kgs/Hectare	1,480	1,517	-3.0
Production	Kgs	9,926,332	9,888,247	0.4
Bearer biological assets	Rs.000	715,472	694,650	3.0
Property plant & equipment	Rs.000	1,242,533	1,197,864	4.0
Head count	Workers Directly involved in cultivation & Production	8,716	9,325	-7.0

During the financial year 2013/14, Tea contributed 68% of the Company Revenue.

Total tea produced amounted to 9,926,332 kg, a marginal increase over the previous year. The combined output of tea fell by 8% and 3% in Watawala and Lindula regions respectively. The Hatton and Udugama regions have recorded and increase of 8% and 3%. Despite the vagaries of the weather, enhanced worker productivity with plucking averages of 19.65kg over 19.20kg in the previous year was a key factor in mitigating what otherwise could have been a more dismal performance. The combined crop of Watawala Plantations remained on par with the previous year with steps being taken to maintain costs as per plan.

The overall cost of production increased by 13% over the previous year. This was mainly due to the wage revision that takes place biennially as per the collective agreement. 60% of the total cost of production amounts to wages which increased further with the additional gratuity provision of LKR 137mn as a result wage increase.

A strategy we have adopted to offset the wage hikes was to increase our production of teas that give us better margins through lower cost of production. Our purchase of bought leaf achieved an increase in production of 8% over the previous year. We maintained our production levels of CTC teas. Our factory at Lippakelle was also converted for the processing of refuse teas, the first being at Ouhvakelle, while the leaf from the estate was sent to our state of the art factory in Waltrim.



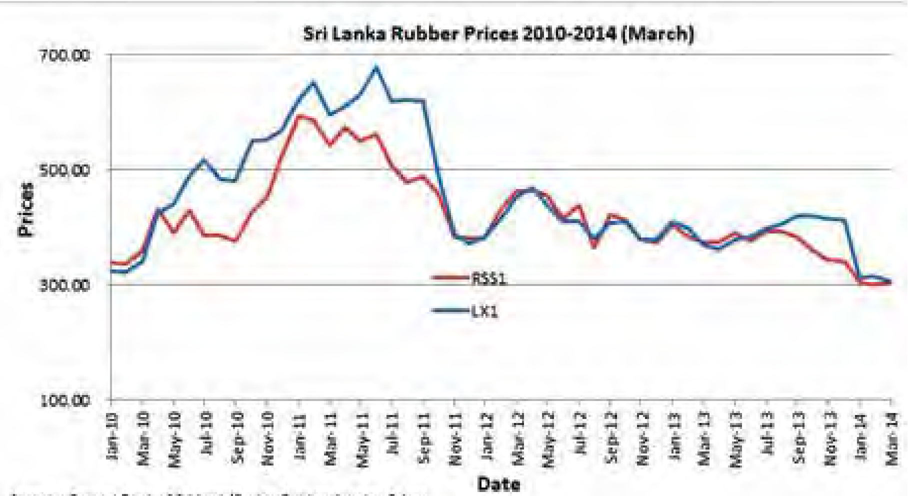
Our production strategies paid off as we continued to outperform the Market despite the setbacks faced from the weather.

Outlook for 2014

It is predicted that Sri Lanka will reach a record crop of 335 mn kgs in 2014. As the Collective Agreements are exercised biennially, we expect to maintain our costs of production. We plan to expand our production facilities in teas that bring us a better cost per kilo and expect to reap the benefits of our certification with the Rainforest Alliance by fetching us better prices per kilo at the auctions.

Rubber

Rubber prices recovered in 2013 to remain at an average of LKR. 373/- per kg. However a sudden drop in latex crepe prices in January 2014, resulted in prices ending at LKR.348/- per kg by the end of March 2014. The economic slowdown in China, the largest consumer of the product is attributed to be the key factor. This position was further exacerbated by the resulting high stockpiles in China and high levels of production in Vietnam and other South East Asian rubber producing countries.



Sources: Central Bank of Sri Lank/Ceylon Rubber Auction Prices

Total production at Watawala Plantations was 490,097 kg against the last season of 534,600 kg, a negative variance of 44,503 kg; a drop of 8% over the previous year. Again unfavourable weather conditions for tapping, affected the number of tapping days.

Performance

Key Performance Area	Metric	2014	2013	% Change
Revenue	Rs. 000	168,721	183,787	8.0
Gross profit	Rs. 000	17,532	33,825	-48.0
Operating profit	Rs. 000	(4,782)	11,406	-142.0
Total comprehensive income	Rs. 000	(28,189)	(1,637)	-1622.0
Hectarage cultivated	Hectares	701	722	-3.0
Production	Kgs	490,097	534,600	-8.0
Yield per hectare	Kgs/Hectare	752	778	-6.0
Bearer biological assets	Rs. 000	157,817	154,185	2.0
Property plant & equipment	Rs. 000	49,438	51,439	-4.0
Head count	Workers Directly involved in cultivation & Production	669	730	-8.0

Rubber prices also declined with the Net Sales averaging LKR 348/- per kg, a 6% drop over the previous year of LKR 372/- per kg. Performance of the sector was further affected by the increase in cost of production by LKR 20/- to LKR 25/- a kg due to a wage increase brought on by the Plantation Workers' Collective Agreement of April 2013.

Outlook for 2014

The industry which is very price dependent on its overall performance is being faced by challenges in tapper shortages, and adverse weather conditions as our plantations are in the low country wet zone.

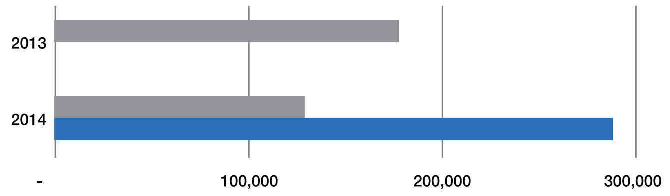
Exports

Performance

Key Performance Area	Metric	2014	2013	% Change
Revenue	Rs.000	416,967	177,987	134.0
Gross profit	Rs.000	30,752	5,808	429.0
Operating profit	Rs.000	24,002	5,217	360.0

We commenced value added tea exports to Australia following an introduction through our strategic partner Tata Global Beverages. We use 11 varieties of herbs and green teas which are packed into pyramid shaped tea bags. We are pleased with our performance in the first year of operations and expect to see an increase in the coming year.

Revenue - Exports

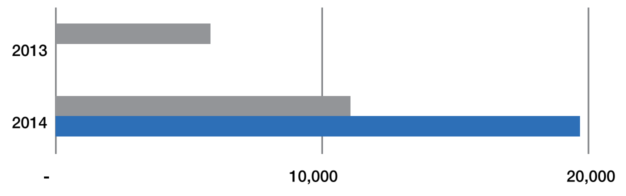


	2014	2013
Bulk	128,963	177,987
Value added	288,004	

While revenue from bulk teas exported declined by 28% over the previous year due our revised export mix, its profit margin increased by 91% due to better margins obtained for Rainforest Alliance teas.

Our exceptional increases in profit margins over the previous year validates our move to value added teas.

Gross Profit - Exports



	2014	2013
Bulk	11,089	5,808
value added	19,663	

Outlook for 2014/15 is very positive based on the results first month of the year.

Financial Review

FY13/14 Highlights

- Revenue increased 15% YoY to LKR 6.1bn
- PAT decreased 40.2% YoY to LKR434mn, Contraction in margins due to wage hike
- Palm oil production up 9.0% YoY to 8.13mn kg
- Tea production of 9.93mn kg remained flat compared to previous year
- Rubber production 0.49mn kg, down 8.3% YoY as a result of less number of tapping days due to rains

Watawala Plantations PLC (WATA) reported revenue of LKR6.1bn for the year ended 31 March 2014 (FY14), up 15% YoY. Net profit declined to LKR434mn for FY14, from LKR726mn recorded in the previous year.

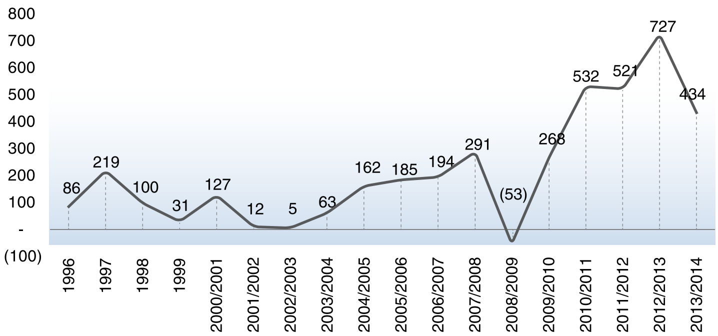
The overall decline in YoY PAT is mainly attributable to the 20.0% YoY wage hike which came into effect from April 2013, which increased the cost of production across all crops. Other income also contracted in FY14 to LKR90mn, down 36% YoY.

The Financial Review relates to the performance of the parent Company unless otherwise stated as it is the key determinant of the Group's performance.

LKR mn	FY14	FY13	Growth %
Revenue	6,143	5,341	15%
EBIT	678	809	-16%
EBIT Margin	11.04%	15.15%	
Profit for the period	434	727	-40%
PAT Margin	7.07%	13.61%	
EPS (LKR)	2.10	2.88	-27%
Total Assets	7,052	6,613	7%
Equity	4,218	3,843	10%
FINANCIAL RATIOS			
Return on equity %	10.30	18.91	
Current ratio (Times)	1.66	1.30	
Debt equity ratio (Times)	0.14	0.15	
Interest cover (Times)	6.95	10.38	
Total assets to current liabilities %	13%	17%	
INVESTOR RATIOS			
Price earning share (Times)	4.66	3.89	
Dividend per share (LKR.)	0.50	0.25	
Dividend cover (Times)	3.67	12.28	
Market Capitalization (Rs.'000)	2,319,337	2,650,670	
Net assets value per share (LKR.)	17.82	16.24	

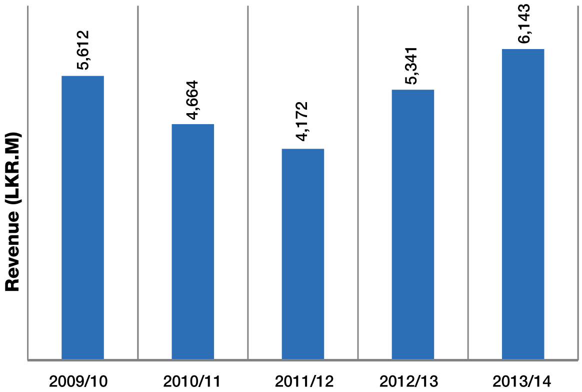
Company's profitability since 1996:

LKR mn



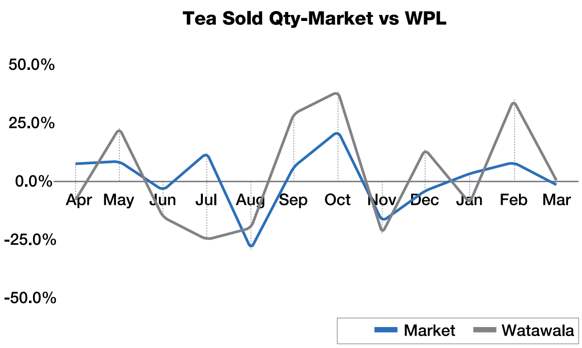
Revenue

The Company recorded revenue of LKR 6.1 bn during the financial year FY14 from tea, rubber, palm oil and export segments. This had resulted in a growth of 15% in comparison to the previous year.

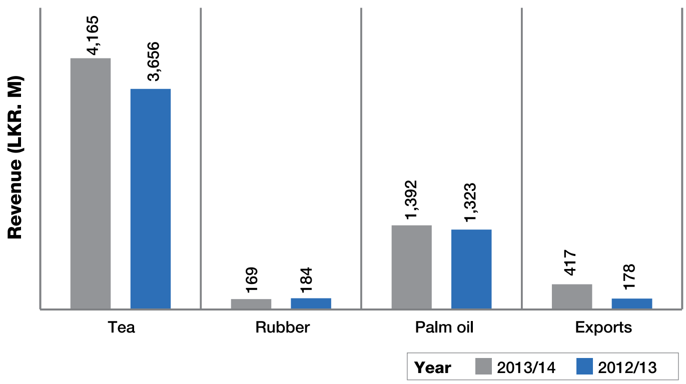


The increased volume from Palm oil and better NSA on tea and higher selling price yielded from Palm oil had resulted an increase in revenue for FY14. Other main contributory factor in FY14 was the increased revenue from exports. Further, the actual tea quantity sold by WATA and the total tea sold at the auction are depicted in the graph below.

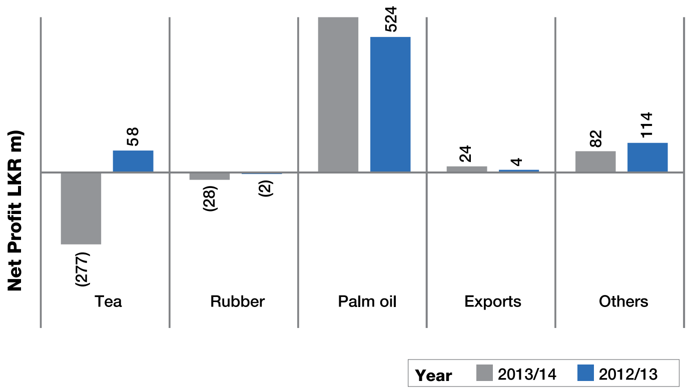
Segmental Review



Segmental Revenue



Segmental Profitability



Tea Segment

Tea	FY14	FY13	Growth %
Quantity (kg '000)	9,926	9,888	0.4
Revenue (LKR mn)	4,165	3,656	13.9
NP (LKR mn)	(277)	58	nm
NP per kg (LKR)	(28)	9	nm

Tea segment, the largest revenue contributor which accounted for over 68% of the total revenue, increased 14% YoY to LKR4.2bn in FY14, mainly on the back of improved tea prices, and a slight increase in production volumes in FY14. Tea NSA (Net Sale Average) for FY14 improved to LKR418 /kg, up LKR18 /kg from last year. The increased volumes experienced during 2HFY14, on the back of favorable weather conditions, mitigated the crop loss experienced due to heavy rainfall during 1QFY14. Tea production was recorded at 9.93m kg for FY14, which was slightly above the previous year's production of 9.89mn kg. The net loss from Tea stood at LKR277mn in FY14 compared to a profit of LKR85mn previous year. The loss is mainly attributed to a 20% YoY wage hike, effective from April 2013, which resulted in an increase of average production cost by LKR38 per kg. As a result, the total negative impact on cost of sales amounted to LKR379mn for FY14. Although this was common for all 3 crops, Tea was the worst hit as it requires the most number of associates per hector.

Palm oil segment

Palm oil	FY14	Growth FY13	%
Quantity (kg '000)	8,127	7,455	9.0
Revenue (LKR mn)	1,392	1,323	5.2
NP (LKR mn)	633	524	20.8
NP per kg (LKR)	78	70	11.43

Palm Oil segment registered a revenue growth of 5% YoY to reach LKR1.4bn in FY14, which accounted for 23% of the company's revenue during the year. The revenue growth was mainly driven by an impressive increase in Fresh Fruit Bunch (FFB) Yield, recorded at 16,833 kg per ha in FY14, from 15,826 kg per ha in the previous year, resulting from the adoption of good agricultural practices over the last few years, in line with the company's agriculture policy. The CPO production grew 9% YoY to 8.13mn kg for FY14 from 7.46mn kg recorded last year. The segment maintained its position as the highest contributor to company profitability, having made a net profit of LKR633mn for FY14. WATA continues to be the single biggest CPO producer in Sri Lanka.

Rubber segment

Rubber	FY14	Growth FY13	%
Quantity (kg '000)	490	535	(8.4)
Revenue (LKR mn)	169	184	(8.2)
NP (LKR mn)	(28)	(2)	nm
NP per kg (LKR)	(58)	(3)	nm

The rubber segment which accounted for 3% of the total revenue in FY14, experienced an 8% YoY drop in revenue to LKR169mn, from LKR184mn recorded last year due to a decline in production by 8% YoY. The drop in production was accounted by lower number of tapping days due to bad weather that set in from May 2013 through till September 2013. The net loss for rubber amounted to LKR28mn in FY14 against a loss of LKR2mn recorded last year.

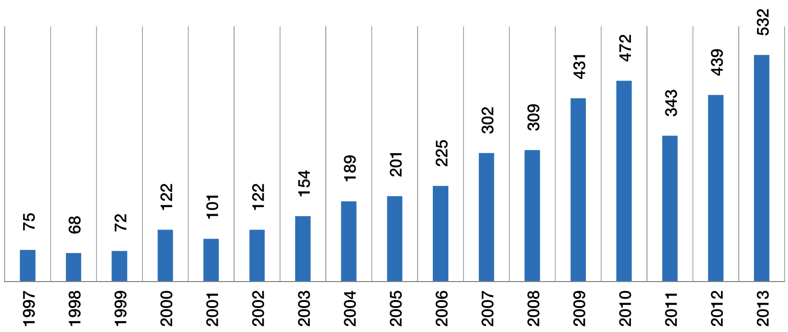
Export segment

Export sector recorded a significant improvement in revenue driven by value added teas/herbs sold at a higher price compared to mainly bulk orders last year. Majority of the exports were to Tata Global Beverages for their Tetley operation in Australia, Russia, Pakistan, and India. In FY14, export revenue grew 134% YoY to LKR416mn from LKR178mn last year. Exports account for 7% of total group revenue.

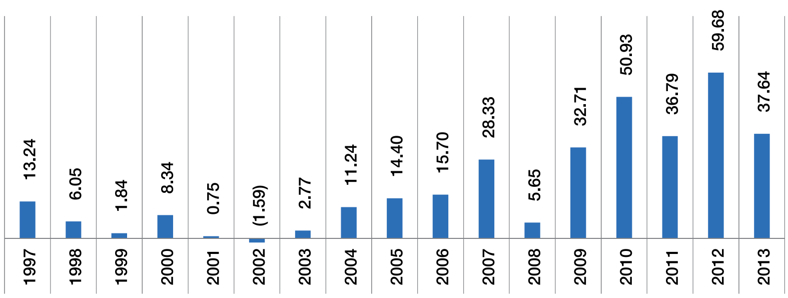
Financial performance per Employee

The revenue and profits generated per employee has been LKR532/-. and LKR38/- respectively.

Turnover Per Employee



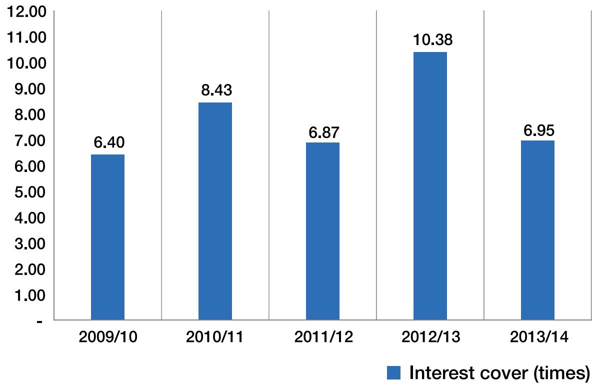
Profit For Employee



Finance expenses

Year LKR.mn	2009/ 10	2010/ 11	2011/ 12	2012/ 13	2013/ 14
Finance cost	80	86	111	78	98
Interest cover	6.40	8.43	6.87	10.38	6.95

The finance expenditure incurred during the year has been 14% on the operating profit. During the previous year the same has been 10%.The cost increase is mainly to finance the addition expenses on wages which is substantial in FY14. As a result the interest cover too had decreased 6.95 times from 10.38 times in FY13.



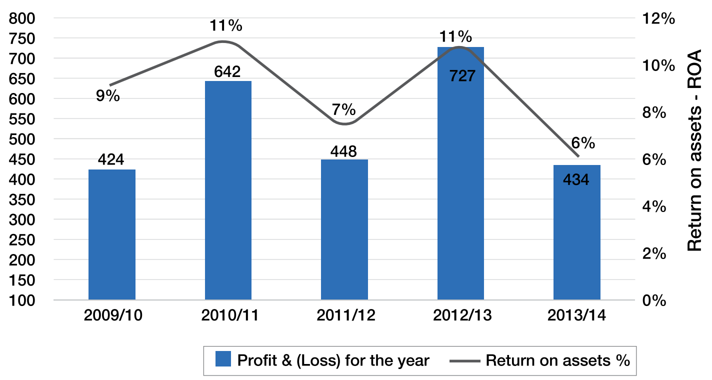
Return on Equity (ROE)

The company generated a return on equity of 10% for the financial year as against 19% for the previous year. Reduction is mainly due to reduction in profitability in FY14. In the last three years as shown in the graph the directors have retained more profits for longer sustainability.

Year LKR. mn	2009/10	2010/11	2011/12	2012/13	2013/14
Comprehensive income	424	642	448	727	434
Return on equity %	21%	21%	13%	19%	10%

Return on Assets (ROA)

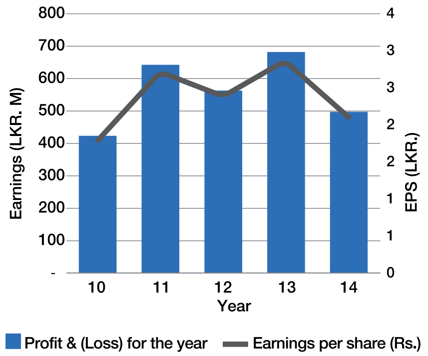
The company has been able to generate a return of 6% using the total asset base during the financial year. The decline in ROA is mainly due to reduction in profitability for the year.



Basic Earnings per share (EPS)

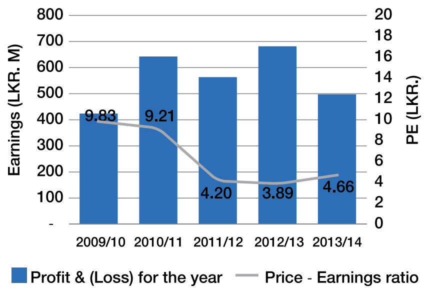
During the financial year the company has generated LKR2.10 profit for each unit of shares. (Total Ordinary shares: 236.67mn). EPS have been calculated on continuing operations as recommended by LKFRS / LKAS.

Moreover the cash generated from operations per share was LKR2.73 for the year where the same has been LKR4.47 in 2013/14.



Price earnings ratio (PER)

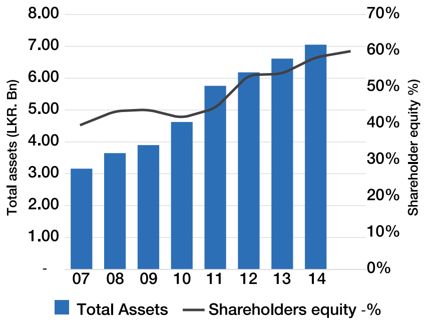
The financial year FY14 recorded a PER of 4.66 for Watawala share. During the previous year this has been 3.89. The year closed with a market price of LKR9.80 per share of the company traded at Colombo Stocks Exchange. (LKR.11.20 as at 31/03/2013)



It appears that in the year under review the share value has fallen in relation to earnings.

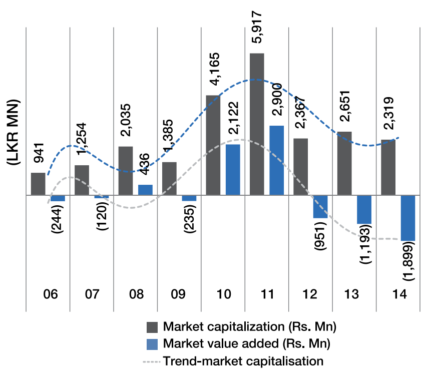
Equity

The shareholders equity ratio reflects the movement of shareholders' funds invested in the company along with the asset base. During the year the shareholders equity aggregates up to 60% of the total asset base of the company.



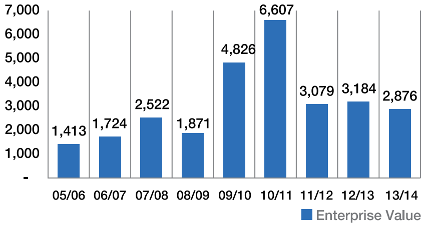
Market value added (MVA)

MVA is an indication of the value addition ability of a company to the shareholders' funds invested. MVA is arrived at by subtracting the shareholder funds from the market value of shares. During the financial year 2013/14 the market value addition has deteriorated by LKR 1,899 mn due to lower market price traded at the stock exchange. The company also has increased its shareholders funds year on year. The market price as at 31.03.2014 was recorded at LKR9.80



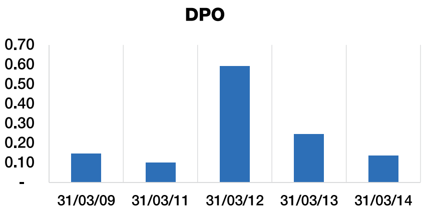
Enterprise value (EV)

Enterprise value is considered as potential takeover price of a company hence it is derived from the market capitalization. During the year EV of the company is at LKR2.8 bn previously LKR3.1 bn recorded in FY13.



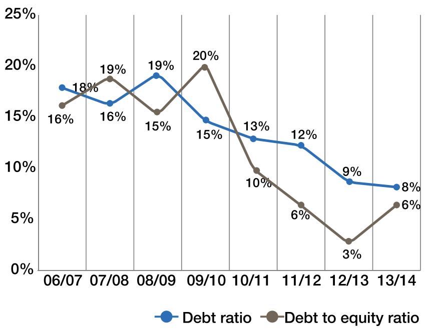
Dividends

The Board of Directors has recommended a final dividend of LKR.0.50 per share amounting to LKR.118.33 mn. Dividend paid in FY13 was LKR. 0.25 pre share. The Cumulative Average Dividend Payout (DPO) of the company from 1996 to financial year FY14 is approximately 22% this is equivalent to LKR 787 mn.



Borrowings

Total borrowings of the company stood at LKR 575 mn. Long term borrowings have increased to LKR.270 mn in FY14, from LKR.100 mn in FY13. Further short term borrowings have declined by LKR 165 mn due to restructuring of debt capital.



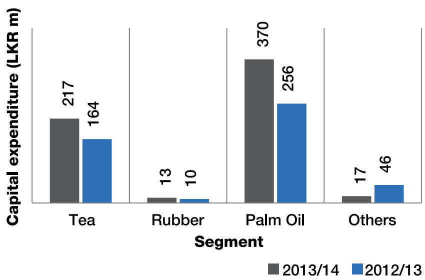
Debt Ratio (Debt to Assets) of the company reduced to 8% during the year from 9% recorded in the prior year. This was mainly due to an increased asset base in the year FY14.

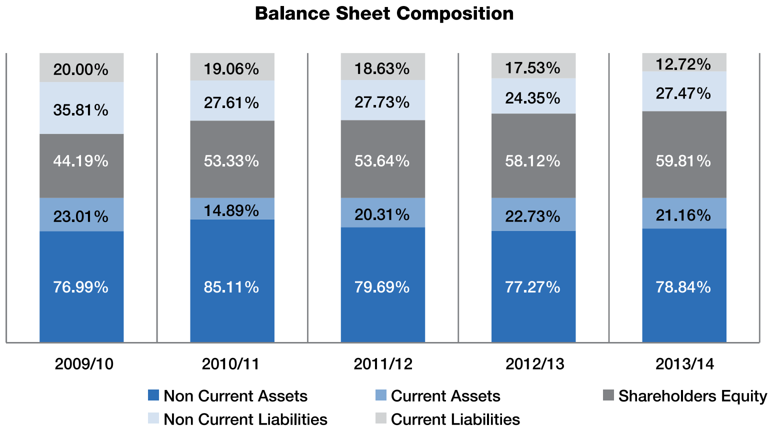
Debt to equity ratio had increased to 6% due to higher long term debts.

Asset base

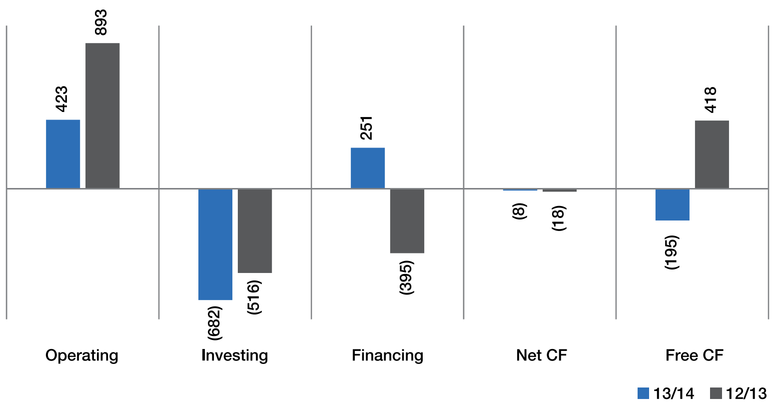
The asset base of the company at the end of FY14 stood at LKR 7.05bn with non-current assets of 79% and 21% of current assets.

During the year the company has spent LKR 617mn on capital expenditure which includes massive replanting phase of palm oil and tea amounting to LKR.331 mn. Total capital expenditure incurred has been 10% of the Revenue generated for the year.





Cash Flow



The operating cash flow generated for the year wasLKR423 mn which was declined by 53% compared to FY13.This was mainly due to reduction in profit by 40% compared to FY13. The net cash generated by investing activities was negative LKR 682 mn. As a result of debt restructuring the financing activities recorded a positive LKR 251mn due to proceeds from bank borrowings. The dividend payment for FY14 was LKR 59 mn as against LKR 201mn in FY13. At the end of the year company is at a positive cash position of LKR 18 mn as against the LKR 26 mn recorded in FY13.

Free cash flow (FCF)

The free cash flow is the net cash generated by a company after providing funds for enhancement of the asset base by way of capital expenditure. For the financial year FY14 the FCF for the company is LKR.195 mn negative in comparison to positive LKR 417 mn in the previous year. This has been due to the 40% reduction in profitability for the year FY14.

Working capital

During the year the working capital cycle has been increased by 83% with a higher inventory and receivables. The average cycle is recorded as 55 days in comparison to 30 days in the previous year.

	31/Mar/14 Rs. '000	31/Mar/13 Rs. '000
Total current assets	1,492,340	1,503,381
Less: Total current liabilities	896,771	1,159,450
Working capital	595,569	343,931
Current ratio (times)	1.66	1.30

Despite increase in working capital cycle in FY14, the current ratio of 1.66 times in comparison to 1.30 times in FY13.

Outlook

WATA has successfully endured a tough FY14, on the back of wage hike and tea crop losses, thanks to its diverse range of agri crops which nulled the risk of a single commodity to the company. FY14 being a 'wage year', the company had a 20% YoY increase in its staff related cost, but this was somewhat cushioned by a good harvest for our palm oil plantations, and strong tea prices.

With associate wages expected to be fixed during FY15, we expect WATA to record a strong performance for the year ahead. The growth in revenue and profitability is expected to come from our Palm oil segment, which has been WATA's saviour in FY14. Furthermore, we are hopeful that the tea segment will return to profits during FY15, if the market prices continues to be buoyant.

Butterflies

A total of 43 species of butterflies were recorded belonging to 5 families during the study at the Lippakelle estate. Four endemic species, 4 endangered species, 4 vulnerable species and 1 near threatened species were recorded in the survey. The highest diversity was recorded in home garden whereas lowest diversity of butterflies was observed in Eucalyptus forest. This is an important observation that indicates the key role played by the home garden systems to maintain butterfly diversity.

Featured on this page is the Ceylon Tiger (Parantica taprobana) which is endemic to Sri Lanka and is on the National Red List as endangered and as Near Threatened by the IUCN Red List. The Ceylon tiger typically flies high in the tree canopy, but descends to the ground to feed on the nectar of wayside flowers. As it feeds, it hangs on the flowers with its wings partially open. It inhabits the high tree canopy at elevations of over 3000 feet. This species has also been observed in the Waltrim estate study.

A Sustainable Strategy

Our strategy has been formulated taking in to account our commitment to the triple bottom line approach, the stakeholder needs identified and other key risks identified through our risk management process. Corporate management is responsible for preparation of the corporate plan taking in to account the strategic direction and guidance provided by the Board of Directors. The Strategic Plan is approved by the Board annually and performance against key performance indicators is monitored at monthly Board Meetings. The precautionary principle is embeded in the culture and values of the organisation and is a key consideration in dicision making.

Corporate Vision, Mission & Objectives

A People's business

- Worker Engagement
- Talent Management
- Empowering employees

An evolving marketing strategy

- Leverage the networks of our Joint Venture Partners to develop export markets
- Maintain presence at Colombo Tea and RubberAuctions

Operational Efficiency

- Optimise use of technology to gain operational efficiencies

Crop Diversification & Non-Plantation Diversification

- Increase oil palm cultivation hectarage
- Diversify in to other commercial crops such as cinnamon
- Increase timber plantations for internal use
- Dairy farming

Preservation of Environment

- Explore alternative eco-friendly energy sources for use in our estates
- Use only eco-friendly agricultural practices that minimise negative impacts to environment
- Survey, document and monitor endangered and vulnerable species of flora and fauna populations in estates to facilitate preservation

High level strategy is then translated in a rigorous top down process in to regional plans, estate level plans and individual Key Performance Indicators as depicted below. Monthly reports facilitate monitoring of performance at company, region and estate levels against identified performance indicators.

Company Level Strategic Plan → **Regional Level Strategic Plan** → **Estate Level Strategic Plan** → **Individual Key Performance Indicators**

A Peoples' Business

Our operations directly impact lives of our employees, the people resident on the estate, small holders who supply tea leaves to our factories and the communities we operate in. We also rely on customers and brokers to convert our produce to earnings, investors to provide capital for our growth and also acknowledge the multi-faceted role of the government in the plantation sector. We recognise the interdependent nature of these relationships and take a long term approach in managing them. The social report describes our approach to engaging with these key stakeholders to identify their needs and how we respond or otherwise manage their expectations and build trust. Plantation is a peoples' business and we are cognisant of the need to address their issues to ensure the sustainability of the plantation industry.

Stakeholder	Relevance to Business	How We Engage	Needs Identified
Employees	We have 11035 employees of which 10974 are work on plantations. 99% of our employees reside in the plantations and have access to a variety of welfare services provided free of charge. We rely on them for our growth and performance and seek to empower them to reach their full potential.	Daily Forums The Insider Magazine Employee surveys Complaint registers maintained at all estates Monthly proactive meetings with union representatives	Empowerment Equal Opportunity Job enrichment Housing and Welfare needs for resident estate employees Basic medical facilities for resident employees
Small Holders	Small scale plantations and home gardeners sell their tea leaves to our factories which accounts for approximately 25% of leaves processed in our factories. The price is determined according to a formula set by the Sri Lanka Tea Board. We provide fertiliser and agrochemicals to these small holders for which the cost is recovered from the amounts payable to them providing them with crop financing. We also purchase quantities of other crops for processing at our factories.	Village forums Complaint Registers maintained at all estates One to one meetings with Estate Managers and Regional Managers Through tea commissioners division	Fair price Technical advice on agribusiness Financial support Compliance with certification standards
Brokers & Buyers	Our products are sold at the Colombo Auctions and also sent direct to buyers. Brokers assess and catalogue the produce and market it at auctions. Most of the produce sold at auctions is exported.	Tea Auctions One to one meetings with Regional Managers	High Quality produce Certifications of quality assurance systems Compliance with certification requirements
Communities	We are closely involved in the village communities that border our estates as our actions impact these communities and they provide ancillary services. Additionally, resident employees are dependent on the communities for their needs and we work with government and non government agencies to uplift their living standards on a continuous basis.	Village Forums One to one meetings with Estate Managers Complaint Registers maintained at all estates	Socio economic progress of communities Preservation of environment Financial support for community development
Residents on Estates	There are 54505 residents on our estates, many of whom are families of current or former employees. They are also provided with access to welfare services	Daily forums Complaint registers maintained at all estates	Provision of housing and other facilities Basic medical facilities on estates Access to education for children
Investors	Investors including shareholders and banks provide capital to finance our growth. Shareholders earn a return by way of dividends and appreciation of the share price whilst banks earn interest, commission and fees.	Quarterly communications Press releases Annual Report Annual General Meeting	Increasing financial returns Risk Management Corporate Governance
Government	The Government has a multi-faceted role as the Golden Shareholder in the company, the lessor of the estates we manage and the regulator of markets and the environment.	One to one meetings at estate level with local government and provincial councils. One to one meetings at corporate level with relevant ministries and Department of Inland Revenue.	Alignment with national strategy Compliance with terms of lease agreements Preservation of natural capital Timely payment of taxes

Watawala Plantations PLC is already a member of following professional organizations and industry experts.

- American Chamber of Commerce in Sri Lanka
- National Chamber of Exporters of Sri Lanka
- The Colombo Rubber Traders' Association
- The Ceylon Chamber of Commerce
- The Employer's Federation of Ceylon
- Indo Lanka Chamber of Commerce & Industry
- The Planters Association of Ceylon
- Spices and allied products Producers' and Traders' Association
- The National Chamber of Commerce of Sri Lanka
- The Ceylon National chamber of Industries
- The Colombo Tea Traders Association

An Empowered Team

Watawala Plantations PLC employs 11,035 staff from local community of which over 11,000 work on 19 plantations located in 2 Provinces, forming the largest group of stakeholders directly impacted by operations of the company. Almost 99% of our employees reside in the plantations together with their families and rely on the company to provide basic facilities. We rely on our employees for our growth and performance and seek to empower them to reach their full potential.

Key Performance Area	Metric	2013	2014	% Change
Total Staff Cost	Rs.	2,750,168	3,685,894	35.3
Investment in Training	Rs.	4,817,114	6,900,349	43.2%
Employee Retention	%	97%	94%	-3.8%
Staff Turnover ratio	%	14%	13%	7.0%
Employee Productivity	Revenue Per Employee	454,000	556,649	22.61%
	Profit Per Employee	57,967	45,079	-22.3%
	Assets Per Employee	562,158	639,098	13.68%

Management Approach

Watawala Plantations as an equal opportunity employer, seeks to engage our employees to identify their needs in a proactive manner and has a robust policy framework that is consistently applied. We provide clear and fair terms of employment, provide resources to enable their continued development and explore means of enhancing their involvement in our business. Employees are educated and safeguards are put in place to ensure that all employees are treated with dignity and respect without sexual, physical or mental harassment in a safe environment. We engage proactively with trade union representatives to identify issues and resolve them early. Additionally, Complaints Registers are maintained on estates which are reviewed regularly to identify issues that require attention and resolution. Effectiveness of our Human Resources function is assessed through an annual Climate Survey, which covers all staff above the Executive Grade at estates and all staff at the Corporate Office.

Talent Management

- Attracting & Recruiting Talent
- Developing Talent
- Reward & Recognition
- Talent Retention

Organisational Development

- Creating a Conducive Work Environment
- Occupational Health & Safety
- Women Empowerment

Industrial Relations

- Regular Dialogue
- Addressing issues
- Proactive Engagement

HR Services

- Performance Management
- Administration
- Evaluation of Effectiveness

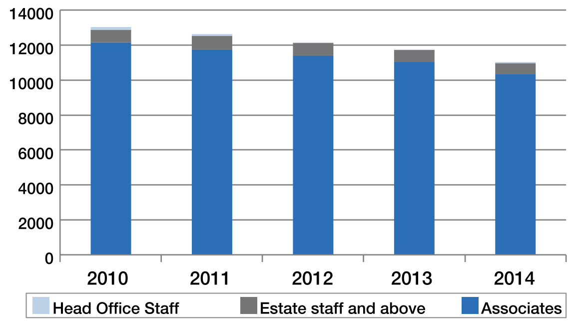
Managing our Talent Pool

We have a diverse talent pool who have very different needs from the company as staff residing on estates have a higher level of dependency on the employer to fulfil their needs compared to Head Office staff. Education levels are also diverse with the majority of Executive level staff having tertiary educational qualifications whilst Associates typically have lower secondary level education. The disparity in education is a legacy from the colonial era and whilst there has been significant improvement in literacy, mortality and housing for workers on estates, further progress is necessary to ensure sustained socio-economic advancement for Associate level workers on estates. Our policies and procedures are designed to cater to these very diverse requirements whilst maintaining the underlying principles of equal opportunity, meritocracy and facilitating socio-economic advancement. There is no discrimination against women for remuneration as they get equal pay. The infogram below depicts the diversity of our team.

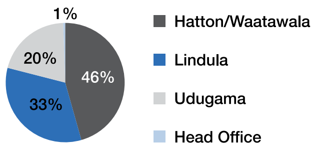
Staff Strength

The gradual decrease in headcount is mainly due to retirement and marriage resulting in change of residence. Greater automation and mechanisation of processes in both head office and estates and re-skilling staff to adjust enabled us to recruit only on a needs basis which has contributed to enhanced productivity.

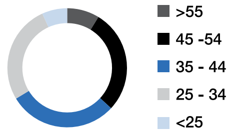
At Associate level, we note with satisfaction the increasing education levels which enable the children of Associates to obtain employment outside the estates, the main cause of the decrease in head count at this level.



