Watawala Plantations PLC

a sunshine enterprise

SUSTAINABLE DEVELOPMENT

ANNUAL REPORT **2015/2016**

About the Report

Scope and boundary

This is our 23rd Annual Report for the year ending 31 March 2016 which aims to provide information of our financial, social and environmental performance in a holistic and concise manner. It is our intention to present a balanced review of our performance during the year including material events up to the sign off of Board of Directors on 17 May, 2016. All narrative in this report refers to Watawala Plantations PLC and covers the 19 estates in Sri Lanka.

Reporting Principles

The report is based on the Integrated Reporting Framework issued by the International Integrated Reporting Council and uses the G4 Core criteria published by the Global Reporting Initiative for Sustainability Reporting which we voluntarily adopted. We have also provided information on the Sustainability Development Goals where relevant. The Financial Statements have been prepared based on Sri Lanka Financial Reporting Standards to comply with 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. We continue to monitor developments in corporate reporting in local and the international context to ensure that our reports are in par with best practice.

Integrated

The focus of the report is to provide relevant financial and non-financial information on material developments and issues to the principle stakeholders, the capital providers to represent fairly the events that shaped our performance during the reporting period and are likely to impact our future performance. In identifying the reporting events the materiality principle was applied. We consider any event or development that affect our ability to create value to the stakeholders over short, medium and long term as material. In presenting how we create value for different stakeholders we sought to explain the impacts made to and from different resources- Financial capital, Human capital, manufactured capital, Social and relationship capital, Natural capital.

Watawala Plantations applies a precautionary principle when determining the balance between expansion and social and environmental sustainability.

Assurance

Auditors Messer's Pricewaterhousecoopers has provided independent external assurance on the Financial report and Directors' Statement on Internal Controls.

Feedback

We welcome your suggestions, feedback, and comments on our Annual Report.

Watawala Plantations PLC
No 60, Dharmanpala Mawatha
Colombo 03
Tel – 0114 702 400

Contents

Our Future

"To be the most admired Plantation company in Sri Lanka"

Our Purpose

"Growing Watawala Plantations to be the Industry Leaders"

Our Values

Trust -
The foundation upon which we grow

Integrity -
Honest, Open and Transparent

Perseverance -
Never given up

Innovation -
Improvement through continuous changes

Responsibility -
Accountable to all stakeholders

Performance Highlights - Company

Financial Capital

EARNINGS/ BALANCE SHEET HIGHLIGHTS AND RATIOS

		2015/16	2014/15	Change %
Revenue	Rs. million	6,228	6,774	-8%
Gross profit	Rs. million	851	798	7%
Profit before interest and tax (EBIT)	Rs. million	669	549	22%
Profit before tax	Rs. million	591	464	27%
Profit after tax (PAT)	Rs. million	518	391	32%
Total Comprehensive income	Rs. million	616	407	51%
Dividends (2015/16 proposed)	Rs. million	178	118	51%
Interest cover	No of times	8	6	33%
Return on equity (ROE)	%	13	10	30%
Property, plant and equipment	Rs. million	1,835	1,922	-5%
Biological assets- bearer	Rs. million	2,795	2,743	2%
Biological assets- Consumable	Rs. million	609	567	7%
Total assets	Rs. million	7,731	7,108	9%
Total debt	Rs. million	537	371	45%
Total shareholders' funds	Rs. million	4,780	4,283	12%
Net assets per share	Rs.	20	18	11%
Debt/equity	%	11	9	22%
Debt/total assets	%	7	5	40%

MARKET/ SHAREHOLDER INFORMATION

		2015/16	2014/15	Change %
Market price of share as at 31 March	Rs.	19.30	20.00	-3%
Market capitalization	Rs. million	4,568	4,733	-3%
Enterprise value	Rs. million	4,464	5,087	-12%
Price earning ratio	No of times	9	12	-25%
Dividend per share	Rs.	0.50	1.45	-66%

Non Financial Capital

INTELLECTUAL CAPITAL

Estate	Garden mark	Tea Production Kg.		
		2015/16	2014/15	Change %
Abbotsleigh	Florence	1,285,426	1,190,766	8%
Agarakande	East Fassifern	309,127	522,002	-41%
Carolina	Carolina	1,206,688	1,223,812	-1%
Dickoya	Adisham	694,026	732,631	-5%
Henfold	Henfold	814,481	1,017,051	-20%
Kenilworth	Kenilworth	731,195	743,091	-2%
Shannon	Shannon	583,865	736,009	-21%
Strathdon	Strathdon	1,183,322	977,017	21%
Tangakelle	Cymru	134,232	180,829	-26%
Vellaioya	Vellaioya	1,209,046	1,653,748	-27%
Waltrim	Waltrim	958,461	1,051,799	-9%
Homadola	Homadola	247,839	259,474	-4%

MANUFACTURED CAPITAL

		2015/16	2014/15	Change %
Factory capacity	Tea- Kg/day	79,733	79,733	0%
	Rubber- Kg/day	4,500	4,500	0%
	Crude palm oil- Kg/day	45,000	45,000	0%
Annual production	Tea- Mn Kg.	9.41	10.31	-9%
	Rubber- Mn Kg.	0.27	0.32	-16%
	Palm oil- Mn Kg.	9.01	8.85	2%

HUMAN CAPITAL

		2015/16	2014/15	Change %
Head count	No of heads	10,678	11,404	-6%
Total employee cost	Rs. million	3,139	3,309	-5%
Investment in training	Rs. million	2.08	3.95	-47%
Retention rate	%	95	95	0%

SOCIAL & RELATIONSHIP CAPITAL

		2015/16	2014/15	Change %
Customers	Nos	341	308	10%
Out-growers	Nos	147	176	-16%
Suppliers	Nos	832	804	3%

NATURAL CAPITAL

		2015/16	2014/15	Change %
Hectares managed	Tea- Ha	8,351	8,346	0.1%
	Rubber- Ha	721	858	-16%
	Palm oil- Ha	3,328	3,196	4%
	Other Crop- Ha	38	39	-3%
	Total- Ha	12,438	12,439	0%
Hectares cultivated	Tea- Ha	4,465	4,470	0%
	Rubber- Ha	450	559	-19%
	Palm oil- Ha	3,157	3,057	3%

Chairman's Message

Dear Stakeholder,

"I am pleased to report that Watawala Plantations PLC has delivered a Total Comprehensive income of Rs 616mn for the financial year ending 31st March 2016 in a year of unprecedented challenges for the Plantation sector. The results set before you are testimony to profit growth of 51%, asset growth of 9%, strengthened financial stability and enhanced capacity to create value which is a highly commendable performance by any measure. We have maintained our track record for the highest profits in the RPCs (Regional Plantation Companies) for the 5th consecutive year by taking a long term view of the industry and charting our course accordingly."