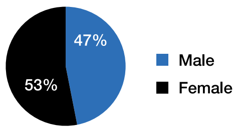
Analysis by District/Province



Analysis by Age



Analysis by Gender



By Contract Type

Total workforce by employment contract	Number of Employees
Permanent employees	10711
Fixed term/Contract employees	52
Out sourced employees	272
Total Employees	11035

Benefits

As the majority of our employees are resident on the estate, the benefits provided vary substantially between those who are resident and those at Head Office due to the varying nature of work. The largest employee category of Associates are provided housing and primary healthcare. Each estate operates a dispensary with a qualified estate medical officer and a midwife. Drugs are provided free of charge. Maternity clinics are available within the confines of the estate and a midwife visits regularly. Associates are transported by the company to the nearest district/ base hospital if the need arises. All funeral expenses of Associates are paid for by the company including location of the burial site. Employees injured during work are entitled to compensation, the value of which is determined paid at a standard rate which can be referred to the Commissioner of Workmen's Compensation in event of dispute. We also work in partnership with government and non-government organisations to facilitate the socio-economic advancement of the Associates and their families as enumerated on page 52 An Engaged Community.

Employees above the category of executive on the estates and all Head office Employees are enrolled in a Medical Insurance scheme. All estate staff below the executive category are covered by a contributory medical scheme for which employees contribute 5% of their salary whilst the company contributes 10% towards the medical fund. Female employees are entitled to maternity leave of 84 working days for the first two pregnancies and 42 days for any further pregnancies as provided for by the labour regulations. Daily paid employees are entitled to a maximum of 17 days paid leave in the following year based on their attendance to work according to the labour laws of the country.

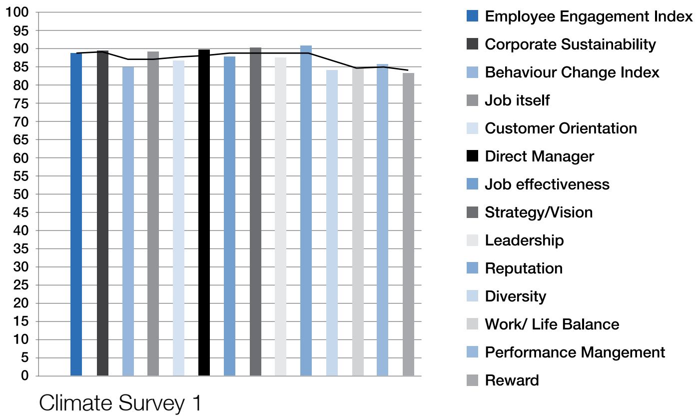
All permanent employees are enrolled in the Employee Provident Fund and Employee Trust Fund as per respective Acts. Accordingly employees contribute 8% of their salary to the Employee Trust Fund whilst we contribute 12% and 3% for Employee Provident Fund and Employee Trust Fund respectively. Gratuity is provided for under the Gratuities Act of 1983 which is partially funded as determined by an independent actuarial valuation which has been carried out Messrs Actuarial and Management Consultants (Pvt) Ltd. Gratuity is paid to all employees with over 5 years service at the rate of 14 days wages for every completed year of service.

Employee Engagement

Bi annual family outing overnight fully funded by the company for all head office employees and estate management above the Assistnat manager grade. Estate staff and Associates together with families are sponsored an annual excursion by the company.

Performance appraisal – estate executive and above and all head office staff

Climate Survey is one of the methods that we adopted to get employee feedback, opinions and suggestions for improvement. This is a valuable employee engagement tool which encompasses all staff at Head Office and all staff above the Executive category at Plantation level. The Chief Executive Officer conducts the discussions separately for all categories of employees after which suggestions and remedial measures are put to practice. The results from the survey which is based



Developing Talent

Training and Education is a key component of Watawala Plantation's Talent Management Strategy as we firmly believe that our employees provide our greatest competitive advantage. We have a very clear and defined Training & Development Policy encompassing all levels of staff. Training needs are identified through the Performance Management process for all levels of staff other than Associates whose training requirements are determined by Estate Manager in concurrence with Estate Medical and Field Staff. A training calendar based on individuals training needs requirements is formulated and implemented to cater to the organisation's business needs and stakeholder needs identified from the stakeholder engagement processes. The Talent Development component aims to develop employee competencies, adding value to their lives and unleashing their potentials to facilitate their socio economic progress.

Consistent Talent Management policies have resulted in an organisational culture that continues to focus on improvement – the Kaizen Culture". "Knowledge Sharing" is another element of our Talent Development programme and we conduct many training programs with the support of our in house expertise covering all associates from corporate managers to the grass root level. Training programs are conducted in the field or in the training centres as the occasion demands. We have covered almost all our employees providing at least 01 training program per person in the reporting period including drivers and office aides. We monitor training executed to individuals by periodic evaluations to include feedback reports from both the beneficiary and the immediate supervisors.

Customised HR programme done by IPM for Welfare staff – one person got a distinction and was promoted as HR Assistant on the estate, a new position created by the company for improving HR network within the estate.

Category	No of Programmes	Description
IT	2	Effective use of Calendaring and e mail
Technical	15	Measuring and Improving Productivity Super 5S for a super-efficient Work Place Seminar on Industrial Safety and Productivity in Tea Factory Debt Instruments for Corporates and Tax free Return to Investors LBR LBO Summit on Enterprises 5S - Train the Trainer Programme Budget Seminar - 2014 Tax Seminar
HR	6	National HR Conference Training on Disciplinary Procedure and collective agreement Awareness programme on Contribution of Welfare teams to productivity improvement Employers Syposium Foundation Course in HRM Customized Foundation Course in HRM for Plantation Welfare Staff
Marketing	2	Workshop & Tea tasting Session for WPL Estate Managers at Lanka Commodity Brokers Ltd. Workshop for Factory Personnel
Overseas Training	3	Estate Managers in the Hatton/Watawala Region visited the Kanan Devan Hills Plantations, India to gain an insight in to their operations, employee empowerment and community engagement. CEO and Manager-Vellaioya went on a study tour to Kenya National University of Singapore -Managemet Programme
Soft skills	3	Personal Grooming Session Skill Development Programme for Field Officers
English	1	Online English Course
Other	1	GRI New Standards Workshop

Employee Category	Total training hours	Total number of employees	Average hours of training
Corporate Managers	220	6	36
Managers	1976	21	94
Executives	692	20	34
Non Executives	6278	281	22
Associates	48646	1520	32
Total	57812	1848	

Gender	Total training hours	Total number of employees	Average hours of training
Male	28150	752	37
Female	29662	1096	27
Total	57812	1848	

Para Extension Training

Para extension approach introduces the concept of strategic business partnerships at estate level forming an important link between management and employees on the field. Under this programme, selected groups are trained by the Tea Research Institute who in turn transmit their learnings to Associates at field level using the Train the Trainer concept. The HR team is actively involved in ensuring the effective implementation of this para extension approach.

Customised Certificate course in Human Resource Management for Plantation Executives

Ten Assistant Managers from Watawala Plantations participated in a unique programme designed for the plantation sector by the Institute of Personnel Management together with veterans in the industry using dynamic training tools covering 78 training hours. Aneye opener for many participants, it tackled legacy issues in the plantation sector and the need to change attitudes and mindsets to transform the industry.

Customised Foundation Course in HRM for Plantation Family Welfare Officers

This customised programme was designed with the aim of creating a career path for these officers who are a vital link between the Associates and Management. Conducted by IPM with assistance from the World University Service of Canada, this is also a key aspect required for transformation of the industry.

Workshop for Estate Medical & Welfare Staff

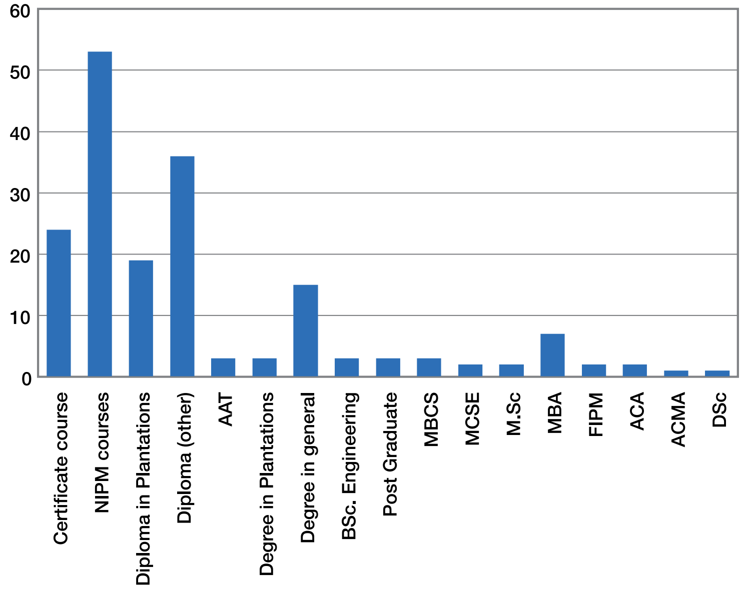
A workshop to improve the morale and re-visit their job descriptions of those involved in the welfare of our estate staff was conducted by the Corporate Management. Estate Medical Assistants, Plantation Family Welfare Officers, Child Development Officers and Midwives participated in the workshop which enabled identifying contraints hampering improved performance.

Workshop & Tea Tasting

Three senior Tea trade personalities conducted a workshop for our Estate Managers focussing on product quality and buyer needs in collaboration with Lanka Commodity Brokers Ltd.

Lifelong Learning

We encourage our team members to add value to their lives by obtaining appropriate professional qualifications. We have clearly defined the career path, starting from Creeper level to Chief Executive Level for the estate Executive. For each step from Creeper to CEO level there is a specific minimum requirement to comply with. One of the requirements is to have the National Institute of Plantation Management – NIPM qualifications commencing from language proficiency to Tea Manufacture /Rubber Manufacture and Factory Practice, Book Keeping and Accounts, Diploma, Higher Diploma followed by a degree programme. Experience though important, alone will not suffice for career progression and this is clearly communicated to our aspiring Creepers. Reimbursement of Course fees in full on successful completion of courses embarked upon was introduced as a motivating factor. Consequently, 97% of Estate Assistant Managers and Managers have at least one of the NIPM qualifications required and 03 Estate Managers are currently reading for their Master in Business Administration.



Life Skill Development

Life skill development programs are undertaken covering all Associates in order for them to identify their hidden talents and think out of the box. The workplace environment was improved under the concept of Quality-Of-Work-Life (QWL) to maintain health, safety and security of the workforce in the factory and support services. This area was approached through a QWL Programme embodying the establishment of a Safety Committee, Employee Wellness Programme and a Comprehensive Energy Management Plan (CEMP).

Organisational Development

A key component of the HR function is organisational development to deliver sustainable performance improvement through people. The key elements in our organisational development programme are creating a conducive work environment, occupational health and safety and women empowerment. These programmes have served to change the culture, bring dignity to our Associates roles and empower them to reach higher goals at the work place and in their personal lives. Watawala Plantations focusses on changing deeply ingrained cultures and practices prevalent within the plantation sector to by changing attitudes, inculcating good practices and tapping in to the potential of our people at various levels of our organisation. We are guided in this effort by the country's millennium development goals, the criteria used to evaluate the company for social and environment certifications and the GRI G4 standards in addition to the laws of the country and international best practice.

A Safe Work Environment

Employee safety is a key priority for Watawala Plantations and we have implemented a robust Health & Safety policy that is consistently applied across all our estates. The policy focuses on awareness of risks, protection and prevention, response and monitoring to ensure that there is continuous improvement in the work environment. We are pleased to report that there have been no injuries of a serious nature at any of our estates during the financial year ending 31st March 2014.

Almost all our Associates are trained on Health & Safety procedures to be adhered to in their workplace. We have purchased and distributed required health and safety equipment to the Associates and trained them on the proper use of the equipment. Selected employees have been trained in First Aid as we recognise the importance of an informed response even in minor cases of injury. There are medical facilities within reach of all estates and transportation is available in case of need. Our Occupational Health and Safety procedures have been assessed by Ethical Tea Partnership, FLO Fair Trade, HACCPand ISO 22000 who have certified conformity with the requirements which are based on international best practice. As a peoples' company, we are very much aware of the need to attract and retain talent at all levels and go beyond the requirements of certifying bodies and legal requirements to positively engage with employees at all levels to ensure that they work in a safe and secure environment. Our employees who are engaged at all levels have been the source of many ideas for improvement of the health and safety procedures and we are encouraged by the practical and innovative ideas contributed in this regard. An example is the design of a uniform for Associates involved in plucking tea which has taken in to account the conveniences provided by traditional garb and combined with modern technology to provide a practical and effective design to provide protection from leeches and other inconveniences.

Creating a Conducive Work Environment

Creating a work environment where workers of all levels can interact in dignity and harmony with respect for each other has been a priority for Watawala Plantations. We believe that it is our responsibility to change attitudes and practices that have been embedded in the work cultures over 150 years in the plantation industry and have made significant progress in this regard. All our Estate Managers are committed to the Watawala Plantations Code of Conduct, creating a Conducive Work Environment which enables all our Associates to work in dignity and harmony. Key elements include:

- Polite language to be used in all interactions and banning use of slang
- Establishing grievance handling procedures at estate level, region level and company level
- Establishing committees that resolve issues at field, estate, regional and company level with equal gender participation and seating for all attendees
- Addressing all persons on the plantations by name (including children at crèche facilities)
- Banning the practice of "Chasing" with strict action taken against violators
- Wages are paid directly to the Associates
- Special arrangements to accommodate needs of nursing mothers, pregnant employees
- Training and development for all Associates
- Zero child engagement or forced labour

Women Empowerment

Women empowerment is a critical issue in the plantation industry because 70% of the estate workforce comprises women who are employed as Associates and are resident on the estates with their families. We understand that our female Associates face issues such as domestic violence, alcoholism, cash management, children's issues and health issues that need to be resolved in order to ensure their physical and mental well-being both at work and at home. In recognition of this need, we have appointed Family Welfare teams at each estate which comprise female employees to identify issues faced by the Associates and formulate appropriate responses for common issues and provide counselling and support where necessary. Our response to needs identified are multi-faceted as many of our Associates are mothers and their worries and cares relate mainly to the needs of the family. These include:

- Programmes to achieve zero maternal mortality and zero infant mortality
- Ensuring 100% Institutional births amongst our Associates
- Ensuring 100% immunization of all our Associates' children
- Ensuring 100% primary education for all our Associates' children
- Provision of child care facilities on the estates to enable Associates to work

We have gone beyond the basic levels of care described above and work in collaboration with a number of non-governmental organisations who bring specialist skills to facilitate uplifting their lives. We have now established 54 Women Empowerment Teams in the Udugama Region to increase their knowledge of money management, income generation, work life balance, developing core values and various aspects of health. These teams support one another and strive to uplift the entire community as perceptions, attitudes and levels of knowledge are changed through carefully selected interventions. The table below summarises the initiatives launched in this regard.

Training tool/ programme	Number of programmes	No. of participants
Cashflow Management	15	725
Awareness of Sexually Transmitted Diseases	4	483
Dealing with Alcoholism	3	320

384 femail employees availed themselvs of maternity leave of which 93% return to work, which is encouraging and is a testimony to the effectiveness of our programmes.

Breaking Cultural Barriers

Throughout the history of the plantation industry, the Kanganies or field supervisors have been males who supervised a predominantly female workforce. Additionally, females who were Associates could not aspire to career progression due to perceptions and attitudes regarding their ability to perform as Kanganies which were deeply embedded in the culture of the estate communities.Watawala Plantations is playing a pioneering role in women empowerment with the promotion of 16 female Associates to the position of Kanganies who have been selected from the initial Women Empowerment teams established. Their performance has been encouraging and their acceptance hard won as they proved to themselves, their colleagues and management that they could effectively discharge their duties in their new roles. The project has issues but we have provided the necessary support and counselling to facilitate discussion and resolution of problems as they arise. We are greatly encouraged by the pilot projects and will be extending the programme to other Regions as well.

Devapriyani Dhasan nee Periyannan

"WPL is genuine about uplifting the role of associates and that is why they have hired someone like me, a female who can relate to the Associates. I feel valued and empowered. I also respect that WPL is respecting the gender issue as in other companies, the positions are filled by males to whom the females will not really open up and males are unable to relate to the Associates whom they manage."

Designation: Asisstant Manager, Associates Empowerment & Productivity

Employment Profile: Reports directly to GM Plantations and covers 9 estates in Hatton Watawala Region. Activities in each estate are co-ordinated with the Estate Manager. Work is supported by Heath & Welfare teams on each estate for Associate Empowerment and by the Field Supervisors for Productivity improvements. Work with Associates on family related, childcare related and work related as all supervisors are males. Associates are able to provide suggestions for improvement and solutions for issues. She is also involved in environmental aspects of certification relating to field work and awareness programmes, group family counselling/ therapy. She is also responsible for the preparation of project proposals and concept papers to send to NGOs for funding.

Points to Note: Devapriyani is the only female in this position. Gender is relevant here because the majority of workforce is female. She believes that she is successful in implementing changes because of her ability to relate to the Associates. She is proud to be the grand-daughter of an Associate who now has a Masters degree.

Industrial Relations

Nearly 45% of our Associates are enrolled in 1 key trade Union the CWC who is the main party of the "Worker Collective Agreement". The Collective Agreement covers a number of aspects such as Salaries & Wages, Overtime, annual bonuses, statutory contributions, work practices, grievance handling and dispute procedures, trade union action. We maintain a regular dialogue with representatives of these labour unions and ensure compliance with the provisions of the Plantations Collective Agreement. The Collective Agreements are usually for a period of 3 years for staff and 2 years for Associates and provides for 3 months notification period for unspecified changes. The financial reporting period was significantly impacted by the increase in remuneration awarded as per the Plantations Collective Agreement amounting to Rs 443 mn for Wages.

The plantation industry has a long history of poor relationships with employees on the estates and building trust and confidence is paramount to our continued operations. We have undertaken several measures to improve industrial relations with employees in the estates as we recognize that changes are necessary for us to move forward together. These measures include bringing dignity to the roles of our Associates and implementing an inclusive approach where their suggestions and ideas are valued and recognized. Regular meetings with all employees at field level, division level, estate level, region level, head office level and Executive Committee level have enabled us to formulate appropriate responses to issues identified and communicate progress on matters raised in order to build trust and confidence. Our policy framework complies with the Fair Trade, Ethical Tea Partnership ,International Labour Organisation conventions, the GRI Guidelines, the Employers' Federation of Ceylon, Labour law of the country and the Plantations Collective Agreement and ensure that the policies are implemented consistently across the organization. We also strive to create awareness of the issues with other stakeholders including other employers in the industry as we need to work together to ensure that the collective agreements reached address the needs and aspirations of employees in order to maintain industrial harmony. Watawala Plantations recognizes the need to change traditional ways which are unable to address the issues critical to the growth of the plantation industry and is committed to change whilst empowering and upholding the rights of this critical group of stakeholders.

Occupational Health and Safety

Occupational Health and Safety is a key area of focus due to the nature of the industry which includes hazards such as contact with agro chemicals, difficulties presented by the terrain and the bio diversity within the plantations. We have a comprehensive Health & Safety Policy and have also set in place appropriate structures, procedures and processes to identify the issues and formulate appropriate responses of which the significant initiatives are described below. Watawala Plantations is fully compliant with the Factory Ordinance No,45 of Act 1942 and the Workmen;s Compensation Ordinance of 1935 and amendments thereto. Further this area is also assessed in certifications obtained from Fair Trade, the Ethical Tea Partnership, ISO 22000 and the Rainforest Alliance.

Health & Safety Policy

We aim to provide all employees, contractors and visitors to Company property with the safest and healthiest conditions reasonably practicable

We will comply with all statutory regulations and codes of practice governing health, safety and welfare work and strive to set the benchmarks for the industry.

We will create awareness about health and safety aspects in the workplace and provide information, instruction, training and supervision to achieve our Health & Safety goals.

Health & Safety Committee have been appointed at each estate with representation from each field, the factory, all divisions of the estate and medical staff which is headed by an Executive. Overall representation of Associates and employees in factories and fields is 85% and serious issues can be escalated to the CEO for attention. Meetings are held at least quarterly of which minutes are maintained and issues raised are reported to the manager of the Estate.

We have also initiated TABS, a programme focussing on the need for adopting the correct behaviour at the work place both from an individual and team perspective. The acronym TABS stands for Think And Behave Safely and has been rolled out in all estates to ensure that staff understand the principles of Occupational Health & Safety regulations and utilise the facilities provided for their safety and well-being. We also maintain a health file for staff in areas more susceptible to injury or at higher risk for health issues due to the nature of their work such as spraying of chemicals. Employees assigned to work using mechanised equipment are screened for epilepsy to minimise injuries. Regular medical checks are scheduled and carried out on a regular basis and employees are rotated

Gender	Injury rate	Occupational disease rate	lost man days
Male	0.005986868	0.00	0.04268057
Female	0.004439133	0.001931248	0.04200102

Grievance Handling

We have an open door policy to facilitate any employee to raise issues they may have from time to time which, in many instances are addressed with relative ease whilst maintaining their confidentiality. However, we recognise the need to maintain formal systems for Grievance Handling and have set in place company wide mechanisms to facilitate, record and monitor grievances. A Labour Diary is maintained on the estate recording issues pertaining to operations such as incorrect weighing, malfunctioning scales etc. These issues are resolved mainly within the Estates and issues are resolved by the Estate Manager in line with the Plantations Collective Agreement. A problem resolution procedure is also available on the estates. A Grievance Handling Book is also maintained at each Division of the Estate by the Assistant Manager and reviewed regularly by the Manager who will review steps taken for resolution of the same and escalate up to the CEO where necessary. There was one incident recorded on a staff grievance which was resolved on reference to the Assistant Commissioner of Labour, Galle who ruled in favour of the company

Engaged Communities

As a plantation company, we are highly engaged with the local communities as many of the residents are directly and indirectly involved in our activities. On many occasions we have moved beyond the employee level, closely working with the estate and neighbouring communities at large. We conduct many awareness programs followed by demonstrations to provide them with a better understanding of the core principles of financial literacy, health and safety. We work very closely with many government and non-government organizations (NGO's) in order to provide highly effective training and awareness programs, and study tours. As non-government institutions we have the assistance of World University of Canada (WUSC), CARE International, Berendina Foundation and World Vision to name some of them. We also work closely with the village committees and have established a rapport so they are able to raise issues directly with the estates through the Community Development Forum. Villagers also use the mechanism of complaining through the Grama Sevaka and Divisional Secretariat to convey their grievances.

Investment in Community Level projects

Many residents in the communities we engage with lack basic amenities as they do not invest in the upkeep of their residences due to ownership issues. Consequently, plantation companies work with the Plantation Human Development Trust to provide them with adequate housing and accommodation to ensure that an acceptable standard of living is maintained within the estates managed by us. The PHDT is a Tripartite Organization consisting of the Government of Sri Lanka (GOSL), Regional Plantation Companies (RPCs) and Plantation Trade Unions (TU) formed by the GOSL to implement social development programmes to enhance the quality of life of the one million Plantation Community in the Estates managed by the Regional Plantation Companies of which Watawala Plantations is one. Watawala Plantations has contributed Rs.6,436,222/- to PHDT during the financial year. Given below are the projects carried out to uplift the communities together with PHDT.

Activity	Investment by PHDT (Rs)	No. of Beneficiaries
Latrines	640,005	62
Water Scheme	4,845,297	330
Housing	14,070,000	51
Renevation to EKIOS	514,120	60

'Sight for all' Project

	Catract Operations			Spectacles		
Region	Female	Male	Total	Female	Male	Total
Hatton/watawala	64	61	125	32	26	58
Lindula	4	10	14	41	51	92
Udugama	6	3	9	40	46	86
	74	74	148	113	123	236

We have conducted 148 cataract surgeries and issued 236 spectacles to the residents of Hatton/watawala, Udugama and Lindula regions

Investing in Education

There are 10,631 children of school going age in the estates of which 8,246 children amounting to 79.26% attend school. Our Plantation Family Welfare Officers are proactively engaged in ensuring that children attend school and also provide feedback on the issues relating to their continued attendance. This enabled us to identify the need to set up a scholarship scheme for Advanced Level students as the drop-out rates were high after Ordinary Level examinations and to encourage those qualifying for university entrance to pursue higher studies. We provided scholarships for 29 Advance Level students and 30 undergraduates totalling Rs.882,000 during the year to inspire them to complete their secondary and tertiary education. We also provide financial assistance of Rs.2,500/- per child to Estate Managers and Assistant Managers and Rs.5,000/- per child to Associates to off-set the expenses of school books, bags, uniforms and shoes which amounted to Rs.3,004,850 for the financial year ended 31st March 2014. Child Development Centres manned with trained Child Development Officers have been established in our estates to ensure that our Associates have access to quality child care and pre-school education benefitting children.

Child Development Centres

There are 36 child development centres are located in 19 estates accommodating 520 children facilitating early childhood development and livelihoods for our Associates. A new facility was established in the Vellaioya estate2.9 mn.

Scholarships for A/L Students

29 Advanced Level students received scholarships to facilitate their progression in education.

Scholarhsips for undergraduates

30 undergraduates who live on the estates were given scholarhsips to ease the financial burdens facilitating their continued progress.

Literacy Day Celebrations

Literacy Day was celebrated at the Homadola Estate.

Libraries

4 libraries have been established in Carolina, DickOya, Waltrim and Homadola estates in collaboration with the Asia Foundation to facilitate improvement of literacy levels in estate communities.

World Children Day Celebrations

World Children Day was celebrated in Udugama Region with the participation of 650 children.

Other programmes

Nutrition

We conducted nutrition programmes in 4 estates impacting 1,631 beneficiaries at a cost of Rs.1.084 mn. These projects were done with the PHDT, World Vision Lanka and the Estate Workers Housing Co-operative Society.

Housing

1 house was handed over to a disabled resident on Lippakelle estate.

14 houses were handed over to Associates who were affected by the flooding at Dickoya estate.

Caring for Elders

Tangakellle, Vellaioya and Shannon Estates organised excursions, a sports meets and a cultural show for the Elderly in iresponse to their needs.

Cultivating a Savings Habit

200 children's savings accounts were opened for children living in the Vellaioya estate.

Enriching Lives

Providing 150 gas cookers and kitchne utensils at Vellaioya estate

Installation of satellite TV benefitting 900 people at the Nakiyadeniya estate

Health

Health camps were held at Henfold, Wigton, Vellaioya and Homadola for 300 people.

Vocational Training Centre

The Vocational Training Centre takes cares of the differently abled on the estate providing training, counselling, gainful employment and support. Transport is provided for them from their homes in a bus and they are happy in the knowledge they contribute to their households as useful members of the society.

Creating Awareness

Programmes were held for 430 participants on issues such as alchoholism, genderbased violence, employment with, WUSC, Berendina, Care International and ILO at Nakiyadeniya, Shannan and Thalangaha estates.

Our Customers

Our Tea which account for 68% of our revenue are sold through auctions and direct to buyers with little contact with the final consumer. However, we are conscious of the needs of our buyers and have invested in certifications that provide assurance regarding the systems and processes used in our fields and factories. We strive to go beyond the standards required as we believe in setting the benchmarks for the industry and this has been recognised by our customers as Watawala Plantations has sold the highest quantum of Palm Oil in 2014 and the highest volume of tea at the Colombo Tea Auctions for the past five years. We pride ourselves on the quality of our products and we are happy to note that there have been no fines paid or rejects during the year. We don't endulge in any sort of anti- copetitive

Twelve estates out the 14 estates that grow tea are certified by an external certifying body and consequently 82% of our tea production carries globally accepted certifications which are more fully described on page 14 Product labelling is consistent with the requirements of the Colombo Tea Auctions. Our agricultural practices on all estates conform to the requirements of the Tea Research Institute of Sri Lanka and other certification requirements including concentrations of agro chemicals, gestation periods and permitted materials.

WPL manufactures two types of oil, Crude Palm Oil and Kernel Palm Oil which are semi-processed products which have to be further refined. Crude Palm oil is sold direct to buyers who compete on price and monitor the quality. Pyramid Lanka (Pvt) Ltd, purchased 70% of the Crude Palm Oil whilst the balance was sold to two key customers on forward contracts. Buyers of Palm Oil conduct their own testing which is supplemented by testing at our laboratory for Moisture, Free Fatty Acid levels, iodine values and peroxide values. Kernel Palm Oil accounts for approximately 9% of the total palm oil produced and attracts a higher Net Sales Average. It is sold entirely on forward contracts. It is with pride that we note that there have been no rejects and no complaints.

We have a key non related buyer for rubber who accounts for approximately 25% of rubber produced whilst the balance is sent to the Rubber Auctions.

Forbes & Walker Awards 2013

Held on 28th February 2014 at the Kingsbury, Colombo.

- Special Award for The Commendable Achievement of Being the Largest Producer in the Corporate Sector with a Sale Quantity of 9.87 Million Kgs among the Regional Plantation Companies in 2013

- Achieving the Highest gain in Turn over in 2013 in the Western Medium Grown Elevation Category with an improvement of Rs.28,758,619/- in comparison to year 2012.

- Best Performing Regional Plantation Companies – Achieving the Third Highest GSA of Rs, 425.44 for the year 2013 in Medium Grown Elevation Category.

- Highest average in the Forbes & Walker catalogue in the CTC Medium Grown category for the year 2013.

Strathdon Estate

All Time Record Price of Rs. 480/= for a BPS grade in the CTC Medium Grown category in the year 2013.
Most number of top prices in the CTC Medium Grown elevation in the Forbes & Walker catalogue for the year 2013.
Highest gain in Sale Average (Rs. 45.46) compared to year 2012 in the Forbes & Walker catalogue - CTC Medium Grown Elevation Category for the year 2013.

Vellaioya Estate

All Time Record Price of Rs. 570/= per kg for a Western Medium Grown BOPF Grade (Sale of 14th August 2103) category.
Highest Improvement Turn Over (Rs.22,214,446) compared to year 2012 in the Forbes & Walker Catalogue - Western Medium Grown elevation for the year 2013.

Waltrim Estate

All Time Record Price of Rs. 515/= per kg for a FGS1 grade (Sale of 15th October 2013) in the Western High Grown category.

John Keells PLC – Annual Awards Night 2013

We have received a number of awards for business excellence in key areas of our operations including, financial reporting, human resources, manufacturing, business processes and from our buyers affirming our commitment to quality.

Watawala Plantations PLC

Special Award For The Commendable Achievement Of Being The Largest Producer Amongst All Regional Plantation Companies With A Sale Quantity Of 9.87 Million Kgs In 2013

Kenilworth Estate

Achieving the Highest Average in the John Keells Catalogue in the category Western Medium Grown Teas for the year 2013, JK Rank No. 1.

Achieving highest number of top prices (33) in the Western Medium grown Teas in the John Keells Catalogue for year 2013.

Achieving 3 all-time Record Prices for an OP Grade in the Catalogue Western Medium grown Teas in the year 2013.

No. 11 position in the overall Ranking for Western Medium Grown Teas for the year 2013.

Carolina Estate

Achieving highest number of top prices (44) in the Western Medium CTC Category in the John Keells Catalogue for year 2013.

Achieving an all-time Record Price for a PF1 Grade (Rs. 540/-) in the Category CTC Medium grown Teas in the year 2013.

Achieving an all-time Record Price for a BPS Grade (Rs. 435/-) in the Category CTC Medium grown Teas in the year 2013.

No. 02 position in the overall Ranking for Western Medium Grown CTC Teas for the year 2013.

Achieving highest quantity sold over 1 Million KGS (1.09 Mill Kgs) by a Single Factory in the Category Western Medium grown Teas for the year 2013

Abbotsleigh Estate

Achieving an all-time Record Price for a BP1 Grade (Rs. 460/-) in the Category CTC High grown Teas in the year 2013.

No. 02 position in the overall Ranking for Western High Grown CTC Teas for the year 2013.

Achieving highest quantity sold over One Million KGS (1.43 Mill Kgs) by a Single Factory in the Category Western High grown Teas for the year 2013

Suppliers

As a plantation company we are reliant on suppliers for supply of agrochemicals that conform to specified standards. Additionally approximately 25% of the tea leaves processed in our factories is bought from smaller plantations or out-growers and we rely on them to conform to our specific requirements in the use of agrochemicals and harvesting procedures. We screen suppliers falling in to these groups to ensure that our products are safe and fit for human consumption as we are conscious of the need to maintain the highest possible standards of food safety and product quality. Our screening processes cover environmental and social criteria. The suppliers have been screened in this regard. Our key suppliers are required to obtain ISO 22000:2005 and HACCP certification.

Fertiliser samples are sent to the TRI for analysing on each consignment received at the estates.

Tea Commissioners' Dept has Commissioners who visit outgrowers and provide certification as to conformity with TRI recommendations. WPL purchases tea only from outgrowers who have valid certifications. Agorchemicals required by outgrowers are supplied by WPL and the cost is recovered from the sales proceeds. Tea Commissioners also monitor the total payments made by WPL to outgrowers to ensure the regulated price is paid.

WPL buys directly from the head offices of reputed suppliers of agrochemicals to ensure that quality standards are maintained in line with the requirements of the Tea Research Institute. These key suppliers are provided facilities to hold buffer stocks on the estates for sale and Watawala Plantations pays for agrochemicals used.

Environment Report

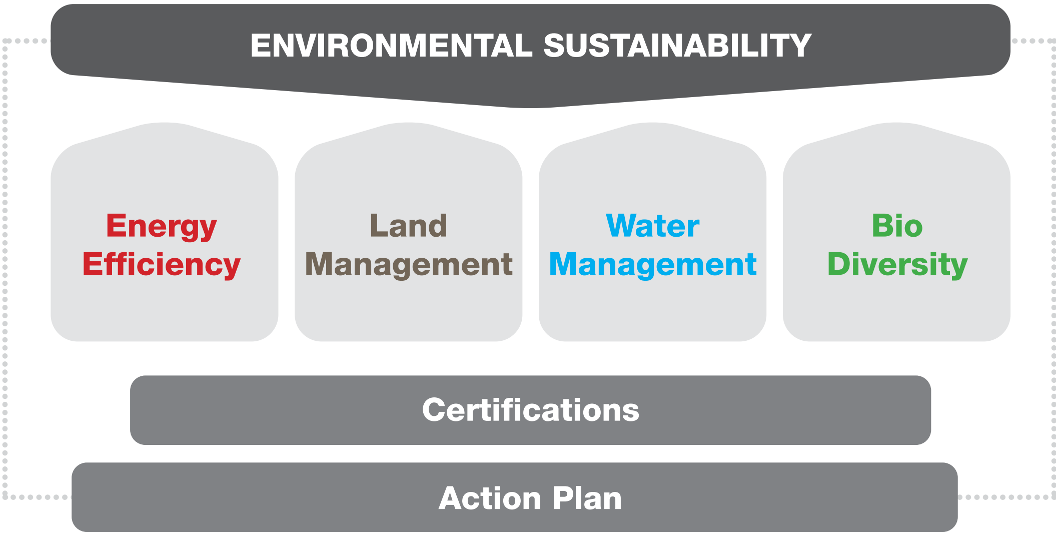
Our Approach

At Watawala Plantations we believe that the protection of the environment is our fundamental responsibility to our society and the sustainable growth of our business. Our environmental policy articulates our commitment to prevent and minimize our impact on the environment, while maintaining a ‘continuous improvement’ mind-set. The environmental sustainability strategy is overseen by the Chief Executive Officer who is supported by the area General Managers and the Managers and their staff on each estate. An agriculture policy which is updated regularly is a key part of this process. All Corporate Budgets include environmental expenditure, and are passed on with the relevant guidelines for implementation at estate level.

Our Strategy

Our approach recognises that the reduction of our carbon footprint is fundamental, given that the effects of climate change have a significant bearing on our crops which are dependent on stable temperatures and consistent rain fall patterns. We also recognise that the expenditure we incur in undertaking responsible management of our estates come from the benefits, those which have been identified and pursued. These benefits accrue through reduced costs of production, increased yield; improved product quality and through the alliances that we have forged by the clean public image we have created towards ensuring a better marketability of our product

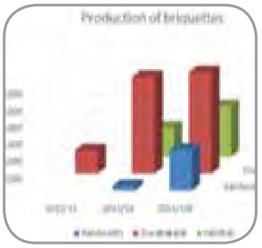
We are focussed on four areas of strategy which has an impact on our operations as well as the environment. These are energy efficiency, land management and biodiversity.

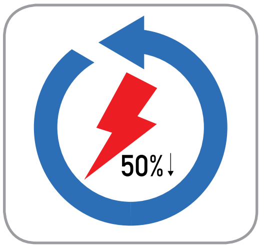


Energy Efficiency

Traditionally the tea industry is the largest user of firewood which has led to deforestation and land clearing.

In energy efficiency, we have increased the production output of briquettes, introduced a natural solar drying methodology for moisture removal from firewood and produced steam out of Oil Palm waste.





Briquettes

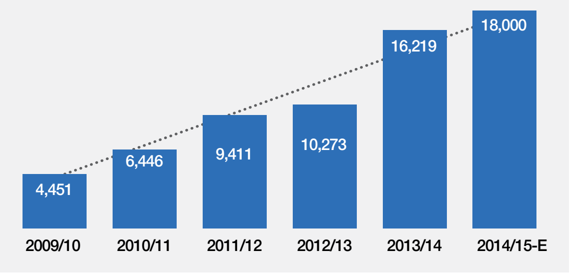
The output of briquettes increased by 633,000 kgs with the commissioning of 2 more briquette making machines at Henfold and Kenilworth Estates in January 2014. The total capacity of the three machines is thus 1.140mn kgs, - an output we expect to be achieve in 2014/15.

Location	2012/13 Kgs	2013/14 kgs	2014/15E kgs
Ouvahkelle	137,960	571,726	600,000
Henfold		172,530	300,000
Kenilworth		26,742	240,000
Total	137,960	770,998	1,140,000

In a further move to ensure minimum costs of production our locations for the two new briquette making machines were situated at Henfold and Kenilworth. The Unilever Tea Processing factory from which the tea waste is obtained, is adjacent to the Henfold Estate, while the factory at Kenilworth is located close to many paddy millers and timber depots. Paddy husks and sawdust which would normally be strewn haphazardly or polluting streams, is bought and collected by us for the production of briquettes of high calorific values.

Firewood

Our move towards self-sufficiency in firewood has stayed on course with the matured Hectares of our short term rotating crop Calliandra Calothyrsus and Glicirindia increasing to 433.5 HA an increase of 100 HA over the previous year. The harvest amounted to 16,219 cu mtrs, a 58% increase from the previous year. This output has decreased the jungle/rubber firewood required for driers by 55% and contributed to the drying of 20% of the total output of made tea.



Our constant endeavour to improve on our green concept methods took us on a visit to Kenya to observe the solar drying of fire wood in Kenyan tea factories. On our return, similar solar drying sheds were set up initially at Vellai oya on trial and to follow at Dickoya, Shannon and Strathdon. Months of testing has proven that a shed is capable of delivering the expected outcome as achieved in Kenya.

The sheds are built using 1000 gauge transparent polythene for the roof. The roof was built with two steeply angled sides (roofline) to allow maximum sunlight penetration and wind passage. On a dry day there is a substantial temperature build up in the vacant area between the roof and the top of the fire wood stack causing the fire wood to get pre heated. A shed has a storage capacity is around 120 Cu. meters firewood and the total cost incurred was only Rs.18,400/- per shed. Construction was undertaken using local skills and completed in less than four days. It is expected that the drying period would be reduced considerably.

Currently we have sheds in four processing centres in operation and hope to increase it to all our 13 processing centres in the coming year.

Generation of steam from Palm Waste

Daily ft 31st December 2013

Total weight of wastage by type	Tonnes
Hazarodous waste	Nil
Non Hazarodous waste *(Treated decanted water, decanted cake and empty fruit bunch fiber)*	29,100

Watawala Plantations has taken the sustainability route into palm oil production, by introducing a steam turbine to our production facility, generated from the waste from Palm Fruit bunches. Prior to the commissioning of the turbine, the Palm Oil Mill at Udugama was totally dependent on electricity for operations with a resultant monthly expense of Rs.1.5 million. With this move, we are looking at contributing to overall national productivity through the use of renewable energy.

Watawala Plantations disengages from national grid for palm oil production

Sustainable approach to edible oil production via introduction of in-house steam turbine with an investment of Rs. 30 m

IN a bid to take the sustainability route in palm oil production, Sunshine Group's Watawala Plantations has introduced a steam turbine to their production facility, which will take the burden off the national grid.

According to Watawala Plantations PLC Palm Oil Mill General Manager Milton Wijepala, prior to commissioning the turbine last month the company was totally dependent on the CEB to run the mill. This resulted in an expenditure of Rs. 1.5 million per month on electricity consumption. With the latest move, the company is looking at contributing to overall national productivity through the use of renewable energy.

"Our intention is to cover the entire milling process using turbine power. It's a national productivity aspect that we are looking at. On one side we are reducing our carbon footprint by using a completely natural process and on the other we will cut down our production costs whilst at the same time make our milling operation more efficient in terms of productivity," the General Manager emphasises.

The commissioning of the power turbine

Elaborating on the milling process, using the turbine which is installed at a cost of Rs. 30 million, Wijepala says it is a simple progression, where the turbine is run on the waste of the palm oil fruit i.e. fibre. Although the fibre can also be used as fertiliser, with the installation of the turbine we are using a higher quantity to power the turbine, which makes it completely sustainable," he says. Being the single largest plantation company to manage oil palm estates in Sri Lanka, they cater to the local demand, meeting about 7% of the total edible oil requirement. The company expects to recover the cost of the turbine in less than two years.

Steam turbine at the production facility

Reductions in imports will have major impact on economy

"Earlier, all edible oil was imported as we were operating on a very small scale. I don't think we had even 1000 hectares of oil palm in Sri Lanka, 10-15 years ago. But it has now gone up to 7000 hectares. By having our own oil palm plantations locally, we are stopping a lot of foreign exchange from going out of the country. Reductions in imports will have a major impact on the economy in terms of growth," says Wijepala.

Explaining that the company is on a productivity drive with a vision to reach a productivity enhancement level of up to 20 tonnes of FFB per hectare from its current level of 15 tonnes, by 2015, the General Manager says increase in productivity will also demand more grid power resulting in cost escalation. "Currently, Watawala Plantations has 3000 hectares under OP of which 2000 hectares is in bearing while the balance 1000 hectares is still in the immature stage. With an increase in land productivity, production is expected to go up by 4 million kg of FFB. However with the newly acquired turbine, the company is hopeful that they could bring down the cost of production substantially," he adds. The company's overall strategy is to even out the escalating cost of production mainly due to rising labour costs by setting it off against the reduced energy costs.

The whole concept of running a sustainable business in agriculture is to avoid spikes in production costs. Edible oil has a high cost in terms of its import bill and if companies work towards increasing yield by good agronomic practices (addressing stress factors such as physical, nutrition, moisture) and keep production costs from escalating, then Sri Lanka will be able to gradually slow this high cost import market and save valuable foreign exchange.

Land Management

Our forestry plantation consisting of Eucalyptus trees – 274.50 HA and Short Rotational Coppicing (SRC) trees – 497.50 HA, cover a total area of 772 HA in the 15 upcountry estates.

We at Watawala Plantations practice sustainable forestry management whilst at the same time maximizing on land usage through improved techniques in the planting and harvesting of these trees. We have identified land for reforestation mainly from uncultivated Mana growing areas. No clearing of shrub jungle is allowed. At the time of planting only strip weeding is undertaken for planting the saplings. Surrounding shrubs are slashed in providing these saplings sufficient growing space. Lopping and thinning out operations are planned and not done indiscriminately.

Annually Watawala plants around 50 HA of Eucalyptus and SRC trees. Clear planting of Eucalyptus @ 8 feet x 8 feet provides around 1,680 trees / HA.

Another method adopted was the planting of Eucalyptus trees 20 feet apart with the SRC trees in between in squares of 4 feet x4 feet. SRC trees are lopped annually to make way for the growth of the Eucalyptus trees which too are periodically thinned out to allow for girthing. The lopped branches of SRC trees are used in our drying operations.

In a HA plantation of clear Eucalyptus, only 630 trees out of 1680 saplings go on to the life span of 15 years.

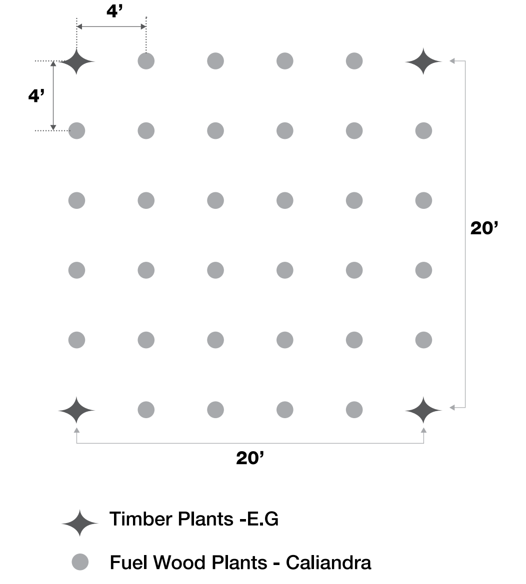
A five year Forestry Management Plan is prepared for submission to the relevant authorities that includes the Central Environmental Authority. This covers all the new planting/re-planting and felling operations. The Central Environment Authority approvals come with strict guidelines; no machinery for cutting the trees; need to be conscious of people living around; cutting must be done leaving a stump 1 foot in height to avoid soil erosion and natural water sources should not be disturbed.

Forest Conservation

Conservation forestry areas are clearly marked as declared by the Central Environment Authority and the Government. Close proximity - 60 metres to waterways as catchment areas are included into conservation areas.

The planting of SRC trees has reduced the necessity of establishing definite conservation forests. However for the protection of water sheds and for reasons of bio diversity, Albizzia Moluccana has been established as high forest cover – 40 feet x40 feet. Bamboo species have also been planted in water logged areas / ravines and we have taken steps to allow the propagation of the under growth of natural indigenous species – an ideal habitat for the proliferation of bird life.

Timber/Fuel wood Planting in Blocks



Water Management

We see this as the process of not only allocating and using water as a resource in a sustainable and efficient manner but more importantly in developing and improving our resources through improved water retention techniques and the harvesting of rain water that would enable us to tide through times of traditional drought when water scarcity becomes a serious issue to contend with. This is so not only where our crops are concerned but more importantly in serving the needs of our people.

Our crops do not depend on irrigation for its survival but basically depends on inherent ground moisture levels and to that extent, the retention, preservation and revitalization of ground water levels. This is paramount in regularizing the flow of water in our streams, water ways an springs and to prevent them from drying out especially at a time when their active flow becomes critical at times of dry weather in meeting the needs of our resident population.

Hence our focus has been to reduce ground temperatures as far as possible, improve the permeability and water retention capacity of our soils, and improve recharge structures so as to reduce or eliminate the surface flow of water direct to the ravines and rivers. Continuous surface flow can be very destructive and environmentally unfriendly doing absolutely no good to what we strive for.

Your Company by way of 'Policy'

- Has taken all necessary steps to improve its stand of both high and low shade that not only serves to reduce ground temperatures but provides valuable raw material for mulching and reduce the velocity of heavy rainfall at the point of impact.
- Resorted to deep draining – a process that enables to maximize the harvesting of rain water amongst other agronomical benefits
- Forking and burying of pruning material to improve soil permeability amongst other agronomical benefits
- Mulching and planting of cover crops especially on bare land in improving soil water retention capability
- Developing water reservations and catchment areas by the planting of trees – Calliandra and Bamboo Species under advise of the Mahaveli Authority and the development of conservation forestry
- Establishing of continuous 'Vettiver' hedge rows on the upper lip of roads and drains to reduce the out flow of water

The improvement of estate water supply schemes has enabled the allocation and use of water in a more organized and efficient manner seen most needed in times of crisis. Water Schemes are mostly – 95% gravity powered thereby making insignificant the use of fossil fuel and electricity for distribution.

All the water sources are identified within the estate premises. They are numbered and are protected. Drinking water sources are identified separately and water used in Factories are tested under ISO and Rainforest standard requirements in ensuring that no contaminated water is used in production.

The following parameters are checked through the accredited laboratories at water testing,

Parameter	Standard Value
Fecal Coliforms	Zero
Chlorine residue or residue from other treatment disinfectants	0.2 to 0.5 mg/L
Nitrates	10 mg/L as nitrates
pH	6.5 to 8.5
Sodium	20 mg/L
Sulphates	250 mg/L
Turbidity	Less than or equal to 5 NTU

Waste water from the factories is diverted to soak pits to prevent the discharge to natural water bodies. Periodic waste water analysis is performed in Rainforest Alliance certified estates to guarantee that the domestic waste water discharged by the associate comply with following standards:

Water Quality Parameter	Standard Value
Biochemical Oxygen Demand (DBO5, 20)	Less than 50 mg/L
Total suspended solids	Between 6.0 – 9.0
pH	
Grease and oils	Less than 30 mg/L
Fecal coliforms	Absent

Bamboo is planted to protect the water resources. Calliandra is planted as a shade tree in tea plantations and shade trees stimulate forest conditions. In addition to that it's lopping's are used as a source to provide fuel wood for tea driers. As it stimulates forest conditions, it provides habitats for natural predators of some of the pests of tea such as tea tortrix – Homona coffearia Niether.

Our field of water resources management will continue to adapt to the current and future issues facing the availability and allocation of water. With the growing uncertainties of global climate change and its long term impacts, the decision-making will be even more difficult. It is likely that ongoing climate change will lead to situations that have not been encountered before. As a result, new management strategies will have to be implemented in order to avoid setbacks in the future.

Bio Diversity

The Rainforest Alliance, a Global Network which works to conserve biodiversity has awarded

Watawala Plantations PLC

Rainforest Alliance Certification. Watawala's Tea will now carry the mark "RA", on their packaging signifying the commitment to environmental conservation and protection and uplifting occupational health and safety.

The Rainforest Alliance works to conserve biodiversity and improve livelihoods by promoting and evaluating the implementation of the most globally respected sustainability standards in many fields

Being awarded the prestigious Rainwater Alliance Certification in January 2014 was considered a feather in the Watawala Plantations cap, adding to its list of certifications from similar prestigious bodies such as Fairtrade, Ethical Tea Partnership, ISO 22000 / FSMS, Hazardous Analysis and Critical Control Point (HACCP) and Product Certification Standards of Sri Lanka Standards Institute (SLSI).

The Certification was the culmination of a series of bio diversity studies that was undertaken in 5 of our estates, Dickoya, Kenilworth, Ouvhakelle, Waltrim and Lippakelle over a 9 month period in 2013.

The objectives of the study was to continuously monitor biodiversity, quantify its present status in identified habitats in a tea plantation ecosystem, highlight the importance of ecosystems for threatened fauna, and cause the improvement of identified habitats. The outcome of the exercise generated a wealth of information on the biodiversity and ecology of a selected group of vertebrates and invertebrates.

The habitats identified were home garden/bungalows, streams, small scale reservoirs, and grassland. The current best practices exercised on the estate meet most of the recommendations made at the end of the report and we have in addition commenced work with an NGO named 'Friends of Horton Plains' to establish mini forest in Montana eco systems by planting native plants and conducting awareness programmes on wild life and environmental conservation to the estate community and school children.

The study also highlighted 22 endangered species on the National red list and Watawala Plantations consider themselves their guardians and are committed to the protection and management of their habitats. Some of the steps being undertaken are:

- To interconnect the isolated habitats via the establishment of biological corridors.
- Maintain buffer zones along the streams and other aquatic and terrestrial ecosystems.
- Conserve nesting and roosting sites of identified bird species
- Promote mini forests in bare lands to provide habitats and enhance the bio diversity.
- Harmonize integrated waste management programme to align with the proposed environment conservation

Species	Common Name	National Red List Endangered
Parantica taprobana	Sri Lanka Tiger	✓
Lethe drypetis	Tamil Tree-brown	✓
Argynnis hyperbius taprobana	Indian Fritillary	✓
Vanessa indica nubicola	Indian Red Admiral	✓
Pseudophilautus alto	Horton plains shrub frog	✓
Pseudophilautus reticulates	Reticulated thigh shrub frog	✓
Pseudophilautus silus	Pugnosed shrub frog	✓
Pseudophilautus viridis	Dull green shrub frog	✓
Pseudophilautus sarasinorum	Muller's shrub frog	✓
Pseudophilautus asankai	Asanka's shrub frog	✓
Aspidura trachyprocta	Common Rough-sided Snake	✓
Rhinophis blythii	Blyth's Shield Tail	✓
Calotes nigrilabris	Black cheek lizard	✓
Cuculus varius	Common Hawk Cuckoo	✓
Saxicola caprata	Pied Bush Chat	✓
Prionailurus viverrinus	Fishing cat	✓
Panthera pardus	Leopard	✓
Semnopithecus vetulus	Sri Lanka Purple-faced langur	✓
Pethia nigrofasciata	Sri Lanka Black Ruby Barb	✓
Aplocheilus dayi	Sri Lanka Day's Killifish	✓
Pethia cumingii	Sri Lanka Cuming's Barb	✓
Coturnix chinensis	Blue Breasted Quail	✓

Future outlook

We are in the process of getting more of our estates Rainforest Alliance certified with three more already on track. We expect our briquetting machines to be operating at full capacity of 1,140 mn kilos and to increase our solar drying sheds to all our 13 processing centres. Currently our strategic resolve has resulted in the securing of as much as 11,106 trees which otherwise would have had to be felled as fuel wood for the drying of tea alone. Our focus however is to totally eliminate the felling of trees for our Drier operations

Corporate governance

Board of Directors

Left to Right:
Mr.C.P.Thomas, Mr.B.A.Hulangamuwa, Mr. K. Venkataramanan,
Dr. D. V. Seevaratnam (Chief Executive Officer), Mr. G. Sathasivam,
Mr. Sunil G. Wijesinha (Chairman), Mr. V. Govindasamy (Managing Director),
Mr. A. N. Fernando, Mr.L.Ramanayake, Mr.M.S.Mawzoon
Mr.Harish R. Bhat (not present)

Board of Directors

	Mr. Sunil G. Wijesinha Chairman (Non-Executive/independent) Age : 65 (Appointed Chairman w.e.f. 20 May 2013)	**Mr. G. Sathasivam** Director (Non-Executive/non-independent) Age : 67 (Retired from chairmanship w.e.f. 20 May 2013.Director since 20 May 2013.)	**Mr. V. Govindasamy** Managing Director (Executive/non-independent) Age : 50
Qualifications/ Business Experience	MBA from Postgraduate Institute of Management, University of Sri Jayawardenapura. Fellow Member of the Chartered Institute of Management Accountants (UK) Fellow Member of the Institute of Management Services (UK). Associate Member of the Institution of Engineers, Sri Lanka.	Forty eight years experience in pharmaceutical Industry. Initiated & spearheaded joint venture with Tata Group. Manages the pharmaceutical business.	Hold a MBA from University of Hartford,USA. Bachelor of Science in Electrical Engineering. University of Hartford,USA.
Other Key Positions	**Chairman** NDB Bank PLC United Motors Lanka PLC Employers' Federation of Ceylon Unimo Enterprises Ltd Orient Motors Ltd **Director** Siyapatha Finance Ltd BizEx Consultancy (Pvt) Ltd TVS Lanka (Pvt) Ltd TVS Automotives (Pvt) Ltd **President** National Chamber of Commerce of Sri Lanka	**Chairman** Watawala Tea Ceylon Ltd Estate Management Services (Pvt) Ltd Sunshine Power (Pvt) Ltd **Director** Sunshine Holdings PLC Sunshine Energy Ltd Swiss Biogenics Ltd	**Chairman / Director** Tata Communications Lanka Ltd Sunshine Tea (Pvt) Ltd Swiss Biogenics Ltd **Group Managing Director** Sunshine Holdings PLC **Executive Management Committee** Tata Global Beverages Ltd- India **Director** TAL Lanka Hotels PLC Secretaries & Financial Services (Pvt) Ltd Sunshine Travels & Tours Ltd Healthguard Pharmacy Ltd Sunshine Energy Ltd Estate Management Services (Pvt) Ltd Watawala Tea Ceylon Ltd **President-** Indo Lanka Chamber of Commerce and Industry
Board meeting attendance	6/6	6/6	6/6
Audit Committeeatte attendance	5/6	N/A	N/A

Dr. D. V. Seevaratnam	Mr.Harish R. Bhat	Mr. K. Venkataramanan
Director/Chief Executive Officer (Executive/ non-independent) Age : 65	Director (Non-Executive/non-independent) Age : 52	Director (Non-Executive/non-independent) Age : 53
Doctor of Science (Honoris Causa) Wayamba University -Sri Lanka. Fellow member of Australian Institute of Management & National Institute of Plantation Management. Diploma in Plantation Management.	Post Graduate Diploma in Management from the Indian Institute of Management, Ahmedabad, winning the IIMA Gold Medal. B.E.(Hons.) degree in Electrical and Electronics from Birla Institute, Pilani, graduating a with first class. 25 years service at Tata Group belonging to Tata Administrative Services.	Fellow Member of the Institue of Chartered Accountants of India. Associate member of the Institute of Cost and works Accountants of India. Over 20 years experience in the field of Finance.
Chairman Ceylon Planters Provident Society Consultative Committee on Estates and Advisory (Tea Research Institute) Plantations Committee of the National Chamber of Commerce **Director** Plantation Human Development Trust **Member** Tea Research Board Coconut Research Board Board of Goveners National Institute of Plantation Management Standing Committee on Agriculture, Veterinary Medicine & Animal Science of the University Grants Commission Consultative Committee on Research(TRI) CARE National Advisory Board Representative of the Medical Wants Committee established under the Medical Wants Ordinance	**Managing Director & Chief Excutive Officer** Tata Global Beverages Ltd-India **Chief Operating Officer** Titan Industries Ltd **Director** Watawala Tea Ceylon Ltd Estate Management Services (Pvt) Ltd	**Vice President-Finance** Tata Global Beverages Ltd **Director** Watawala Tea Ceylon Ltd Estate Management Services (Pvt) Ltd
6/6	2/6	6/6
N/A	N/A	6/6

	Mr. A. N. Fernando	Mr.M.S.Mawzoon	Mr.L.Ramanayake
	Director (Non-Executive/independent) Age : 66	Director (Non-Executive/non-independent) Age : 44 (appointed w.e.f. 29.07.2013)	Director (Non-Executive/independent) Age : 63 (appointed w.e.f. 08.08.2013)
Qualifications/ Business Experience	Holds a MBA in Finance, Industrial and Corporate Strategy from IMD Business School. Lausanne, Switzerland. Fellow Member of the Institute of Chartered Accountants of Sri Lanka.	Twenty five years experience in various business industries.	MBA from Postgraduate Institute of Management, University of Sri Jayawardenapura. Fellow Member of the Institute of Certified Professional Manager. Member of the Chartered Institute of Marketing.
Other Key Positions	**Former Chief Partner** KPMG Ford Rhodes Thorntonand Co, Chartered Accountants **Director** Central Finance Ltd	**Managing Director** Pyramid Lanka (Pvt) Ltd Pyramid Wilmar (Pvt) Ltd Pyramid Wilmar Oils and Fats (Pvt) Ltd Pyramid Wilmar Plantations (Pvt) Ltd The Phone Company (Pvt) Ltd The Phone International (Pvt) Ltd **Director** Estate Management Services (Pvt) Ltd Shangri La Hotels Lanka (Pvt) Ltd Shangri La Investments Lanka (Pvt) Ltd Jewelsco Restaurants (Pvt) Ltd	**Former Chairman** Colombo Brokers' Association **Former Deputy Chairman** Tea Association of Sri Lanka **Former Executive Vice President** John Keells Holdings PLC
Board meeting attendance	6/6	4/4	3/3
Audit Committeeatte attendance	6/6	N/A	N/A

Mr.C.P.Thomas	Mr. B. A. Hulangamuwa	Ms. Samanthi Haddegoda
Director (Non-Executive/non-independent) Age: 44 (appointed w.e.f. 17.03.2014)	Director (Non-Executive/non-independent) Age : 58	Company Secretary
Hold a Degree in Computer Sciences from Jodhpur University, Rajasthan. Over twenty two years experience in plantation industry.	Holds a MBA from University of Colombo. Fellow Member of the Institute of Chartered Accountants of Sri Lanka. Certified Fraud Examiner (USA).	Jt. Company Secretary Ms. Samanthi Haddegoda is a Director of Secretaries and Financial Services (Pvt) Ltd. She holds a Degree in Bachelor of Laws and an Attorney-at-Law & Notary Public.
Managing Director Kannan Devan Hills Plantations (Pvt) Ltd **Managing Trustee** UPASI Tea Research Foundation **Member-Executives Committee** United Planters' Association, Southern India	**Director** Sunshine Holdings PLC Secretaries & Financial Services (Pvt) Ltd Sunshine Tea (Pvt) Ltd Sunshine Power (Pvt) Ltd Healthguard Pharmacy Ltd Sunshine Energy Ltd Swiss Biogenics Ltd Asia Siyaka Commodities PLC	
1/1	6/6	
N/A	6/6	

Executive Committee

D.V. Seevaratnam
Director/CEO (Page 67)

D.S.Ratnasingham

Holds a Bachelors of Science degree from the University of Madras, Director of Watawala Tea Ceylon Ltd, Swiss Biogenic Ltd and Managing Director of Sunshine Tea Private Limited. Began his career at Harrison's & Crossfield export division in the year 1978 and continued until 1992.

Ronnie Almeida
General Manager/ Human Resources

A Fellow Member of the National Institute of Plantation Management and holds a Diploma in Plantation Management and counts over 43years experience in the plantation industry. He Served as the Asian representative in the Standards Committee of the Fairtrade Labeling organization of Germany.

Binesh Pananwala
General Manager Plantations

Counts over 22 years' experience in plantation sector. Started his career as a Trainee Assistant Superintendent under Janatha Estates Development Board and continued with Watawala Plantations PLC. Holds a MBA from Manipal (Sikkim) University. Diploma in Management of Plantations from Kothari Agricultural Management Centre and followed a 'General Management' course at the NUS, Singapore.

Yajith De Silva

General Manager Plantations/ South

Counts over 33 years of experience in the plantation sector, holds a degree in Wayamba University of Sri Lanka and a diploma in Human Rights and peace studies from the University of Colombo. Former regional Director of the PHDT.

H.Milton Wijepala

General Manager/ Palm Oil Mill

Counts over 28 years experience in the field of mechanical engineering in manufacturing organization, Graduate from the faculty of Engineering of the University of Peradeniya specialized in Mechanical Engineering. Started career in 1986 as a management trainee in Pelwatta Sugar Industries Ltd and joined Watawala Plantations as Mill Engineer in 1998.

Alex C Samuel

Deputy General Manager/ Plantations

Counts an experience of 30 years in the plantation sector, holds a Diploma in Plantation Management and a Diploma in ABE (Association of Business Executives-UK).Holds an MBA Cardiff Metropolitan University-UK

B.V.Sinthaka Ruwan

Acting General Manager/ Finance

Holds a BSc Special Degree in Finance and an Associate Member of the Institute of Chartered Accountants of Sri Lanka. He has over 14 years of experience in Accounting and Finance in a vide spectrum of organizations.

Regional Executive Committee











Mr. Robin Winter
Senior Manager - Strathdon

Mr. Dinesh Perera
Acting Senior Manager - Kenilworth

Mr. Prasanna Premachandra
Manager - Carolina

Mr. Shameera Ratnayake
Manager - Shannon

Mr. Somasundaram Nandakumar
Manager - Dickoya

Mr. Mihiraj Samaraweera
Manager - Dendro

Mr. Amila Hewavitharana
Senior Assistant Manager - Abbotsleigh

Mr. Devaranjan
Senior Assistant Manager - Dickoya

Mr. Dinesh Jayaweera
Senior Assistant Manager - Carolina

Mr. Tharaka Wijeratne
Deputy Manager - Vellaioya

Mr. Zaman Imthiaz
Deputy Manager - Kenilworth







Mr. Harsha Hulangamuwa
Acting Senior Manager - Ouvahkelle

Mr. P.U. Wanigatunga
Senior Manager - Waltrim

Mr. D.H.K. Sumanaratne
Manager - Henfold

Mr. P. Sunilratne
Manager - Lippakelle

Mr. L.K. Abeywardena
Manager - Tangakelle

Mr. R. Galagoda
Senior Asst. Manager - Henfold

Mr. R.T. Clark
Deputy Manager - Waltrim







Mr. G N Ratnayake
Senior Manager - Homadola

Mr. Chamika Naranapitiya
Senior Manager - Nakiadeniya Rubber

Mr. Ruwan Gunaratne
Manager - Nakiadeniya Oil Palm

Mr. Dhanushka Daswatte
Manager - Talangaha

Mr. K. H. Thanushka
Production Engineer - Palm Oil Mill

Mr. Indika Kumara
Deputy Manager - Homadola

Mr. Haresh Wijesinghe
Deputy Manager - Nakiadeniya Rubber

Head Office Management Team

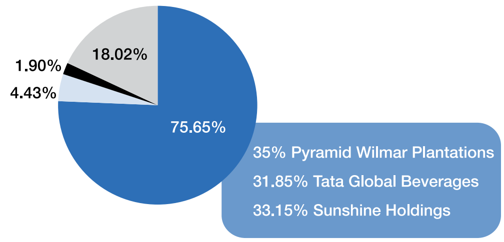
Mr. Ratnam Thiruppen	DGM	Systems Assurance
Mr. Rexy R Perera	Manager	Internal Audit
Mr. Gamini Wanasekara	Manager	Purchasing
Mr. Thusith Jayawardana	Manager	Finance
Mr. Lasantha Senadheera	Manager	Finance
Mr. Lalantha Jayasinghe	Manager	Information Technology
Mr. Uditha Karunarathna	Acting Manager	Marketing

Estate Management Team

	Estate	Selling Mark	Name	Designation
High Grown Garden - (above 4000 feet from sea level)				
01.	Abbotsleigh	Florence	Mr. Prasanjith Wetthewa	Manager
02.	Dickoya	Adisham	Mr. Nandakumar Somasundaram	Manager
03.	Shannon	Shannon	Mr. R K Shameera Ratnayake	Manager
04.	Ouvahkelle	Ouvahkelle	Mr. Harsha Hulangamuwa	Acting Senior Manager
05.	Waltrim	Waltrim	Mr. Palitha Udeni Wanigathunga	Senior Manager
06.	Henfold	Henfold	Mr. Kapila Sumanaratne	Manager
07.	Agrakande	East Fassifern	Mr. L M Ramadas	Manager
08.	Tangakelle	Cymru	Mr. Lalindra Kumar Abeywardana	Manager
09.	Lippakelle	Lippakelle	Mr. H M P K Sunilrathne	Manager
Medium Grown Garden - (between 2000-4000 feet from sea level)				
10.	Vellai Oya	Vellai Oya	Mr. K S Dela	Manager
11.	Strathdon	Strathdon	Mr. Robin Winter	Senior Manager
12.	Kenilworth	Kenilworth	Mr. Dinesh A S J Perera	Acting Senior Manager
13.	Carolina	Carolina	Mr. A Prasanna Premachandra	Manager
14.	Wigton		Mr. D J C Srichandrasekera	Acting Manager
15.	Lonach		Mr. A Jeyram	Manager
Low Grown Garden - (below 2000 feet from sea level)				
16.	Homadola	Homadola	Mr. Gamini N Ratnayake	Senior Manager
17.	Talangaha		Mr. D M Dhanushka Bandara Daswatte	Manager
Palm Oil / Rubber				
18.	Nakiyadeniya Rubber		Mr.Chamika Naranapitiya	Senior Manager
19.	Nakiyadeniya Oil Palm		Mr. G M U R K Gunaratne	Manager
20.	Palm Oil Mill		Mr. K H Thanushka	Production Engineer
Dendro Project				
21.	Dendro Project		Mr. Mihiraj Samaraweera	Manager

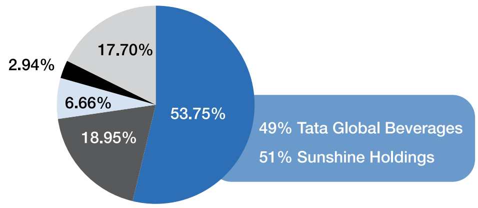
Our Ownership

2014



- Estate Management Services (Pvt) Ltd
- Bank of Ceylon A/C Ceybank Unit Trust
- Aureos South Asia Fund LLC
- Others

2013



- Estate Management Services (Pvt) Ltd
- Mouldex Limited
- Bank of Ceylon A/C Ceybank Unit Trust
- Aureos South Asia Fund LLC
- Others

Our ownership structure changed considerably during the year. Estate Management Services (Pvt) Ltd.(EMSPL) which is the parent of Watawala Plantations PLC increased its share to 75.65% from 53.75%. The two shareholders of EMSPL, Sunshine Holdings PLC and Tata Global Beverages Ltd. divested their shares propotionately in favour of Pyramid Wilmar Plantations (Pvt) Ltd.

Chairman's Statement

At Watawala Plantations we believe that building a good "Corporate Culture" is the key to Governance practices. A "Corporate Culture" that is embedded in the way we conduct our business gives credence to the saying "that the values that govern the Board Room should be no different from the values that govern the shop floor". Despite several challenges in the business environment the Directors have made every effort to further develop good governance practices.

A well-defined and enforced corporate governance system provides a structure that works for the benefit of everyone concerned by ensuring that the enterprise adheres to an accepted ethical standards and best practices as well as to formal laws. In recent years, corporate governance has received increased attention in the corporate world.

Our compliance with the Code of Best Practices of Corporate Governance is reported in the next few pages for the readers to obtain a comprehensive view of the Governance System in the Company.
We would like to take this opportunity to thank our former director Mr R.K.Krishnakumar Vice Chairman Tata Global Beverages Ltd India, for his valuable contribution as a non-executive non-independent director for the last 16 years. We also warmly welcome Messrs Mr. M.S. Mawsoon.
Mr L. Ramanayake and Mr C.P. Thomas to the Board.

Sunil G Wijesinha
Chairman
17 May 2014

The Board

The composition of the Company's Board has been structured in keeping with principles of good governance and long term strategy. Its Chairman Mr Sunil Wijesinha is an independent non-executive director. Three of the Board Members have been nominated by Tata Global Beverages Ltd one of the largest branded tea companies in the world and holds a share of 31.85% in Estate Management Services (Pvt) Ltd. With the entry of Pyramid Wilmar Plantations (Pvt) Ltd as a strategic shareholder of Estate Management Services (Pvt) Ltd the Board was further strengthened by the appointment of Mr M.S. Mawsoon as a non-independent, non-executive director. The Board consists of a mix of executive and non-executive members. The Board increased its non-executive independent directors to three while six out of the eleven directors are non-executive non independent directors.

The qualifications and the expertise of the Directors are noted in page 66 to 69 of this report. The Board meets once a quarter to discuss and review the performance of the past quarter and the future performance. The Executive Committee of the Company which consists of the Executive Directors and Senior Managers of the Company assist the Board in making certain decisions. The Regional Executive Committees have streamlined the flow of information to the Executive Committee for fast decision making.

Significant Events 2013/14

Article 28 (1) of the Articles of Association of the Company was amended to read that unless and otherwise determined by ordinary resolution of the shareholders the number of Directors shall not be less than four (4) and not more than twelve (12)

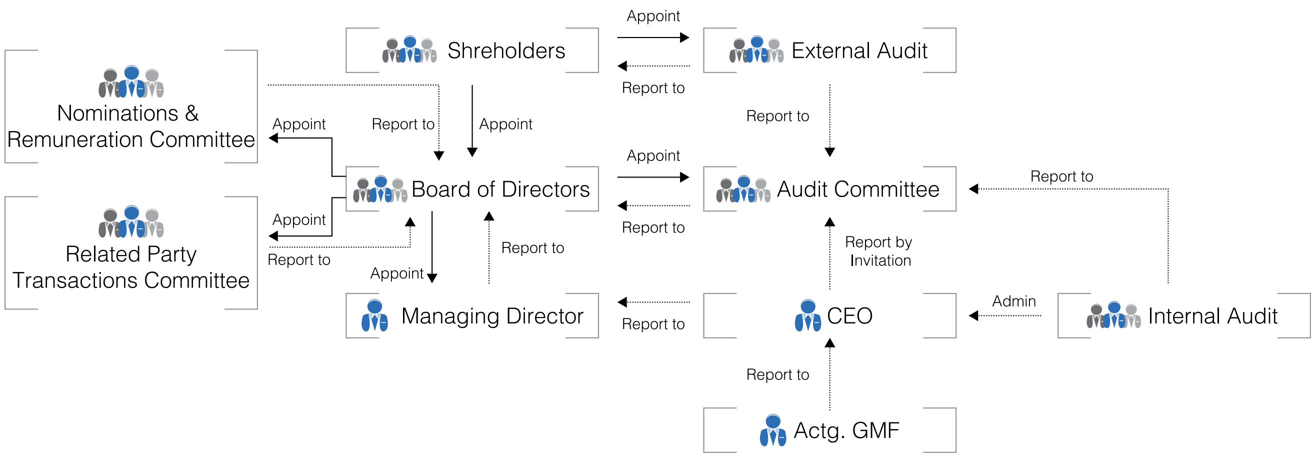
On June 17th 2013, Pyramid Wilmar Plantations (Pvt) Ltd, a joint venture between Asia's leading agri- business group Wilmar International Limited and Wressle Holdings Ltd, invested in Estate Management Services (Pvt) Ltd. Sunshine Holdings and Tata Global Beverages Ltd, divested their shares proportionately to accommodate this investment. Mr Sajad Mawzoon, Managing Director of Pyramid Wilmar Plantations (Pvt) Ltd was elected a non-independent, non-executive director on 29th July 2013.

The Board was strengthened by appointment of an independent non-executive director, plantation industry expert Mr. L. Ramanayake on 08.08.2013, and Tata Global Beverages Ltd. nominee non-independent non-executive director Mr. C.P. Thomas on 17.03.2014

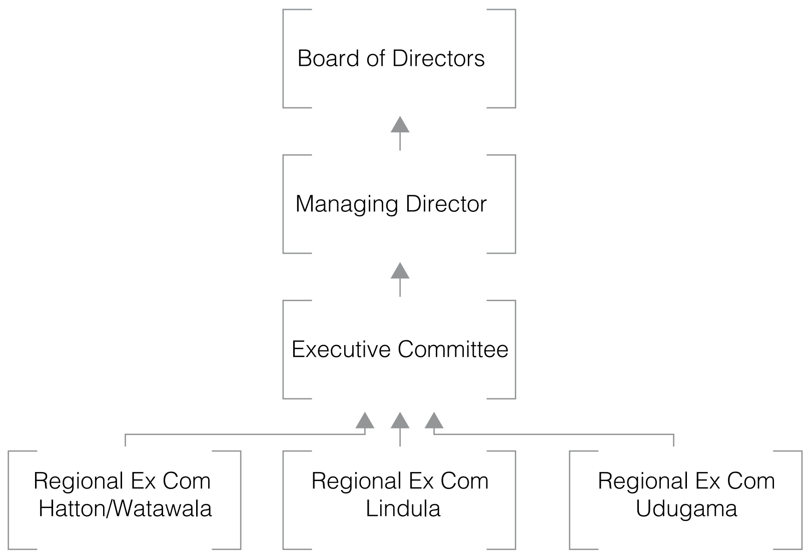
Composition of the Board

Name of Committee	Executive Member	Non-Executive Member	Independent Member	Non Independent Member	Age Group	
					30-55	>55
Board of Directors	2	9	3	6	5	6
Audit Committee	-	-	2	2	1	3
Remuneration & nomination Committee	1	-	2	1	-	4
Related Party transactions Committee	1	-	2	2	1	4

Corporate Governance Structure



Information Flow



CODE OF BEST PRACTICE OF CORPORATE GOVERNANCE

The Code of Best Practice of Corporate Governance, published jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka has been a key guideline to the Company in the area of Corporate Governance. In moving forward the Company has also instituted certain practices among employees which would enhance good practices within the Company.

The code of Best practice of Corporate Governance speaks of two key areas in Corporate Governance.

1. The Company

2. Share Holders

01. The Company

Reference to the Code of Best Practice on Corporate Governance	Corporate Governance Principal	Adoption Status	Watawala Plantations extent of adoption
A A 1	Directors The Board		
A 1	The Board	Adopted	The Board of Directors comprises of eleven Directors of which Mr. V. Govindasamy and Dr. D. Seevaratnam are Executive and the others are Non-Executive Directors. Three of the Non-Executive Directors are also Independent Directors. A detail account of the Board is depicted above.
A 1.1	Frequency of Board Meetings		
	Frequency of Board Meetings	Adopted	The Board meets once a quarter to discuss and review the performance of the past quarter and the future performance. Further, additional Board Meetings are summoned when the Board feels it is necessary to meet. The Audit Committee which is a subcommittee of the Board also meets quarterly. Additional meetings of the Audit Committee are summoned as an when the Audit Committee feels it is fit to do so.
A 1.2	Responsibilities of the Board		
	Ensuring the Formulation and implementation of Sound Business Strategy	Adopted	The company's Board of Directors reviews the business strategies especially at times when the commodity prices reach lower levels. The Company's Executive Committee which comprises of the CEO and other Sector Heads, discuss in depth any suggested new strategies and the methods prior to recommending same to the Board of Directors for discussion. The committee is chaired by the CEO of the Company. The newly setup Regional Executive Committees has streamlined the flow of information to the Executive Committee for fast decision making. The Five Year Strategic Plan, the Annual Budget are discussed in great detail at the Executive Committee prior to submitting to the Board for approval. This enables the Board to take faster decisions.
	Ensuring that the Chief Executive Officer and the Management Team possess the skills, experience and the Knowledge to implement the Strategy	Adopted	The profiles of the CEO and the Management Team are produced on page 70 to 73 The resume of the Managing Director is on page 66. The Chief Executive Officer who is overall in charge of the activities of the company reports direct to the Managing Director who is an Executive Director of the Company.
	Adoption of an effective CEO and senior Management succession planning.	Adopted	The Companies' Executive Committee (Ex Com) which assists in the decision making process comprises the CEO and the Area Plantation Heads, Actg. GM Finance, the Head of Human Resource Management, the head of Sales and Marketing and DGM Mill operations. The second level of Ex Com which is now known as the Regional Ex Com has been developed which have proven to be a good provider of information from the regions. This process assists the CEO in his decision making process

Reference to the Code of Best Practice on Corporate Governance	Corporate Governance Principal	Adoption Status	Watawala Plantations extent of adoption
			A succession planning role was introduced to cover the more important roles in the company. The relevant training is being provided to those especially in the weaker areas. Soft skills and Management of Human Resources are some of the areas identified. All members of the management are encouraged to follow MBA programmes.
	Effective system to secure integrity of information, internal controls and risk management.	Adopted	This is delegated through the Audit Committee to the senior management of the company. The functions and the responsibilities of the Audit Committee is described in pages 107 of this report. The Audit Committee periodically reviews the reports of the internal auditor, financial statements of the company, companies business plan etc.. The companies risk assessment is also reviewed by the members of the Audit Committee. During the year under review the Audit Committee was further strengthened by adding a fourth member to the Audit committee.
	Compliance with laws and regulations and ethical standards.	Adopted	The Board of Directors is committed to comply with all laws, rules and regulations, ethical standards. The company has complied a detailed check list to ascertain the compliance with laws and regulations.
	All stakeholder interests are considered in corporate decisions.	Adopted	The company's Board of Directors considers stakeholders' requirements as important in taking corporate decisions. Diversification in to Exports, Dairy Farming etc. has been carried out to have sustainable profits and to enhance the stakeholder value. The Company has also embarked on several cost reduction methods which are addressed in the Managing Directors Report. CSR which is discussed elseware in this report has received much focus by the company in the recent years.
	Values and standards of the company are set with emphasis on adopting appropriate accounting policies and complying with financial regulations.	Adopted	As per the pronouncements made by the Institute of Chartered Accountants of Sri Lanka the company has now fully migrated to Sri Lanka Financial Reporting Standards keeping in line with IFRS. The migration to SLFRS has been reviewed by the Audit Committee and also certified by the Auditors PriceWaterhouseCoopers.
	Fulfilling other Board Functions as relevant to the Organization	Adopted	Board makes every endeavor to fulfill their obligation to the stakeholders.
A 1.3	Need to act in accordance with the relevant laws and seek Independent Professional Advice.		

Reference to the Code of Best Practice on Corporate Governance	Corporate Governance Principal	Adoption Status	Watawala Plantations extent of adoption
	The Board collectively and the Directors individually must act in accordance with the law of the country as applicable to the business enterprise. The board should be able to obtain independent professional advice at Company's expense.	Adopted	Board ensures compliance with the applicable laws wherever required. The Board also obtains professional advice from outside parties whenever necessary. The company has appointed F. J. & G De Saram as their legal consultants. The company also obtains advice on other issues such as Taxation, Actuarial Services, Product Development (Palm Oil Refinery), Process Development, Productivity Development (Oil Palm) wherever necessary. Any Director may obtain independent professional advice that may be required in discharging his responsibilities effectively, at company's expense.
A 1.4	Company Secretary		
	Company Secretary	Adopted	The company secretaries are Secretaries and Financial Services (Private) Ltd who acts as secretaries to the Board and make their presence at every board meeting. The company Secretaries advises the board on all regulatory matters pertaining to Colombo Stock Exchange, Securities & Exchange Commission. The Secretaries also records minutes which are tabled for the next meeting for effective follow-up on decisions taken. The directors have independent access to the Company Secretary.
A 1.5	Independent Judgment.		
	Independent Judgment of Directors	Adopted	The Directors use their independent judgments in making decisions. Altogether eleven directors out of this nine directors are non-executive and three are independent.
A 1.6	Director's dedication of time and effort.		
	Director's dedication of time and effort	Adopted	In addition to the attendance and participation at the Board Meetings, the Board Members make their time available for consultation if and whenever it becomes necessary. All Board papers are sent to the Members of the Board well in advance and all queries raised by them are answered before or even after the meetings. The Board has met five times during the as reported on pages 66 to 69. The Board is satisfied that all Non-Executive Directors have committed sufficient time during the year under review.
A 1.7	Training for Directors		

Reference to the Code of Best Practice on Corporate Governance	Corporate Governance Principal	Adoption Status	Watawala Plantations extent of adoption
	Training need to be provided to the Directors.	Adopted	The decisions on Directors training is at board level where executive directors are sent specially on overseas training and study tours wherever necessary. The Executive Directors participated in several study tours of Plantations outside Sri Lanka.
A 2	Chairman and CEO		
A 2	Division of responsibility between the Chairman and the CEO.	Adopted	The Chairman is a non-executive member of the board and the Managing Director is an executive director. The Chief Executive Officer who manages the business of the company reports direct to the Managing Director. The CEO is also a member of the Board. This creates a clear segregation of duties between the Chairman and Managing Director and CEO.
A 3	Chairman's role		
A 3	Chairman should preserve order and facilitate the effective discharge of Board functions.	Adopted	The Chairman conducts the Board Meetings which are generally held once a quarter. He also ensures the balance between Executive and Non-Executive, and Independent and non-independent Directors are maintained to conduct business efficiently.
A 3.1	Conduct of Board Proceedings.		
	Chairman should conduct the Board proceedings in a proper manner.	Adopted	The Chairman conducts all board meetings and the Managing Director presents all detail operating results to the board along with the Chief Executive Officer and the Chief Financial Officer. The board comprises of eleven directors of whom nine are non-executive. Three of the non-executive directors are nominees of TATA Global Beverages Ltd., India who adds expertise knowledge to the board. The Chairman encourages participation of all directors in decision making. The Financial Performance is presented by the Managing Director and all Capital Expenditure forwarded for approval of the Board is supported by a Feasibility Study with a Return on Investment working. The Chairman always encourages active participation of all the Directors at Board Meetings. He also ensures that the Board is in complete control of companies affairs.
A 4	Financial Acumen		
	Financial Acumen	Adopted	The board consists of three Chartered Accountants and one Chartered Management Accountant i.e. Mr. K Venketramanan –FCA, Mr. B.A. Hulangamuwa – FCA, MBA and Mr. A.N. Fernando – FCA, MBA and Mr. Sunil Wijesinha FCMA. The company also has in its employment two Chartered Accountants serving in the Finance Department.