Charting Our Course

Getting our strategy right was key to delivering value to all stakeholders. A macroeconomic environment of slow global growth, elevated geopolitical risk and economic woes of oil producing countries, many of which are key markets for the Plantation sector, resulted in diminished potential for volume growth in tea, palm oil and rubber. Early identification of the issues enabled your company to shift gears to a quality focused strategy which was rolled out in the latter part of the previous financial year.

Diversification and operational excellence have long been core strategies for Watawala Plantations. Moreover, our diversification strategy has been strongly supported by strategic alliances which have enhanced our capacity to create value for stakeholders. These core strategies have enabled us to move forward with foresight, honing our competitive edge.

The financial performance set out in this 23rd Annual Report and Financial Statements for the year ending 31st March 2016 is a validation of this strategy,

> *"Earnings per share of Rs. 2.19 and net assets per share of Rs. 20.20 reflect the shareholder value created during the year in comparison with Rs. 1.65 and Rs. 18.10 respectively...."*

reflecting the agility of the company. The task was by no means an easy one as it required re-training of all people involved across all our processes including the production process. We also intensified marketing efforts to potential customers engaging with them directly to communicate the paradigm change, accelerating the impact of our strategy.

This, together with the improvement in quality, has served to enhance the ranking of our General Sales Average to 5th position from a rank of 19 in the previous financial year.

Performance

A strong focus on margins and growth in very focused areas enabled the company to deliver Total Comprehensive income of Rs 616mn for the financial year ended 31st March 2016 despite a decline of 8% on revenue as gross margins improved from 12% to 14%. Earnings per share of Rs.2.19 and net assets per share of Rs.20.20 reflect the shareholder value created during the year in comparison with Rs.1.65 and Rs.18.10 respectively for the same indicators in the previous year.

Financial stability improved as current ratio and quick asset ratio improved from 1.44 and 0.64 times to 2.41 and 1.59 times respectively. Leverage also remains relatively low at 11%, positioning the company for growth with sufficient capacity to raise capital at need.

Considering this, we recommend a final dividend of Rs.0.75 per share for the financial year.

Challenging Times

Profitable RPCs, including Watawala Plantations are making profits because of diversification in to other areas which are subsidizing the losses from tea, draining resources which could be utilized to expand in to more profitable agribusiness ventures. Palm oil continues to sustain our bottom line contributing Rs.685mn amounting to 111% of the Company's Total Comprehensive income while Other Income and exports add a further Rs 210 mn amounting to a further 34% of profits while losses from tea and rubber amount to Rs 278 mn equivalent to 45% of Total Comprehensive income. Consequently, optimizing resource allocation to create value for stakeholders is at the top of the Board's agenda as we seek avenues for growth, managing within the confines of the Lease agreements and balancing our stakeholder concerns.

Regrettably, the industry's labour cost and productivity issues are more difficult to address due to its political nature. The current impasse in negotiations between the trade unions and the RPC's needs to be resolved urgently taking a long term and realistic view of the forces shaping the 200-year-old industry. RPCs have been making losses on tea for many years which is evident on examination of the Colombo Auction Prices for tea which has increased by a mere 8%[1] during the period 2010 to 2015 while cost of production increased by 52% over the same period. Consequently, the cost of production of tea for 2015 was Rs. 478.23 per kg while the net selling average price at Colombo Auctions was Rs. 401.46 while the quantity produced has remained the same, clearly diminishing value for key stakeholders and threatening livelihoods of many. It is also noteworthy that the contribution of Tea to the country's GDP has declined from 1.13% to 0.67% reflecting the lack of growth in the sector relative to the country's growth and the country's ability to compete in global markets. The country's labour productivity in the plantation sector needs to improve not just to global standards but our own local standards vis a vis other industries as enumerated in the Managing Director's Message.

> *"....recent venture in to dairy farming is an example of opportunities available for diversification bringing together technical knowhow and networks which will serve to enhance the value created. The project is being implemented through...."*

A Long Term View

The recent venture in to dairy farming is an example of opportunities available for diversification bringing together technical knowhow and networks which will serve to enhance the value created. The project is being implemented through a subsidiary Watawala Dairy Ltd., together with a joint venture partner M/s PADC Holdings which is a 100% subsidiary of Duxton Asset Management of Singapore.

Alliances with global and regional players has been another strategy that has served to strengthen the company's capacity to create value in many ways from strengthening the Board to access to technology and connectivity to new markets. Tata Global Beverages Ltd., Pyramid Wilmar Plantations and Sunshine Holdings are all leaders in their respective fields and contribute significantly to ensure that Watawala Plantations continues to deliver increasing value, despite financial and economic headwinds. These alliances have played a key role in your company's transformation from an RPC to a diversified agribusiness company with wider horizons and a greater impact on the socio economic progress of the country.

Watawala Plantations PLC has proven its resilience and agility, time and again over the past few years, which augurs well for the future of your company. Our long term view of the industry coupled with a commitment to sustainability rooted in a deep understanding of the plantation industry and its legacies has enabled us to succeed in an extremely challenging year. We remain committed to our core strategies of diversification, a focus on quality and operational excellence in all our undertakings and look to maintain our growth momentum in the coming year which is expected to be quite as challenging. Lifting of sanctions in Iran and the recent stabilization of oil prices are positive developments for the sector. Planned investments in dairy and our core businesses will also enhance our ability to create value, enhancing our potential for growth.

1 Central Bank of Sri Lanka, Annual Report 2015.

Governance Matters

The company continues to adhere to high standards of corporate governance in compliance with the Code of Best Practice. The Related Party Transactions Review Committee which was to come in to effect during the year was formed in the previous year and is operating in a satisfactory manner.

We have strengthened the Board with the appointment of Mr.Nissanka Bandara Weerasekera as an Independent Non Executive Director who currently serves as the Managing Director responsible for the operations of the Abraaj Group in Sri Lanka and Bangladesh counting over 20 years of experience in private equity. The Company Secretaries were also changed to M/s Corporate Advisory Services (Pvt) Ltd., as a result of a group wide re-structuring of corporate services which were duly considered by the Board.