Reference to the Code of Best Practice on Corporate Governance	Corporate Governance Principal	Adoption Status	Watawala Plantations extent of adoption
A 5	Board Balance		
	Should have a balance of Executive and Non-Executive Directors.	Adopted	The Board consists of Nine Non-Executive Directors which constitutes 81.8% of the Board of Directors. Of the Non-Executive Directors two are Independent.
A 5.1	Composition of Executive and Non-Executive Directors.		
	Non-Executive Directors should comprise one third of the Board or two in number whichever is higher.	Adopted	Of the eleven members of the board, the following directors have executive powers of the company's affairs. Mr. V. Govindasamy - *Executive Director* Dr. D. Seevaratnam - *Executive Director* Following are non-executive directors of the company. Mr. S.G. Wijesinhe - *Non-Executive independent* Mr. G. Sathasivam - *Non-Executive non-independent Director* Mr. H. Bhat - *Non-Executive non-independent Director* Mr. K. Venkataramanan -*Non-Executive non-independent Director* Mr. C. P. Thomas - *Non-Executive non-independent Director* Mr. M. S. Mawzoon - *Non-Executive non-independent Director* Mr. B. A. Hulangamuwa - *Non-Executive non-independent Director* Mr. A.N. Fernando - *Non-Executive independent Director* Mr. L. Ramanayake - *Non-Executive independent* Of the above non-executive directors Mr. H. Bhat,Mr. K. Venkataramanan and Mr. C. P. Thomas are nominees of TATA Group of India.
A 5.2	Independent Non-Executive Directors		
	Minimum requirement of Independent Non-Executive Directors.	Adopted	The Company has three Independent Non-Executive Directors, Namely Mr. A.N. Fernando, Mr. S.G. Wijesinhe and Mr. L. Ramanayake
A 5.3	Independence of Non-Executive Directors.		
	Independence of Non-Executive Directors.	Adopted	The two Independent Directors mentioned above are totally independent of the Management and free of any business relationship that could interfere in their independent judgment.
A 5.4	Annual Declaration by Independent Non-Executive Directors		
	Annual Declaration need to be submitted by Independent Non-Executive Directors	Adopted	Declaration of Independence as per the code of best practices in Corporate Governance has been obtained from the Non-Executive Directors.

Reference to the Code of Best Practice on Corporate Governance	Corporate Governance Principal	Adoption Status	Watawala Plantations extent of adoption
A 5.5	Determination of Independence of the Directors		
	Independence of the Non-Executive Directors has to be determined annually.	Adopted	The Board has determined that the following Non-Executive Directors are Independent A.N. Fernando S.G. Wijesinha L.Ramanayake The full Board of Directors are indicated on pages 66 to 69.
A 5.6	Appointment of a Senior Independent Director.		
	A Senior Independent Director has to be appointed if the Chairman is the CEO as well.	Adopted	Chairman and the CEO are two different persons, thus this is not applicable.
A 5.7	Confidential discussions with the Senior Independent Director.		
	The Senior Independent Director should make himself available for confidential discussions with other directors.	Adopted	This section is not applicable as the Chairman and the CEO are two different personnel.
A 5.8	Chairman's meeting with Non-Executive directors		
	The Chairman should hold meetings with non-executive directors as necessary or at least once a year.	Adopted	Chairman meets the Non-Executive Directors whenever necessary.
A 5.9	Recording of Directors Concerns in Board Minutes.		
	Where Directors have concerns over matters that cannot be unanimously resolved, should be recorded in the minutes.	Adopted	If there are any concerns of Directors that cannot be unanimously settled such issues are recorded in the minutes by the Secretary and circulated to the Board prior to the next Board meeting where the minutes are adopted. To date such situations have not arisen in the company.
A 6	Supply of Information.		

Reference to the Code of Best Practice on Corporate Governance	Corporate Governance Principal	Adoption Status	Watawala Plantations extent of adoption
	The Board should be provided with timely information.	Adopted	The board meets quarterly, if required more frequently. The board is supplied with all information including the following. Quarterly financial statements reviewed and recommended by the Audit Committee. Minutes of the previous board meeting and follow-up action. Proceedings of the monthly review meetings of the company. Recommendation of capital expenditure and its justifications. Next quarters projected performance and how the year would end. Any other matter of importance. Annual Business Plan. A full presentation is made to the Board by the CEO on the performance of the Company during the period under review.
A 6.1	Obligation to provide the Board with appropriate and timely information.		
	Chairman should ensure that all Directors are properly briefed on issues arising at Board meetings.	Adopted	The Members of the Board provided with Board Papers prior to the Board Meeting. Further, Board Members could request for any additional information if required.
A 6.2	Board Papers		
	Minutes, Agenda and other papers to be circulated 7 days before the meeting.	Adopted	All documents listed under (A 6) are circulated to the entire board 7 days before the Board Meeting.
A 7, A 7.1, A 7.2	Appointments to the Board		
	Appointment to the Board should be formal and a transparent procedure. A nominations Committee should make recommendations to the Board or in the absence the Board should assess the Board Composition prior to appointment of new members.	Adopted	The Board decides on the appointment of new Directors and nominations of professionals to the Board. In finding suitable candidates the Board assesses its composition to ascertain whether the combined knowledge and experience of the board could meet the strategic demands facing the company. New appointments are made only after the above assessments are completed. One new appointment was made during the Financial Year. Details of the current Board of Directors are depicted on pages 66 to 69.
A 7.3	Disclosure of required details of the new director.		
	Upon the appointment of a new director the details of the director need to be disclosed to the Shareholders.	Adopted	Mr. M.S. Mawzoon, Mr. L.Ramanayakeand Mr. C.P. Thomas were appointed to the Board during the year under review. Their brief resume and all other relavent details were delivered to the CSE in the required manner.

Reference to the Code of Best Practice on Corporate Governance	Corporate Governance Principal	Adoption Status	Watawala Plantations extent of adoption
A 8, A 8.1, A 8.2	Re Election		
	All directors should submit themselves for reelection Non-Executive Directors need to be appointed for a specific term.	Adopted	At the first Annual General Meeting of the Company, all the Directors, with the exception of the Managing Director and the appointed directors shall retire from office and every subsequent year. One third of the directors except the Managing Director shall retire from office at every annual general meeting as required by the Company's Articles of Association. A retiring Director is eligible for re-appointment.
A 9, A 9.1, A 9.2, A9.3	Appraisal of Board Performance		
	Board should periodically appraise their own performance.	Adopted	The Board of Directors evaluates their past performance as against the strategies adopted which is generally done at every Board Meeting. In the light of this evaluation and considering the future and the challenges that need to be met the Board considers the following areas in evaluating its performance. The past performance. Reviewing and formulating a sound business strategy. Ensuring that the CEO and the Management Team's capability in achieving the said standards. Securing an effective information, control and audit systems. Prevention or minimizing risks. Ensuring compliance with legal/ethical standards.
A 10	Disclosure of information in respect of Directors		
	Shareholders should be kept informed of relevant details in respect of Directors.	Adopted	All relevant details of Directors are sent to the CSE when they are being appointed. Pages 66 to 69 gives a full description of all the Directors.
A 10.1	Specific information of Directors.		
	Specific information of the Directors needs to be disclosed in the Annual Report.	Adopted	A detailed profile in respect of the Directors is disclosed in page 66 to 69 of this report. Related party transactions are showed on page 147 of this report. The details of Board Meetings attended are on page 66 to 69. Board Committees that the Directors serve on and their attendance is on pages 66 to 69 and 75.

Reference to the Code of Best Practice on Corporate Governance	Corporate Governance Principal	Adoption Status	Watawala Plantations extent of adoption
A 11	Appraisal of CEO and Managing Director		
	Appraisal of the CEO and the Managing Director.	Adopted	The Chief Executive Officer of the Company reports direct to the Managing Director who is also an Executive Director of the company. The performance of the Managing Director is evaluated by the Board on his meeting the companies short and medium term targets and his capability of meeting the future targets. He submits a detail performance of the company to the Chairman for this purpose. The performance of the Chief Executive Officer (who is also a member of the board) is assessed by the Managing Director.
A 11.1	Reasonable financial and non-financial targets to be met by the CEO and the Managing Director.		
	At the commencement of the year the Board should set reasonable targets to be met by the CEO and the Managing Director.	Adopted	At the commencement of the Financial Year a detailed Budget is prepared which is presented to the Board for approval. Once the Budget is approved, the Managing Director and the CEO has indicative targets to work on. Any specific deviations from the approved budget on expenses such as capital expenditure need to have the approval of the Board.
A 11.2	Evaluate whether the targets set were met by the Managing Director and CEO.		
	Evaluate whether the targets set were met by the Managing Director and CEO	Adopted	At the end of the year, the Board evaluates the performance of the Managing Director and CEO on the final performance of the Company.
B	Directors Remuneration		
B 1	Remuneration Procedure		
	Need to have a formal and transparent procedure to determine remuneration.	Adopted	The company has a formal process of deciding on remuneration of Executive Directors. No Director is involved in deciding his own remuneration.
B 1.1, B 1.2, B 1.3, B 1.4, B 1.5	Remuneration Committee.		

Reference to the Code of Best Practice on Corporate Governance	Corporate Governance Principal	Adoption Status	Watawala Plantations extent of adoption
	The company's Remunerations committee. Composition and disclosure of the Remunerations Committee and Non-Executive Directors Remuneration.	Adopted	The Board determines the remuneration of the Managing Director and other Executive Directors. In deciding this remuneration the Board takes in to consideration the levels of Remuneration met by similar companies. Executive Directors who draw their remuneration from this company are also entitled to a performance related incentive. They are given specific targets at the commencement of the year and their remuneration is decided at the year-end after their performances have been appraised. The Company does not have a Share option Scheme nor a Pension scheme. The report of the Remuneration Committee is on page 109 of this report. Mr. B.A. Hulangamuwa, Mr. A.N. Fernando, Mr. L. Ramanayake and Mr. S.G. Wijesinha draws a fee and the other Non-Executive Directors do not get any remuneration from the company. Remuneration of the Management Staff is also approved by the Board in total. The Directors' remuneration is disclosed in Note no 28 of the Financial Statement and the Management Staff remuneration is described on page 144 of this report under Reward and Recognition
B 2, B 2.1 to B 2.9	Level of makeup of Remuneration		
	Whether Directors remuneration is sufficient in keeping with the industry, Incentives, Share option scheme and level of remuneration of Non-Executive Directors.	Adopted	The Executive Directors who draw salaries from the company are remunerated in keeping with the market rates and are also entitled to defined incentive schemes. The annual salary increments are granted after a year end appraisal. There is no Executive Share Option Scheme in the company. There were no instances where compensation was paid on early termination. Mr. B.A. Hulangamuwa, Mr. A.N. Fernando, Mr. L. Ramanayake and Mr. S.G. Wijesinha draws a fee and the other Non-Executive Directors do not get any remuneration from the company.
B 3, B 3.1	Disclosure of Remuneration		
	Remuneration Policy and disclosure of remuneration.	Adopted	Remuneration Committee report depicted on page 109 will give the members of the Remuneration committee and the remuneration policy. The remuneration of the Executive Directors and the key managers are shown on page 148 of this report.
C	Relations with Shareholders		

Reference to the Code of Best Practice on Corporate Governance	Corporate Governance Principal	Adoption Status	Watawala Plantations extent of adoption
C 1	Constructive use of the Annual General Meeting (AGM)		
	The Board should use the AGM to communicate with the shareholders.	Adopted	The Company Secretary ensures that adequate notice is given to all shareholders as required by the Companies Act No. 7 of 2007 of its Annual General Meeting and presents them with an Annual Report at the time of such notice. Active participation of its shareholders is welcome where all relevant questions are answered by the Board of Directors. The Board Members representing Tata Global Beverages Ltd. treats this as a very important occasion who make it a point to attend every year. The Chairman of the Audit Committee, the CFO and other Managers of divisions make themselves physically present at this meeting. The annual General Meeting of the Company will be held on the 30 of June 2014.
C 1.1	Proxy Forms		
	Handling of Proxy Forms.	Adopted	Proxy forms are sent to all shareholders with the Annual Report. On the day of the Annual General Meeting a separate counter is setup to receive and record proxy forms.
C 1.2	Separate Resolutions for Substantially separate issues.		
	Separate Resolutions should be proposed for Substantially separate issues.	Adopted	The Company proposes separate resolutions for substantially separate issues. Adoption of Report and Accounts are taken as separate item in the Agenda.
C 1.3	Availability of Sub Committee Chairman.		
	Chairmen of all sub committees should make themselves available.	Adopted	The Chairmen of the two subcommittees, the Audit Committee and the Remunerations Committee make themselves available at the AGM.
C 1.4	Notice of AGM		
	Notice of AGM as required by the companies Act to be given.	Adopted	The Company Secretary ensures that adequate notice is given to all shareholders as required by the Companies Act No. 7 of 2007 of its Annual General Meeting and presents them with an Annual Report at the time of such notice.
C 1.5	Voting at AGM		
	Circulating the procedure in voting.	Adopted	Summary of the instructions are stated in the Proxy Form which is circulated to all shareholders along with the Annual Report.
C 2, C 2.1	Major Transactions.		
	Major transactions which could martially vary the Net Asset base of the company need to be disclosed.	Adopted	There were no Major Transactions during the year as specified by Sec. 185 of the Companies Act No. 7 of 2007.

Reference to the Code of Best Practice on Corporate Governance	Corporate Governance Principal	Adoption Status	Watawala Plantations extent of adoption
D D 1, D 1.1	Accountability and Audit. Balanced and understandable assessment of the company's position.		
	The Board should present a balanced and understandable assessment of the company's position.	Adopted	In the preparation of the annual and quarterly financial statements, the company complies to the requirements of the Companies act No. 7 of 2007. Sri Lanka Accounting Standards. Listing rules of the Colombo Stock Exchange. The table below depicts the dates the quarterly accounts were published within the prescribed time of the listing rules. 1st Quarter 30/07/2013 2nd Quarter 30/10/2013 3rd Quarter 24/01/2014 4th Quarter 20/05/2014 The Annual Report is prepared at the end of the year covering the whole year. All price sensitive information, appointment of new Directors, retirment of Directors declaration of dividends were disclosed to the CSE on time.
D 1.2	Directors Report		
	Directors Report	Adopted	Directors Report is presented on pages 102 of this report. Report on Going Concern is on page 102.
D 1.3	Responsibilities of the Board on Financial Statements.		
	Responsibilities of the Board on preparation and presentation of Financial Statements.	Adopted	The responsibility of the Board on the presentation of Financial Statements together with the Auditors Statement have been presented on pages 102 and 111 respectively.
D 1.4	Management Discussion and Analysis.		
	Annual Report should contain a Management Discussion and Analysis.	Adopted	The Management Discussion and Analysis is depicted on pages 26 to 39 in this report. A comprehensive risk assessment is on pages 94 to 99. Industrial Structure and Development are stated in the Chairman's and Managing Directors report on pages 17 to 23 This report also carries opportunities and threats. Social and Welfare work and development of Human Resources and Industrial Relations is on pages 43 to 55 to in the Sustainability Report.

Reference to the Code of Best Practice on Corporate Governance	Corporate Governance Principal	Adoption Status	Watawala Plantations extent of adoption
D 1.5	Going Concern		
	Directors should report that the business is a going concern.	Adopted	Directors Report on page 102 confirm that the business is a Going Concern.
D 1.6	Net Assets of the Company falling below 50% of Shareholders Funds.		
	If the Net Assets of the Company falls below 50% of Shareholders Funds an EGM need to be summoned to explain the situation to the Shareholders.	Adopted	
D 2, D 1.1, D 1.2	Internal Control		
	Board should maintain a sound system of Internal Control to safeguard shareholders' investment and company assets. At least annually review the system of Internal Control.	Adopted	The Board is overall responsible in establishing a good system if internal control in the company and delegated much of it to the Audit Committee. This committee in turn reviews all management accounts, directs the Internal Audit Team to carry out checks on areas of verification other than their normal checks. The Audit Committee reviews all Internal Audit Reports which are circulated to them quarterly and discusses the salient features at the Audit Committee Meeting with the Internal Auditor the CEO and the Actg.-GM Finance. In the year under review the Audit Committee also outsourced few of the Internal Audits of Estates to Ms. Ernst and Young purely to have a view of a third party on the Systems and controls. At the end of the second quarter a limited review is carried out by the external auditors M/s PriceWaterhouseCoopers and their reports are discussed in length at the Audit Committee Meetings. The year-end Management Letter submitted by the External Auditor is also discussed at the final Audit Committee Meeting during the Financial year.
D 3	Audit Committee		
	The Board should establish formal arrangements on the selection and application of Accounting Policies, Financial Reporting and Internal Control principals.	Adopted	The Board has delegated their responsibility to the Audit Committee with regard to selecting and application of accounting policies, financial reporting and internal control and maintaining an appropriate relationship with the company's auditors. The Accounting Policies are discussed and agreed with the External Auditors.
D 3.1	Composition of the Audit Committee		

Reference to the Code of Best Practice on Corporate Governance	Corporate Governance Principal	Adoption Status	Watawala Plantations extent of adoption
	The Composition of the Audit Committee should be as prescribed.	Adopted	The Audit Committee of the company consists of four Non-executive Directors : Mr. A.N. Fernando : Non Executive Independent Director, Chartered Accountant and the former Chief Partner of KPMG. Mr. K. Venkataramanan : Non-Executive Non independent Director. Fellow Member of the Institute of Chartered Accountants of India. Vice President of Tata Global Beverages Ltd. Mr. S.G. Wijesinha : Non Executive Independent Director, Chartered Management Accountant and the former Chairman of Dankotuwa Porcelain PLC. Mr. B.A. Hulangamuwa : Non-Executive Non independent Director. Fellow Member of the Institute of Chartered Accountants of Sri Lanka The Audit Committee has two Independent Non-Executive Directors out of four members. The Chairman of the Audit Committee is Mr. A.N. Fernando who is an Independent Non-Executive Director.
D 3.2	Review of Scope, Results and Independence of Auditors.		
	Audit Committee should keep under review the scope and results of the Audit and the Independence of the Auditor.	Adopted	The Audit Committee views at different intervals the independence of the External Auditors. The External Auditors on the other hand discusses with the Management before taking up any other assignment in the company and would take over such assignments if it relates to work involving Audit and Assurance only. The auditors, PWC in addition to Audit Services also provide Tax services.
D 3.3	Terms of Reference of the Audit Committee.		

Reference to the Code of Best Practice on Corporate Governance	Corporate Governance Principal	Adoption Status	Watawala Plantations extent of adoption
	The Audit Committee should have clear terms of reference.	Adopted	The Audit Committee functions on clear guidelines given to them by the Board Directors. Reviews the accounts whether they are prepared in accordance with the Sri Lanka Accounting Standards and in accordance with the Companies Act. Asses Controls by reviewing Internal Audit Reports. Make recommendations to the Board on the re appointing of the External Auditors. Recommends quarterly and annual accounts to the Board for adoption. Review of Internal Control and Risk Assessments and its mitigation process. Assessing independence and dealing with the company's Auditors. The duties and the responsibilities of the Audit Committee are in line with the Code of Best Practice on Audit Committees published by the Institute of Chartered Accountants of Sri Lanka. The Report of the Audit Committee is on page 107 of this report.
D 3.4	Disclosures		
	Disclosure of Directors of Audit Committee.	Adopted	Details of the Directors of the Audit Committee are disclosed on D 3.1 of this report. The Report of the Audit Committee is on pages 107 of this report.

Reference to the Code of Best Practice on Corporate Governance	Corporate Governance Principal	Adoption Status	Watawala Plantations extent of adoption
D 4 , D 4.1, 4.2	Code of Business conduct and ethics.		
	Company must adopt a code of business conduct and ethics.	Adopted	The company has a practice where it regularly draws attention of the Executive Directors and Senior Managers to the Company's Policy on Business Ethics by obtaining their signature on a copy of same. This document covers the following main areas: Conflict of Interest with the business of the company. Relations with Customers, Government and Labour. Confidentiality of documents, books and records. Supplier relations. Conduct. Where ever there are transactions with connected companies such transactions are disclosed under the related party transactions. The Company is compliant with the Code of Best Practice on Corporate Governance jointly issued by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka. The company has published the best businesses practices and ethics in the form of an employee hand book and have distributed to all the employees of the organization. This covers a wide area of activity including policies and business ethics of the company. These policies are regularly reviewed and updated by the Human Resource Division of the organization.
D 5	Corporate Governance Disclosures.		
	Directors should disclose the extent to which the Corporate Governance principals are established.	Adopted	The company has complied with the "Code of Best Practice on Corporate Governance" issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka. The company has been publishing quarterly financial statements with the necessary explanatory notes as required by the Rules of the Colombo Stock Exchange and the Securities and Exchange Commission of Sri Lanka to all stakeholders. Any other financial and non-financial information, which is price sensitive or warrants the shareholders and stakeholders' attention and consideration, is promptly disclosed to the public.
D 5.1	Corporate Governance Report in Annual report.		
	The Corporate Governance Report has to be included in the Annual Report.	Adopted	The Company has included a detailed report in the Annual Report.

02. Shareholders

Reference to the Code of Best Practice on Corporate Governance	Corporate Governance Principal	Adoption Status	Watawala Plantations extent of adoption
E	Institutional Investors		
E 1	Shareholder Voting		
	Intuitional Investors need to be encouraged to exercise their voting rights.	Adopted	The company through company Secretary, Secretarial & Financial Services maintains an active dialog with the shareholders, potential investors, investment banks etc. All Intuitional Shareholders are encouraged to participate at the Annual General Meeting and exercise their vote. All regulatory notices are sent to them on time.
E 1.1	Should conduct a regular and a structured dialog.		
	Listed Company should conduct structured dialog with the shareholders.	Adopted	The Shareholders are encouraged to attend Annual General Meetings and clarify doubts with the Board of Directors. The Agenda along with the annual report is circulated ahead of time to have a structured dialog with the shareholders.
E 2	Evaluation of Governance Disclosures.		
	Institutional Investors should be encouraged to give due weight to Governance Structure.	Adopted	A detailed report on Corporate Governance is circulated with the Annual report.
F	Other Investors.		
F 1	Investing / Divesting decisions.		
	Individual Shareholders to be encouraged to obtain independent advice.	Adopted	The company at different intervals throughout the year encourages Stock Brokers to publish research reports giving a full analysis of company's affairs. John Keels Stockbrokers have published such reports several times during the year. The Annual Report of the company also gives a full analysis of the affairs of the company.
F 2	Shareholder Voting		
	Individual shareholders should be encouraged to participate in General Meetings of Companies and excise voting rights.	Adopted	All shareholders are encouraged to participate and vote at the General meetings.

Risk Management

Risk management in agriculture is now an essential tool to anticipate, avoid and react to shocks which are often out of the hands of the sector. Price volatility has increased, with sharp swings in product and input prices. Markets have been affected by macro-economic disturbances and adverse weather events such as floods and droughts, with the latter set to become more frequent through climate change.

An efficient risk management system for agriculture becomes critical to preserve the standard of living of those who depend on the sector, strengthen the viability of the businesses, and provide an environment which supports investment.

At Watawala Plantations, the Board has acknowledged the need of having a robust risk management process as our business activities are inherently subject to various risks. As a result the Enterprise Risk Management system (ERMS) has become an integral part of the Company's decision making process and is a key element of Watawala Plantation's system of Corporate Governance. Our risk management framework and governance structure is intended to provide comprehensive controls, monitoring and reporting.

Risk Management Structure

The Board has the ultimate responsibility for ensuring the risks are identified and managed within the business. The Audit Committee has been delegated the responsibility for reviewing the effectiveness of risk management process. The Company's Executive Committee (Ex-com) led by the Chief Executive Officer reports to the Audit Committee on a quarterly basis or the systems established to identify, assess, manage and monitor risks. The plantation management teams in each geographical region are responsible for measuring, monitoring, and controlling risks at operational level.

Our Internal Audit function evaluates and provides advice on how to improve the effectiveness of Watawala Plantation's operations, including our risk management processes.

The Company identifies four types of main categories of risks that could have an impact on our business model.

1. Strategic risks
2. Operational risks
3. Financial risks
4. Compliance risks

	Specific Risk	Risk Description	Consequences	Risk mitigating strategy	Level of Risk: Likelihood	Impact	Rating
Operational risk	Low yielding tea fields	The company has a land bank of 12,440 ha. Total revenue extent of tea is 4,373 ha of which seedling tea (old clone) is planted in an extent of 1,720 ha (39%). Over 60% of seedling tea planted area has bushes aged 30 years or more. Technically, the economic age of a tea bush is about 30 years as such these producing stock has passed the economic age.	Seedling tea contributes for only 21% of the own crop production due to below average yields as a result of aging tea bushes, unfertile soil etc. Low yielding fields will have a direct impact on the land and labour productivity which results in high cost of production and less profit.	-Manage low yielding fields with limited resources and extra care. -Replant/infill with higher yielding vegetatively propagated tea (VP). -Adopt good agricultural practices. -Shifting of excess labour in the low yielding areas to high yielding fields. -Diversifying unproductive areas for forestry. -Diversify estate lands to other high value lucrative crops such as horticulture, fruit, vegetables and spices.	Likely	High	Significant
Operational risk	Rapid increase in energy costs	Fluctuating power and fuel rates (furnace oil, diesel, petrol), due to local economic developments and severe global changes would have an adverse impact on the prices of power and fuel. The cost incurred by the Government in generating electricity would further go up due to shifting from hydropower to thermal power.	Costs of electricity, fuel (furnace oil, diesel, petrol), firewood account for a material amount of the company's cost of production. Increase in rates would have a significant adverse impact on the cost of production and consequently less profit.	-Internal mini hydro plants. -Generate bio gas at palm oil mill and dairy farm. -Introduced a steam turbine at palm oil mill and cut down consumption from national grid. -Cultivation of caliandra as a substitute for the rubber firewood. -All tea factories were converted from fuel to firewood. -Inculcate the concept of renewable energy in our plantations.	Likely	Moderate	Significant

Type of Tea	Revenue Extent (Ha)	Extent %	Made tea Kg.'000	Made tea %
VP	2,653	61%	4,904	80%
Seedling	1,720	39%	1,218	20%
	4,373	100%	6,122	100%

VP- Vegetatively Propagated

	Specific Risk	Risk Description	Consequences	Risk mitigating strategy	Level of Risk: Likelihood	Level of Risk: Impact	Level of Risk: Rating
Operational risk	Volatility in the commodity prices	Tea – Annually, Company produces approximately ten million kg of black tea and is sold through the Sri Lanka Tea Board Auction (SLTBA) procedure in bulk form as a commodity. Tea prices at SLTBA is largely dependent on the global demand and supply on tea. Supply for tea is heavily influenced by the quantity produced by the major tea producing countries such as Kenya, India, China, Indonesia etc. This has created high volatility in the tea prices at SLTBA.	A slight drop in the bulk tea auction prices would have a significant negative impact on the Company's tea sector performance. This will also weaken the company's long-term market projections and strategic goals.	-Manage price fluctuations by entering into forward contracts with the local buyers. -Continuously monitor international trading prices.	Likely	High	Significant
		Palm Oil – Company produces over eight million kg of palm oil per annum. The selling price of CPO (Crude Palm Oil) and KPO (Kernel Palm Oil) are determined with reference to international trading prices. These prices are volatile, cyclical and market driven. The change in the global economic conditions, weather patterns, government policies and developments in international trade would result in frequent and unpredictable change in the market supply and demand which would result in significant global price fluctuations and in turn it will affect the local prices.	The sector is considered to be the cash cow as it contributes for a significant percentage of the company's profit. A slight change in the prices would have a significant impact on the Company's bottom line and the cash flows.				

Sensitivity analysis -2013/14

If NSA of tea changed by 5%

Tea	Qtr-1	Qtr-2	Qtr-3	Qtr-4	Total
Production (000)	2,435	1,892	2,953	2,646	9,926
NSA	353	465	441	419	418
If NSA change by 5%	18	23	22	21	21
Financial impact (Mn)	43	44	65	55	208

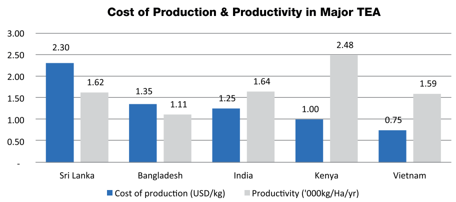
Sensitivity analysis -2013/14

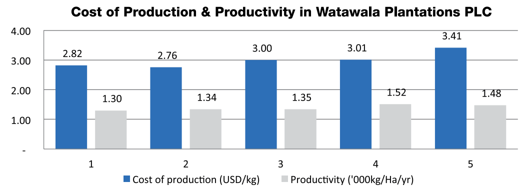
If NSA of palm oil changed by 5%

Oil Palm	Qtr-1	Qtr-2	Qtr-3	Qtr-4	Total
Production (000)	2,054	2,317	2,151	1,606	8,127
NSA	148	160	151	166	156
If NSA change by 5%	7	8	8	8	8
Financial impact (Mn)	15	18	16	13	63

	Specific Risk	Risk Description	Consequences	Risk mitigating strategy	Level of Risk		
					Likelihood	Impact	Rating
Strategic risk	Diminishing worker availability and skill employees in the plantation sector	Workforce continue to fall annually (2013/14-6%) resulting in a shortage of workers in some of our estates especially during the cropping season. Rapid economic development in the country has attracted many of the traditional plantation workers to better paying jobs elsewhere. Literacy and education will eventually move potential workers away from the plantations to better jobs outside. Filling vacancies with competent employees has become a challenge.	Shortage of workers and skill employees will have a negative impact on the long-term sustainability of the industry while having a direct impact on the labour productivity and the Company's profitability.	-Introduce technology with a view of enhancing productivity. Eg: sheer plucking, machine pruning, automating factories. -Changes in management style such as participative management, profit sharing, ownership structures and buyback agreements, contract plucking etc. -Assessed training needs and has given a strategic importance to training and development of our associates, staff and managers. -Identifies the required competencies and develop people for readiness for future challenges.	Likely	Moderate	Medium
Strategic risk	Wage structure which doesn't support Associates' productivity	The labour cost component in tea account for approximately 60-70% of the total cost of production as tea is more labour intensive that any other crop.	-Rising wages under the current collective agreement regardless of improvement in labour productivity has result in increasing costs and diminishing margins. -Continues losses would hinder investment for growth and the suitability in the tea sector.	-Continuous worker skill upgrading programs. -Introduced mechanical harvesting. -Introduce technology such as machine pruning and sheer plucking.	Likely	High	Significant

The graphs show the comparision of cost of production vs. labour productivity at Watawala Plantations with Sri Lanka and the world.





	Specific Risk	Risk Description	Consequences	Risk mitigating strategy	Level of Risk: Likelihood	Level of Risk: Impact	Level of Risk: Rating
Strategic risk	High dependence on bought leaf	As per the company's current cost structure 30% of the cost of production of tea is fixed. Strategically, company's tea factories are run at the highest possible capacities in order to minimize the fixed cost component per kg of made tea. Since the own estate tea is sufficient for meeting only 60% of the factory capacities, the green leaf is purchased from the out-growers externally to meet the residual factory capacity.	-Securing continuous supply of green leaf is extremely difficult due to high competition from the other players in the RPC and non RPC which in turn would create a price competition resulting in an incrasing the cost of production. -Quality variances and less out-turns due to poor quality of green leaf.	-Maintain a close relationship with the green leaf suppliers. -Offer attractive rates which is above the market. -Tied up by means of contracts.	Likely	High	Significant
Operational risk	Inadequate factory capacities	Company is experiencing inadequate factory capacities to accommodate extra volume of green leaf coming in during high cropping months.	Loss of revenue and profit.	-Tied up with other RPCs surrounding our factories to sell excess green leaf. -Invest in upgrading factories to absorb excess leaf. -Planning for extra shifts.	Likely	Moderate	Moderate
Strategic risk	Unavailability land for expansion of palm oil sector	Currently 23% of the total land extent is used for palm oil and it contributes for over 100% of the total profit of the company (2013/14- 145%). Since the entire land extent suitable for planting palm oil has been fully utilized the company needs to find suitable lands for expanding palm oil sector.	Slow/no growth in the over palm oil sector.	-Every possible initiatives are taken to enhance existing land productivity which is evidenced by year on year increase in our palm oil yields. -Company is searching for suitable lands.	Likely	Moderate	Moderate

	Ha.	% used
Tea	4,451	36%
Rubber	701	6%
Palm Oil	2,921	23%
Other crops	1,702	14%
Other-buildings/ roads,water sheds etc.	2,665	21%
Total	12,440	100%

	Specific Risk	Risk Description	Consequences	Risk mitigating strategy	Level of Risk		
					Likelihood	Impact	Rating
Compliance risk	Adverse impact on the environment due to operations	Company has 17 tea factories, 2 rubber factories, palm oil mill and a dairy farm. Due to its inherent nature, the company's manufacturing processes are vulnerable to various environment risks of polluting water, air and soil. The company is expected to demonstrate that it is a good corporate citizen by taking necessary steps to minimize the impact on the environment due to its operations.	Non-acceptance of the Company as a responsible corporate citizen can lead to loss of stakeholder confidence and depletion of the company's image and consequently interruption to its operations and loss of business in short-term and long-term.	-Sustainability is part of the decision making process in the Company's day today operation and strategy formulation. -Company follows Global Reporting Initiative (GRI) 4 standard for sustainability as discussed in this annual report under sustainability. -The company's operations are already certified with Fair Trade, Ethical Tea Partnership, HACCP and ISO 22000:2005 which will confirm our commitment to protect environment.	Likely	Moderate	Moderate
Financial risk	Foreign exchange risk	Risks from adverse exchange rate fluctuations.	With the growth in the export sector the Company's export segment is exposed to foreign exchange risks. Any adverse movement in the exchange rates could have a negative impact on the profitability.	-Close monitoring of the exchange rates. -Matching outflows with inflows of same currency. -Use hedging techniques and all foreign currency short-terms export credits are matched with the export remittances.	Likely	Moderate	Moderate
Financial risk	Interest rate risk	Risk from adverse interest rate fluctuation.	Incrasing finace cost resulting in reducing cash flow and profitability.	Entering into loans with interest rate caps. Monitoring cash flows and interest rates on a daily basis.	Likely	Moderate	Moderate

Reptiles

Reptiles recorded from Waltrim estate during the survey included 10 species belonging to six families and among them 4 were endemic. According to the National Red List (2013), 4 reptile species were grouped under endangered category.

A small day gecko species was recorded and the genus could be Cnemaspis. Interestingly, a skink species was recorded during the survey and could belong to endemic genera of Lankascincus although further studies should be required for identification up to species level.

Calotes calotes better known as the garden green lizard is a considerably large species of agamid foundin India and Sri Lanka. It measures approximately 50 to 65 cm (20 to 26 in) in length, including the tail. It is largely arboreal and is considered to be one of the largest agamids in the country. The species is primarily found in manmade habitats, evergreen forests, on shrubs and tree trunks close to streams. There is a stable population of calotes calotes which is large and dispersed.

Annual Report of the Board of Directors on the affairs of the Company

The Directors have pleasure In presenting the Annual Report for the year ended 31st March 2014 which covers business strategy, strategic imperatives, audited financial statements, share-related Information and reviews on risk management, governance and sustainability.

The details set out provide the pertinent information required by the Companies Act No.07 of 2007, listing rules of the Colombo Stock Exchange and are guided by recommended best reporting practices.

Principal Activities

Watawala Plantations PLC is a holding Company that owns, directly, 100% stake in Watawala Tea Australia Pty Ltd. The principal activities of the Group during the year under review were cultivation, manufacturing and sale of tea, rubber, palm oil and direct exports of bulk and value added tea.

There was no significant change in the nature of business of the Company or its subsidiary during the year that may have a significant impact on the state of affairs of the Group.

Review of Operations and Future Developments

A review of the financial and operational performance and future business developments of the Company's business segments are discussed in the Chairman's report on pages 17 to 19 and Managing Director's review on pages 21 to 23 These reports together with the audited financial statements (pages 112 to 148) and financial review (pages 33 to 37) provide a comprehensive assessment on the financial performance, financial position and the state of affairs of the Company and its subsidiary.

The Directors, to the best of their knowledge and belief, confirm that the Group has not engaged in any activities that contravene laws and regulations.

Financial Statements

The financial statements of the Company and the Group for the year ended 31 March 2014 duly signed by the Acting General Manager-Finance, two of the Directors of the Company are given on pages 112 to 148 which form an integral part of the Annual Report of the Board of Directors.

Directors' Responsibility for Financial Statements

The Directors are responsible for the preparation of the financial statements of the Company and the Group to represent 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, Companies Act, No. 7 of 2007, Sri Lanka Accounting and Auditing Standards Act, No. 15 of 1995 and the Listing Rules of the Colombo Stock Exchange. The Statement of Directors' Responsibility for Financial Reporting is given on page 106 and forms an integral part of the Annual Report of the Board of Directors.

Auditor's Report

Company's Auditors, Messrs PricewaterhouseCoopers, carried out the statutory audit on the financial statements of the Company and the consolidated financial statements of the Group for the year ended 31 March 2014 and the report on those financial statements is given on page 111 of this Annual Report.

Significant Accounting Policies

The accounting policies adopted by the Company and its subsidiary in the preparation of financial statements are stated on pages 116 to 148.

Going Concern

The Directors, after making necessary inquiries and reviews, including reviews of the Group's budget for the ensuing year, capital expenditure requirements, future prospects and risk, cash flows and borrowings facilities, have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Therefore the going concern basis is adopted in the preparation of the financial statements.

Revenue

The revenue of the Group for 2013/2014 was Rs. 6,246,271,000/- (2012/2013: Rs. 5,434,779,000/-) while the Company's revenue was Rs.6,142,624,000 (2012/2013: Rs.5,340,962,000/-). An analysis of income is given in note 25 to the financial statements.

Financial Results

The Group's profit for the year amounted to Rs. 497,194,000/-.(2012/2013: Rs. 680,244,000/-) while the Company recorded a net profit of Rs. 497,452,000/- (2012/2013: Rs. 681,874,000/-).

The Group's total comprehensive income for the year is Rs. 434,047,000/- (2012/13: Rs. 725,212,000/-) while the Company has recorded a total comprehensive income of Rs. 434,305,000/- (2012/13: Rs. 726,842,000/-)

The Consolidated Income Statement along with the Company's Income Statement for the year are given on page 113. Details of transfer to / from reserves in respect of the Group and the Company are shown in the Statement of Changes in Equity on page 114.

Stated Capital and Reserves

The stated capital of the Company as at 31 March 2014 is Rs. 460,000,000/- comprising of 236,666,670 ordinary shares. and 1 Golden share. There were no changes in the stated capital during the year from previous financial year.

The capital and reserves of the Group and the Company as at 31 March 2014 amounts to Rs 4,218,328,000/- (2012/2013: Rs. 3,843,448,000/-) and Rs. 4,218,398,000/- (2011/2012: Rs. 3,843,260,000/-), respectively.

Dividend on Ordinary Shares

A final dividend of Rs. 59,166,668 (Rs. 0.25 per share) was paid on 18 July 2013 to the ordinary shareholders of the Company for the financial year ended 31 March 2013.

The Directors recommend that the final cash dividend of Rs. 0.50 per share be paid for the year ended 31 March 2014.

Corporate Donations

During the year 2013/2014 the Company has not made any donation.

Provision for Taxation

The profit of the Company is liable for income tax at varying rates. The profit from agriculture is liable for income tax at 10% while profit earned on manufacturing of tea is liable for income tax at 28%. The income tax rate applicable on profit from export on bulk tea 28% and 10% on value added tea. The subsidiary company Watawala Tea Australia Pty Ltd. is liable for income tax at 30%.

The Group has also provided deferred tax on all known temporary differences under the liability method, as permitted by the Sri Lanka Accounting Standard – LKAS 12 on 'Income Taxes'.