Acknowledgements

The team at Watawala Plantations ably led by the Managing Director Vish Govindasamy are to be congratulated for a synchronized performance, driving necessary changes at an accelerated pace. I extend my sincere appreciation of to our strategic partners and their representatives on the Board who have provided guidance, know-how and access to markets together with industry insights which have enabled us to steer a clear path in uncertain times. In conclusion I also thank our brokers, customers, suppliers and other stakeholders who have also been tested for delivery beyond normal expectations. We look to your continued support as we seek to raise the bar even higher in the coming year, metamorphosing in to a regional agribusiness company.

Sunil G Wijesinha
Chairman
17 May 2016

Managing Director's Review

Dear Stakeholder,

"It is my pleasure to report that your company has turned in a strong performance recording Rs.616 mn total comprehensive income for the financial year ended 31st March 2016. Delivering 51% growth in profits and 9% growth in assets, we have maintained our track record of delivering value to shareholders as the most profitable Regional Plantation Company (RPC) for the 5th consecutive year. A paradigm change in strategy was necessary to overcome or mitigate multiple challenges faced by the plantation industry .The results delivered are testimony to the successful implementation of the new strategy."

Setting Our Performance In Context

The plantation sector in the country faced an extremely challenging year stemming from both global and local factors, offsetting the benefits of relatively favorable weather conditions. Declining oil prices and political turmoil in Russia, Ukraine and the Middle East impacted demand for tea driving down both prices and volumes sharply. As these markets account for approximately 70% of Ceylon Tea , the impact is significant resulting in the overall value of tea exports declining by 18% from US$1.6 bn in 2014 to US$ 1.3 bn in 2015, accounting for just 0.7% of GDP in 2015 compared to 0.9% in 2014. Global Palm oil prices also fluctuated throughout year resulting in lowest average price recorded for palm oil in five years as most commodity markets declined.

Low productivity in the country's plantation sector continues to hamper the competitiveness of Ceylon Tea and the long term sustainability of the industry itself. The national average is 1,775kg per hectare which is low in comparison to Kenya's 2,044 and India's 2,016. This is a multi-faceted measure of which key components include land and labour productivity. Sri Lanka's daily worker output measured in terms of leaves plucked by a single worker is 18kg compared to Kenya, South India and North India rates of 60kg, 50kg and 36kg respectively making it a priority to improve labour productivity in order to compete effectively in an intensely competitive market.

> *"....The value distributed to employees amounts to Rs.3.1bn which is 50% of the revenue comprising salaries, wages and other benefits. As 93% of our 10,205 employees are residents on the estates managed by the Company..........."*

Industry wide wage negotiations remain a key issue as trade unions have not accepted the two proposals put forward by the RPCs on productivity-based wages and revenue sharing models without sufficient consideration of their merits or the sustainability of the industry itself. Woes of the industry worsened as 31 incidents of industrial action involving 14,927 persons resulted in 70,697 lost man days. The present form of the collective agreement, over emphasising employer obligations and employee rights without sufficiently balancing employee obligations, hinder efforts to enhance productivity and requires urgent change.

Government policy has also resulted in increasing operating costs of the plantation sector by an estimated Rs.5.3 bn due to the withdrawal of the fertilizer subsidy, arbitrary banning the use of the Glyphosate weedicides and introduction of a charge for cash withdrawal for worker wages. Policy inconsistencies also hinder the diversification strategies of the RPC's through imposition of restrictions on land use, harvesting of timber , despite the 'Indenture of Lease' signed by the RPCs giving us independence to cultivate land in an economical and socially beneficial manner. Delays in the approval by the authorities concerned of Palm Oil seed importation has hampered the progress of Palm Oil cultivation

A Winning Strategy

Watawala Plantations continues to take a long term view of the industry, focused on delivering value to its key stakeholders with a deep understanding of industry realities. Focus on quality, productivity and building strategic alliances to support growth have been the three pillars of your Company's strategy facilitating profitability, growth and stability.

Your company has the largest extent of oil palm cultivation in the country covering 3,157 hectares which has been a key factor in maintaining profitability, cushioning losses from the tea and rubber sectors during the past 08 years. The diversification in to dairy farming which commenced as a pilot project in 2008 is now to commence on a large scale with the joint venture agreement entered into with M/s PADC Holdings to set up a dairy farm through a subsidiary, Watawala Dairy Ltd., with an investment of approximately Rs.1 bn. Diversification into timber is still at a pilot stage which is expected to yield dividends in the near future.

Having focused on maximizing yields for a number of years, we commenced a programme for changing the strategic direction last year to a focus on quality in response to the market developments. Advance pruning was implemented to manage rush crop and leaf quality together with selective purchases of bought leaf enabled us to improve the quality of inputs into our processes. All our estates obtained Rainforest Alliance certification confirming adherence to international standards on social and environmental aspects. Consequently, Watawala Plantations General Sales Average ranking improved from 19th position in 2015 to 5th position in 2016 reflecting the improvements in quality which resulted in the average price per kilogram of WATA teas increasing by Rs.13/- despite the average market price declining by Rs.27/-. The quantity sold declined by 9% to 9,412,650 Kg increasing the efficiency of working capital turnover. Overall, the paradigm shift from quantity to quality resulted in the tea sector losses reducing by Rs.197 mn in 2016 to Rs.230mn compared to Rs.428 in 2015.

Productivity is multifaceted and managing it is key to performance. We continue to address land productivity through

"....Exports evinced strong growth in revenue and profits of 29% and 139% respectively recording a profit of Rs.64 mn. Other income from various sources including lease rental for various assets continues to support profitability contributing Rs.145 mn. Administrative Expenses decreased by 14% as...."

crop diversification and good agricultural practices while labour productivity is addressed through training and development of employees within the limitations of the industry-wide collective agreement. Energy efficiency remains a key area of focus and several initiatives launched in previous years have yielded positive results with significant cost savings. High levels of awareness on sustainability principles reinforced through the Rainforest Alliance certification process has also led to increased use of renewable energy in the factories.

Our strategic alliances are a key strength providing access to markets, technology and expertise in managing a global agribusiness. Tata Global Beverages and Pyramid Wilmar Plantations and Sunshine Holdings PLC who are joint venture partners of our parent company have been key to our success in tea and oil palm ventures. The strategic partner for the venture in Dairy Farming, M/s PADC Holdings is a 100% subsidiary of Duxton Asset Management of Singapore and will bring considerable expertise in asset management in the dairy industry to the Group.

Value Delivered to Stakeholders

Meticulous implementation of strategy enabled the company to deliver value the shareholders in the form of total comprehensive income of Rs.616 mn, a 51% increase in value despite a revenue decline of 8% for the financial ended 31st March 2016. The decline in revenue reflects lower volumes resulting from a quality strategy which enabled reduction of losses on tea from Rs.428 mn in 2015 to Rs.230 mn in 2016 notwithstanding the extremely challenging operating environment for tea. We were able to maintain profitability in Palm Oil business despite declining prices as the extent bearing fruit increased during the year and negotiating forward contracts for supply of palm oil which facilitated greater stability in pricing. Resultantly, profits from palm oil were Rs.685 mn which cushioned the losses from tea and rubber despite a decline of 12% over the previous year. Exports evinced strong growth in revenue and profits of 29% and 139% respectively recording a profit of Rs.64 mn. Other income from various sources including lease rental for various assets continues to support profitability contributing Rs.145 mn. Administrative Expenses decreased by 14% as a result of right sizing initiatives implemented at Head Office level and finance costs were curtailed to 92% of the previous year. Undoubtedly a year where clear communication of strategy, rigorous review of performance and continuous improvement was key to success. The company continues to monitor global developments in developing its future strategy.

Your company delivered Rs.127 mn value to the government in the form taxes and lease rental on estates during the year which amounted to 2% of revenue.

Value Delivered to Employees & Community

The value distributed to employees amounts to Rs 3.1 bn which is 50% of the revenue comprising salaries, wages and other benefits. As 93% of our 10,678 employees are residents on the estates managed by the Company, the value delivered to employees goes beyond the standard model of wages, training and development activities to encompass a comprehensive programme of welfare to facilitate theirs and their families' well-being which frequently include all families resident on the estates irrespective of whether they are employed. It is noteworthy that only 93% of residents work on the estates although our standard welfare programmes cover all households on estates, considerably adding to the welfare costs.The Human Capital Report and the Community Engagement Reports in this report provide further information in this regard addressing the initiatives taken to facilitate the socio economic progress of residents of our estates which address the 1-7 of the Sustainable Development Goals. Our efforts to uplift the quality of life of the employees continues with unabated zeal as we work together with NGO's and the Plantation Human Development Trust who play a vital role in our programme of work.

The Way Forward

The challenges facing the plantation sector in its present form threaten the survival of a 150-year-old industry as geo-political risk in principal markets for tea and trade union activity have resulted in most RPCs making substantial losses in a year when climatic conditions were relatively favorable. The lifting of sanctions in Iran and the recent stabilizing of oil prices are positive factors which are expected to drive demand in the coming year. However, our competitiveness remains a key issue stemming from labour productivity and cost issues which remains unsolved with negotiations hampered by political agendas which do not benefit either of the principal parties to the collective agreement nor the country. Industry proposals made to change a 150-year-old remuneration model must be considered objectively to address the current labour productivity issues incentivising higher levels of productivity.

> *"....Your company is committed to delivering sustainable value to its stakeholders in the long term, balancing diverse concerns in an equitable manner. Our track record of setting industry benchmarks for operational excellence in the country is testimony to our capacity to create value with foresight and smart strategy. ...."*

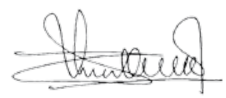
Diversification is key to survival and Watawala Plantations continues to pursue this strategy aggressively within the confines imposed by the Golden Shareholder. Renewed focus on food security and self-sufficiency provides significant opportunities although declining commodity markets necessitate a cautious approach. Strategic alliances with strong global players provide us with a significant advantage in this regard with industry insights in to potential pilots.

Climate change continues to be a top risk to our business as the increasing intensity of rainfall makes the high ground susceptible to landslides as witnessed in this month in the Colombo and Gampaha Districts although thankfully the plantation sector was spared from the loss of human lives, homes and biological assets. We continue to raise awareness of the need for action on climate change among our employees and invest in initiatives to reduce greenhouse gas emissions which are recorded more fully in the Environment Report.

Your company is committed to delivering sustainable value to its stakeholders in the long term, balancing diverse concerns in an equitable manner. Our track record of setting industry benchmarks for operational excellence in the country is testimony to our capacity to create value with foresight and smart strategy. We are gradually transforming as a diversified agribusiness company which will further enhance our capacity to create value, moving away from an archaic plantation industry model that is clearly unfit for the future. We strongly believe that the transformation is in the best interests of all our stakeholders from both a short term and a long term perspective and pivotal to the socio economic progress of the plantation sector in the country.

Acknowledgements

It is with deep gratitude that I commend the co-ordinated efforts of a hard working team who have delivered the results set before you in a year of extraordinary challenges. I am also appreciative of the guidance, insights and wise counsel provided by the Board of Directors whose objectivity and expertise have contributed to charting a clear course. We also wish to thank our shareholders, customers, suppliers and strategic partners who have helped us to maintain high levels of engagement and feedback on areas of concern. We look to your continued support in transforming this company to one that is fit for the future with the ability to compete as a regional player in agribusiness.



Vish Govindasamy
Managing Director
17 May 2016

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

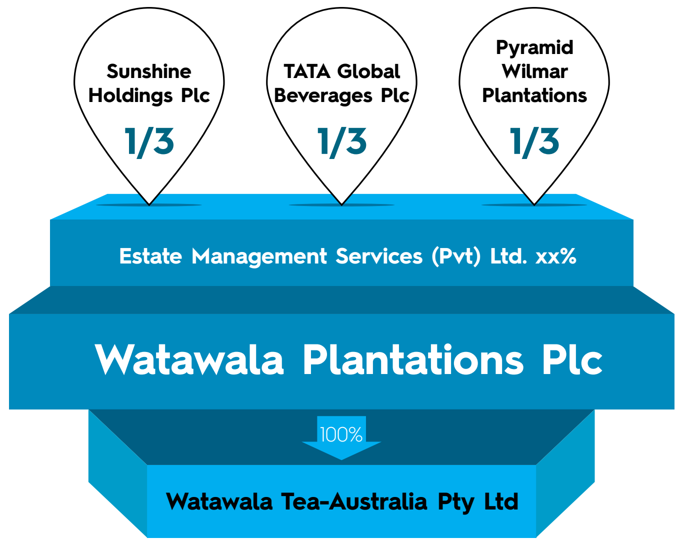
PROMOTE PEACEFUL AND INCLUSIVE SOCIETIES FOR SUSTAINABLE DEVELOPMENT, PROVIDE ACCESS TO JUSTICE FOR ALL AND BUILD EFFECTIVE, ACCOUNTABLE AND INCLUSIVE INSTITUTIONS AT ALL LEVELS