Information on the income tax expense and the deferred taxes of the Company and the Group is given in note 30 to the financial statements. Capital Expenditure

The total capital expenditure on purchase and construction of property, plant & equipment and expenditure incurred on immature plantations by the Company and the Group amounted to Rs. 617,466,000 (2012/2013: Rs. 462,637,000/-). The movement in property, plant & equipment is set out in note no 8 to the financial statements on page 128.

Property, Plant and Equipment

The details of property, plant and equipment are given in note no 8 to the financial statements.

Statutory Payments

The Directors to the best of their knowledge and belief are satisfied that all statutory payments in relation to employees and the Government Institutions have been made up to date.

Events After the Reporting Date

No events have occurred after the reporting date, which would require adjustments to or disclosure in the financial statements.

Directors' Interest Register

In compliance with the Companies Act No. 07 of 2007, the Company maintained the Interest Registers. Particulars of entries in the interest register are set out in note 36 to the financial statements.

Share information

Information relating to earnings, dividend, net assets and market price per share is given in the Ten Years Summary on pages 154 to 157.

Shareholdings

As at 31 March 2014 there were 17,370 registered shareholders. (2012/2013: 17,451) Information on the distribution of shareholding, categories of shareholders and the percentage holding of twenty largest shareholders is indicated on pages 158 to 159.

Equitable Treatment to Shareholders

The Company has all times ensured that all shareholders are treated equitably.

Directors' Interest in Transactions

The Directors of the Group made the general disclosures provided for in Section 192 (2) of the Companies Act No.07 of 2007. Note 36 to the financial statements have dealt with related party disclosures and include details of their interests in transactions.
The shareholdings (no of shares) of Directors were as follows.

	As at 31/03/14	As at 31/03/13
S.G.Wijesinha	-	-
G.Sathasivam	-	-
V.Govindasamy	-	-
D.V.Seevaratnam	30,173	23,000
H.R.Bhat	-	-
K.Venkataramanan	-	-
A.N.Fernando	-	-
M.S.Mawzoon	-	-
L.Ramanayake	-	-
C.P.Thomas	-	-
B.A.Hulangamuwa	-	-

Directors' Emoluments

Directors' emoluments, in respect of the Company and the Group for the financial year ended 31 March 2014 are given in note 28 to the financial statements.

The Board of Directors

As at 31 March 2014, the Board of Directors of Watawala Plantations PLC consisted of eleven members. Names of the Directors and their brief profiles are appeared on pages 66 to 69 of the Annual Report.

Auditors

Messes. PricewaterhouseCoopers, (PWC) Chartered Accountants are deemed to be re-appointed as auditors in terms of Section 158 of the Companies Act No. 07 of 2007.

The audit fees paid to PwC during the year under review by the Company amounted to Rs.1,871,000/-. (2012/2013: Rs.1,645,000/-). Further the Company has paid Rs.200,000/- (2012/2013: Rs.276,000/-) for reimbursement of expenses.

As far as the Directors are aware, the Auditors do not have any relationship (other than that of an auditor) with the Company or of its subsidiary other than those disclosed above. The auditors also do not have any interests in the Company or of its subsidiary.

Corporate Governance/ Internal Control

Adoption of good governance practices has become an essential requirement in today's corporate culture. The practices carried out by the Group are explained in the Corporate Governance reports on pages 64 to 93.

Environmental Protection

To the best of knowledge of the Board, the Group has complied with the relevant environmental laws and regulations. The Group has not engaged in any activity that is harmful or hazardous to the environment.

Directors' Meetings

The details of the Directors' meetings which comprise Board Meetings, Audit Committee Meetings, Remuneration & Nomination Committee Meetings, Related Party Transactions Committee and attendance of Directors at these meetings are given in the Annual Report under Corporate Governance, Audit Committee Report, and Remuneration Committee Report etc.

Annual General Meeting

The Annual General Meeting will be held at the "Committee Room B" of the Bandaranaike Memorial International Conference Hall (BMICH), Bauddhaloka Mawatha, Colombo 07, on Monday 30 June 2014 at 10.00am. The Notice of the Annual General Meeting appears on page 168.

For and on behalf of the Board

V.Govindasamy
Managing Director

D.V. Seevaratnam
Director/CEO

Secretaries and Financial Services (Pvt) Ltd
Secretaries
17 May 2014

Managing Director's and Acting General Manager-Finance's Responsibility Statement

The Financial Statements of the Watawala Plantations PLC are prepared in compliance with the Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka, Companies Act, No 07 of 2007, Sri Lanka Accounting and Auditing Standards Act No.15 of 1995, and the Listing Rules of the Colombo Stock Exchange. The Accounting Policies used in the preparation of the financial statements are appropriate and are consistently applied by the Company. There are no departures from the prescribed Accounting Standards in their adoption. Comparative information is reclassified wherever necessary to comply with the current presentation.

The significant accounting policies and estimates that involve a high degree of judgment and complexity were discussed with our External Auditors and the Audit Committee.

The Board of Directors and Acting General Manager-Finance of the Company accept responsibility for the integrity and objectivity of these financial statements. The estimates and judgments relating to the financial statements were made on a prudent and reasonable basis, in order that the financial statements give a true and fair view of the state of affairs, the forms and substance of transactions and that the Company's state of affairs is reasonably presented. To ensure this, the Company has taken proper and sufficient care in installing a system of internal controls and accounting records, for safeguarding assets and for preventing and detecting frauds as well as other irregularities, which is reviewed, evaluated and updated on an ongoing basis. Our internal auditors have conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Company were consistently followed. However, there are inherent limitations that should be recognized in weighing the assurance provided by any system of internal controls and accounting.

The financial statements of the company were audited by Messrs PricewaterhouseCoopers, Chartered Accountants and their report is given on page 111 of the Annual Report.

The Audit Committee of the Company meets periodically with the internal audit team and the external auditors to review their audit plans, assess the manner in which these auditors are performing their responsibilities and to discuss their reports on, internal controls and financial reporting issues. To ensure complete independence, the external auditors and the internal auditor have full and free access to the members of the Audit Committee to discuss any matters of substance.

We confirm that the Company have complied with all applicable laws and regulations and guidelines and that there are no material litigations that are pending against the Company.

V. Govindasamy
Managing Director

B. V. Sinthaka Ruwan
Acting General Manager-Finance
17 May 2014

Statement of Directors' Reponsibility

The following statement, which should be read in conjunction with the Auditors' Statement of their responsibilities set out in their report, is made with a view to distinguish the respective responsibilities of the Directors and of the Auditors, in relation to the financial statements.

The Directors are required by the Companies Act No. 07 of 2007, to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit and loss for the financial year. The Directors are required to prepare these financial statements on going concern basis, unless it is not appropriate.

Since the Directors are satisfied that the Company has resources to continue in business for the foreseeable future, the financial statements continue to be prepared on the said basis.

The Directors consider that in preparing the financial statements on pages 112 to 148 the Company used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimated that all accounting standards, which they consider to be applicable, are followed.

The Directors are responsible for ensuring that the Company keeps accounting records, which will disclose with reasonable accuracy the financial position of the Company and which will enable them to ensure that financial statements comply with the Companies Act. No. 07 of 2007.

The Directors are generally responsible for taking such steps that are reasonably for them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors are confident that they discharged their responsibility as set out in this statement. They also confirm that to the best of their knowledge all statutory payments payable by the Company as at the Balance Sheet date, are paid or where relevant, provided for.

By Order of the Board.

V. Govindasamy
Managing Director
17 May 2014

D.V. Seevaratnam
Director/CEO

Report of the Audit Committee

Role of the Audit Committee

The terms of reference "Charter" provides a clear understanding of the committee's role, structure, processes, and membership requirements. This conveys the framework for the committee's organization and responsibilities that can be referred to by the Board, committee members, management and external and internal auditors.

The Audit Committee reviews the charter quarterly and updates to reflect the views that the members of the Audit Committee express in the independent discharge of their duties.

Composition

The Audit Committee comprises the following four members, two of whom, including the Chairman, are Independent Non-Executive Directors:-

A N Fernando - Chairman
(Independent, Non-Executive Director)

S G Wijesinha
(Independent, Non-Executive Director)

K Venkataramanan
(Non-Executive, independent Director)

B A Hulangamuwa
(Non-Executive, independent Director)

Profiles of the member are given on pages 66 to 69 Secretaries and Financial Services (Pvt) Ltd, the Group Secretaries functions as the Secretaries to the Audit Committee.

Meetings and Minutes

The number of meetings the committee holds is influenced by its objectives and scope of activities, and the size and nature of the business.

The Audit Committee met six (6) times during the year.

Members and attendance at meetings held during the year ended 31 March 2013 are given below.

A N Fernando	(6/6)
S G Wijesinha	(5/6)
K Venkataramanan	(6/6)
B A Hulangamuwa	(6/6)

The Chief Executive Officer and Acting General Manager-Finance shall normally attend meetings of the Audit Committee. The Head of Internal Audit also attended these meetings by invitation. On the invitation of the Audit Committee, the Engagement Partner of the Company's External Auditors, Messrs PricewaterhouseCoopers attended two committee meetings.

The Audit Committee shall report to the Board.

Responsibilities

The Audit Committee undertakes, on behalf of the Board, responsibility for ensuring the integrity of the company's financial reports by having oversight of internal control, the financial reporting process and compliance with regulatory matters as given in the Audit Committee Charter. It sets out high standards of corporate disclosure, corporate responsibility, integrity and accountability to the shareholders.

Tasks of the Audit Committee

In fulfilling its responsibilities, following activities were carried out by the Audit Committee during the financial year ended 31 March 2014:-

Financial Reporting

- Reviewed the quarterly and year-to-date financial results of the Group and the relevant announcements to Colombo Stock Exchange (CSE), focusing particularly on significant changes to accounting policies and practices and compliance with financial reporting and accounting standards prior to the consideration by the Board.
- Reviewed the annual report and the annual audited financial statements of the Company and the Group prior to submission to the Board for approval. The review was to ensure that the financial reporting and disclosures are in compliance with the listing requirements of CSE, provisions of the Companies Act, No. 7 of 2007, applicable Sri Lanka Accounting Standards and any other relevant legal and regulatory requirements.

  In the review of the annual audited financial statements, the Committee discussed with the Chief Executive Officer, Acting General Manager-Finance and External Auditor the significant accounting policies, estimates and judgments applied in preparing these reports, the accounting principles and reporting standards that were applied and the impact of the items to the financial statements.

Internal Control and Risk Management and Internal Audit

The Committee reviewed the risk management process and discussed the inherent risks faced by the business as they affect financial reporting. The principal risks and uncertainties are outlined in the relevant section on pages 94 to 99.

The Committee has an ongoing process for reviewing the effectiveness of the system of internal controls and of the internal audit function. During the year, it reviewed and approved the annual internal audit plan prepared taking into consideration of the required controls and risks attached to different areas of operation. It also reviewed the reports from the internal audit team summarizing the audit findings and recommendations and describing actions taken by management to address any shortfalls. It reviewed the level and nature of outstanding audit weaknesses and invited management to the Committee to further understand progress where it felt it was necessary.

External Audit

- Reviewed with the external auditors their audit scope, audit strategy and audit plan for the year and their proposed fees for the statutory audit.
- Reviewed the external audit reports and areas of concern highlighted in the Management letter including Management's responses to the findings of the External Auditors.
- Discussed with External Auditors the significant accounting and auditing issues, impact of new or proposed changes in accounting standards and regulatory requirements applicable to the Group.
- Assessed the independence and objectivity of the External Auditors during the year in carrying out statutory audit for the Group and prior to the appointment of the External Auditors for provision of any non-audit services. The Audit Committee also received report from the external auditors confirming that there were no circumstances and relationship that create threats to their independence and that the ethical requirement shave been complied with.
- Reviewed the performance of the External Auditors, Messrs PricewaterhouseCoopers and recommended their re-appointment to the Board for financial year ended 31 March 2014 subject to the approval of the shareholders at the next Annual General Meeting.

Regulatory Compliance

Reviewed the procedures established by Management for compliance with the requirements of regulatory bodies. Chief Executive Officer along with the Acting General Manager-Finance submitted to the Audit Committee on a quarterly basis, a report on the extent to which the Group was in compliance with mandatory statutory requirements.

Audit Committee Effectiveness

The Committee prepares and reviews with the Board an annual performance evaluation of the Committee. The findings of the review ensure that the Board is satisfied that the Committee is operating effectively, and meeting all applicable legal and regulatory requirements.

Conclusion

The Committee is of the view that adequate controls and procedures are in place to provide reasonable assurance that the Group's assets are safeguarded and the financial position of the Group is well monitored. The Audit Committee concurs that the adoption of the going concern premise in the preparation of the financial statement is appropriate. The Audit Committee recommends to the Board of Directors that the financial statements as submitted be approved.

On behalf of the Audit Committee;

A N Fernando
Chairman – Audit Committee
17 May 2014

Report of the remuneration & nominations committee

Terms of Reference

The Charter determines the terms of reference for the Remuneration Committee. The Remuneration Committee is responsible to the Board for recommending remuneration of the Executive Directors including the Chief Executive Officer, members of the Executive Committee, and setting the broad parameters of remuneration for senior executives across the Group.

Composition

The Committee is made up of four Non-Executive Directors namely A. N. Fernando, G.Sathasivam, S. G. Wijesinha and H. R. Bhat. The Committee is chaired by G.Sathasivam.

Secretaries and Financial Services (Private) Limited acts as the Secretaries to the Remuneration Committee.The Minutes of the Remuneration Committee approved by the said committee is circulated and affirmed by the Board of Directors.

Remuneration Policy

The Group's remuneration policy aims to attract and retain management with the appropriate professional, managerial and operational expertise necessary to achieve the Group's objectives and create value for our shareholders.

A significant portion of executives' total potential remuneration is performance related in order to drive the right behavior to optimize Group performance.
Stretch targets are set for the plantation managers on a quarterly basis in the context of prevailing market conditions in which it operates. The remuneration packages which are linked to individual performances are aligned with the Group's short-term and long-term strategy.

Remuneration levels are reviewed annually by the Remuneration Committee through a process that considers individual, business unit and overall performance of the Group and market practices.

The Committee continues to provide analysis and advice to ensure key management personnel remuneration is competitive in the market place. The Committee has the authority to seek external independent professional advice on matters within its purview.

Non-executive Directors' Fees

Non-executive Directors receive fees for services on Board and Board Committees. Non-executive directors do not receive short-term incentives and do not participate in any long-term incentive schemes. The fees for the Non-executive Directors are recommended by the remuneration committee to the Board for their approval, after considering input from the Executive Directors.

The Directors emoluments are disclosed on note 28 to the financial statements .

On behalf of the Remuneration Committee;

G. Sathasivam
Chairman – Remuneration Committee
17 May 2014

Financial Calendar

13/14

1st	Quarter	-	30 July	2013
2nd	Quarter	-	30 October	2013
3rd	Quarter	-	24 January	2014
4th	Quarter	-	20 May	2014

12/13

1st	Quarter	-	10 August	2012
2nd	Quarter	-	24 October	2012
3rd	Quarter	-	30 January	2013
4th	Quarter	-	23 May	2013

Annual General Meetings

2002/2003	-	Annual Report Published on 13th May,2003 and 10th AGM on 04th June,2003
2003/2004	-	Annual Report Published on 13th May,2004 and 11th AGM on 04th June,2004
2004/2005	-	Annual Report Published on 12th May,2005 and 12th AGM on 03rd June,2005
2005/2006	-	Annual Report Published on 19th May,2006 and 13th AGM on 12th June,2006
2006/2007	-	Annual Report Published on 30th May,2007 and 14th AGM on 22nd June,2007
2007/2008	-	Annual Report Published on 14th June 2008 and 15th AGM on 07th July,2008
2008/2009	-	Annual Report Published on 15th June,2009 and 16th AGM on 14th July,2009
2009/2010	-	Annual Report Published on 11th June,2010 and 17th AGM on 07th July,2010
2010/2011	-	Annual Report Published on 16th June,2011 and 18th AGM on 08th July,2011
2011/2012	-	Annual Report Published on 12th June,2012 and 19th AGM on 06th July,2012
2012/2013	-	Annual Report Published on 17th June,2013 and 20th AGM on 9th July ,2013
2013/2014	-	Annual Report Published on 5th June,2014 and 21st AGM on 30th June,2014

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To the members of Watawala Plantations PLC

Report on the Financial Statements

1 We have audited the accompanying financial statements of Watawala Plantations PLC, the consolidated financial statements of the Company and its subsidiaries as at 31 March 2014 which comprise the statements of financial position as at 31 March 2014, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory notes set out on pages 116 to 148.

Management's Responsibility for the Financial Statements

2 Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Scope of Audit and Basis of Opinion

3 Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

Opinion

4 In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31 March 2014 and the financial statements give a true and fair view of the Company's state of affairs as at 31 March 2014 and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

5 In our opinion, the consolidated financial statements give a true and fair view of the state of affairs as at 31 March 2014 and of the financial performance and cash flows for the year then ended of the Group in accordance with Sri Lanka Accounting Standards, of the Group, so far as concerns the shareholders of the Company.

Report on other Legal and Regulatory Requirements

6 These financial statements also comply with the requirements of Section 151 (2) and Section 153 (2) to 153 (7) of the Companies Act No. 07 of 2007.

PricewaterhouseCoopers

CHARTERED ACCOUNTANTS
COLOMBO

17 May 2014

PricewaterhouseCoopers, P.O. Box 918, 100 Braybrooke Place, Colombo 2, Sri Lanka
Tel: +94 11 7719838, 4719838, Fax: +94 11 2303197, www.pwc.com/lk

Statement of Financial Position

As at 31 March In Rs.'000s	Notes	Group 2014	Group 2013	Company 2014	Company 2013
ASSETS					
Non-current assets					
Leasehold right to bare land of JEDB/SLSPC estates	6	219,578	226,613	219,578	226,613
Immovable estate assets on finance lease (other than land)	7	159,492	176,827	159,492	176,827
Property, plant and equipment	8	1,840,625	1,697,655	1,840,625	1,697,655
Biological assets - Bearer	9.1	2,518,564	2,316,658	2,518,564	2,316,658
Biological assets - Consumable	9.2	575,944	531,190	575,944	531,190
Biological assets - Livestock	10	45,061	32,231	45,061	32,231
Gratuity investments	11	200,000	127,267	200,000	127,267
Investment in subsidiary	12	-	-	852	852
		5,559,264	5,108,441	5,560,116	5,109,293
Current assets					
Inventories	14	939,982	635,951	939,982	635,951
Trade and other receivables	15	447,044	444,289	440,506	435,631
Cash and cash equivalents	16	114,660	443,333	111,851	431,799
		1,501,686	1,523,573	1,492,339	1,503,381
Total assets		7,060,950	6,632,014	7,052,455	6,612,674
EQUITY AND LIABILITIES					
Stated capital	17	460,000	460,000	460,000	460,000
Retained earnings and other reserves		3,758,328	3,383,448	3,758,398	3,383,260
		4,218,328	3,843,448	4,218,398	3,843,260
Non-current liabilities					
Borrowings	18.2	270,242	100,568	270,242	100,568
Leasehold rights obtained from SLSPC and JEDB	19	348,506	354,293	348,506	354,293
Retirement benefit obligations	20	949,697	801,767	949,697	801,767
Deferred income and capital grants	21	223,803	234,585	223,803	234,585
Net deferred tax liability	22	144,930	118,462	145,040	118,751
		1,937,178	1,609,675	1,937,288	1,609,964
Current liabilities					
Borrowings	18.2	304,574	470,152	304,574	470,152
Finance lease obtained from SLSPC and JEDB	19	5,980	5,750	5,980	5,750
Trade and other payables	23	540,940	654,087	532,265	634,858
Current tax payable	24	53,950	48,902	53,950	48,690
		905,444	1,178,891	896,769	1,159,450
Total liabilities		2,842,622	2,788,566	2,834,057	2,769,414
Total equity and liabilities		7,060,950	6,632,014	7,052,455	6,612,674

I certify that these financial statements have been prepared in compliance with the requirements of the Companies Act No. 07 of 2007.

B. V. Sinthaka Ruwan
Acting General Manager-Finance

The Board of Directors is responsible for the preparation and presentation of these financial statements. These financial statements were authorised for issue by Board of Directors on 17 May 2014.

V. Govindasamy
Managing Director
17 May 2014

D. V. Seevaratnam
Director / CEO

The notes on pages 116 to 148 form an integral part of these financial statements.

Statement of Income

In Rs.'000s For the year ended 31 March	Notes	Group 2014	Group 2013	Company 2014	Company 2013
Revenue	25	6,246,271	5,434,779	6,142,624	5,340,962
Cost of sales		(5,300,696)	(4,383,731)	(5,200,158)	(4,292,729)
Gross profit	25	945,575	1,051,048	942,466	1,048,233
Other operating income	26	89,656	139,585	89,555	140,575
Administrative expenses		(264,586)	(246,238)	(261,270)	(242,464)
Management fees	27	(92,264)	(137,510)	(92,264)	(137,510)
Operating profit		678,381	806,885	678,487	808,834
Finance costs	29	(127,085)	(102,043)	(127,085)	(102,043)
Finance income	29	29,485	24,513	29,485	24,124
Net finance costs		(97,600)	(77,530)	(97,600)	(77,919)
Profit before tax		580,781	729,355	580,887	730,915
Tax expense	30	(83,587)	(49,111)	(83,435)	(49,041)
Profit for the year		497,194	680,244	497,452	681,874
		Rs.	Rs.	Rs.	Rs.
Basic earnings per share	31	2.10	2.87	2.10	2.88

Statement of Comprehensive Income

In Rs.'000s For the year ended 31 March	Notes	Group 2014	Group 2013	Company 2014	Company 2013
Profit for the year		497,194	680,244	497,452	681,874
Other Comprehensive Income					
Actuarial gain/(loss) on gratuity	20	(89,302)	80,430	(89,302)	80,430
Tax on actuarial gain/(loss) on gratuity	30	26,155	(35,462)	26,155	(35,462)
Total other comprehensive income/(loss) for the year (net of tax)		(63,147)	44,968	(63,147)	44,968
Total comprehensive income for the year		434,047	725,212	434,305	726,842
Total comprehensive income attributable to :					
-Equity holders of the Company		434,047	725,212	434,305	726,842
Total comprehensive income for the year		434,047	725,212	434,305	726,842

The notes on pages 116 to 148 form an integral part of these financial statements.

Statement of Changes in Equity - Group

In Rs.'000s	Stated capital	Retained earnings	Total
Balance as at 1 April 2012	460,000	2,859,403	3,319,403
Net profit for the year	-	680,244	680,244
Actuarial gain/(loss) on gratuity	-	80,430	80,430
Tax on acturial gain/(loss) on gratuity	-	(35,462)	(35,462)
Total comprehensive income for the year	-	725,212	725,212
Transactions with owners of the Company, recognised directly in equity			
Dividends paid for the year ended 31 March 2012	-	(201,167)	(201,167)
Total transactions with owners	-	(201,167)	(201,167)
Balance as at 31 March 2013	460,000	3,383,448	3,843,448
Balance at 1 April 2013	460,000	3,383,448	3,843,448
Net profit for the year	-	497,194	497,194
Actuarial gain/(loss) on gratuity	-	(89,302)	(89,302)
Tax on acturial gain/(loss) on gratuity	-	26,155	26,155
Total comprehensive income for the year	-	434,047	434,047
Transactions with owners of the Company, recognised directly in equity			
Dividends paid for the year ended 31 March 2013		(59,167)	(59,167)
Total transactions with owners		(59,167)	(59,167)
Balance as at 31 March 2014	460,000	3,758,328	4,218,328

Statement of Changes in Equity - Company

In Rs.'000s	Stated capital	Retained earnings	Total
Balance as at 1 April 2012	460,000	2,857,585	3,317,585
Net profit for the year	-	681,874	681,874
Actuarial gain/(loss) on gratuity	-	80,430	80,430
Tax on acturial gain/(loss) on gratuity	-	(35,462)	(35,462)
Total comprehensive income for the year	-	726,842	726,842
Transactions with owners of the Company, recognised directly in equity			
Dividends paid for the year ended 31 March 2012	-	(201,167)	(201,167)
Total transactions with owners	-	(201,167)	(201,167)
Balance as at 31 March 2013	460,000	3,383,260	3,843,260
Balance as at 1 April 2013	460,000	3,383,260	3,843,260
Net profit for the year	-	497,452	497,452
Actuarial gain/(loss) on gratuity	-	(89,302)	(89,302)
Tax on acturial gain/(loss) on gratuity	-	26,155	26,155
Total comprehensive income for the year	-	434,305	434,305
Transactions with owners of the Company, recognised directly in equity			
Dividends paid for the year ended 31 March 2013		(59,167)	(59,167)
Total transactions with owners		(59,167)	(59,167)
Balance as at 31 March 2014	460,000	3,758,398	4,218,398

The notes on pages 116 to 148 form an integral part of these financial statements.

Statement of Cash Flow

In Rs.'000s For the year ended 31 March	Notes	Group 2014	Group 2013	Company 2014	Company 2013
CASH FLOWS FROM OPERATING ACTIVIITIES					
Cash generated from operations	35	636,767	1,049,724	645,307	1,059,071
Interest paid	29	(127,085)	(102,043)	(127,085)	(102,043)
Tax paid	24	(25,916)	(14,003)	(25,731)	(12,970)
Retirement benefit obligations paid	20	(99,036)	(74,584)	(99,036)	(74,584)
Interest received	29	29,485	24,513	29,485	24,124
Net cash flows from operating activities		414,215	883,607	422,940	893,598
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES					
Field development expenditure	9	(331,321)	(293,728)	(331,321)	(293,728)
Purchase of property, plant and equipment	8	(286,145)	(168,909)	(286,145)	(168,909)
Proceeds from sale of property, plant and equipment		7,937	29,596	7,937	29,596
Dividend received	26	-	-	-	990
Investment in gratuity fund	11	(72,733)	(84,626)	(72,733)	(84,626)
Net cash flows from/(used in) investing activities		(682,262)	(517,667)	(682,262)	(516,677)
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES					
Dividends paid	32	(59,167)	(201,167)	(59,167)	(201,167)
Proceeds from bank borrowings	18.1	534,019	72,669	534,019	72,669
Repayment of bank borrowings	18.1	(218,068)	(261,570)	(218,068)	(261,570)
Repayment of lease principal		(5,554)	(5,513)	(5,554)	(5,513)
Net cash flows from/(used in) financing activities		251,230	(395,581)	251,230	(395,581)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(16,817)	(29,641)	(8,092)	(18,660)
Cash and cash equivalents at the beginning		37,571	67,212	26,037	44,697
Decrease for the year		(16,817)	(29,641)	(8,092)	(18,660)
Cash and cash equivalents at the end	16	20,754	37,571	17,945	26,037

The notes on pages 116 to 148 form an integral part of these financial statements.

Notes to the Consolidated Financial Statements

1 General information

1.1 Reporting entity

Watawala Plantations PLC (the Company) is a public limited liability company incorporated and domiciled in Sri Lanka. It is listed on the Colombo Stock Exchange. The registered office of the Company is located at No 60, Dharmapala Mawatha, Colombo 3.

The principal activities of the Company during the year continued to be cultivation, manufacture and sale of tea, rubber and palm oil, direct exports of bulk and value added tea.

1.2 Group financial statements

The consolidated financial statements of the Watawala Plantations PLC as at and for the year ended 31 March 2014 comprised the Company and its fully-owned subsidiary Watawala Tea Australia Pty Ltd (the Group) which continues to promote branded tea business in Australia.

The financial statements were authorised for issue by the Board of Directors in accordance with the resolution of the Directors on 17 May 2014.

2 Basis of preparation and adoption of Sri Lanka Accounting Standards (SLAS)

The Financial statements of the Company and the Group have been prepared in accordance with Sri Lanka Accounting Standards (SLAS), which comprises Sri Lanka Financial Reporting Standards (SLFRSs), Sri Lanka Accounting Standards (LKASs), relevant interpretations of the Standards Interpretations Committee (SIC) and International Financial Reporting Interpretations which are collectively referred to as SLFRSs. The Company and the Group have consistently applied the accounting policies throughout all periods presented, as if these policies had always been in effect.

These financial statements have been prepared under the historical cost convention except for financial assets and liabilities which are measured at fair value. The presentation of financial statements in conformity with SLFRSs require the use of certain critical accounting estimates. It also require management to exercise its judgement in the process of appling the Company's and the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions are significant to the Company's and the Group's financial statements are disclosed in note 5.

2.1 Changes in Accounting policies and disclosures

New accounting standards, amendments and interpretations issued but not effective for the financial years beginning 1 January 2013 and not yet early adopted by the group are noted below.

2.1.1 SLFRS 13, 'Fair value Measurement' aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across SLASs.The group is yet to assess the SLFRS 13's full impact.

2.1.2 SLFRS 10, 'Consolidated financial statements', builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in determination of control where it is difficult to assess. The Company and the Group are yet to assess SLFRS 10's full impact

2.1.3 SLFRS 12, 'Disclosure of Interests in Other Entities', includes the disclosure requirements for all forms of interests in other entities, including joint agreements, associates, special purpose vehicles and other off balance sheet vehicles. The Company and the Group are yet to assess SLFRS 12's full impact.

2.1.4 SLFRS 9, 'Financial Instruments' addresses the classification, measurement and recognition of financial assets and financial liabilities and replaces the areas of LKAS 39 which relate to classification and measurement of financial instruments. SLFRS 9 requires financial assets to be classified into two measurement categories at initial recognition which are financial assets measured as at fair value and financial assets measured as at amortised cost. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristic of the instrument. For financial liabilities, the standard retains majority of the IAS 39 requirements. The main change being the fair value option taken as financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income, unless this creates an accounting mismatch. The Group is yet to assess the SLFRS 9's full impact.

2.2 Statement of compliance

The preparation of consolidated financial statements in conformity with Sri Lanka Accounting Standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the report of amounts of revenue and expenses during the reporting period. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within next financial year are given in Note 5.

2.3 Basis of consolidation

2.3.1 Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the parent company's financial statements, investments in subsidiaries are carried at cost less provision for any impairment. Provision for impairment is made when in the opinion of the Directors there has been a decline, other than temporary, in the value of the investment.

2.3.2 Disposal of subsidiaries

When the Group ceases to have control any retained interest in the entity is re-measured to its fair value at the date control is lost, with the change in carrying amount recognised in profit or loss.

2.4 Foreign currency translation

2.4.1 Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in Sri Lanka Rupees (LKR), which is the Company's functional and the Group's presentation currency.

2.4.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Monetary assets and liabilities balances are translated at year end exchange rate

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within finance income or cost.

2.4.3 Foreign operations

The results and financial position of all the group entities that have a functional currency different to presentation currency Sri Lankan Rupees (LKR) are translated to LKR as follows:

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of the satement of financial position.

(ii) income and expenses for each income statement are translated at average exchange rates

(iii) all resulting exchange differences are recognised in other comprehensive income.

2.5 Property, plant and equipment

2.5.1 Recognition and measurement

Property, plant and equipment are recognised if it is probable that future economic benefits associated with the assets will flow to the Group and the cost of the asset can be measured reliably. All property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment loss. The cost includes expenditure that is directly attributable to the acquisition of assets. The self-constructed assets include the cost of materials, direct labour and 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. The Group applies cost model to property, plant and equipment.

2.5.2 Subsequent costs

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

The cost of improvements to or on leasehold property, is capitalised, and depreciated over the unexpired period of the lease or the estimated useful lives of the improvements, which ever is shorter.

2.5.3 Capital work-in-progress

Capital work-in-progress is stated at cost. These are expenses of a capital nature directly incurred in the construction of buildings, major plant and machinery and system development, awaiting capitalisation. Capital work-in-progress would be transferred to the relevant asset when it is available for use. Capital work-in-progress is stated at cost less any accumulated impairment losses.

2.5.4 Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business that has been disposed off or held for sale. Classification as discontinued operations occurs upon disposal or when the operation meets the criteria to be classified as held for sale.

2.5.5 Derecognition

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in operating profit.

2.5.6 Depreciation and amortisation

Depreciation is calculated on the straight-line method to write off the cost of each asset to their residual values over their estimated useful lives. Assets held under finance lease are amortised over the shorter of the lease term and their useful lives, in equal amounts.

Depreciation of an asset begins when it is available for use and ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognised.

2.6 Biological assets

Immature and mature plantations

Biological assets are classified as bearer biological assets and consumable biological assets. Consumable assets are those that are to be harvested as agricultural produce or sold as biological assets. Bearer biological assets are those other than consumable biological assets which are not agricultural produce but rather, are self-regenerating.

Biological assets are further classified as mature biological assets and immature biological assets. Mature

The economic useful lives of assets are estimated below for depreciation/amortisation purposes.

	Freehold assets (Years)	Leasehold assets (Years)
Land	-	53
Improvements to land	-	30
Vested other assets	-	30
Buildings	40	25
Plant and machinery	13	13
Equipment	8	-
Computer equipment	4	-
Computer software	6	-
Furniture and fittings	10	-
Motor vehicles	5	5
Sanitation, water and electricity	20	20
Roads and bridges	40	40
Fences and security lights	3	-
Mini hydro plants	-	10
Mature plantation		
- Tea	33	30
- Rubber	20	20
- Palm oil	20	20
- Caliandra	10	-
- Coconut	33	-

These assets residual values and useful lives are reviewed and adjusted if appropriate. Where the carrying amount of an assets is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

biological assets are those that have attained harvestable specifications for consumable biological assets or are able to sustain regular harvest for bearer biological assets. Immature biological assets are those that have not yet attained harvestable specifications.

The Group recognises the biological assets when, and only when, it controls the assets as a result of past events, it is probable that future economic benefits associated with the assets will flow to the entity and fair value or cost of the assets can be measured reliably.

(i) Bearer biological assets

Tea, rubber, oil palm, caliandra ,sundry crops and nurseries are classified as bearer biological assets. The bearer biological assets are measured at cost less accumulated depreciation and accumulated impairment losses, if any, in terms of Sri Lanka Accounting standard LKAS 16 - Property Plant and Equipment as per the ruling issued by Institute of Chartered Accountants of Sri Lanka (CASL) gazetted on 26 November 2012.

General charges incurred on the replantation and new plantation are apportioned based on labour days spent on respective replanting and new planting and capitalised on immature areas. The remaining portion of the general charges are expensed in the accounting period in which it is incurred.

The nurseries are carried at cost. The costs consist of direct materials, direct labour and an appropriate proportion of other directly attributable overheads.

The cost of areas coming in to bearing is transferred to mature plantations and depreciated over their useful lives using the depreciation rates given in note 2.5.6.

(ii) Consumable biological assets

Timber plantation is classified as consumable biological assets and are measured on initial recognition and at the end of each reporting period at fair value less cost to sell. Cost to sell includes all costs that would be necessary to sell the assets, including transportation costs. The fair value of trees younger than 5 years cannot be reliably estimated and are carried at cost less impairment. The cost includes direct material, direct labour and appropriate proportion of directly attributable overheads.

Gains or losses arising on initial recognition of timber plantation at fair value less costs to sell and from the change in fair values less costs of plantations at each reporting date are included in profit or loss for the period in which they arise. All costs incurred in maintaining the assets are included in profit or loss for the period in which they arise.

Standing timber is transferred to inventories at its fair value less cost to sell at the date of harvest.

(iii) Infilling cost on bearer biological assets

Where infilling results in an increase in the economical life of a relevant field beyond its previously assessed standard of performance, the cost is capitalised in accordance with Sri Lanka Accounting standard LKAS 16 - Property,Plant and Equipment and depreciated over the remaining useful life at rates applicable to mature plantations. Infilling costs that are not capitalised are charged to the income statement in the year in which they are incurred.

(iv) Livestock

Livestock is measured at their fair value less estimated point-of- sale costs. The fair value of livestock is determined based on market prices of livestock of similar age, breed and genetic merit. In measuring fair value, the Group does not consider the value of calves who are less the six months old as at the date of valuation. Changes in fair value of livestock are recognised in the income statement.

Farming costs such as feeding, labour costs, pasture maintenance, veterinary services are expensed as incurred. The costs of purchase of cattle plus transportation charges are capitalised as part of livestock.

2.7 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

2.8 Financial assets- classification and measurement

The Group classifies its financial assets in the following categories; at fair value through profit or loss, loans and receivables, available for sale and held to maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. During the reporting period and as at the statement of financial position date the Group did not have financial asset classified as fair value through profit or loss, available for sale and held to maturity. All the financial assets are initially recognised at fair value plus transaction costs.

2.8.1 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprises of 'trade and other receivables' and 'cash and cash equivalents' in the statement of financial position. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non current.

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2.9 Offsetting financial instruments

"Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously."

2.10 Impairment of financial assets

Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is an objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

"For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of income."

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in the statement of income.

2.11 Inventories

(i) Produce stock

The Group has valued unsold produce stock (tea, rubber, palm oil) at since realised prices. The Group takes in to consideration of the most recent selling prices available subsequent to the year end in estimating the since realised price for valuing the unsold produced stock as at the date of the statement of financial position.

(ii) Finishd goods manufactured from agricultural produce of biological assets

These are valued at the lower of cost and estimated net realisabal value. Net realiasable value is the estimated selling price at which stocks can be sold in the ordinary course of business after allowing for cost of realisation and/or cost of conversion from their existing state to saleable condition.

(iii) Raw material, spares and consumables.

At actual cost on weighted average basis.

2.12 Trade receivables

Trade receivables are amounts due from customers for commodities sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables.

The amount of the provision for impairment of trade receivables is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in profit or loss within 'administrative expenses'. The carrying amount of the asset is reduced through the use of an allowance account. When trade receivables are uncollectible, it is written off as 'administrative expenses' in profit or loss. Subsequent recoveries of amounts previously written off, are credited against 'administrative expenses' in profit or loss.

2.13 Cash and cash equivalents

In the statements of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

2.14 Stated capital

Ordinary shares are classified as stated capital in equity. Dividend distributed to the Company's shareholders is recognized as a liability in the period in which the dividend are, approved by the Company's shareholders.

2.15 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

"Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method."

2.16 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

2.17 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets except biological assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the statement of comprehensive income in the period in which they are incurred.

2.18 Accounting for leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the commencement of the lease at lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

2.19 Current income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted by end of the reporting period in the countries where the Group operations generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2.20 Deferred tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.21 Employee benefits

2.21.1 Defined contribution plans

Defined contribution plan is a post employment plan under which an entity pays fixed contribution into a separate entity and will have no legal or constructive obligation to pay a further amount. Obligations for contributions to defined contribution plans are recognised as an expense in the income statement as and when they are due.

(i) Provident Fund contributions

All employees of the Company are members of the Employees' Provident Fund or the Estate Staff Provident Society or Ceylon Planters' Provident Fund to which the Company contributes 12% of the salary of each employee.

(ii) Trust fund contributions

The Company contributes 3% of the salary of each employee to the Employee Trust Fund.

2.21.2 Defined benefit plan - Gratuity

Defined benefit plans define an amount of benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The Company has adopted a defined benefit plan as required under the Payment of Gratuity Act No. 12 of 1983 for all eligible employees. The benefit plan is internally and partially funded.

The liability recognized in the statement of financial position in respect of defined benefit plans is the present value of the defined benefit obligation at the date of the statement of financial position together with adjustments for unrecognized past service cost. The defined benefit obligation is calculated annually by the Company using the projected unit credit method prescribed in Sri Lanka Accounting Standard 19; Employee Benefits. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using the interest the rates of Government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise.

Past service costs are recognized immediately in income statement, unless the changes to the plan are conditional on the employees remaining in service for a specific period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

Under the Payment of Gratuity Act No.12 of 1983, the liability to an employee arises only on completion of 5 years of continued service.

As recommended by the Board, the Company has established an internal fund to meet its liabilities towards gratuity.

2.22 Grants

Grants relating to the purchase of property, plant and equipment are included in non current liabilities as deferred income and are credited to the statement of income on a straight line basis over the expected lives of the related assets.

The grants that compensate the Group for expenses or losses already incurred are recognised in profit or loss of the period in which it becomes receivable and when the expenses are recognised.

2.23 Provisions

Provisions are recognised when the Company and the Group have a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be measured reliably. Provisions are not recognised for future operating losses.

Provisions are measured at the Directors' best estimate of the cost of settling these liabilities and are discounted to present value where the effect is material. All known liabilities and provisions have been accounted for in preparing the financial statements.

2.24 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents an amount receivable for goods supplied, services performed and stated net of discounts, taxes and levies. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below:

2.24.1 Perennial crops

Revenue from perennial crops are recognised in the year of harvesting. Revenue comprises of invoiced value of sales, net of brokerage, public sale expenses and other levies related to turnover.

(i) Sale of tea at auction

As per the Tea By-Laws and Conditions issued by the Ceylon Tea Traders' Association (Section 17), the highest bidder (buyer) is accepted and a sale is completed at the fall of the hammer. The sale is recorded at the price and quantity agreed upon and raising the Sale Note.

(ii) Sale of rubber at auction

As per the Rubber By-Laws and Conditions issued by the Colombo Rubber Traders' Association, the highest bidder (buyer) is accepted and a sale is completed at the fall of the hammer. The sale is recorded at the price and quantity agreed upon and raising the Sale Note.

(iii) Sale of palm oil

The revenue is recognised on invoicing and oil is ready for delivery.

2.24.2 Income from sale of trees

Revenue from the sale of timber/trees is recognized at the point that the legal ownership, risk of loss and the rewards have been passed to the purchaser and the quantity sold is determinable.