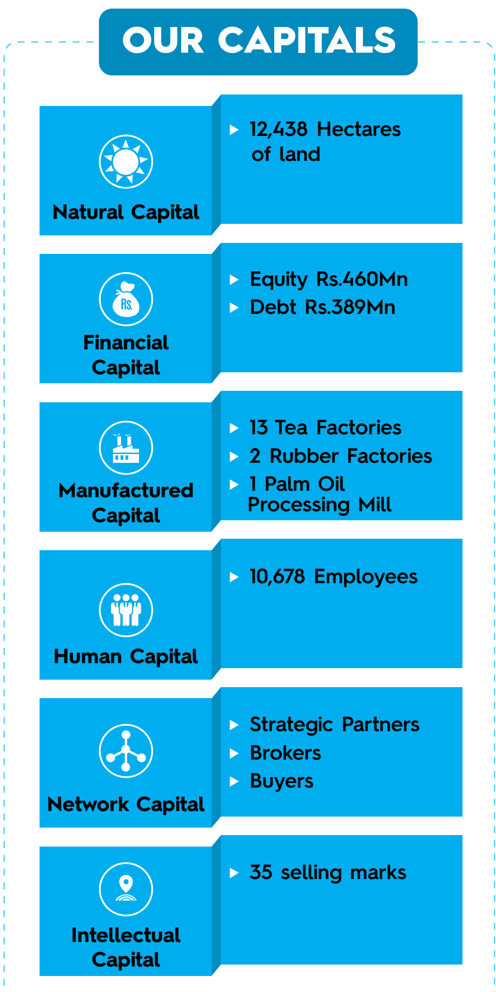
17 PARTNERSHIPS FOR THE GOALS

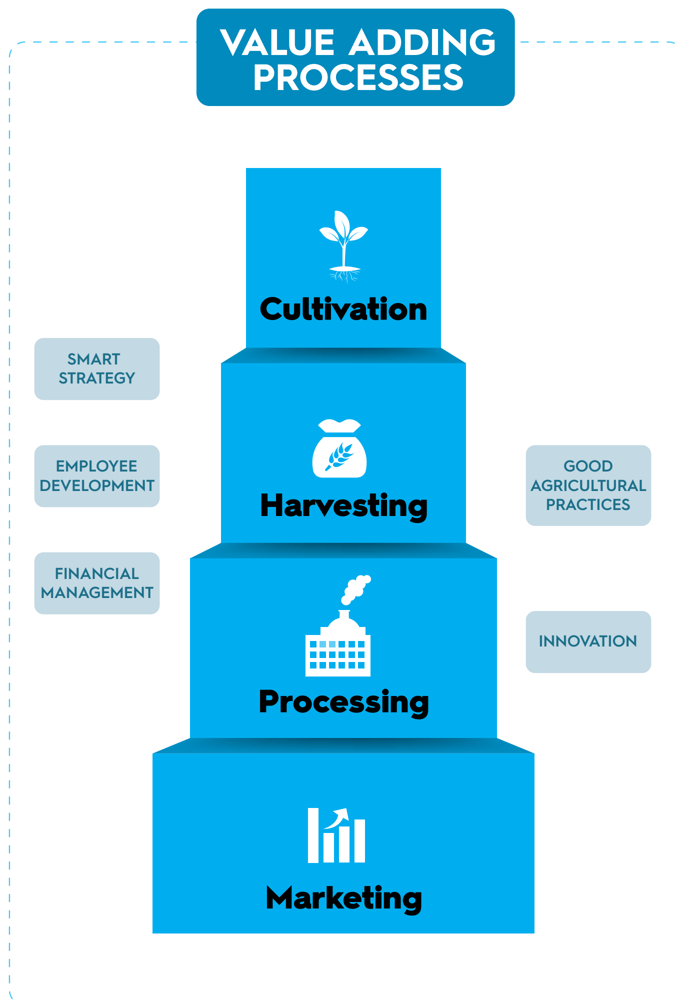
STRENGTHEN THE MEANS OF IMPLEMENTATION AND REVITALIZE THE GLOBAL PARTNERSHIP FOR SUSTAINABLE DEVELOPMENT

About Us

"Watawala Plantations PLC is a diversified agribusiness company managing 19 estates located in the Central and Southern provinces. We engage in cultivation and harvesting palm oil, tea, rubber and other export crops and dairy farming, processing the harvest in our own factories located on the estates. We also provide employment for 10,678 people and engage with 54,498 residents on our estates to facilitate their socio economic progress. Global strategic alliances with the joint venture partners of our holding company Estate Management Services strengthen our technical and marketing capabilities. We own 35 selling marks for tea which are renowned for quality, and these include Waltrim, Kenilworth, Shannon, Abbotsleigh, Strathdon and Carolina which have recorded the highest selling prices in their category"







VALUE CREATED

Customers	Tea 9.4 Mn Kgs Rubber 0.27 Mn Kgs Palm Oil 9.02 Mn Kgs
Shareholders	PAT Rs.616 mn
Employees	Staff Costs Rs.3.14 Bn
Community	Total Spent 162 Mn
Government	Income Tax Rs.14mn Other Taxes Rs.40mn Lease Rental Rs.72mn
Suppliers	Purchases Rs.2.18bn

How We Create Value

We deliver value to our stakeholders by managing large scale agribusinesses comprising tea, palm oil and rubber and processing the harvest in our factories. The products manufactures are sold to to B2B customers through commodity brokers and direct sales where permitted. Tea and rubber are sold at the Colombo Tea Auctions and Colombo Rubber Auctions as required by the Colombo Tea Traders Association and Colombo Rubber Traders Association whilst Palm Oil is sold at market rates to our strategic partner Pyramid Wilmar Plantations (Pvt) Ltd. Our dairy farming venture is yet to commence on a commercial scale and therefore are not included in the diagram below as it was not functional during 2015/16.