Revenue on harvesting of timber/trees is recognised when the purchaser acquires the right to harvest specified timber/trees on a tract of land, at an agreed-to price per unit by entering into a contractual agreement at which point the risk and rewards are transferred.

2.24.3 Income from exports

If the export is on FOB (Free On Board) terms, the revenue is recognised when the goods are cleared at the port of shipment and the documents of title are delivered to buyer (or handed over to the local bank).

If the export is on CIF(Cost, Insurance and Freight) terms, the Group delivers the goods to the port of shipment, providing export clearance while arranging and paying for the carriage and insurance. Hence revenue is recognised on delivery to the buyer or transfer of the documents of title to the goods, whichever is later.

2.24.4 Other income

Other income is recognised on an accrual basis.

(i) Profit / (loss) on disposal of property, plant and equipment

Profit / (loss) from sale of property, plant and equipment is recognised in the period in which the sale occurs and the delivery order is issued.

(ii) Interest income

Interest income is recognised using the effective interest method. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

(iii) Dividend income

Dividend income is recognised in the income statement on an accrual basis when the Group's right to receive the dividend is established.

2.25 Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

2.26 Events after the reporting period

Events after the reporting period are events, favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue as given in Note 37.

2.27 Dividends

Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when declared by the directors. In the case of final dividends, this is when approved by the shareholders at the Annual General Meeting. If the dividends are declared after the reporting period but before the financial statements are authorised for issue, the dividends are not recognised as a liability at the end of the reporting period. The details of dividends are detailed in note 32.

3 Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker, who is responsible for allocating resources and addressing performance of the operating segments, has been identified as the board of directors that makes strategic decisions

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. The Board of directors is responsible for allocating resources and assessing performance of the operating segments has been identified as the chief operating decision maker.

The Group comprises of the following major business segments;

(i) Tea

(ii) Rubber

(iii) Palm oil

(iv) Exports

Measurement of segment assets, liabilities, segment revenue and results is based on the accounting policies set out above. Segment expenses are expenses that are directly attributed to a segment or a relevant portion of expenses that can be allocated on a reasonable basis as determined by the management. Inter-segment pricing is determined on an arms length basis based on fair market prices. Considering the activities of the operations, segment information based on geographical segments does not arise.

The segment information is given in the Note 25 to the financial statements.

4 Financial risk management

4.1 Financial risk factors

The Group is exposed to a variety of financial risks. These include market risks, credit risks, and liquidity risks. The Group's overall risk management programme focuses on the unpredictability of financial markets and seek to minimise potential adverse effects on the Group's financial performance. Based on our economic outlook and the Group's exposure to these risks, the Board of directors approves various risk management strategies from time to time.

4.1.1 Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

	As at 31 March	
Rate of exchange	2014	2013
LKR per 1 USD	131.04	126.83

The Group manages the foreign exchange risk by matching foreign currency export income with foreign currency imports and receivables with payables. The net impact is exposed to foreign currency translation risk

Sensitivity analysis

At 31 March 2014, if the USD had strengthened 1% against the financial year with all other variables held constant, profit after tax would have been Rs. 5,206,000 higher, mainly as a result of foreign exchange gain on transaction of US dollar-denominated sales.

Similarly, At 31 March 2014, if the USD had weakened by 1% against the financial year with all other variables held constant, profit after tax would have been Rs. 5,214,000 lower, mainly as a result of foreign exchange loss on transaction of US dollar-denominated sales functioned in Australia under Watawala Tea Australia (Pty) Ltd.

(ii) Interest rate risk

The Group's interest rate risk arises from the borrowings. The fluctuation in the Average Weighted Prime Lending

Rate (AWPLR) results in the effective interest rate of the borrowings usually without a corresponding change in the fair value. The Group analyses the interest rate exposure on a dynamic basis monitoring AWPLR.

(iii) Price risks

The Group is exposed to the commodity price risk of mainly tea, rubber and palm oil. The Group monitors commodity prices on a dynamic basis and manages inventory levels to minimize the impact.

4.1.2 Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions and outstanding balances from customers. For banks and financial institutions, only independently rated parties are accepted. No independent risk ratings are available for customers. Credit control assesses the credit quality of the customers taking into account its financial position, past performance and other factors. Credit limits are set and the utilization of credit limits is regularly monitored.

4.1.3 Liquidity risk

Cash flow forecasting is performed in the Group which monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs at all times. Such forecasting takes into consideration, the Group's debt financing plans.

The table below analyses the Group's financial liabilities and financial assets into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date.

The amounts disclosed in the table are the contractual undiscounted cash flows.

Financial Liabilities at 31 March 2014 In Rs.'000s	**Note**	**Less than 1 year**	**Between 1 - 2 years**	**Between 2 - 5 years**	**Over 5 years**	**Total**
Borrowings	18	304,574	65,799	110,693	93,750	574,816
Finance lease liabilities	18	2,076	259	-	-	2,335
Trade and other payables (excluding statutory liabilities)	23	540,940	-	-	-	540,940
		847,590	66,058	110,693	93,750	1,118,091

Financial Assets at 31 March 2014 In Rs.'000s		**Less than 1 year**	**Between 1 - 2 years**	**Between 2 - 5 years**	**Over 5 years**	**Total**
Trade and other receivables	15	447,044	-	-	-	447,044
Cash and cash equivalents	16	114,660	-	-	-	114,660
		561,704	-	-	-	561,704

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and noncurrent borrowings' as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt.

The gearing ratio as at the date of the financial position is given below :

	Group		Company	
In Rs.'000s As at 31 March	**2014**	**2013**	**2014**	**2013**
Total borrowings [Note 18]	574,816	570,720	574,816	570,720
Less:				
cash and cash equivalents [Note 16]	114,660	443,333	111,851	431,799
Net debt	460,156	127,387	462,965	138,921
Total equity	4,218,328	3,843,448	4,218,398	3,843,260
Total capital	4,678,484	3,970,835	4,681,363	3,982,181
Gearing ratio	10%	3%	10%	3%

5 Critical accounting estimates and judgments

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

5.1 Income taxes

The Group is subject to income taxes in Sri Lanka and Australia. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax assessment issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

5.2 Pension benefits - Gratuity

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based in part on current market conditions.

5.3 Estimated useful lives of property, plants and equipment

The Group reviews annually the estimated useful lives of property, plant and equipment based on factors such as business plans, strategies, expected level of usage and future technological developments. Future result of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in the estimated useful lives of property, plant and equipment which increases the recorded depreciation charge and decreases the carrying value of property, plant and equipment.

5.4 Provisions

The Group recognises provisions when

they have a present legal or constructive obligation arising as a result of past event, and it is probable that an outflow of economic benefits will be required to settle the obligations and a reliable estimate can be made. The recording of provision required the application of judgment about ultimate resolution of their obligations.

5.5 Impairment of trade receivables

The Group assesses at the date of statement of financial position whether there is an objective evidence that trade receivables have been impaired. Impairment loss is calculated based on a review of the current status of existing receivables and historical collections experience. Such provisions are adjusted periodically to reflect the actual anticipated impairments.

5.6 Consumable biological assets

In measuring fair value of trees management estimates and judgement are required. These estimates and judgement relate to the market prices, average volume of trees and quality of trees. Trees grow at different rates and there can be a considerable spread in the quality and volume of trees and that affect the prices achieved.

6 Leasehold right to land of JEDB / SLSPC estates - Group and Company

In Rs.'000s	2014	2013
Cost		
As at 31 March	372,840	372,840
Accumulated amortisation		
At the beginning of the year	146,227	139,192
Amortization for the year	7,035	7,035
At the end of the year	153,262	146,227
Carrying value as at the 31 March	219,578	226,613

The leases of JEDB/SLSPC estates handed over to the Company for a period of 53 years have all been executed. The leasehold rights to the land on all these estates have been taken into the books of the Company as at 18 June 1992 immediately after formation of the Company. The bare land has been recorded at the value established for each land by valuation specialist, D R Wickramasinghe, just prior to the formation of the Company.

The leasehold rights to land is recorded in accordance with the Statement of alternative treatment for the "Right-to-Use of Land on Lease" which was approved by the Council of the Institute of Chartered Accountants of Sri Lanka on 21 August 2013. Corresponding liability is shown as a lease payable to JEDB/SLSPC."

7 Immovable estate assets on leasehold rights (other than land) - Group and Company

In Rs.'000s	Improvements to land	Other vested assets	Mature plantations	Roads and bridges	Water supply	Buildings	Mini-hydro power plant	Machinery	Total
Cost									
As at 31 March 2013	3,340	3,305	406,633	484	3,838	93,279	1,540	32,506	544,925
As at 31 March 2014	3,340	3,305	406,633	484	3,838	93,279	1,540	32,506	544,925
Accumulated amortization									
As at 1 April 2012	2,195	889	235,537	234	3,766	73,784	1,540	32,506	350,451
Amortisation for the year	111	44	13,655	11	72	3,754	-	-	17,647
As at the 31 March 2013	2,306	933	249,192	245	3,838	77,538	1,540	32,506	368,098
Amortisation for the year	111	44	13,415	11	-	3,754	-	-	17,335
As at 31 March 2014	2,417	977	262,607	256	3,838	81,292	1,540	32,506	385,433
Carrying value									
As at 31 March 2013	1,034	2,372	157,441	239	-	15,741	-	-	176,827
As at 31 March 2014	923	2,328	144,026	228	-	11,987	-	-	159,492

(i) Assets in estates that are held under leasehold right to use have been taken into books of the Company retrospectively retroactive from 18 June 1992. For this purpose the Board of Directors of the Company decided at its meeting on 8 March 1995 that those assets would be taken at their book value as they appeared in the books of the JEDB / SLSPC, on the day immediately preceding the date of formation of the Company.

(ii) Investment by the Group on mature and immature plantations is shown separately under biological assets - bearer.

8 Property, Plant and Equipment - Group & Company

In Rs.'000s	Buildings	Capital work in progress	Motor vehicles	Plant and machinery	Equipment	Computer	Furniture and fittings	Others	Total
Cost									
As at 1 April 2012	769,760	18,558	245,628	1,115,073	127,208	11,415	34,506	151,885	2,474,033
Additions	6,208	27,056	107,820	20,857	2,159	3,994	815	-	168,909
Disposals	-	-	(39,546)	(16,814)	-	-	-	-	(56,360)
As at 31 March 2013	775,968	45,614	313,902	1,119,116	129,367	15,409	35,321	151,885	2,586,582
Additions	74,417	(20,604)	25,382	174,524	7,642	3,151	2,810	18,823	286,145
Disposals	-	-	(5,622)	-	-	-	-	-	(5,622)
As at 31 March 2014	850,385	25,010	333,662	1,293,640	137,009	18,560	38,131	170,708	2,867,105
Accumulated depreciation									
As at 1 April 2012	86,927	-	158,078	384,686	91,689	2,873	26,408	33,294	783,955
Charge for the year	19,521	-	31,355	78,567	6,806	3,668	1,483	3,854	145,254
Disposals	-	-	(32,610)	(7,672)	-	-	-	-	(40,282)
As at 31 March 2013	106,448	-	156,823	455,581	98,495	6,541	27,891	37,148	888,927
Charge for the year	19,985	-	33,356	73,189	7,015	3,793	1,316	3,731	142,385
Disposals	-	-	(4,832)	-	-	-	-	-	(4,832)
As at 31 March 2014	126,433	-	185,347	528,770	105,510	10,334	29,207	40,879	1,026,480
Carrying value									
As at 31 March 2013	669,520	45,614	157,079	663,535	30,872	8,868	7,430	114,737	1,697,655
As at 31 March 2014	723,952	25,010	148,315	764,870	31,499	8,226	8,924	129,829	1,840,625

(i) The assets shown above include assets vested in the Company by Gazette notification on the date of formation of the Company (18 June 1992) and all the investments made in the fixed assets by the Company since its formation. The assets taken over by way of estate leases have been set out in Notes 6 and 7.

(ii) Cost of fully depreciated assets as at 31 March 2014 amounts to Rs. 411,373,805 (2013 - Rs. 380,367,569).

(iii) Depreciation expense of Rs. 120,341,312 (2013 - Rs. 123,521,684) has been charged in cost of goods sold and Rs. 22,043,688 (2013 - Rs. 21,732,316) in administrative expenses.

9 Biological assets

9.1 Biological assets - bearer - Group and Company

In Rs.'000s	Nursaries	Immature plantations	Mature plantations	Total
Cost				
As at 1 April 2012	12,965	825,289	1,646,018	2,484,272
Additions	29,209	272,856	-	302,065
Impairment losses and write-downs	-	(8,337)	-	(8,337)
Transfers	(14,950)	(411,413)	411,413	(14,950)
As at 31 March 2013	27,224	678,395	2,057,431	2,763,050
Additions	16,050	321,444	-	337,494
Impairment losses and write-downs	-	-	(13,544)	(13,544)
Transfers	(26,107)	(295,677)	295,677	(26,107)
As at 31 March 2014	17,167	704,162	2,339,564	3,060,893
Accumulated depreciation				
As at 31 March 2012	-	-	(368,292)	(368,292)
Charged for the year	-	-	(78,100)	(78,100)
As at 31 March 2013	-	-	(446,392)	(446,392)
Charged for the year	-	-	(98,646)	(98,646)
Depreciation on impaired plantations	-	-	2,709	2,709
As at 31 March 2014		-	(542,329)	(542,329)
Carrying value				
As at 31 March 2013	27,224	678,395	1,611,039	2,316,658
As at 31 March 2014	17,167	704,162	1,797,235	2,518,564

(i) Investments in bearer biological assets since the formation of the Company have been classified as shown above and includes bearer biological assets comprising mainly tea, rubber and palm oil plantations. Bearer biological assets are stated at cost.

The requirement of recognition of bearer biological assets at its fair value less cost to sell under LKAS 41 was superseded by the ruling issued on 2 March 2012, by The Institute of Chartered Accountants of Sri Lanka. Accordingly, the Company has elected to measure the bearer biological assets at cost using LKAS 16 - 'Property, Plant & equipment'.

(ii) The transfer of immature plantations to mature plantations commences at the time the plantation is ready for commercial harvesting.

9.2 Biological assets - consumable - Group and Company

In Rs.'000s	Nursaries	Immature plantations	Mature plantations	Total
Cost				
As at 1 April 2012	2,891	37,866	589,809	630,566
Gain arising from changes in fair value less costs to sell	-	8,552	(13,715)	(5,163)
Additions	227	-	-	227
Transfers	(1,133)	1,133	-	-
Decrease due to harvest/disposals	-	-	(94,440)	(94,440)
As at 31 March 2013	1,985	47,551	481,654	531,190
Additions	2,375	20,167	-	22,542
Transfers	(1,893)	(2,178)	2,178	(1,893)
Decrease due to harvest/disposals	-	-	(2,865)	(2,865)
Gain/(loss) arising from changes in fair value less cost to sell	-	-	26,970	26,970
As at 31 March 2014	2,467	65,540	507,937	575,944

The mature consumer biological assets are stated at fair value determined based on an independent valuation of timber/ tree reserves performed by Messrs.' S Sivakantha, (BSc Estate Management and Valuation). The key assumptions and judgements include the following:

- Expected rate of return p.a 15% (2013 - 16%)
- Maturity for harvesting - 25 years (2013 - 25 years)
- Discounting factor

Age of tree	Discount factor
6 - 10 years	0.05
11 - 15 years	0.11
16 - 20 years	0.23
21 - 25 years	0.48

Immature consumer biological assets comprising trees under 5 years old are carried at cost less accumulated impairment losses.

Sensitivity analysis

The financial impact on the value appearing in the statement of financial position due to change of selling price and variation of discount rate is given below.

Sensitivity variation sales price (using 10% estimated variation)

Year	10%	Value as stands	-10%
2014	558,730,711	507,937,010	457,143,309

Simulations made for the timber show that a rise or decrease by 10% of the estimated future selling price has the above effect on the net present value of biological assets.

Sensitivity variation discount rate (using 1% variation)

Simulations made for the timber trees show that a rise or decrease by 1.0% of the discount rate has the following effect on the net present value of biological assets.

Year	1%	Value as stands	-1%
2014	500,572,157	507,937,010	515,697,797

10 Biological assets - Livestock

Livestock is measured on initial recognition at each reporting date at its fair values less point of sale costs. Fair value of livestock is determined at the best available estimates for livestock with similar attributes. Any gain or loss arising on initial recognition of livestock at fair value less estimated point of sale costs and from a change in fair value less estimated point of sale costs is included in profit or loss in the period in which it arises.

	Group and Company	
In Rs.'000s As at 31 March	**2014**	**2013**
At the beginning of the year	32,231	20,037
Increase due to purchases	831	348
Increase due to births	5,590	2,440
Decrease due to sales	(4,400)	(1,759)
Decrease due to deaths	(1,877)	(2,425)
Price and physical changes	12,686	13,590
At the end of the year	45,061	32,231

As at 31 March 2014 livestock comprised 144 cattle (2013: 143 cattle). During the year Company sold 29 (died 11) cattle (2013: 08 cattle). In valuing the livestock, the Group has not valued the 12 calves born in-house and their age is less than six months as of the statement of financial position date.

11 Gratuity investments

	Group and Company	
In Rs.'000s As at 31 March	**2014**	**2013**
At the beginning of the year	127,267	42,641
Investments made during the year	72,733	84,626
At the end of the year	200,000	127,267

As at the date of the financial reporting, the Company has invested Rs.200,000,000/- (2013: Rs.127,267,000/-) bank deposit to cover up part of the future liabilities towards the retirement benefit benifit obligations.

12 Investments in subsidiary

Investments wholly consist of 100% controlling interest of Watawala Tea Australia Pty Limited.

	Company	
In Rs.'000s As at 31 March	**2014**	**2013**
At the beginning of the year	852	852
At the end of the year	852	852

13 Classification of financial assets and liabilities

In accordance with the LKAS 39 on "Financial Instrument Recognition and Measurment" financial assets have been classified as follows:

In Rs.'000s As at 31 March	Notes	Group and Company 2014	 2013
Trade and other receivable excluding pre-payments	15	284,510	288,711
Cash and cash equivalents	16	114,660	443,333
Gratuity investment	11	200,000	127,267
		599,170	859,670

In accordance with the LKAS 39 on "Financial Instrument Recognition and Measurment" financial liabilities have been classified as follows:

In Rs.'000s As at 31 March		Group and Company 2014	 2013
Borrowings (excluding finance lease liability)	18	572,481	566,116
Trade and other payables excluding non financial liabilities	23	540,940	654,087
		1,113,421	1,220,203

Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Cash at bank and short- term bank deposits - Company

In Rs.'000s As at 31 March	Rating	Group and Company 2014	 2013
Cash at bank			
Public Bank Berhad	AAA	942	792
Hong Kong and Shanghai Banking Corporation	AAA	27,229	13,320
Peoples Bank PLC	AA	1,505	755
Sampath Bank PLC	AA-	482	566
ICICI Bank Limited	BBB-	7,711	-
Hatton National Bank PLC	AA-	26,030	19,359
Citi Bank, N.A.	AAA	21,772	38
Commercial Bank of Ceylon PLC	AA	306	2,595
Bank of Ceylon	AA+	535	153
Nations Trust Bank PLC	A	6,522	-
Standard Chartered Bank	AAA	82	-
Amana Bank		392	-
		93,508	37,578
Short-term deposits			
Hatton National Bank PLC	AA-	16,507	246,784
Commercial Bank of Ceylon PLC	AA	-	16,826
Public Bank Berhad	AAA	-	50,000
Bank of Ceylon	AA+	-	76,934
		110,015	428,122

Trade receivable

In Rs.'000s As at 31 March	Group and Company 2014	 2013
Existing customers and related parties more than 6 months	-	11,950
Existing customers with default history	-	1,436
	-	13,386

The age analysis of the trade receivables neither past due but nor impaired as follows.

In Rs.'000s As at 31 March	Group 2014	 2013	Company 2014	 2013
Up to 3 months	120,516	104,060	113,979	95,614
	120,516	104,060	113,979	95,614

Above related to a number of independent customers for whom there is no recent history of credit default and the total trade receivables were fully performing.

14 Inventories

In Rs.'000s As at 31 March	Group and Company 2014	2013
Harvested crops	710,559	533,281
Export stocks	92,655	15,393
Refined palm oil	2,168	52
Raw materials, spares and consumables	134,600	87,225
	939,982	635,951

The cost of inventory included in the cost of sales for the year amounted to Rs. 710,558,670 (2013-Rs. 533,281,171).

15 Trade and other receivables

In Rs.'000s As at 31 March	Notes	Group 2014	Group 2013	Company 2014	Company 2013
Trade receivables		120,516	104,060	113,978	95,614
Due from related companies	36	73,709	11,950	73,709	11,950
Employee advances		46,771	41,996	46,771	41,996
Deposits		2,193	5,510	2,193	5,510
Other receivables		41,321	126,631	41,321	126,631
		284,510	290,147	277,972	281,701
Provision for impairment of other receivables		-	(1,436)	-	(1,436)
Financial assets /loans and receivables (other than cash and cash equivalents classified as loans and receivables)		284,510	288,711	277,972	280,265
Taxes recoverable-net		123,749	102,527	123,749	102,315
Prepayments		74	1,288	74	1,288
Advances paid to suppliers		35,396	32,165	35,396	32,165
Advances paid on importation of goods		3,315	19,598	3,315	19,598
Non-financial assets		162,534	155,578	162,534	155,366
Total trade and other receivables		447,044	444,289	440,506	435,631

(i) Taxes receivable includes Advance Company Tax of Rs. 41,359,166 (2013 - Rs 48,692,103), Value Added Tax of Rs. 26,829,677 (2013 - Rs. 6,742,639) and Economic Service Charge of Rs. 41,042,915 (2013 - Rs 48,227,784).

(ii) Employee advances are recovered from payroll within 12 months.

16 Cash and cash equivalents

In Rs.'000s As at 31 March	Notes	Group 2014	Group 2013	Company 2014	Company 2013
Cash at bank - local currency		55,632	22,051	52,823	22,051
Cash at bank - foreign currency		40,685	27,061	40,685	15,527
Cash in hand		1,836	3,677	1,836	3,677
Short-term bank deposits		16,507	390,544	16,507	390,544
		114,660	443,333	111,851	431,799

For the purposes of the cash flow statement, the year end cash and cash equivalents comprise the following:

In Rs.'000s As at 31 March	Notes	Group 2014	Group 2013	Company 2014	Company 2013
Bank overdrafts	18.1	(93,906)	(405,762)	(93,906)	(405,762)
Cash and bank balance		114,660	443,333	111,851	431,799
		20,754	37,571	17,945	26,037

17 Stated capital

In Rs.'000s As at 31 March	Group and Company 2014	2013
Issued and fully paid		
236,666,667 ordinary shares and 1 golden share - Opening balance	460,000	460,000
Closing balance	460,000	460,000

The Golden Shareholder

The Golden Share is currently held by the Secretary to the Treasury and should be owned either directly by the Government of Sri Lanka or by a 100% Government owned public company. In addition to the rights of the normal ordinary shareholder, the Golden Shareholder has the following rights:

(i) The concurrence of the Golden Shareholder will be required for the Company to sublease any of the estate land leased / to be leased to the Company by the Janatha Estate Development Board / Sri Lanka State Plantation Corporation.

(ii) The concurrence of the Golden Shareholder will be required to amend any clause in the Articles of Association of the Company which grant specific rights to the Golden Shareholder.

(iii) The Golden Shareholder, or his nominee will have the right to examine the books and accounts of the Company at any time with two weeks written notice.

(iv) The Company will be required to submit detailed quarterly accounts to the Golden Shareholder in a specified format within 60 days of the end of each quarter. Additional information relating to the Company in a specified format must be submitted to the Golden Shareholder within 90 days of the end of the each fiscal year.

(v) The Golden Shareholder can request the Board of Directors of the Company to meet with him / his Nominee, once every quarter to discuss issues related to the Company's operation of interest to the Government.

18 Borrowings

18.1 Movement of borrowings during the year - Group and Company

In Rs.'000s	Notes	Bank overdrafts	Leases	Packing credit	Money market	Term loan	Total 2014	Total 2013
As at 1 April		-	4,603	-	-	160,356	164,959	353,859
Obtained during the year		-		184,019	100,000	250,000	534,019	72,669
Repaid during the year		-	(2,268)	(157,219)	-	(58,581)	(218,068)	(261,570)
Bank overdrafts	16	93,906	-	-	-	-	93,906	405,762
As at 31 March		93,906	2,335	26,800	100,000	351,775	574,816	570,720

18.2 Analysis of borrowings by year of repayment - Group and Company

In Rs.'000s As at 31 March	Notes	2014	2013
Repayable within one year			
Term loans	18.4	81,792	62,097
Other assets obtained on leases	18.5	2,076	2,293
Packing credit loan/money market loans		126,800	-
Bank overdrafts	18.6	93,906	405,762
		304,574	470,152
Repayable after one year			
Term loans	18.4	269,983	98,258
Other assets obtained on leases	18.5	259	2,310
		270,242	100,568
Total borrowings		574,816	570,720

Term loans are secured on leasehold rights on specific estates

18.3 Total borrowings at 31 March can be analysed as follows:

Analysis of borrowings based on the repayment schedule - Group and Company

In Rs.'000s	Notes	within one year	1 - 2 years	2 - 5 years	More than 5 years	Total
Term loan	18.4	81,792	65,540	110,693	93,750	351,775
Other assets obtained on lease	18.5	2,076	259	-	-	2,335
Packing credit loan/money market loan		126,800	-	-	-	126,,800
Bank overdrafts	18.6	93,906	-	-	-	93,906
As at 31 March 2014		304,574	65,799	110,693	93,750	574,816
As at 31 March 2013		470,152	100,568	-	-	570,720

18.4 Term loans - Group and Company

In Rs.'000s	Notes	Outstanding liability Repayable within one year	Repayable after one year	Balance as at 31 March 2014	Outstanding liability Repayable within one year	Repayable after one year	Balance as at 31 March 2013	Security
Commercial Bank of Ceylon PLC	18.4.1	20,976	28,887	49,863	32,398	46,475	78,873	Leasehold rights on specified estates
Hatton National Bank PLC	18.4.2	39,583	218,750	258,333	8,334	8,334	16,667	Leasehold rights on specified estates
ICICI Bank Limited	18.4.3	20,000	18,334	38,334	20,000	38,334	58,334	Unsecured
Public Bank Berhad	18.4.4	1,233	4,012	5,245	1,365	5,115	6,480	Mortgage over assets
		81,792	269,983	351,775	62,097	98,258	160,354	

18.4.1 Commercial Bank of Ceylon PLC

Purpose : For field development activities under ADB re-finance scheme

In Rs.'000s Year	Loan number	Original amount	Interest rate % p.a.	2013 / 2014 Repayable within one year	Repayable after one year	Balance as at 31 March 2014	2012 / 2013 Repayable within one year	Repayable after one year	Balance as at 31 March 2013	Repayment terms
1997	56134 & 62148	29,684	11.5	-	-	-	968	-	968	40 equal quarterly installments commencing from June 2003
2000	68675	60,052	11.5	1,501	-	1,501	6,005	-	6,005	40 equal quarterly installments commencing from May 2004
2000	77841	25,067	11.5	1,253	-	1,253	2,507	1,253	3,760	40 equal quarterly installments commencing from September 2004
2001	88285	46,663	11.5	4,666	1,167	5,833	4,666	5,833	10,499	40 equal quarterly installments commencing from September 2004
Sub total		161,466		7,420	1,167	8,587	14,146	7,086	21,232	

Purpose : For process development, purchase of commercial vehicles and equipment under ADB re-finance scheme

In Rs.'000s Year	Loan number	Original amount	Interest rate % p.a.	2013 / 2014 Repayable within one year	Repayable after one year	Balance as at 31 March 2014	2012 / 2013 Repayable within one year	Repayable after one year	Balance as at 31 March 2013	Repayment terms
2006	369491 & 369487	50,340	9.74	6,804	11,331	18,135	6,804	18,135	24,939	96 equal monthly installments commencing from October 2008
2007	375394 & 375396	48,479	9.74	6,605	15,982	22,587	8,522	20,701	29,223	96 equal monthly installments commencing from June 2009
2008	501241	1,181	9.74	147	407	554	148	553	701	96 equal monthly installments commencing from January 2010
Sub total		100,000		13,556	27,720	41,276	15,474	39,389	54,863	

18.4.1 Commercial Bank of Ceylon PLC

Purpose : For environmental friendly activities from commercial banks under ADB re-finance scheme

In Rs.'000s Year	Loan number	Original amount	Interest rate % p.a.	2013 / 2014 Repayable within one year	Repayable after one year	Balance as at 31 March 2014	2012 / 2013 Repayable within one year	Repayable after one year	Balance as at 31 March 2013	Repayment terms
2007	377746	16,800	6.5	-	-	-	1,050	-	1,050	48 equal quarterly installments commencing from June 2009
2007	413120	10,400	6.5	-	-	-	1,728	-	1,728	48 equal quarterly installments commencing from November 2009
Sub total		27,200		-	-	-	2,778	-	2,778	
Grand total				20,976	28,887	49,863	32,398	46,475	78,873	

18.4.2 Hatton National Bank PLC

Purpose : For environment friendly activities

In Rs.'000s Year	Original amount	Interest rate % p.a.	2013 / 2014 Repayable within one year	Repayable after one year	Balance as at 31 March 2014	2012 / 2013 Repayable within one year	Repayable after one year	Balance as at 31 March 2013	Repayment terms
2008	50,000	6.5	8,333	-	8,333	8,333	8,333	16,666	72 equal monthly installments commencing from November 2009
Sub total	50,000		8,333	-	8,333	8,333	8,333	16,666	

Hatton National Bank PLC

Purpose : To finance re-planting of plantation

In Rs.'000s Year	Original amount	Interest rate % p.a.	2013 / 2014 Repayable within one year	Repayable after one year	Balance as at 31 March 2014	2012 / 2013 Repayable within one year	Repayable after one year	Balance as at 31 March 2013	Repayment terms
2014	250,000	AWPLR + 0.5%	31,250	218,750	250,000	-	-	-	96 equal monthly installments commencing from April 2014
Sub total	250,000		31,250	218,750	250,000	-	-	-	
Grand total			39,583	218,750	258,333	8,333	8,333	16,666	

18.4.3 ICICI Bank Limited

Purpose : For purchase of plant and equipment

In Rs.'000s Year	Loan number	Original amount	Interest rate % p.a.	2013 / 2014 Repayable within one year	Repayable after one year	Balance as at 31 March 2014	2012 / 2013 Repayable within one year	Repayable after one year	Balance as at 31 March 2013	Repayment terms
2011	180	50,000	SLIBOR+5% 1 year	10,000	9,167	19,167	10,000	19,167	29,167	60 equal monthly installments commencing from March 2011
2011	181	50,000	SLIBOR+51% 2 to 5 years	10,000	9,167	19,167	10,000	19,167	29,167	60 equal monthly installments commencing from March 2011
Sub total		100,000		20,000	18,334	38,334	20,000	38,334	58,334	

18.4.4 Public Bank Berhad

Purpose : For purchase of motor vehicles

			2013 / 2014			2012 / 2013			
In Rs.'000s Year	Original amount	Interest rate % p.a.	Repayable within one year	Repayable after one year	Balance as at 31 March 2014	Repayable within one year	Repayable after one year	Balance as at 31 March 2013	Repayment terms
2012	5,850	11%	905	3,060	3,965	1,026	3,845	4,871	60 equal monthly installments commencing from March 2012
2012	1,935	11%	328	952	1,280	339	1,270	1,609	60 equal monthly installments commencing from March 2012
Sub total	7,785		1,233	4,012	5,245	1,365	5,115	6,480	

18.5 Obligation on other assets obtained on lease

			Total	
In Rs.'000s As at 31 March	**Current**	**Non-current**	**2014**	**2013**
Hatton National Bank PLC				
Finance lease liabilities - minimum lease payments	958	261	1,219	2,264
Finance charge allocated to future periods	(26)	(2)	(28)	(115)
Present value of finance lease liabilities	932	259	1,191	2,149
Peoples Leasing & Finance PLC				
Finance lease liabilities - minimum lease payments	1,172	-	1,172	2,736
Finance charge allocated to future periods	(28)	-	(28)	(281)
Present value of finance lease liabilities	1,144	-	1,144	2,455
As at 31 March	2,076	259	2,335	4,604

18.6 Overdrafts

Nature of liability - outstanding In Rs.'000s As at 31 March	**2014**	**2013**	**Security**
Hatton National Bank PLC	23,491	81,596	Leasehold rights on specific estates.
Commercial Bank of Ceylon PLC	27,112	674	Leasehold rights on specific estates. Mortgage over stocks and book debts.
Hong Kong and Shanghai Banking Corporation	13,882	-	Mortgage over stocks and book debts.
Citi Bank, N.A.	-	223,924	Mortgage over stocks and book debts.
ICICI Bank Ltd	-	5,987	Unsecured
MCB Bank Ltd	29,421	93,581	Mortgage over stocks and book debts.
	93,906	405,762	

19 Leasehold rights obtained from SLSPC and JEDB - Group and Company

As at 31 March	2014		2013	
In Rs.'000s	Current	Non-current	Current	Non-current
Gross liability	20,320	609,600	20,320	629,920
Less: Interest in suspense	(14,340)	(261,094)	(14,570)	(275,627)
Net liability to lessor	5,980	348,506	5,750	354,293

Leasehold rights can be analysed as follows:

Net liability	Total	1- 2 years	2 - 5 years	More than 5 years
As at 31 March 2014	354,486	5,980	19,390	329,116
As at 31 March 2013	360,043	5,750	18,650	335,643

The annual lease series of payments payable by the Company with effect from 18 June 1996 in respect of these estates is Rs 20.32 million (basic lease series of payments) plus an amount to reflect inflation during the previous year determined by multiplying Rs 20.32 million by gross domestic product (GDP) deflator of the preceding year. However as per the agreement entered into with the Ministry of Plantations the application of GDP deflator has been suspended for five years commencing from 18 June 2003, resulting in a fixed lease payment of Rs 29.04 million. In September 2010, as per the cabinet decision the regional plantation companies were requested to revert back to the original method of calculating lease rentals by applying the GDP deflator of the preceding year. The gross liability to the lessor represents the total basic lease series payable by the Company for the remaining term of the lease. The net liability to the lessor is the present value of annual basic lease series of payments over the remaining tenure of the lease. The discount rate used is 6% p.a.

The interest in suspense is the total amount of interest payable during the remaining tenure of the lease at 6% p.a. on the net liability to the lessor on 18 June each year. The basic lease series of payments paid each year (in equal quarterly installments in advance) has been debited to the gross liability and the appropriate interest amount for the year is charged to finance costs by crediting the interest in suspense account.

20 Retirement benefit obligations

The amounts recognised in the statement of financial position are determined as follows:

In Rs.'000s As at 31 March	Notes	Group and Company 2014	 2013
Present value of obligation			
Covered by investments	11	200,000	127,267
Not covered by investments		749,697	674,500
Liability in the Statement of financial position		949,697	801,767

The movement in the defined benefit obligation over the year is as follows:

In Rs.'000s As at 31 March	Group and Company 2014	 2013
As at 1 April	801,767	815,851
Current service cost	61,452	51,187
Interest cost	96,212	89,743
Actuarial (gain)/loss	89,302	(80,430)
Benefits paid	(99,036)	(74,584)
At 31 March	949,697	801,767

The movement in the retirement benefit obligations over the year is as follows:

In Rs.'000s As at 31 March	Group and Company 2014	 2013
Current service cost	61,452	51,187
Interest cost	96,212	89,743
Total included in the staff cost [Note 28.2]	157,664	140,930
Actuarial (gain)/loss recognised in the statement of other comprehensive income	89,302	(80,430)
Total recognised in the statement of other comprehensive income	246,966	60,500

An actuarial valuation for defined benefit obligation was carried out as at 31 March 2014 by Mr. M.Poopalanathan, of Messrs Actuarial and Management Consultants (Pvt) Ltd., a firm of professional actuaries. The valuation method used by the actuaries to value the obligation is the 'Projected Unit Credit Method", a method recommended by the Sri Lanka Accounting Standard - LKAS 19 on "Employee Benefits'.

The following assumptions and data were used in valuing the defined benefit obligation by the actuarial valuer:

(i)	Rate of interest (net of tax)	11 % p.a. (2013 - 12%)
(ii)	Rate of salary increase	
	- tea estate workers	19% every two years
	- rubber estate workers	19% every two years
	- oil palm factory workers	19% every two years
	- estate staff	20% every three years and 2.5% per annum.
	- estate management and head office staff	7.5% every year
(iii)	Retirement age	60 years
(iv)	The company will continue in business as a going concern.	

Sensitivity analysis

In order to illustrate the significance of the salary /wage escalation rate/discount reate assumed in this valuation as at 31 March 2014 we have conducted a senstivity analysis for all employees assuming the following salary wage escalation rate and discount rate.

Discount rate	Salary escalation rate	Present value of defined benefit obligation	
		Staff	Workers
One percentage point increase	As given above	103,397,981	770,313,555
One percentage point decrease	As given above	114,989,517	922,701,776
As given above	One percentage point increase	115,604,333	877,243,648
As given above	One percentage point increase	102,759,673	806,435,984

21 Deferred income and capital grants

In Rs.'000s As at 31 March	Group and Company	
	2014	2013
Capital grants		
At the beginning of the year	234,585	244,935
Less: Amortised during the year	(10,782)	(10,350)
At the end of the year	223,803	234,585

Funds have been received from the Plantation Human Development Trust (PHDT) and Ministry of Estate Infrastructure for workers' welfare facilities including re-roofing of line rooms, latrines, water supply, sanitation, etc. Grants received from the Ministry of Estate Infrastructure for construction of crèches, farm roads and community centers are also included above. The amounts spent have been capitalised under the relevant property, plant and equipment category. The capital grants are amortised on a straight-line basis over the useful life of the respective asset.

22 Deferred income tax

In Rs.'000s As at 31 March	Notes	Group		Company	
		2014	2013	2014	2013
At the beginning of the year		118,462	82,792	118,751	82,939
Recognised in income statement	30	52,623	208	52,444	350
Recognised in other comprehensive income	30	(26,155)	35,462	(26,155)	35,462
At the end of the year		144,930	118,462	145,040	118,751

Deferred tax is calculated on temporary differences between carrying value of fixed assets and tax written down value of such assets, as analysed by each taxable activity.

The reconciliation of tax effect arising from the timing differences related to carrying amounts of assets and liabilities of the balance sheet is as follows:

Deferred income tax - Group

	2014			2013		
	Deferred tax assets	Deferred tax liability	Net deferred tax liability	Deferred tax assets	Deferred tax liability	Net deferred tax liability
Property, plant and equipment	-	(93,105)	(93,105)	-	(70,430)	(70,430)
Biological assets - bearer	-	(276,330)	(276,330)	-	(277,500)	(277,500)
Biological assets - consumable	-	(50,794)	(50,794)	-	(42,707)	(42,707)
Retirement benefit obligations	147,826	-	147,826	122,158	-	122,158
Capital grants	62,665	-	62,665	65,684	-	65,684
Tax losses carried forward	64,808	-	64,808	84,333	-	84,333
Asset / (Liability) as at 31 March	275,299	(420,229)	(144,930)	272,175	(390,637)	(118,462)

Deferred income tax - Company

	2014			2013		
	Deferred tax asset	Deferred tax liability	Net deferred tax	Deferred tax asset	Deferred tax liability	Net deferred tax
Property, plant and equipment	-	(93,215)	(93,215)	-	(70,719)	(70,719)
Biological assets - bearer	-	(276,330)	(276,330)	-	(277,500)	(277,500)
Biological assets - consumable	-	(50,794)	(50,794)	-	(42,707)	(42,707)
Retirement benefit obligations	147,826	-	147,826	122,158	-	122,158
Capital grants	62,665	-	62,665	65,684	-	65,684
Tax losses carried forward	64,808	-	64,808	84,333	-	84,333
Asset / (Liability) as at 31 March	275,299	(420,339)	(145,040)	272,175	(390,926)	(118,751)

Deferred tax assets and liabilities shall be measured based on the tax rates that have been enacted or substantially enacted by the end of the reporting period. Accordingly, the Group has used following tax rates in assessing the deferred tax asset/liability for the current financial year.

(i) Agricultural undertakings - 10%

(ii) Export of bulk tea - 28%

(iii) Export of value added tea - 10%

(iv) Other - 28%

23 Trade and other payables

In Rs.'000s As at 31 March	Notes	Group 2014	Group 2013	Company 2014	Company 2013
Trade payables		167,042	242,351	158,366	223,122
Employee related dues		158,208	154,495	158,209	154,495
Provisions and accruals		147,102	166,209	147,102	166,209
Other payables		62,444	44,057	62,444	44,057
Due to related companies	36	6,144	46,975	6,144	46,975
At the end of the year		540,940	654,087	532,265	634,858

24 Current tax payable

In Rs.'000s As at 31 March	Notes	Group 2014	Group 2013	Company 2014	Company 2013
At the beginning of the year		48,902	14,002	48,690	12,970
Charge for the year	30	30,964	48,903	30,991	48,691
Tax paid		(25,916)	(14,003)	(25,731)	(12,971)
At the end of the year		53,950	48,902	53,950	48,690

25 Segmental analysis by principal activities

The analysis by the principal activities, is as follows:

In Rs.'000s For the year ended 31 March	Group 2014	Group 2013	Company 2014	Company 2013
Revenue				
Tea	4,164,561	3,655,744	4,164,561	3,655,744
Rubber	168,721	183,787	168,721	183,787
Palm oil and others	1,392,375	1,323,444	1,392,375	1,323,444
Exports	520,614	271,804	416,967	177,987
	6,246,271	5,434,779	6,142,624	5,340,962
Gross profit				
Tea	88,374	317,484	88,374	317,484
Rubber	17,532	33,825	17,532	33,825
Palm oil and others	805,808	691,116	805,808	691,116
Exports	33,861	8,623	30,752	5,808
	945,575	1,051,048	942,466	1,048,233

Suggestion "All operating decisions of the group are approved by the board of directors". Management has determined the operating segments based on information reviewed by the board of directors for the purpose of allocating resources and assesing performance.

The board of directors consider the business mainly from a commodity perspective. Management seperately considers exports that comprise of tea and other commodities exported by the Company mainly to Australia. The Group does not consider geographical segmentation as activities in Australia by Watawala Tea Australia Pty Ltd is not significant.

The board of directors assesses the performance of the operating segments based on a measure of profitability, excluding non recuring and discontined operations.

25.1 Segmental analysis by principal activities - Group

In Rs.'000s	Tea		Rubber		Palm Oil		Export		Other		Inter Company		Total	
For the year ended 31 March	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Revenue	4,164,561	3,655,744	168,721	183,787	1,392,375	1,323,444	520,614	271,804	-	-	-	-	6,246,271	5,434,779
Gross profit	88,374	317,484	17,532	33,825	805,808	691,116	33,861	8,623	-	-	-	-	945,575	1,051,048
Other operating income	-	-	-	-	-	-	-	-	89,656	139,585	-	-	89,656	139,585
Administrative expenses	(169,878)	(163,767)	(22,535)	(18,968)	(64,774)	(59,729)	(4,081)	(2,999)	-	-	(3,318)	(775)	(264,586)	(246,238)
Management fees	1,726	(33,234)	221	(3,451)	(82,088)	(74,134)	(2,667)	(591)	(9,456)	(26,100)	-	-	(92,264)	(137,510)
Operating profit	(79,778)	120,483	(4,782)	11,406	658,946	557,253	27,113	5,033	80,200	113,485	(3,318)	(775)	678,381	806,885
Net finance (cost) / income	(75,438)	(54,352)	(11,390)	(11,379)	(10,772)	(12,082)	-	283	-	-	-	-	(97,600)	(77,530)
Profit before tax	(155,216)	66,131	(16,172)	27	648,174	545,171	27,113	5,316	80,200	113,485	(3,318)	(775)	580,781	729,355
Tax	(79,988)	(38,423)	(6,482)	(1,198)	287	(8,138)	506	(1,352)	2,090	-	-	-	(83,587)	(49,111)
Profit for the year	(235,204)	27,708	(22,654)	(1,171)	648,461	537,033	27,619	3,964	82,290	113,485	(3,318)	(775)	497,194	680,244
Other comprehensive income														
Actuarial gain/(loss) on gratuity	(58,986)	54,325	(7,825)	6,292	(22,491)	19,813	-	-	-	-	-	-	(89,302)	80,430
Tax on actuarial gain/(loss) on gratuity	17,278	(23,952)	2,290	(2,774)	6,587	(8,736)	-	-	-	-	-	-	26,155	(35,462)
Total other comprehensive income/(loss)	(41,708)	30,373	(5,535)	3,518	(15,904)	11,077	-	-	-	-	-	-	(63,147)	44,968
Total comprehensive income for the year	(276,912)	58,081	(28,189)	2,347	632,557	548,110	27,619	3,964	82,290	113,485	(3,318)	(775)	434,047	725,212
Segment assetes	3,644,719	3,685,927	303,809	278,794	1,963,247	1,641,082	163,977	42,611	985,198	983,600	-	-	7,060,950	6,632,014
Segment liabilities	2,404,517	2,433,408	88,651	81,700	175,563	167,880	15,460	-	158,431	105,578	-	-	2,842,622	2,788,566
Other segment items											-	-		
Capital expenditure	217,159	164,187	13,272	9,969	369,625	195,417	-	-	17,410	93,064	-	-	617,466	462,637
Depreciation	115,232	115,788	15,158	14,140	81,369	72,211	-	-	46,606	38,862	-	-	258,365	241,001
Amortisation	4,894	4,894	1,337	1,337	804	804	-	-	-	-	-	-	7,035	7,035

25.2 Segmental analysis by principal activities - Company

In Rs.'000s	Tea		Rubber		Palm Oil		Export		Other		Total	
For the year ended 31 March	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Revenue	4,164,561	3,655,744	168,721	183,787	1,392,375	1,323,444	416,967	177,987	-	-	6,142,624	5,340,962
Gross profit	88,374	317,484	17,532	33,825	805,808	691,116	30,752	5,808	-	-	942,466	1,048,233
Other operating income	-	-	-	-	-	-	-	-	89,555	140,575	89,555	140,575
Administrative expenses	(169,878)	(163,767)	(22,535)	(18,968)	(64,774)	(59,729)	(4,083)	-	-	-	(261,270)	(242,464)
Management fees	1,726	(33,234)	221	(3,451)	(82,088)	(74,134)	(2,667)	(591)	(9,456)	(26,100)	(92,264)	(137,510)
Operating profit	(79,778)	120,483	(4,782)	11,406	658,946	557,253	24,002	5,217	80,099	114,475	678,487	808,834
Finance costs	(75,438)	(54,352)	(11,390)	(11,379)	(10,772)	(12,082)	-	(106)	-	-	(97,600)	(77,919)
Profit before tax	(155,216)	66,131	(16,172)	27	648,174	545,171	24,002	5,111	80,099	114,475	580,887	730,915
Tax	(79,988)	(38,423)	(6,482)	(1,198)	287	(8,138)	658	(1,282)	2,090	-	(83,435)	(49,041)
Profit for the year	(235,204)	27,708	(22,654)	(1,171)	648,461	537,033	24,660	3,829	82,189	114,475	497,452	681,874
Other comprehensive income												
Actuarial gain/(loss) on gratuity	(58,986)	54,325	(7,825)	6,292	(22,491)	19,813	-	-	-	-	(89,302)	80,430
Tax on actuarial gain/(loss) on gratuity	17,278	(23,952)	2,290	(2,774)	6,587	(8,736)	-	-	-	-	26,155	(35,462)
Total other comprehensive income/(loss)	(41,708)	30,373	(5,535)	3,518	(15,904)	11,077	-	-	-	-	(63,147)	44,968
Total comprehensive income for the year	(276,912)	58,081	(28,189)	2,347	632,557	548,110	24,660	3,829	82,189	114,475	434,305	726,842
Segment assetes	3,644,719	3,666,587	303,809	278,794	1,963,247	1,641,082	155,482	42,611	985,198	983,600	7,052,455	6,612,674
Segment liabilities	2,404,517	2,414,258	88,651	81,700	175,563	167,878	-	-	165,326	105,578	2,834,057	2,769,414
Other segment items												
Capital expenditure	217,159	164,187	13,272	9,969	369,625	195,417	-	-	17,410	93,064	617,466	462,637
Depreciation	115,232	115,788	15,158	14,140	81,369	72,211	-	-	46,606	38,862	258,365	241,001
Amortisation	4,894	4,894	1,337	1,337	804	804	-	-	-	-	7,035	7,035

26 Other operating income

In Rs.'000s For the year ended 31 March	Notes	Group 2014	Group 2013	Company 2014	Company 2013
Profit on sale of property, plant and equipment		7,835	25,714	7,835	25,714
Amortisation of capital grants	21	10,782	10,350	10,782	10,350
Harvesting of biological assets-Consumable		14,562	90,338	14,562	90,338
Biological assets - (loss) / gain on fair valuation		26,971	(19,886)	26,971	(19,886)
Hydro power income		27,640	28,826	27,640	28,826
Dividend income		-	-	-	990
Net sundry income		1,866	4,243	1,765	4,243
		89,656	139,585	89,555	140,575

The gain / (loss) on fair value of biological assets represent the unrealised gain / (loss) from valuation of trees/timber at the date of financial position.

27 Management fees

Management fee is payable as per the understanding with the Ministry of Plantation Industries and in agreement with the managing agent Messrs.' Estate Management Services (Private) Limited. The management fee is calculated on EBITDA (Earnings before interest, tax, depreciation and land amortization). The rate applicable for the current year is 10% of EBITDA, Rs. 92,264,678 (2013 - 10% of EBITDA, Rs 137,509,925).

Pursuant to the agreement reached with Estate Management Services (Pvt) Ltd., the board of directors of the Company consented to mutually terminate the agreement for managemnt services and payment of management fees entered into by and between Estate Management Services (Pvt) Ltd and Watawala Plantations PLC w.e.f. 1 April 2014. The Board also agreed to take over the related expenses associated with the provision of management services.

28 Profit before tax

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

In Rs.'000s For the year ended 31 March	Notes	Group 2014	Group 2013	Company 2014	Company 2013
Auditors' remuneration					
- Audit		2,513	2,046	1,871	1,645
- Non audit		200	276	200	276
Amortisation					
- leasehold right to bare land	6	7,035	7,035	7,035	7,035
Depreciation					
- Immovable leased assets	7	17,335	17,647	17,335	17,647
- Property, plant and equipment	8	142,385	145,254	142,385	145,254
- Biological assets - bearer	9.1	98,646	78,100	98,646	78,100
Directors' emoluments		36,418	21,331	36,177	20,996
Staff costs	28.2	3,685,894	2,750,168	3,685,894	2,750,168
Cost of inventories sold other than staff costs		1,413,639	1,270,582	1,313,101	1,179,579
Transport cost		31,155	31,200	31,155	31,200
Other expenses		130,481	327,661	127,806	324,289

28.2 Staff costs

In Rs.'000s For the year ended 31 March	Notes	Group 2014	Group 2013	Company 2014	Company 2013
Wages and salaries		3,083,086	2,432,175	3,083,086	2,432,175
Defined contribution plan		341,131	217,911	341,131	217,911
Defined benefit plan	20	246,967	60,500	246,967	60,500
Workers' profit share bonus		14,710	39,582	14,710	39,582
	28.1	3,685,894	2,750,168	3,685,894	2,750,168
Average number of persons employed during the year (full time)		11,537	11,764	11,537	11,763
Cost per employee Rs.		319.48	233.78	319.48	233.80

29 Finance expenses and finance income

Recognised in profit or loss for the reporting periods consists of the following:

In Rs.'000s For the year ended 31 March	Group 2014	Group 2013	Company 2014	Company 2013
(i) Finance costs				
Interest expense for borrowings at amortised cost				
- Interest on term loans	28,877	28,405	28,877	28,405
- Interest on bank overdrafts	39,616	19,256	39,616	19,256
	68,493	47,661	68,493	47,661
Contingent lease series of payments	34,958	30,284	34,958	30,284
Interest on leasehold rights payable to JEDB/SLSPC	23,291	23,521	23,291	23,521
Interest on finance lease liabilities-other	343	577	343	577
Total finance costs	127,085	102,043	127,085	102,043

In Rs.'000s For the year ended 31 March	Group 2014	Group 2013	Company 2014	Company 2013
(ii) Finance income				
Interest income on short-term bank deposits	29,485	24,513	29,485	24,124
Total finance income	29,485	24,513	29,485	24,124
Net finance costs	97,600	77,530	97,600	77,919

30 Income tax expense

In Rs.'000s For the year ended 31 March	Notes	Group 2014	Group 2013	Company 2014	Company 2013
Current tax	24	30,964	48,903	30,991	48,691
Deferred tax recognised in the income statement	22	52,623	208	52,444	350
Taxes included in income for the period		83,587	49,111	83,435	49,041
Deferred tax recognised in other comprehensive income	22	(26,155)	35,462	(26,155)	35,462
Taxes included in total comprehensive income		57,432	84,573	57,280	84,503

Company

Tax is calculated using tax rates enacted for the year of assessment. The profits from agricultural activities are taxed at 10%.The profits from other activities are taxed at 28%, Exports of bulk and packeted tea's are taxed at 28% and 10% respectively.

Reconciliation between current tax expenses and the accounting profit.

In Rs.'000s For the year ended 31 March	Notes	Group 2014	 2013	Company 2014	 2013
Accounting profit before tax		580,781	729,355	580,887	730,915
Expenses not deductible for tax purposes		530,021	671,432	530,201	669,872
Expenses deductible for tax purposes		(766,280)	(861,034)	(766,286)	(861,034)
Taxable profit / (loss)		344,522	539,753	344,802	539,753
Utilisation of previously unrecognised tax losses		(120,681)	(118,913)	(120,681)	(118,913)
Taxable profit / (loss)		223,841	420,840	224,121	420,840
Tax at effective rates		30,964	48,903	30,991	48,691
Deferred income tax	22	26,468	35,670	26,289	35,812
		57,432	84,573	57,280	84,503

The advance company tax carried forward as at the balance sheet date amounted to Rs. 41,359,166 (2013 - Rs 48,692,103).
The unutilised tax loss carried forward as at the balance sheet date amounted to Rs. 233,147,907 (2013 -Rs 353,828,650).

31. Earnings per share

Earnings per share has been calculated by dividing the profit for the year attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year. The weighted average number of ordinary shares outstanding during the year and the previous year are adjusted for events that have changed the number of ordinary shares outstanding during the year, as per the requirments of the Sri Lanka Accounting Standard - LKAS 33 on 'Earning per Share'.

Calculation of Earnings per share

In Rs.'000s For the year ended 31 March	Group 2014	 2013	Company 2014	 2013
Profit attributable to shareholders	497,194	680,244	497,452	681,874
Weighted average number of ordinary shares in issue (thousands)	236,667	236,667	236,667	236,667
Basic earnings per share (Rs)	2.10	2.87	2.10	2.88

32 Dividends

Calculation of dividend per share

For the year ended 31 March	Company 2014	 2013
First and final dividend paid (Rs.'000s)	59,167	201,167
Number of ordinary shares	236,667	236,667
Dividend per share (Rs.)	0.25	0.85

The Board of Directors of the Company has approved the payment of a first and final dividend of Rs.0.50 cents per share for the year ended 31 March 2014. (2012/13 final dividend of Rs.0.85 cents per share). In accordance with the - LKAS 10 on 'Events after the Reporting Period', this final dividend has not been recognised as a liability in the Financial Statments as at 31 March 2014.

33 Commitments

a) Financial commitments

The future minimum lease payments for the leases as at the end of the reporting period is disclosed in notes 18.5 and 19

b) Other commitments

There were no other commitments outstanding as at the balance sheet date.

c) Capital commitments

Capital expenditure approved by the Board of Directors for which provision has not been made in the accounts is detailed below.

	Company	
For the year ended 31 March In Rs.'000s	**2014**	**2013**
Approved and contracted for	617,466	531,392
Approved and not contracted for	-	-
Total	617,466	531,392

There were no other capital commitments as at 31 March 2014. The budgeted capital expenditure but not committed by the Group / Company for the financial year 2014/15 is Rs.591,114,045.

34 Contingent liability

Bank guarantees amounting to Rs. 13,086,126 was issued in favour of the Sri Lanka Customs to facilitate the Company to import of green tea. As at the statement of financial position date the Company is in compliance with the terms and conditions of the imports.

The Group confirms that there are no case (including the LT cases) filed against the Group which is not disclosed which would have been a material impact on the financial position of the Group.

35 Cash generated from operations

Reconciliation of profit before tax to cash generated from operations.

		Group		Company	
In Rs.'000s **For the year ended 31 March**	**Notes**	**2014**	**2013**	**2014**	**2013**
Net profit before taxation		508,781	729,355	580,887	730,915
Adjustments for:					
Depreciation	7,8,9	258,366	241,001	258,366	241,001
Profit on sale of property, plant and equipment	26	(7,835)	(25,714)	(7,835)	(25,714)
Timber fair valuation charged against timber proceeds		842	94,440	842	94,440
Timber fair valuation (loss) / gain	26	(26,971)	19,886	(26,971)	19,886
Amortisation of leasehold right to land	6	7,035	7,035	7,035	7,035
Amortisation of capital grants	21	(10,782)	(10,350)	(10,782)	(10,350)
Dividend income		-	-	-	(990)
Finance income	29	(29,485)	(24,513)	(29,485)	(24,124)
Finance cost	29	127,085	102,043	127,085	102,043
Changes in working capital					
- Inventories		(304,030)	(169,971)	(304,030)	(169,971)
- Trade and other receivables		(9,650)	(119,999)	(4,877)	(93,257)
- Trade and other payables		(106,252)	65,581	(102,591)	47,227
Provision for retirement benefit obligations	20	157,663	140,930	157,663	140,930
Cash generated from operations		636,767	1,049,724	645,307	1,059,071

36 Related party transactions

The Company is controlled by Estate Management Services (Private) Limited which owns 75.65% of ordinary shares (2013 - 53.75%) of the Company's shares. The remaining ordinary shares are widely held. The ultimate parent company of the Group is Sunshine Holdings Limited.

Directors' interest in contracts

(i) Messrs. G Sathasivam, V Govindasamy, H R Bhat, K Venkataramanan and M S Mawzoon who are directors of the Company are also directors of Estate Management Services (Private) Limited, the Managing Agent of the Company.

(ii) Messrs. H R Bhat a director of the Company is also a directors of Tata Global Beverage Limited.

(iii) Messrs V Govindasamy and B A Hulangamuwa who are directors of the Company are also directors of Sunshine Tea (Pvt) Ltd and Secretaries and Financial Services (Pvt) Ltd.

(iv) Messrs. G Sathasivam, V Govindasamy and B A Hulangamuwa who are directors of the Company are also directors of Swiss Biogenics Ltd, Sunshine Power (Pvt) Ltd and Sunshine Holdings PLC.

(v) Messrs. V Govindasamy a director of the Company is also a director of Sunshine Packaging (Private) Limited

(vi) Messrs G Sathasivam, V Govindasamy, H R Bhat and K Venkataramanan who are directors of the Company are also directors of Watawala Tea Ceylon Limited.

(vii) Messrs V Govindasamy a director of the Company is also a director of Watawala Tea-Australia Pty Ltd.

(viii) Messrs B A Hulangamuwa a director of the Company is also a director of Healthguard Pharmacy Limited.

	Group		Company	
In Rs.'000s **For the year ended 31 March**	**2014**	**2013**	**2014**	**2013**
(i) Sales of goods and services				
Sunshine Tea (Private) Limited	1,760	12,953	1,760	12,953
Tata Global Beverage Limited	416,998	155,806	416,998	155,806
Secretaries and Financial Service (Private) Limited	864	165	864	165
Swiss Biogenics Limited	1,933	1,514	1,933	1,514
Watawala Tea Ceylon Limited	5,371	30,428	5,371	30,428
Sunshine Power (Private) Limited	11,896	15,369	11,896	15,369
Sunshine Holdings PLC	786	321	786	321
Bosanquet and Skrine Limited	-	124	-	124
Pyramid Lanka (Pvt) Ltd.	924,199	-	924,199	-
(ii) Purchase of goods and services				
Estate Management Services (Private) Limited	108,175	159,791	108,175	159,791
Sunshine Tea (Private) Limited	46,054	17,157	46,054	17,157
Secretaries and Financial Services (Private) Limited	3,269	2,636	3,269	2,636
Health Guard Limited	1,313	1,587	1,313	1,587
Swiss Biogenics Limited	150	453	150	453
Sunshine Packaging (Private) Limited	-	94	-	94
Sunshine Holdings PLC	17,706	12,747	17,706	12,747

Outstanding balances arising from purchase of goods and services

In Rs.'000s For the year ended 31 March	Group 2014	Group 2013	Company 2014	Company 2013
(iii) Amounts due to related companies				
Estate Management Services (Private) Limited	6,144	46,975	6,144	46,975
	6,144	46,975	6,144	46,975

In Rs.'000s For the year ended 31 March	Group 2014	Group 2013	Company 2014	Company 2013
(iv) Amounts due from related companies				
Tata Global Beverage Limited	62,827	11,950	62,827	11,950
Sunshine Power (Pvt) Ltd	10,882	-	10,882	-
	73,709	11,950	73,709	11,950

Transactions with related parties have been carried out on normal commercial terms.

The directors have disclosed the nature of their interests in contracts and proposed contracts with the Company at meetings of the directors.

Sunshine Power (Pvt) Ltd., will issue shares to the outstanding balances as at 31 March 2014 immediately after the completion of the financial year.

(v) Key management compensation

Key management includes the executive committee of the Group / Company. The compensation paid or payable to key management for employee services is shown below:

In Rs.'000s For the year ended 31 March	Group 2014	Group 2013	Company 2014	Company 2013
Salaries and other short term employee benefits	65,536	40,885	65,296	40,550

37 Events occurring after the reporting period

No events have occurred after the reporting date, which would require adjustments to or disclosure in the financial statements.

Mammals

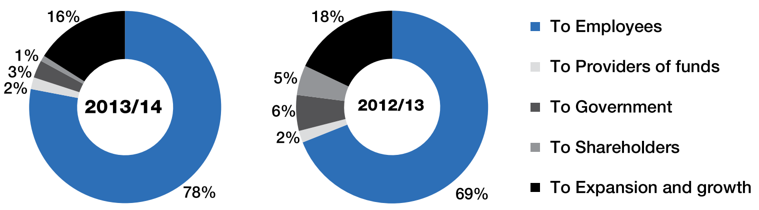
In the Ouvahkelle Estate study, a total of 12 species of mammals including 3 endangered species namely Fishing cat (Prionailurus viverrinus), Leopard (Panthera pardus) and Sri Lanka Purple-faced langur (Semnopithecus vetulus) and two near threatened species namely Sambar (Rusa unicolor) and Barking deer (Muntiacus muntjak) were identified (The National Red List, 2012). Interestingly, 2 mammal species considered nationally threatened such as Leopard (Panthera pardus) and Sambar (Rusa unicolor) arrive to the estate field from adjoining forest reserve during night time.

Whilst the Barking Deer is is in abundance in Southern Asia, it is on the National Red List 2012 in Sri Lanka as a Near Threatened species drawing attention to the need for action locally. The Barking deer is an omnivore with a soft thick dense coat. Male muntjacs have antlers that are very short, about 1-2 inches, usually consisting of only two or three points at the most and protrude from long body hair covered pedicels on the forehead. Females have tufts of fur and small bony knobs where the antlers are located in males. The body length of muntjacs varies from 35-53 in wide and their height ranges from 15-26 in tall.

Value Added Statement

	Group				Company			
	2013/14	**%**	**2012/13**	**%**	**2013/14**	**%**	**2012/13**	**%**
	Rs.'000		**Rs.'000**		**Rs.'000**		**Rs.'000**	
Revenue	6,246,271		5,434,779		6,142,624		5,340,962	
Other income	89,656		139,585		89,555		140,575	
	6,335,927		5,574,364		6,232,179		5,481,537	
Cost of materials and services obtained	(1,576,813)		(1,563,195)		(1,473,199)		(1,469,143)	
Value Addition	4,759,114		4,011,169		4,758,980		4,012,394	
Value allocated to:								
To Employees								
Salaries,wages and other benefits	3,722,312	78	2,771,499	69	3,722,071	78	2,771,164	69
To Providers of funds								
Interest to money lenders	103,794	2	78,522	2	103,794	2	78,522	2
To Government								
JEDB/SLSPC Lease rental	64,188		143,888		64,188		143,888	
Value Added Tax	256		9,496		256		9,496	
Nation Bulding Tax	32,673		29,301		32,673		29,301	
Economics Service Charges	15,639		-		15,639		-	
Social Responsibity Levy	-		651		-		651	
Stamp Duty	226		421		226		421	
Income Tax	30,964		48,903		30,991		48,691	
	143,946	3	232,660	6	143,973	3	232,448	6
To providers of capital								
Dividend paid to shareholders	59,167	1	201,167	5	59,167	1	201,167	5
To Expansion and growth								
Profit retained	438,026		479,077		438,285		480,707	
Depreciation & ammotization	265,401		248,036		265,401		248,036	
Deferred Taxation	26,468		208		26,289		350	
	729,895	16	727,321	18	729,975	16	729,093	18
	4,759,114	100	4,011,169	100	4,758,980	100	4,012,394	100

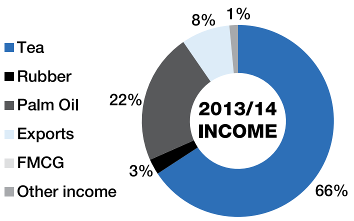
	GROUP		**GROUP**	
	2013/14	%	**2012/13**	%
To Employees	3,722,312	78%	2,771,499	69%
To Providers of funds	103,794	2%	78,522	2%
To Government	143,946	3%	232,660	6%
To Shareholders	59,167	1%	201,167	5%
To Expansion and growth	729,895	16%	727,321	18%
	4,759,114	100%	4,011,169	100%

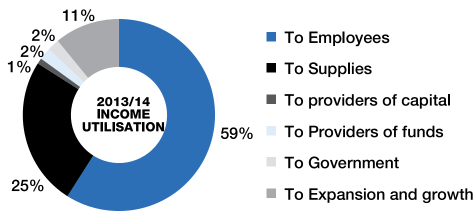


Sources and Utilisation of Income

	Group 2013/14 Rs.'000	%	Group 2012/13 Rs.'000	%	Group 2011/12 Rs.'000	%	Group 2010/11 Rs.'000	%	Group 2009/10 Rs.'000	%
Sources Of Income										
Tea	4,164,561	66%	3,655,744	66%	2,858,702	63%	3,558,239	57%	3,259,463	57%
Rubber	168,721	3%	183,787	3%	267,744	6%	334,721	5%	180,618	3%
Palm Oil	1,392,375	22%	1,323,444	24%	903,857	20%	701,679	11%	736,059	13%
Exports	520,614	8%	271,804	5%	145,128	3%	176,125	3%	299,385	5%
FMCG	-	-	-	-	-	-	1,387,482	22%	1,154,247	20%
Other income	89,656	1%	139,585	2%	348,716	8%	124,369	2%	136,842	2%
	6,335,927	100%	5,574,364	100%	4,524,147	100%	6,282,615	100%	5,766,614	100%
Utilisation Of Income										
To Employees										
Salaries,wages and other benefits	3,722,312	59%	2,771,499	50%	2,596,362	58%	2,173,009	35%	2,097,779	37%
To Providers of funds										
Interest paid to money lenders	103,794	2%	78,522	1%	88,816	2%	85,984	1%	79,669	1%
To Supplies & Service Providers	1,576,813	25%	1,563,195	28%	893,860	20%	2,946,823	47%	2,827,483	49%
To Providers of capital										
Dividend paid to shareholders	59,167	1%	201,167	4%	201,167	4%	65,083	1%	-	0%
To Government										
Lease Rent,VAT,NBT,BTT,SRL	143,946	2%	232,660	4%	180,921	4%	191,639	3%	190,189	3%
To Expansion & growth										
Retained Profits,depreciation	729,895	11%	727,321	13%	563,021	12%	820,077	13%	571,494	10%
	6,335,927	100%	5,574,364	100%	4,524,147	100%	6,282,615	100%	5,766,614	100%

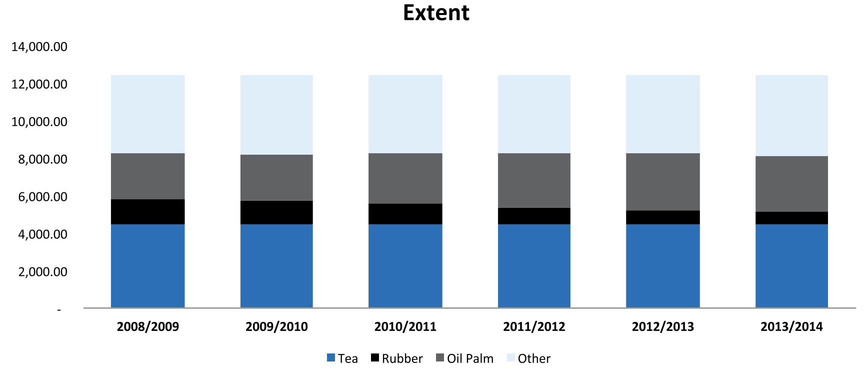
	GROUP 2013/14		GROUP 2012/13	
To Employees	3,722,312	59%	2,771,499	50%
To Supplies	1,576,813	25%	1,563,195	28%
To providers of capital	59,167	1%	201,167	4%
To Providers of funds	103,794	2%	78,522	1%
To Government	143,946	2%	232,660	4%
To Expansion and growth	729,895	11%	727,321	13%
	6,335,927	100%	5,574,364	100%





Estate Hectarage Statement

Area (Ha)	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Tea Mature	4,345.94	4,330.14	4,334.04	4,346.78	4,356.79	4,373.35
Tea Immature	133.71	133.43	126.61	113.87	115.61	77.30
Tea	4,479.65	4,463.57	4,460.65	4,460.65	4,472.40	4,450.65
Rubber Mature	1,140.90	1,088.79	1,045.52	860.52	687.33	651.62
Rubber Immature	201.02	175.84	82.47	66.47	34.74	49.86
Rubber	1,341.92	1,264.63	1,127.99	926.99	722.07	701.48
OP Mature	1,878.93	1,845.93	1,874.52	1,871.41	1,909.51	1,935.69
OP Immature	537.99	628.37	787.41	975.20	1,161.60	985.59
Oil Palm	2,416.92	2,474.30	2,661.93	2,846.61	3,071.11	2,921.28
Fuelwood	1,187.71	861.13	997.13	1,332.00	1,392.00	1,495.31
Nursery	29.71	29.60	31.94	33.69	42.40	28.40
Minor Crop	219.89	213.87	208.82	211.37	174.12	177.49
Other Area	2,764.21	3,132.91	2,951.55	2,628.70	2,565.91	2,665.40
Other	4,201.52	4,237.51	4,189.44	4,205.76	4,174.43	4,366.60
Company	12,440.01	12,440.01	12,440.01	12,440.01	12,440.01	12,440.01



Crops and yields

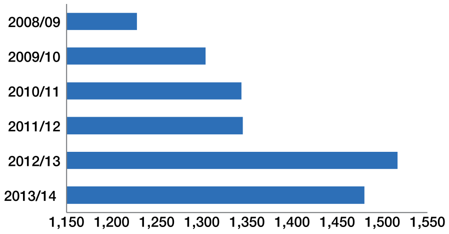
Production (Kg'000)

Region	2013/14	2012/13	2011/12	2010/11	2009/10	2008/09	2007/08	2006/07	2005/06	2004/05	2003/04	2002/03	15 Months 2001/02
Tea													
Watawala	2,563	2,778	2,245	2,364	2,189	2,076	2,156	1,654	2,127	2,047	2,058	2,498	2,284
Hatton	4,388	4,066	3,875	3,872	3,577	3,012	2,837	2,773	3,007	2,931	2,435	2,948	2,700
Lindula	2,682	2,759	2,388	2,513	2,359	2,174	2,250	1,981	2,447	2,606	2,603	2,751	2,543
Udugama	294	285	886	1,081	963	723	1,104	1,189	1,581	1,654	1,755	1,934	1,830
	9,926	9,888	9,394	9,830	9,087	7,986	8,347	7,597	9,162	9,238	8,851	10,131	9,357
Rubber	490	535	648	674	658	766	884	854	1,001	874	1,027	978	1,119
Palm oil	8,127	7,455	6,584	5,080	6,164	6,162	5,671	7,563	7,330	6,244	4,644	4,557	4,156

Yield per Hectarage (Kg)

Region	2013/14	2012/13	2011/12	2010/11	2009/10	2008/09	2007/08	2006/07	2005/06	2004/05	2003/04	2002/03	15 Months 2001/02
Tea													
Watawala	1,420	1,533	1,262	1,209	1,152	1,158	1,152	1,062	1,372	1,346	1,397	1,611	1,595
Hatton	1,570	1,532	1,365	1,342	1,378	1,245	1,235	1,201	1,470	1,487	1,445	1,638	1,579
Lindula	1,415	1,472	1,343	1,396	1,295	1,235	1,267	1,258	1,382	1,332	1,330	1,623	1,544
Udugama	1,745	1,762	1,799	1,782	1,752	1,486	1,674	1,341	1,457	1,439	1,546	1,625	1,830
Tea	1,480	1,517	1,345	1,344	1,304	1,228	1,243	1,192	1,413	1,392	1,395	1,626	1,583
Rubber	752	778	753	645	604	671	755	671	779	652	816	783	852
Palm oil	3,765	3,537	3,156	2,391	2,973	2,908	2,734	2,781	2,814	2,512	2,321	2,609	2,755

TEA - YPH



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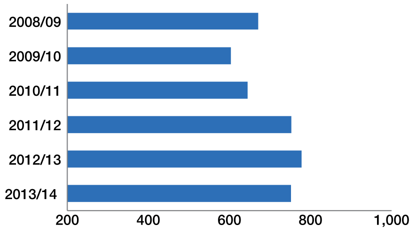

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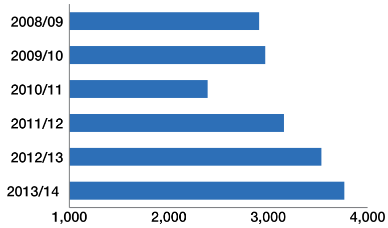


Historical Financial Information

In Rs.'000s	2004/05	2005/06	2006/07	2007/08	2008/09 Group	2008/09 Company
Statement of income						
Revenue	2,719,781	2,855,036	3,169,788	4,313,604	4,124,503	4,121,976
Gross profit	414,948	464,467	502,376	811,320	487,193	489,495
Other Operating income	45,287	55,101	76,946	84,563	43,523	45,223
Administrative expenses	(78,910)	(86,465)	(92,054)	(128,637)	(138,479)	(137,225)
Distribution expenses	(59,253)	(71,702)	(105,281)	(148,084)	(201,360)	(200,981)
Management fees	(65,152)	(60,702)	(50,960)	(75,427)	(35,112)	(35,112)
Operating profit	256,920	300,699	330,826	543,735	155,765	161,400
Net finance cost	(98,010)	(89,819)	(83,092)	(87,902)	(71,057)	(71,415)
Amortisation of negative goodwill	7,870	-	-	-	-	-
Profit /(loss) before Tax	166,780	218,893	247,734	455,833	84,708	89,985
Tax expense	(4,973)	(14,315)	(26,034)	(51,879)	(10,000)	(10,000)
Profit /(loss) for the year from continuing operations	161,807	204,578	221,700	403,954	74,708	79,985
Total comprehensive income for the year	161,807	204,578	221,700	403,954	74,708	79,985

Statement of financial position						
Non Current Assets						
Leasedhold right to bare land of JEDB/SLPC estates	282,891	267,756	260,928	261,788	254,753	254,753
Immovable estate assets on finance lease	322,913	296,958	277,534	265,062	247,415	247,415
Property, plant and equipment	606,811	656,823	722,453	885,477	1,068,101	1,062,527
Biological assets-bearer	883,679	884,880	990,204	1,168,364	1,376,476	1,376,476
Biological assets-consumables	-	-	-	-	-	-
Biological assets-live stock	-	-	-	-	-	-
Investment in Gratuity Fund	-	-	-	-	-	-
Investments	-	205,820	203,416	-	-	16,125
Total Non Current Assets	2,096,294	2,312,237	2,454,535	2,580,691	2,946,745	2,957,296
Current Assets						
Inventories	226,546	260,926	292,917	540,488	351,370	342,092
Trade and other receivables	293,021	340,306	336,986	439,337	525,966	530,740
Cash and cash equivalents	60,001	66,148	75,356	90,434	73,615	67,920
Total Current Assets	579,568	667,380	705,259	1,070,259	950,951	940,752
Total Assets	2,675,862	2,979,617	3,159,794	3,650,950	3,897,696	3,898,048
Capital and reseves						
Stated capital	460000	460000	460000	460000	460000	460000
Negative goodwill	100,347	92,477	-	-	-	-
Investment reserve	-	147,926	146,030	-	-	-
Retained earnings	279,441	483,876	768,470	1,137,408	1,154,267	1,159,678
Total equity attributable to equity holders of the company	839,788	1,184,279	1,374,500	1,597,408	1,614,267	1,619,678
Minority interests	-	-	-	3,110	3,571	-

2009/10 Group	2009/10 Company	2010/11 Group	2010/11 Company	2011/12 Group	2011/12 Company	2012/13 Group	2012/13 Company	2013/14 Group	2013/14 Company
5,615,167	5,611,731	6,158,246	4,663,744	4,175,421	4,172,214	5,434,779	5,340,962	6,246,271	6,142,624
851,239	860,887	1,199,796	683,004	398,167	394,950	1,051,048	1,048,233	945,575	942,466
130,603	132,303	124,369	239,309	348,716	621,206	139,585	140,575	89,656	89,555
(164,099)	(178,687)	(342,364)	(220,759)	(211,231)	(203,235)	(246,238)	(242,464)	(264,586)	(261,270)
(231,657)	(231,375)	(167,142)	-	-	-	-	-	-	-
(75,798)	(75,798)	(90,033)	(90,033)	(49,331)	(49,331)	(137,510)	(137,510)	(92,264)	(92,264)
510,288	507,330	724,626	611,521	486,221	763,590	806,885	808,834	678,381	678,487
(79,669)	(79,711)	(85,984)	(84,951)	(111,103)	(111,103)	(77,530)	(77,919)	(97,600)	(97,600)
-	-	-	-	-	-	-	-	-	-
430,619	427,619	638,642	526,570	375,118	652,487	729,355	730,915	580,781	580,887
(4,000)	(4,000)	3,830	5,830	(89,837)	(89,196)	(49,111)	(49,041)	(83,587)	(83,435)
426,619	423,619	642,472	532,400	285,281	563,291	680,244	681,874	497,194	497,452
426,619	423,619	642,472	532,400	339,420	447,674	725,212	726,842	434,047	434,305
247,718	247,718	240,683	240,683	233,648	233,648	226,613	226,613	219,578	219,578
229,768	229,768	212,121	212,121	194,474	194,474	176,827	176,827	159,492	159,492
1,486,213	1,478,604	1,750,413	1,632,149	1,690,078	1,690,078	1,697,655	1,697,655	1,840,625	1,840,625
1,603,713	1,603,713	1,825,149	1,825,149	2,115,980	2,115,980	2,316,658	2,316,658	2,518,564	2,518,564
-	-	615,816	615,816	630,566	630,566	531,190	531,190	575,944	575,944
-	-	19,355	19,355	20,037	20,037	32,231	32,231	45,061	45,061
-	-	-	-	42,641	42,641	127,267	127,267	200,000	200,000
-	-	-	355,852	-	852	-	852	-	852
3,567,412	3,559,803	4,663,537	4,901,125	4,927,424	4,928,276	5,108,441	5,109,293	5,559,265	5,560,116
540,583	540,583	760,125	531,484	465,980	465,980	635,951	635,951	939,982	939,982
464,611	471,112	487,347	311,213	324,290	342,374	444,289	435,631	447,044	440,506
53,442	52,369	40,697	15,061	470,231	447,716	443,333	431,799	114,660	111,851
1,058,636	1,064,064	1,288,169	857,758	1,260,501	1,256,070	1,523,573	1,503,381	1,508,586	1,492,339
4,626,048	4,623,867	5,951,706	5,758,883	6,187,925	6,184,346	6,632,014	6,612,674	7,060,950	7,052,455
460000	460000	460000	460000	460000	460000	460000	460000	460,000	460,000
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
1,584,167	1,583,297	2,721,150	2,611,078	2,859,403	2,857,585	3,383,448	3,383,260	3,758,328	3,758,398
2,044,167	2,043,297	3,181,150	3,071,078	3,319,403	3,317,585	3,843,448	3,483,260	4,218,328	4,218,398
290	-	-	-	-	-	-	-	-	-