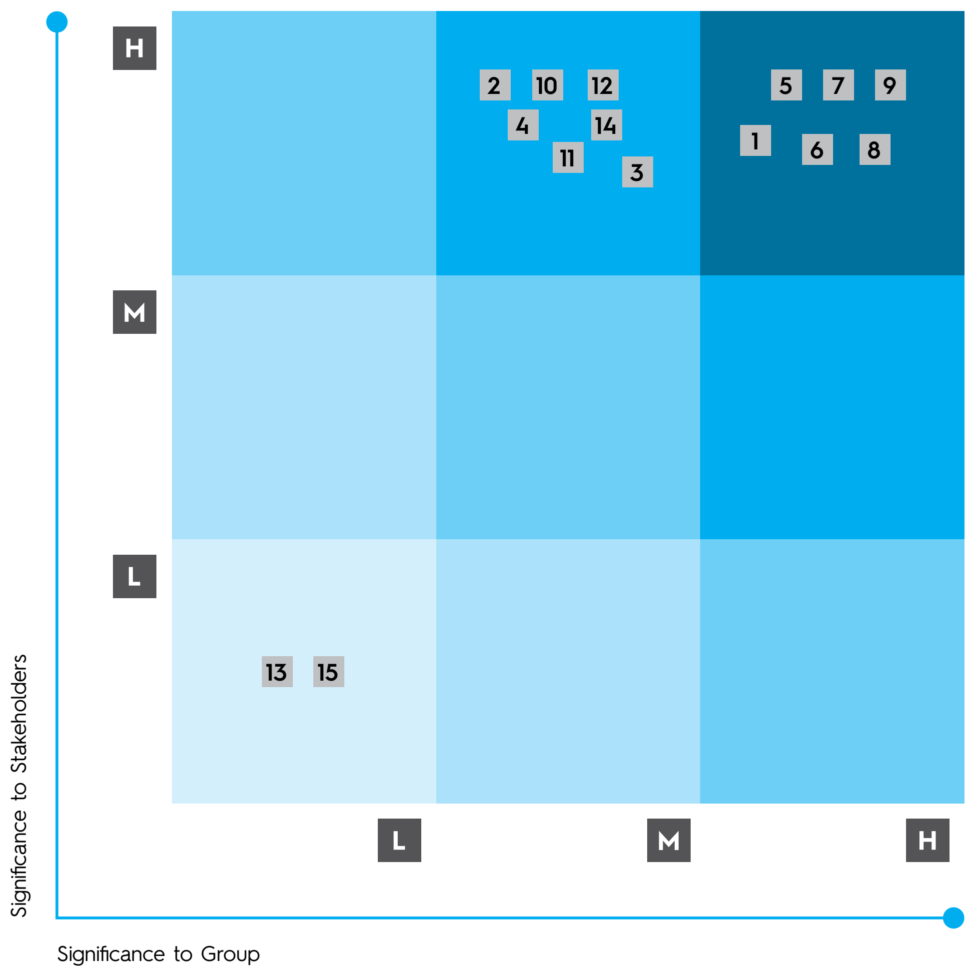
Stakeholder Engagement

Our stakeholders drive our capacity to create value, impacting our business in diverse ways. We engage with key stakeholder groups to address their legitimate concerns to ensure that we also create commensurate value for them to facilitate our long term sustainability. The table below describes how we create value for the groups of stakeholders identified as having a significant impact on the value creation processes of the company.

Relevance to Business	How We Engage	Needs Identified
Employees		
Employees create value for the company in the fields, factories and administrative officers. Additionally, 92% of our employees reside in the plantations and have access to a variety of welfare services provided free of charge which include medical, welfare, accommodation, electricity, Water, Sanitary etc. We rely on them for our growth and performance and seek to empower them to reach their full potential.	Daily Forums	Empowerment
	The Insider Magazine	Equal Opportunity
	Employee surveys	Job enrichment
	Complaint registers maintained at all estates	Housing for resident estate employees
	Monthly meetings with union representatives	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 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	Fair price
	Complaint Registers maintained at all estates	Technical advice on agribusiness
	One to one meetings with Estate Managers and Regional Managers	Financial support
Brokers & Buyers		
Our products are sold at the Colombo Tea Auctions and also sent direct to buyers. Brokers create value by assessing and cataloging the produce and marketing it at auctions. Most of the produce sold at auctions is exported.	Tea Auctions	High Quality produce Certifications of quality assurance systems
	One to one meetings with Regional Managers	Compliance with certification requirements
Communities		
We are closely involved in the village communities that border our estates and those who live within the estates to facilitate their socio economic progress. We work with government and non government agencies to uplift their living standards on an continuous basis.	Village Forums	Provision of housing and other facilities
	One to one meetings with Estate Managers	Basic medical facilities on estates
	Complaint Registers maintained at all estates	Access to education for children Preservation of environment Financial support for community development
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	Increasing financial returns
	Press releases	Risk Management
	Annual Report	Corporate Governance
	Annual General Meeting	
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. The government also levies taxes on our products sold and profits.	One to one meetings at estate level with local government and provincial councils.	Alignment with national strategy
	One to one meetings at corporate level with relevant ministries and Department of Inland Revenue.	Compliance with terms of lease agreements
		Preservation of natural capital
		Timely payment of taxes

Determining Material Issues

Material issues are determined by identifying the various aspects of our business that impact our value creation processes and prioritising based on its significance to the group and its stakeholders as summarised below:



1. Economic Performance
2. Compliance
3. Products and Services
4. Labour Practices
5. Labour Management Relationships
6. Training and Educations
7. Occupational Health & Safety
8. Materials
9. Water
10. Energy
11. Biodiversity
12. Local
13. Customer Health & Safety
14. Market Presence
15. Indirect Economic Impacts

Board of Directors

	Mr. Sunil G. Wijesinha Chairman *(Non-Executive/independent)* Age : 67	**Mr. G. Sathasivam** Director *(Non-Executive/non-independent)* Age : 69	**Mr. V. Govindasamy** Managing Director *(Executive/non-independent)* Age : 52	**Mr. A. K. Misra** Director *(Non-Executive/non-independent)* Age : 59
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.	Fifty years experience in pharmaceutical Industries and plantation. Initiated & spearheaded joint venture with Tata Group.	Holds a MBA from University of Hartford,USA. Bachelor of Science in Electrical Engineering. University of Hartford,USA.	Holds a MBA in Marketing from Delhi University. Holds a Degree in Civil Engineering from BITS, Pilani.
Other Key Positions	**Chairman** United Motors Lanka PLC Unimo Enterprises Ltd Orient Motor Company Ltd **Director** Siyapatha Finance PLC BizEx Consultancy (Pvt) Ltd TVS Lanka (Pvt) Ltd TVS Automotives (Pvt) Ltd Sampath Centre Ltd National Chamber of Commerce of Sri Lanka	**Chairman** Estate Management Services (Pvt) Ltd **Director** Sunshine Holdings PLC Sunshine Energy Ltd Sunshine Healthcare Lanka Ltd Sunshine Power (Pvt) Ltd	**Chairman / Director** Tata Communications Lanka Ltd Sunshine Healthcare Lanka Ltd Watawala Tea Ceylon Ltd **Group Managing Director** Sunshine Holdings PLC **Executive Management Committee** Tata Global Beverages Ltd- India **Director** TAL Lanka Hotels PLC Sunshine Energy Ltd Estate Management Services (Pvt) Ltd Sunshine Power (Pvt) Ltd	**Managing Director** Tata Global Beverages Ltd **Director** Watawala Tea Ceylon Ltd Estate Management Services (Pvt) Ltd
Board meeting attendance	4/4	1/4	4/4	3/4
Audit Committee attendance	5/5	N/A	N/A	N/A

Mr. K. Venkataramanan Director *(Non-Executive/non-independent)* Age : 55	**Mr. A. N. Fernando** Director *(Non-Executive/independent)* Age : 68	**Mr. M. S.Mawzoon** Director *(Non-Executive/non-independent)* Age : 46	**Mr. L. Ramanayake** Director *(Non-Executive/independent)* Age : 65
Fellow Member of the Institute of Chartered Accountants of India. Associate member of the Institute of Cost and works Accountants of India. Over 21 years experience in the field of Finance.	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 six 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.
Executive Director Tata Coffee Ltd **Director** Watawala Tea Ceylon Ltd Estate Management Services (Pvt) Ltd	**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 Watawala Tea Ceylon 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 **Director** Watawala Tea Ceylon Ltd
4/4	3/4	4/4	4/4
5/5	5/5	N/A	1/1

Board of Directors

	Mr. C. P. Thomas Director *(Non-Executive/non-independent)* Age: 46	**Mr. N. B. Weerasekera** Director *(Non Executive/independent)* Age : 57	**Mr. B. A. Hulangamuwa** Director *(Non-Executive/non-independent)* Age : 60
Qualifications/ Business Experience	Holds a Degree in Computer Science from Jodhpur University, Rajasthan. Over twenty three years experience in plantation industry.	Fellow Member of the Chartered Institute of Management Accountants, UK. Holds a MBA from University of Colombo. Holds a Degree in Physics from University of Peradeniya.	Holds a MBA from University of Colombo. Fellow Member of the Institute of Chartered Accountants of Sri Lanka. Certified Fraud Examiner (USA).
Other Key Positions	**Managing Director** Tata Coffee Ltd **Managing Trustee** UPASI Tea Research Foundation **Member-Executives Committee** United Planters' Association, Southern India	**Managing Director** Abraaj Group for Sri Lanka & Bangaladesh **Director** Sunshine Holdings PLC	**Director** Sunshine Holdings PLC Sunshine Power (Pvt) Ltd Healthguard Pharmacy Ltd Sunshine Energy Ltd Asia Siyaka Commodities PLC
Board meeting attendance	3/4	3/3	4/4
Audit Committee attendance	N/A	N/A	3/5

Ms. Samanthi Haddegoda
Company Secretary

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.

Executive Committee

Binesh Pananwala
Deputy CEO

Counts an experience of 24 years in plantation sector. Started his career as a Trainee Assistant Superintendent under Janatha Estate 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.

H Milton Wijepala
GM Engineering

Counts over 29 years experience in the field of mechanical engineering in manufacturing organisation, 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.

B V Sinthaka Ruwan
General Manager Finance

Holds a BSc Special Degree in Finance and an Associate Member of the Institute of Chartered Accountants of Sri Lanka. Has over 15 years of experience in Accounting and Finance in a vide spectrum of organizations.

Alex C Samuel
General Manager - Human Resources

Counts an experience of 32 years in the plantation sector, holds a Administration Diploma in Plantation Management and a Diploma in ABE (Association of Business Executive - UK). Holds an MBA from Cardiff Metropolitan University - UK.

Chamika Naranapitiya
Deputy General Manager - South

Counts over 24 years experience in plantation management of tea, rubber, oil palm & other crops who started his career as an Assistant Superintendent. Holds a MBA from University of Wales, Institute Cardiff and a diploma in HRM from London & Weigh college.

Dinesh Perera
Deputy General Manager - Lindula Region / Marketing

Counts an experience of over 23 years in the plantation sector in which 3 years in Central Africa. He worked for Maskeliya Plantations and Kegalle Plantations and joined Watawala in 2009. Holds a diploma in plantation Management from NIPM. A member of Executive Committee of Fairtrade Labeling Organization.

Robin Winter
Deputy General Manager - Hatton / Watawala Region

Joined Watawala Plantations as an Assistant Manager at Abbotsleigh estate in 1997. He has over 23 years of experience in the plantation sector. Holds a Diploma in plantation management from NIPM.