Historical Financial Information

In Rs.'000s	2004/05	2005/06	2006/07	2007/08	2008/09 Group	2008/09 Company
Non-current liablilites						
Long term borrowings	286,791	225,056	221,371	303,168	246,811	246,811
Obligations under finance lease obtained from SLPC/JEDB	394,530	390,170	385,628	380,896	375,983	375,983
Retirement benefit obligation	278,233	288,034	357,538	420,624	439,939	439,939
Deferred income and capital grants	128,144	136,790	139,632	156,618	177,421	177,421
Net Deferred tax liability	-	-	-	10,000	20,000	20,000
Total Non-current liablilites	1,087,698	1,040,050	1,104,169	1,271,306	1,260,154	1,260,154
Current liablilites						
Short-term borrowings	399,899	362,906	343,866	287,444	503,704	503,704
Obligations under finance lease obtained from SLPC/JEDB	4,200	4,360	4,542	4,720	4,910	4,910
Trade and other payables	344,277	388,022	325,722	453,985	466,621	465,133
Current tax payable	-	-	6,995	32,977	44,469	44,469
Total Current liablilites	748,376	755,288	681,125	779,126	1,019,704	1,018,216
Total Liabilities	1,836,074	1,795,338	1,785,294	2,050,432	2,279,858	2,278,370
Total Equity & Liabilities	2,675,862	2,979,617	3,159,794	3,650,950	3,897,696	3,898,048
Cash flows						
Cash generated/(used in) from/to operations	407,552	404,188	418,681	529,981	520,845	526,931
Net cash inflow/(outflow) from operating activities	270,835	271,821	297,699	404,297	375,135	380,863
Net cash inflow/(outflow) from investing activities	(128,869)	(162,743)	(217,720)	(364,299)	(512,966)	(520,091)
Net cash inflow/(outflow) from financing activities	(162,652)	(78,980)	(59,530)	(44,107)	(20,451)	(20,451)
Increase/(decrease) in cash and cash equivalents	(20,686)	30,098	20,449	(4,109)	(158,282)	(159,679)
Operating ratios						
Annual turnover growth %	22	5	11	36	(4)	(4)
Profit Growth %	303	26	8	82	(82)	(80)
Turnover per employee (Rs.'000)	189	201	225	302	309	309
Financial ratios						
Return on equity %	19.27	17.26	16.13	25.20	4.60	4.90
Current ratio (Times)	0.77	0.88	1.04	1.37	0.93	0.92
Debt equity ratio (Times)	0.81	0.49	0.41	0.37	0.46	0.46
Interest cover (Times)	2.70	3.44	3.98	6.19	2.19	2.26
Total assets to current liabilities %	28	25	22	21	26	26
Investor ratios						
Annualised earning per share (Rs.)	6.84	8.64	9.37	17.07	3.21	3.38
Price earning share (Times)	2.67	4.60	5.66	5.04	18.53	17.31
Dividend per share (Rs.)	1.00	1.25	1.50	2.50	-	-
Dividend cover (Times)	6.84	6.91	6.24	6.83	-	-
Market Capitalization (Rs.'000)	431,917	940,751	1,254,298	2,035,333	1,384,500	1,384,500
Net assets value per share (Rs.)	3.55	5.00	5.81	6.75	6.82	6.84

2009/10 Group	2009/10 Company	2010/11 Group	2010/11 Company	2011/12 Group	2011/12 Company	2012/13 Group	2012/13 Company	2013/14 Group	2013/14 Company
412,824	412,824	304,730	340,730	210,727	210,727	100,568	100,568	270,242	270,242
370,870	370,870	365,560	365,560	360,253	360,253	354,293	354,293	348,506	348,506
643,388	643,388	643,872	638008	815,851	815,851	801,767	801,767	949,697	949,697
228,732	228,732	255,798	255,798	244,935	244,935	234,585	234,585	223,803	223,803
-	-	27,129	26,161	82,792	82,939	118,462	118,751	144,930	145,040
1,655,814	1,655,814	1,597,089	1,590,257	1,714,558	1,714,705	1,609,675	1,609,964	1,937,178	1,937,288
262,895	262,895	437,029	437,029	546,145	546,145	470,152	470,152	304,574	304,574
5,113	5,113	5,313	5,313	5,310	5,310	5,750	5,750	5,980	5,980
589,297	588,277	717,122	642,236	588,677	588,631	654,087	634,858	540,940	532,265
68,472	68,471	14,003	12,970	13,832	12,970	48,902	48,690	53,950	53,950
925,777	924,756	1,173,467	1,097,548	1,153,964	1,152,056	1,178,891	1,159,450	905,444	896,771
2,581,591	2,580,570	2,770,556	2,687,805	2,868,522	2,866,761	2,788,566	2,769,414	2,842,622	2,834,057
4,626,048	4,623,867	5,951,706	5,758,883	6,187,925	6,184,346	6,632,014	6,612,674	7,060,950	7,052,455
891,758	893,936	856,487	981,602	1,020,651	604,155	1,049,724	1,059,071	636,767	645,308
752,710	754,846	686,166	813,026	815,083	399,399	883,607	893,598	414,214	422,940
(727,659)	(725,173)	(694,755)	(846,182)	(194,182)	224,623	(517,667)	(516,677)	(682,262)	(682,262)
120,393	120,393	(123,925)	(123,921)	(308,782)	(308,782)	(395,581)	(395,581)	251,230	251,230
145,444	150,066	(132,514)	(157,077)	312,119	315,240	(29,641)	(18,660)	(16,818)	(8,092)
36	36	10	(17)	(32)	(11)	30	28	15	15
471	430	51	26	(47)	(16)	114	62	(40)	(40)
431	430	472	358	342	342	445	438	541	532
4.79	4.82	20.20	17.34	10.23	13.49	18.87	18.91	10.29	10.30
1.14	1.15	1.10	0.78	1.09	1.09	1.29	1.30	1.65	1.66
0.33	0.33	0.50	0.52	0.52	0.52	0.42	0.42	0.46	0.46
6.40	6.36	8.43	7.20	4.38	6.87	10.41	10.38	6.95	6.95
20	20	20	19	19	19	18	17	7.75	7.86
1.80	1.79	2.72	2.25	1.43	1.89	3.06	3.07	1.83	1.84
9.76	9.83	9.21	1.11	6.97	5.29	3.66	3.65	6.11	5.34
2.75	2.75	0.85	0.85	0.35	0.35	0.75	0.75	0.85	0.75
6.55	6.51	3.19	2.65	4.10	5.4	3.61	3.61	2.16	2.45
4,165,333	4,165,333	5,916,675	5,916,675	2,366,670	2,366,670	2,650,670	2,650,670	2,319,337	2,319,337
8.64	8.63	13.44	12.98	14.03	14.02	16.24	16.24	17.82	17.82

Shareholders' & investors' information

Stock Exchange Listing

The issued shares of Watawala Plantations PLC are listed with the Colombo Stock Exchange (CSE) in Sri Lanka. The Audited Consolidated Income Statements for the year ended 31st March 2014 and the Audited Consolidated Balance Sheets at that date have been submitted to the Colombo Stock Exchange within three months of the Balance Sheet date

Shareholders information

Total No of Shareholders as at 31st March 2014: 17,370 (as at 31st March 2013: 17,451)

Public share holding

The Percentage of shares held by the public : 24.35% (2013-26%)

A). Distibution of Shareholding

Shareholdings	Residents				Non Residents				Total			
	No of Shareholders	(%)	No of Shares	(%)	No of Shareholders	(%)	No of Shares	(%)	No of Shareholders	(%)	No of Shares	(%)
1 to 1,000	8,690	50.03	4,212,316	1.78	8	0.05	3,790	0.00	8,698	50.07	4,216,106	1.78
1,001 to 5,000	8,041	46.29	15,490,220	6.55	8	0.05	22,300	0.01	8,049	46.34	15,512,520	6.55
5,001 to 10,000	323	1.86	2,495,770	1.05	9	0.05	61,228	0.03	332	1.91	2,556,998	1.08
10,001 to 50,000	214	1.23	4,906,882	2.07	8	0.05	206,603	0.09	222	1.28	5,113,485	2.16
50,001 to 1,000,000	53	0.31	10,633,878	4.49	8	0.05	1,004,907	0.42	61	0.35	11,638,785	4.92
Over 1,000,000	6	0.03	191,128,777	80.76	2	0.01	6,500,000	2.75	8	0.05	197,628,777	83.51
Total	17,327	99.75	228,867,843	96.70	43	0.25	7,798,828	3.30	17,370	100.00	236,666,671	100.00

B). Categories of Shareholders

Shareholdings	Institutional				Non Institutional				Total			
	No of Shareholders	(%)	No of Shares	(%)	No of Shareholders	(%)	No of Shares	(%)	No of Shareholders	(%)	No of Shares	(%)
1 to 1,000	36	0.21	22,983	0.01	8,662	49.87	4,193,123	1.77	8,698	50.07	4,216,106	1.78
1,001 to 5,000	52	0.30	155,973	0.07	7,997	46.04	15,356,547	6.49	8,049	46.34	15,512,520	6.55
5,001 to 10,000	26	0.15	200,950	0.08	306	1.76	2,356,048	1.00	332	1.91	2,556,998	1.08
10,001 to 50,000	33	0.19	898,544	0.38	189	1.09	4,214,941	1.78	222	1.28	5,113,485	2.16
50,001 to 1,000,000	22	0.13	5,787,438	2.45	39	0.22	5,851,347	2.47	61	0.35	11,638,785	4.92
Over 1,000,000	7	0.04	196,008,224	82.82	1	0.01	1,620,553	0.68	8	0.05	197,628,777	83.51
Total	176	1.01	203,074,112	85.81	17,194	98.99	33,592,559	14.19	17,370	100.00	236,666,671	100.00

Share Trading Information from 1 April to 31 March

	2014	2013
Highest during the period	13.70	14.00
Lowest during the period	9.20	6.40
Closing price	9.80	11.20
No. of Transactions	5,323	6,094
No. of Shares Traded	62,373,304	9,931,113
Value of Shares Traded (Rs)	844,264,244.90	113,966,365.60

Twenty (20) Largest Shareholders as at

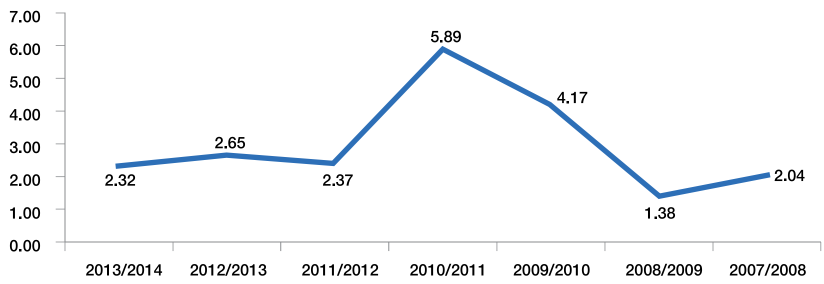
Name	31st March 2014		31st March 2013	
	No of Shares held	% of the holding	No of Shares held	% of the holding
Estate Management Services (Pvt) Ltd	179,034,370	75.65	127,216,340	53.75
Mouldex Limited	-	-	44,855,100	18.95
Bank of Ceylon A/C Ceybank Unit Trust	10,473,854	4.43	15,770,454	6.66
Aureos South Asia Fund LLC	4,500,000	1.90	6,962,930	2.94
HSBC International Nominees LTD-SSBT-Deustche Bank	2,000,000	0.85	2,000,000	0.85
K.C.Vignarajah	1,620,553	0.68	1,324,950	0.56
Vyjayanthi & Company Limited	1,000,000	0.42	1,000,000	0.42
Life Insurance Coporation (lanka) Ltd	750,000	0.32	-	-
M.M.Hashim	622,000	0.26	300,000	0.13
N.Muljie	552,900	0.23	542,900	0.23
Cocoshell Activated Carbon Company Ltd	434,348	0.18	369,621	0.16
National Savings Bank	419,500	0.18	419,500	0.18
D.F.G.Dalpethado	404,437	0.17	-	-
S.Vignaraj	353,539	0.15	319,489	0.13
Bank of Ceylon A/C Ceybank No.1 Account	350,100	0.15	350,100	0.15
M.I.Abdul Hameed	350,000	0.15	350,000	0.15
D.D.Gunaratne	300,000	0.13	-	-
Confifi Investments (Pvt) Ltd	293,000	0.12	293,000	0.12
Anverally and Sons (Pvt) Ltd	257,100	0.11	257,100	0.11
Merchant Bank of Sri Lanka Limited/Union Investments	250,000	0.11	250,000	0.11
Sub Total	203,965,701	86.18	202,581,484	85.60
Others	32,700,970	13.82	34,085,187	14.40
Grand Total	236,666,671	100.00	236,666,671	100.00

Share trading information-last five years

	2013/14	2012/13	2011/12	2010/11	2009/10	2008/09	2007/2008
Highest during the year	13.70	14.00	28.80	34.70	192.00	88.50	107.00
Lowest during the year	9.20	6.40	8.80	24.90	53.25	42.50	45.00
As at 31st March	9.80	11.20	10.00	24.90	176.00	58.50	86.00
No.of shares	236,666,671	236,666,671	236,666,671	236,666,671	23,666,668	23,666,668	23,666,668

Market capitalization (Bn)

Year	Rs. Bn
2013/2014	2.32
2012/2013	2.65
2011/2012	2.37
2010/2011	5.89
2009/2010	4.17
2008/2009	1.38
2007/2008	2.04



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INDEPENDENT ASSURANCE REPORT TO WATAWALA PLANTATIONS PLC

Introduction

We were engaged by the Board of Directors Watawala Plantations PLC (" Company ") to provide assurance on the following elements of the Sustainability Reporting incorporated in the Integrated Annual Report 2014 ("Report") for the year ended March 31, 2014:

- Reasonable assurance on the data on performance highlights, as reported on pages 10 to 12 of this Report 2014;
- Limited assurance on performance indicators and other information on pages 26 to 63 presented in this Report;

Managements' responsibilities and the criteria applied

Management is responsible for the preparation and presentation of the Report in accordance with the GRI Sustainability Reporting Guidelines as described in pages 4 of the Report and the information and assertions contained within it: for determining the Company's objectives in respect of sustainable development performance and reporting, including the identification of stakeholder and material issues, and for establishing and maintaining appropriate performance management and internal control systems from which the reported performance information is derived.

Our responsibilities and compliance with SLSAE 3000

Our responsibility is to carry out a reasonable & limited assurance engagement and to express a conclusion based on the work performed. We conducted our engagement in accordance with the Sri Lanka Standard on Assurance Engagements 3000: Assurance Engagements Other Than Audits or Reviews of Historical Financial Information, issued by the Institute of Chartered Accountants of Sri Lanka.

This Standard requires amongst others that we comply with applicable ethical requirements, including independence requirements, and plan and perform the engagement to obtain reasonable & limited assurance about whether the Report is free of material misstatement.

Summary of work performed

Financial data

A reasonable assurance engagement on performance highlights reported on pages 10 to 12 of the Report involves verification that they were properly derived from the audited financial statements of the Company for the year ended March 31, 2014.

Performance Indicators and Other Information

A limited assurance engagement on performance indicators and other information in the Report consists of making inquiries, primarily of persons responsible for the preparation of information presented in the sustainability report, and applying analytical and other evidence gathering procedures, as appropriate. These procedures included:

- Inquiries of management to gain an understanding of the Company's processes for determining the material issues for the Company's key stakeholder groups.
- Interviews with senior management and relevant staff at group level and selected business unit level concerning sustainability strategy and policies for material issues, and the implementation of these across the business.
- Interviews with relevant staff at corporate and business unit level responsible for providing the information in the Report.
- Inquiries about the design and implementation of the systems and methods used to collect and process the information reported, including the aggregation of data into information as presented in the Report.
- Comparing the information presented in the Report to corresponding information in the relevant underlying sources to determine whether all the relevant information contained in such underlying sources has been included in the Report.
- Reading the information presented in the Report to determine whether it is in line with our overall knowledge of, and experience with, the sustainability performance of the Company.

Our conclusion

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

- The data on performance highlights, as reported on page 10 to 12 of the Report 2014 are properly derived from the financial statements of the Company for the year ended March 31, 2014 for which the independent auditors have issued an unqualified audit opinion dated May 17, 2014 on page 111 of this Report;
- Nothing has come to our attention that causes us to believe that the performance indicators and other information presented on pages 26 to 63 in the Report are not fairly presented, in all material respects, in accordance with the GRI Sustainability Reporting Guidelines as described in pages 4 of the Report.

KPMG

CHARTERED ACCOUNTANTS
Colombo
17 May 2014

GRI Content Index

GENERAL STANDARD DISCLOSURES

General Standard Disclosures		Page Number	External Assurance
STRATEGY AND ANALYSIS			
G4-1	A statement from the most senior decision-maker of the organization	74 *(Chairman's statement)*	Yes
G4-2	Description of key impacts, risks, and opportunities.	94 - 99 *(Risk management)*	Yes
ORGANIZATIONAL PROFILE			
G4-3	Name of the organisation	173	Yes
G4-4	Primary brands, products, and services.	73 *(Selling mark name)*	Yes
G4-5	Location of the organization's headquarters.	173	Yes
G4-6	Number of countries where the organization operates	26 - 30 *(Operational review)*	Yes
G4-7	Nature of ownership and legal form.	173	Yes
G4-8	Markets served	26 - 30 *(Operational review)*	Yes
G4-9	Scale of the organization	8 *(Our relevance)*	Yes
G4-10	Total number of employees by employment contract and gender	43 *(Managing our talent pool)*	Yes
G4-11	Percentage of total employees covered by collective bargaining agreements.	50 *(Industrial relations)*	Yes
G4-12	Organization's supply chain.	15 *(Our business model)*	Yes
G4-13	Significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain	74,75 *(our ownership)*	Yes
G4-14	How the precautionary approach or principle is addressed by the organization.	40 *(a sustainable strategy)*	Yes
G4-15	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses.	51 *(Health and safety/ Grievance handling)*	Yes
G4-16	Memberships of associations	52, 41 *(Engaged communities)/ (Stakeholder engagement)*	Yes
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES			
G4-17	Entities included in the organization's consolidated financial statements or equivalent documents.	4 *(About the report)*	Yes
G4-18	Process for defining the report content and the Aspect Boundaries.	4 *(About the report)*	Yes
G4-19	Implementation of reporting principles for defining report content	4 *(About the report)*	Yes
G4-20	Aspect Boundary for identified material aspects within the organization	4 *(About the report)*	Yes
G4-21	Aspect Boundary for identified material aspects outside the organization	4 *(About the report)*	Yes
G4-22	Restatements of information provided in previous reports, and the reasons for such restatements.	Not reported	Not applicable (N/A)
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries.	4 *(About the report)*	Yes
STAKEHOLDER ENGAGEMENT			
G4-24	Stakeholder groups engaged by the organization.	41 *(A peoples' Buisness)*	Yes
G4-25	Basis for identification and selection of stakeholders with whom to engage.	41 *(A peoples' Buisness)*	Yes

General Standard Disclosures		Page Number	External Assurance
G4-26	Organization's approach to stakeholder engagement, frequency of engagement	31 *(A peoples' Buisness)*	Yes
G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns	31 *(A peoples' Buisness)*	Yes
REPORT PROFILE			
G4-28	Reporting period for information provided.	4 *(About the report)*	Yes
G4-29	Date of most recent previous report	4 *(About the report)*	Yes
G4-30	Reporting cycle	4 *(About the report)*	Yes
G4-31	Contact point for questions regarding the report or its contents.	4 *(About the report)*	Yes
G4-32	GRI content index	170 - 177 *(GRI Content index*	Yes
G4-33	Organization's policy and current practice with regard to seeking external assurance for the report	4 *(About the report)*	Yes
GOVERNANCE			
G4-34	Governance structure of the organization, including committees of the highest governance body committees responsible for decision-making on economic, environmental and social impacts.	76 *(Corporate governance structure)*	Yes
G4-35	Process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees.	84, 94, 76	Yes
G4-36	Appointment of an executive-level position with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body.	84, 94, 76	Yes
G4-37	Processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics.	87	Yes
G4-38	Role and composition of the Board Of Directors	75, 81	Yes
G4-39	Whether the Chair of the highest governance body is an executive officer.	80	Yes
G4-40	Nomination and selection processes for the highest governance body	82, 109	Yes
G4-41	Processes for the highest governance body to ensure conflicts of interest are avoided and managed	92	Yes
G4-42	Highest governance body's and senior executives' roles in the development, approval, and updating of values, stratergies	74 *(Chairman's statement)*	Yes
G4-43	Measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics.	80	Yes
G4-44	Processes for evaluation of the highest governance body	84	Yes
G4-45	Highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities.	94 *(Risk management)*	Yes
G4-46	Highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics.	94 *(Risk management)*	Yes

General Standard Disclosures		Page Number	External Assurance
G4-47	Frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities.	77	Yes
G4-48	Highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material Aspects are covered.	21 *(Managing director's review)*	Yes
G4-49	Process for communicating critical concerns to the highest governance body.	76 *(Information flow)*	Yes
G4-50	Nature and total number of critical concerns that were communicated to the highest governance body and the mechanism(s) used to address and resolve them.	94 *(Risk management)*	Yes
G4-51	Remuneration policies for the highest governance body and senior executives	85, 109	Yes
G4-52	Process for determining remuneration	109 *(Report of remmuneration and nomination committee)*	Yes
G4-53	Stakeholders' views regarding remuneration	109 *(Report of Remmuneration and nomination committee)*	Yes
G4-54	Ratio of the annual total compensation for the organization's highest-paid individivual to the median annual total compansation for all employees	Not reported	N/A
G4-55	Percentage increase of the annual total compensation for the organization's highest-paid individivual to the median % increase in annual total compansation for all employees	Not reported	N/A
ETHICS AND INTEGRITY			
G4-56	Organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics.	50, 92	Yes
G4-57	Internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity	79	Yes
G4-58	Internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity,	51 *(Greivance handling)*	Yes
SPECIFIC STANDARD DISCLOSURES			
CATEGORY: ECONOMIC			
MATERIAL ASPECT: ECONOMIC PERFORMANCE			
G4-DMA	Generic disclosure on Economic performance	31 - 37 *(Financial review)*	Yes
G4-EC1	Direct economic value generated and distributed	31 - 37 *(Financial review)*	Yes
G4-EC2	Risks and opportunities presented by climate change	94 *(Risk management)*	Yes
G4-EC3	Coverage of the organization's defined benefit plan obligations	50	Yes
G4-EC4	Financial assistance received from government	52 *(Engaged communities)* 123 *(Notes to accounts)*	Yes
MATERIAL ASPECT: MARKET PRESENCE			
G4-DMA	Generic disclosure on market presence	26 - 30 *(Operational review)* 55 *(Our customers)*	Yes

General Standard Disclosures		Page Number	External Assurance
G4-EC5	Propotion of workforce subjected to minimum wage requfements	50 *(Industrial relations)*	Yes
G4-EC6	Percentage of senior management hired from the local community	42	Yes
MATERIAL ASPECT: INDIRECT ECONOMIC IMPACTS			
G4-DMA	Generic disclosure on Indirect economic impacts	23 *(The way forword)*	Yes
G4-EC7	Development and impact of infrastructure investments and services supported	50 *(Engaged communities)*	Yes
G4-EC8	Identified significant positive and negative indirect economic impact	18	Yes
MATERIAL ASPECT: PROCUREMENT PRACTICES			
G4-DMA	Generic disclosure on procurement practices	56 *(Suppliers)*	Yes
G4-EC9	Percentage of procurement budget in significant locations	Not reported	N/A
CATEGORY: ENVIRONMENTAL			
MATERIAL ASPECT: EFFLUENTS AND WASTE			
G4-DMA	Generic disclosure on Effluents and waste	57 - 59	Yes
G4-EN23	Total weight of hazardous and nonhazardous waste	59	Yes
MATERIAL ASPECT: PRODUCTS AND SERVICES			
G4-DMA	Generic disclosure on product and services	4 *(About the report)*	Yes
G4-EN27	Extent to which environmental impacts of products and services have been mitigated during the reporting period	57, 59	Yes
CATEGORY: SOCIAL			
SUB-CATEGORY: LABOR PRACTICES AND DECENT WORK			
MATERIAL ASPECT: EMPLOYMENT			
G4-DMA	General disclosure on Employment	48, 42	Yes
G4-LA1	Number and rate of new employee hires during the reporting period, by age group, gender and region.	48, 42	Yes
G4-LA2	Number and rate of employee turnover during the reporting period, by age group, gender and region.	48, 42 *(An empowered team)*	Yes
G4-LA3	Number of employees that took parental leave, by gender.	49	Yes
MATERIAL ASPECT: LABOR/MANAGEMENT RELATIONS			
G4-DMA	Generic disclosure of labour management relationships	50 *(Industrial relations)*	Yes
G4-LA4	Minimum number of weeks' notice typically provided to employees and their elected representatives prior to the implementation of significant operational changes that could substantially affect them	50 *(Industrial relations)*	Yes
MATERIAL ASPECT: OCCUPATIONAL HEALTH AND SAFETY			
G4-DMA	Generic disclosure on occupational health and safety	50, 51	Yes
G4-LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees	50 *(Industrial relations)*	Yes
G4-LA6	Types of injury, injury rates, occupationa diseases, absenteesm	51 *(Health and safety policy)*	Yes
G4-LA7	Workers who are involved in occupational activities who have a high incidence or high risk of specific diseases.	51 *(Health and safety policy)*	Yes

General Standard Disclosures		Page Number	External Assurance
G4-LA8	Formal agreements with trade unions on health and safety	50 *(Industrial relations)*	Yes
MATERIAL ASPECT: TRAINING AND EDUCATION			Yes
G4-DMA	Generic disclosure on training and development	43 *(Managing our talent pool)*	Yes
G4-LA9	Average hours of training that the organization's employees have undertaken	45 *(Life skill development)*	Yes
G4-LA10	Type and scope of programs implemented and assistance provided to upgrade employee skills.	45, 49	Yes
G4-LA11	Percentage of total employees by gender and by employee category who received a regular performance and career development review during the reporting period.	45	Yes
MATERIAL ASPECT: DIVERSITY AND EQUAL OPPORTUNITY			
G4-DMA	Generic disclosure on divsersity and equal opportunity	43 *(Managing our talent pool)*	Yes
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to indicators of diversity	75 *(Composition of the board)*	Yes
MATERIAL ASPECT: EQUAL REMUNERATION FOR WOMEN AND MEN			
G4-DMA	Generic disclosure on equal remuneration for women and men	43	Yes
G4-LA13	Ratio of the basic salary and remuneration of women to men for each employee category	43	Yes
MATERIAL ASPECT: LABOR PRACTICES GRIEVANCE MECHANISMS			
G4-DMA	Generic disclosure on labour practices and grievance handling	51 *(Grievance handling)*	Yes
G4-LA16	Number of greivance about labour practices handled through formal mechanism	51 *(Grievance handling)*	Yes
SUB-CATEGORY: HUMAN RIGHTS			
MATERIAL ASPECT: INVESTMENT			
G4-DMA	Generic disclosure on investment in Human rights	Not reported	N/A
G4-HR1	Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	Not reported	N/A
G4-HR2	Total hours of employee training on human rights policies or procedures concerning aspects of human rights	Not reported	N/A
MATERIAL ASPECT: NON-DISCRIMINATION			
G4-DMA	Generic disclosure on Non discrimination	43	Yes
G4-HR3	Number of incidents of discrimination during the reporting period	43	Yes
MATERIAL ASPECT: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING			
G4-DMA	Generic disclosure on freedom of association and collective bargaining	50 *(Industrial relations)*	Yes
G4-HR4	Operations and suppliers in which employee rights to exercise freedom of association or collective bargaining may be violated or at significant risk	56 *(Suppliers)*	Yes
MATERIAL ASPECT: CHILD LABOR			

General Standard Disclosures		Page Number	External Assurance
G4-DMA	Generic Disclosures on child labour	49	Yes
G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labor	56 *(Suppliers)*	Yes
MATERIAL ASPECT: FORCED OR COMPULSORY LABOR			
G4-DMA	Generic Disclosure on forced or cumpulsory labour	49	Yes
G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labour	56 *(Suppliers)*	Yes
MATERIAL ASPECT: SECURITY PRACTICES			
G4-DMA	Generic disclosure on security practices	Not reported	N/A
G4-HR7	Percentage of security personnel trained in the organization's human rights policies or procedures	Not reported	N/A
MATERIAL ASPECT: HUMAN RIGHTS ASSESSMENT			
G4-DMA	Generic disclosure on Human rights assessment	42 *(Management approach)*	Yes
G4-HR9	Total number and percentage of operations that have been subject to human rights reviews or impact assessments	42 *(Empowered Team)*	Yes
MATERIAL ASPECT: HUMAN RIGHTS GRIEVANCE MECHANISMS			
G4-DMA	Generic disclosure on human rights grievance mechanisms	51 *(Grievance handling)*	Yes
G4-HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms	51 *(Grievance handling)*	Yes
SUB-CATEGORY: SOCIETY			
MATERIAL ASPECT: LOCAL COMMUNITIES			
G4-DMA	Generic disclosure on local communties	52 *(Engaged communities)*	Yes
G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	54 - 52 *(Engaged communities)*	Yes
G4-SO2	Operations with significant actual and potential negative impacts on local communities	52 *(Engaged communities)*	Yes
MATERIAL ASPECT: ANTI-CORRUPTION			
G4-DMA	Generic disclosure on Anti-curruption	Not reported	N/A
G4-SO3	Total number and percentage of operations asessed for risks related to corruption and the significant risks identified	Not reported	N/A
G4-SO4	Communication and training on anti-corruption policies and procedures	Not reported	N/A
G4-SO5	Confirmed incidents of corruption and actions taken	Not reported	N/A
MATERIAL ASPECT: ANTI-COMPETITIVE BEHAVIOR			
G4-DMA	Generic disclosure on Anti-competitive behaviour	55 *(Our customers)*	Yes
G4-SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	55 *(Our customers)*	Yes
MATERIAL ASPECT: COMPLIANCE			

General Standard Disclosures		Page Number	External Assurance
G4-DMA	Generic disclosure on Compliance	84,78,94,4	Yes
G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	55 *(Our customers)*	Yes
MATERIAL ASPECT: SUPPLIER ASSESSMENT FOR IMPACTS ON SOCIETY			
G4-DMA	Generic disclosure on Supplier assessment for impacts on society	56 *(Suppliers)*	Yes
G4-SO9	Percentage of new suppliers that were screened using criteria for impacts on society	56 *(Suppliers)*	Yes
G4-SO10	Significant actual and potential negative impacts on society in the supply chain and actions taken	56 *(Suppliers)*	Yes
MATERIAL ASPECT: GRIEVANCE MECHANISMS FOR IMPACTS ON SOCIETY			
G4-DMA	Generic disclosure on Grievance mechanisms for impacts on society	52 *(Engaged communities)*	Yes
G4-SO11	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms	51 *(Grievance handling)*	Yes
SUB-CATEGORY: PRODUCT RESPONSIBILITY			
MATERIAL ASPECT: CUSTOMER HEALTH AND SAFETY			
G4-DMA	Generic disclosure on Customer health and safety	55 *(Our customers)*	Yes
G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	55 *(Our customers)*	Yes
G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	55 *(Our customers)*	Yes
MATERIAL ASPECT: PRODUCT AND SERVICE LABELING			
G4-DMA	Generic disclosure on product and service labeling	55 *(Our customers)*	Yes
G4-PR3	Type of product and service information required by the organization's procedures for product and service information and labeling,	55 *(Our customers)*, 14 *(Certifications)*	Yes
G4-PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	55 *(Our customers)*	Yes
G4-PR5	Results of surveys measuring customer satisfaction	55, 56	Yes
MATERIAL ASPECT: MARKETING COMMUNICATIONS			
G4-DMA	Generic disclosure on Marketing communications	55 *(Our customers)*, 14 *(Certifications)*	Yes
G4-PR6	Sale of banned or disputed products	Not reported	N/A
G4-PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications	56 *(Our customers)*, 14 *(Certifications)*	Yes
MATERIAL ASPECT: CUSTOMER PRIVACY			
G4-DMA	Generic disclosure on Customer privace	Not reported	N/A
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	Not reported	N/A
MATERIAL ASPECT: COMPLIANCE			
G4-DMA	Generic disclosure on Compliance	78,84,94,4	Yes
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	55 *(Our customers)*	Yes

Notice of Meeting

NOTICE is hereby given that the Twenty First (21st) Annual General Meeting of Watawala Plantations PLC will be held at the "Committee Room B" of Bandaranaike Memorial International Conference Hall (BMICH), Bauddhaloka Mawatha, Colombo 07 at 10.00 a.m. on Monday the 30th day of June 2014 and the business to be brought before the meeting will be:

1 To receive and consider the Annual Report of the Board of Directors and the Statement of Audited Accounts for the year ended 31 March 2014 with the Report of the Auditors' thereon.

2 To declare a Final Dividend of Rs. 0.50 (cents fifty) per share as recommended by the Directors.

3 To re-appoint Mr.L.Ramanayake as per article 28 (2) of the Articles of Association, who has been appointed by the Board, since the last Annual General Meeting, a Director.

4 To re-appoint Mr.M.S.Mawzoon as per article 28 (2) of the Articles of Association, who has been appointed by the Board, since the last Annual General Meeting, a Director

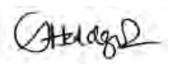
5 To re-appoint Mr.C.P. Thomas as per article 28 (2) of the Articles of Association, who has been appointed by the Board, since the last Annual General Meeting, a Director

6 To re-elect Mr.A.N.Fernando who retires by rotation at the Annual General Meeting, a Director as per Article 30 of the Articles of Association.

7 To re-elect Mr.G.Sathasivam who retires by rotation at the Annual General Meeting, a Director, as per Article 30 of the Articles of Association.

8 To re-appoint Messrs. PricewaterhouseCoopers (Chartered Accountants) as Auditors of the company and authorize the Directors to determine their remuneration.

9 To authorize the Directors to determine contributions to Charities.



By order of the Board
Secretaries & Financial Services (Pvt) Ltd.,
Secretaries, Watawala Plantations PLC.,

Colombo
17 May 2014

We shall be obliged if the Shareholders/ proxies attending the Annual General Meeting, produce their National Identity Card to the Security Personnel stationed at the entrance.

Form of Proxy

I/We...of ....
....

being a member /members of Watawala Plantations PLC, hereby appoint :

.... of...
....or failing him, Mr. S.G.Wijesinha (Chairman of the Company) of Colombo, or failing him, one of the Directors of the Company as my/our proxy to vote as indicated hereunder for me/us and on my/our behalf at the Twenty First (21st) Annual General Meeting of the Company to be held on Monday the 30th day June 2014 at 10.00 a.m. and at every poll which may be taken in consequence of aforesaid meeting and any adjournment thereof:

	For	Against
1) To receive and consider the Annual Report of the Board of Directors and the Statement of Audited Accounts for the year ended 31 March 2014 with the Report of the Auditors' thereon.		
2) To declare a Final Dividend of Rs. 0.50 (cents fifty) per share as recommended by the Directors.		
3) To re-appoint Mr. L. Ramanayake who was appointed during the year, a Director.		
4) To re-appoint Mr.M.S.Mawzoon who was appointed during the year, a Director.		
5) To re-appoint Mr.C.P. Thomas who was appointed during the year, a Director.		
6) To re-elect Mr. A.N.Fernando who retires by rotation at the Annual General Meeting, a Director.		
7) To re-elect Mr. G.Sathasivam who retires by rotation at the Annual General Meeting, a Director.		
8) To re-appoint Messrs. PricewaterhouseCoopers (Chartered Accountants) as Auditors of the company and authorize the Directors to determine their remuneration.		
9) To authorize the Directors to determine contributions to Charities.		

Dated .... day of .... 2014 ....

....
Signature of Shareholder

i) A proxy need not to be a member of the Company

ii) Instructions regarding completion appear overleaf

Instructions as to Completion of the form of Proxy

1. To be valid, the completed form of proxy should be deposited at the Registered Office of the Company at No. 60, Dharmapala Mawatha, Colombo 03, not less than 48 hours before the time of the meeting
2. In perfecting the form of proxy, please ensure that all the details are legible
3. If you wish to appoint a person other than the Chairman of the Company (or failing him, one of the Directors of the Company) as you proxy, please insert the relevant details.
4. Please indicate with an "x" in the space provided how your proxy is to vote on each resolution. If no indication is given, the proxy, in his discretion, will vote, as he thinks fit
5. In the case of a Company / Corporation, the proxy must be under its Common Seal which should be affixed and attested in the manner prescribed by its Articles of Associations
6. In the case of a proxy signed by the Attorney, the Power of Attorney must be deposited at the Registered Office for registration

Glossary

ACCOUNTING POLICIES

The specific principles, bases, conventions, rules, and practices adopted by an enterprise in preparing and presenting Financial Statements.

WATA

CSE identification code for the Company.

ACCRUAL BASIS

Recording revenues & expenses in the period in which they are earned or incurred regardless of whether cash is received or disbursed in that period.

GSA

The Gross Sales Average. This is the average sales price obtained (over a period of time, for a kilo of produce) before any deductions such as Brokerage, etc.

NSA

The Net Sales Average. This is the average sale price obtained (over a period of time) after deducting Brokerage fees, etc.

COP

The Cost of Productions. This generally refers to the cost of producing per kilo of produce (Tea /Rubber /Palm Oil)

CPO

Crude Palm Oil

AMORTISATION

The systematic allocation of the depreciable amount of an intangible asset over its useful life.

EBITDA

Earning before interest, tax, depreciation and amortization.

VALUE ADDITIONS

The quantum of wealth generated by the activities of the company and its application.

EARNING PER SHARE – EPS

Profit attributable to ordinary shareholders divided by the number of ordinary shares in ranking for dividend.

ENTERPRISE VALUE – EV

Market Capitalization plus Debt, Minority Interest & Preferred shares minus total Cash & Cash equivalents.

ENTERPRISE MULTIPLE – EM

Enterprise Value (EV) divided by Earnings before Interest Tax Depreciation & Amortization (EBITDA)

MARKET VALUE ADDED – MVA

Shareholder funds divided by the market value of shares

PRICE EARNINGS RATIO - PE

Market Price of a share divided by earnings per share.

MARKET CAPITALIZATION

Number of Shares issues multiplied by the market value of each share at the year end.

NET ASSETS

Sum of fixed Assets and Current Assets less total liabilities.

NET ASSETS PER SHARE

Net Assets at the end of the period divided by the number of Ordinary Shares in issues.

RETURN ON EQUITY

Attributable profits divided by average shareholders' funds.

INTEREST COVER

Profit before tax plus interest charges divided by interest charges.

DIVIDEND COVER

Profit attributable to shareholders divided by gross dividend.

DIVIDENT PAYOUT

Profit paid out to share holders as dividends as a percentage of profits made during the year.

RELATED PARTIES

Parties who could control or significantly influence the financial and operating policies of the Company.

CONTINGENT LIABILITIES

Conditions or situations at the balance sheet date, the financial effects of which are to be determined by future events, which may or may not occur.

WORKING CAPITAL

Current assets exclusive of liquid funds and interest-bearing financial receivables less operating liabilities and non-interest-bearing provisions.

TOTAL BORROWINGS

Total borrowings consist of interest-bearing liabilities, fair-value derivatives, accrued interest expenses and prepaid interest income, and trade receivables with recourse.

NET BORROWINGS

Total borrowings less liquid funds.

CASH EQUIVALENTS

Liquid investments with original maturities of three months or less.

CURRENT RATIO

Current Assets divided by current liabilities

DEBT TO EQUITY RATIO

Borrowing divided by equity

GERAING RATIO

Interest bearing Capital divided by total Capital (interest bearing and non interest bearing)

TURNOVER PER EMPLOYEE

Consolidated turnover of the company for the year divided by the number of employees employed at the year end.

EXTENT IN BEARING

The extent of land. From which crop is being harvested. Also see "Immature Plantation"

CROP

The total produce harvested during a financial year

IMMATURE PLANTATIONS

The extent of plantation that is under-development and is not being harvested.

MATURE PLANTATIONS

The extent of plantation from which crop is being harvested. Also see "Extent in Bearing".

IN FILLING

A method of field development whereby planting of individual plants is done in order to increase the yield of a given field, whilst allowing the field to be harvested.

REPLANTING

A method of field development where an entire unit of land is taken out of "bearing" and developed by way of uprooting the existing trees/bushes and replanting with new trees/bushes.

Yield (YPH)

The average crop per unit extent of land over a given period of time (usually Kgs. Per hectare per year)

ISO

International Standards Organization

HACCP

Hazard Analysis Critical Control Point System. Internationally accepted food safety standard.

5S

A Japanese management technique on the organization of the workplace. 5s stands for Seiri (Sorting), Seiton (Organizing), Seiso (Cleaning), Seiketso (Standardization), Shitsuke (Sustenance).

YoY : Year on Year

FY 13 : FY 2012/13.

FY 14 : FY 2013/14.

FY 15 : FY 2014/15.

1QFY14 : First quarter of the financial year 2013/14.

NP : Total comprehensive income

Notes

Notes

Notes

Corporate Information

Name of the Company
Watawala Plantations PLC

Legal form
A public Company with limited liability Registered under Companies Act No 17 of 1982 and re-registered under the Companies Act No. 07 of 2007 and quoted on the Colombo Stock Exchange.

Date of incorporation
18 June 1992

Registration No
PQ 65

Accounting Year
31 March

Directors
S G Wijesinha - Chairman
G Sathasivam (S G Sathasivam - Alternate to G Sathasivam)
V Govindasamy-Managing Director
D V Seevaratnam-Chief Executive Officer
H R Bhat
K Venkataramanan
A N Fernando
M S Mawzoon
L Ramanayake
C P Thomas
B A Hulangamuwa

Secretaries - Jt
Samanthi Haddegoda and
Secretaries & Financial Services Pvt Ltd
60, Dharmapala Mawatha
Colombo 03

Auditors
PricewaterhouseCoopers
(Chartered Accountants)
PO Box 918,100
Braybrooke Place
Colombo 02

Bankers
Hatton National Bank PLC
Commercial Bank of Ceylon PLC
Sampath Bank Ltd
People's Bank Ltd
MCB Bank Ltd
Bank of Ceylon
ICICI Bank
Citi Bank N A
Nations Trust Bank
The Hongkong & Shanghai Banking Corporation
Amana Bank Limited

Managing Agents
Estate Management Services (Pvt) Ltd
60, Dharmapala Mawatha
Colombo 03

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(Attorneys-at-Law)
No 50/6A, Sripa Road
Off Thimbirigasyaya
Colombo 05

FJ & G de Saram
(Attorneys-at-Law)
No 216, de Saram Place
Colombo 10

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E-mail: watawala@wpl.sunshineholdings.lk

Watawala Plantations PLC
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Colombo 03,
Sri Lanka.