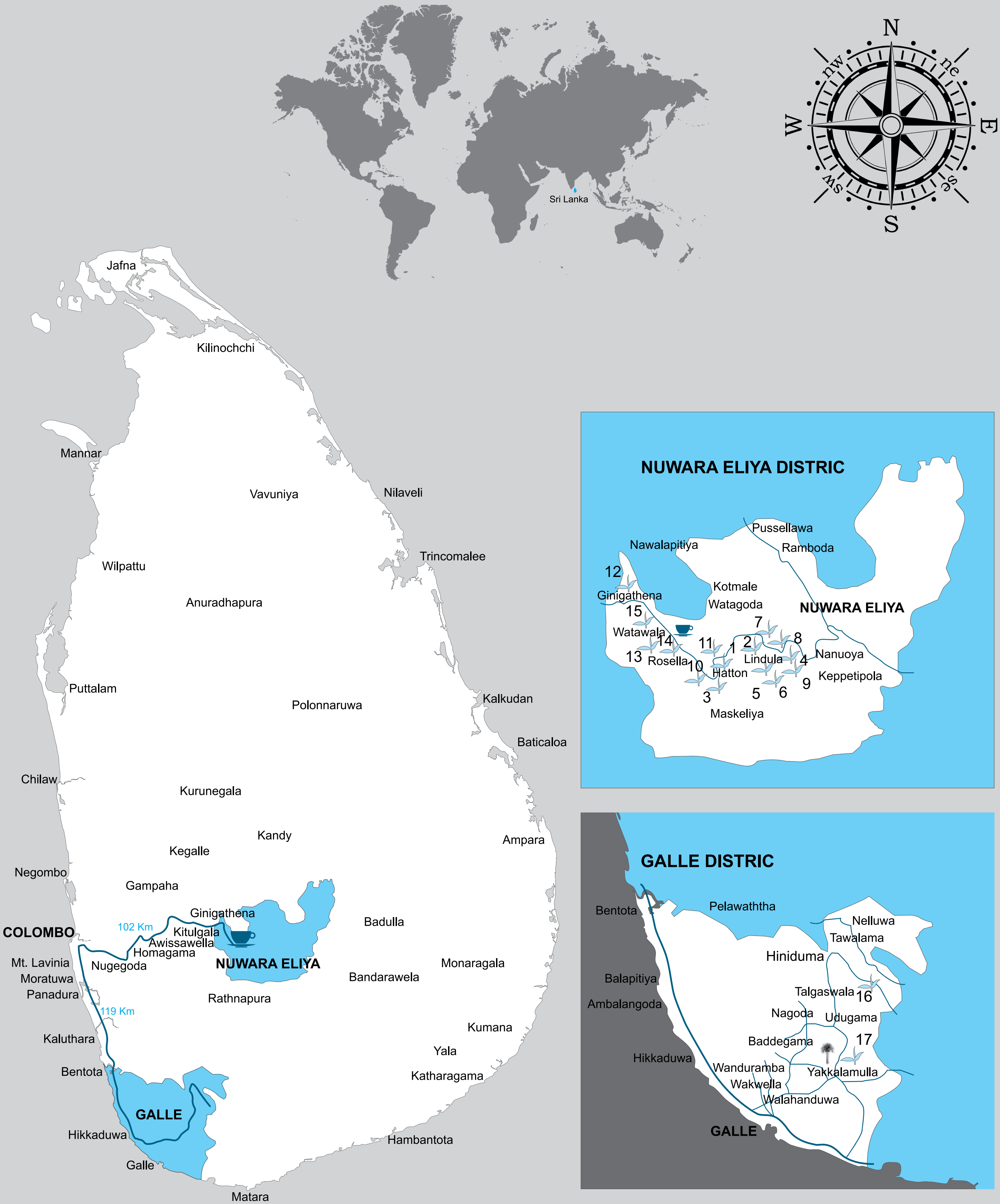
Management Team

Head Office Management Team

Mr. Ratnam Thiruppen - *Deputy General Manager System Assurance*
Mr. Thusitha Jayawardena - *Senior Finance Manager*
Mr. Gamini Wanasekera - *Senior Manager Purchasing*
Mr. Uditha Karunaratne - *Manager Marketing*

Regional executive committee names

Name	Designation	Estate
Mr. Prasanna Premachandra	Acting Senior Manager	Carolina
Mr. Suranga Dela	Senior Manager	Vellaioya
Mr. Somasundaram Nandakumar	Manager	Dickoya
Mr. Shameera Rathnayake	Manager	Strathdon
Mr. Zaman Imthiaz	Deputy Manager	Wigton
Mr. Dinesh Jayaweera	Senior Asst. Manager	Carolina
Mr. Mihiraj Samaraweera	Manager	Dendro Project
Udugama Region		
Mr. G N Ratnayake	Senior Manager	Homadola
Mr. Dhanushka Daswatte	Acting Senior Manager	NKD Rubber
Mr. K H Thanushka	Acting Mill Manager	Palm Oil Mill
Mr. Haresh Wijesinghe	Deputy Manager	Talangaha
Mr. Indika Kumara	Deputy Manager	Homadola
Mr. Nilantha Seneviratne	Senior Asst. Manager	NKD Palm Oil
Mr. Maneesha Amaratunga	Assistant Manager	Homadola
Lindula Region		
Mr. Kapila Sumanarathna	Senior Manger	Henfold
Mr. Udeni Wanigatunga	Senior Manger	Waltrim
Mr. Lalindra Abeywardena	Manager	Tangakelle
Mr. Tharaka Wijeratne	Deputy Manager	Agrakande
Mr. Priyantha Sunilrathne	Manager	Lippakelle
Mr. Kusal chandrasekara	Senior Assistant Manger	Henfold
Mr. Devaranjan Chandrasekara	Senior Assistant Manger	Waltrim



Sri Lanka
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Jafna
Kilinochchi
Mannar
Vavuniya
Nilaveli
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Wilpattu
Anuradhapura
Puttalam
Polonnaruwa
Kalkudan
Baticaloa
Chilaw
Kurunegala
Kandy
Ampara
Kegalle
Negombo
Gampaha
Ginigathena
Badulla
102 Km
COLOMBO
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
Ramboda
Nawalapitiya
12
Kotmale
Ginigathena
Watagoda
NUWARA ELIYA
15
7
Watawala
14
11
2
8
1
13
Rosella
Lindula
4
Nanuoya
10
Hatton
Keppetipola
9
3
5
6
Maskeliya
GALLE DISTRIC
Bentota
Pelawaththa
Nelluwa
Tawalama
Hiniduma
Balapitiya
Talgaswala
16
Ambalangoda
Nagoda
Udugama
Baddegama
17
Hikkaduwa
Wanduramba
Yakkalamulla
Wakwella
Walahanduwa
GALLE

Our Strategy

Formulating a strategy that is appropriate for the times is key to success. It is the plan that we work to and the map that we turn to in driving performance on a day to day basis. This year we have widened the scope of the strategic planning process taking in to account the forces shaping our industry in significant depth. We review our business model and the stakeholder concerns against this backdrop to find a clear path, weighing alternative options to find one that is a good fit for the company, considering its strengths.

Corporate management prepares the corporate plan taking in to account the strategic direction and guidance provided by the Board of Directors. Progress is monitored on a monthly basis against the plan in a structured review process.

Geopolitical Risk | **Climate Change** | **Labour Force Trends**

Availability of Raw Material | **Inequalities** | **Education**

Environmental Activism | **Social Trends & Perceptions** | **Agriculture Policy**

Corporate Values, Business Conduct & Ethics

Corporate Governance

Corporate 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 Auctions
- Increase focus on quality

Operational Efficiency

- Optimise use of technology to gain operational efficiencies
- Energy Management

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 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

Risk Management

Education | **Wealth** | **Eco System Decline**

Corporate Governance

Our Corporate Governance framework defines how we do business and therefore, it shapes the reputation of the company. Operating 03 locations across the country, we rely on a strong corporate governance framework to ensure that we maintain high standards of governance across all our locations. Sustainability principles are embedded in to the policy framework to ensure that we balance stakeholder interests in an equitable manner taking a long term view of the business. Organization vision, mission, values and goals are communicated a diverse team through trilingual communication mechanisms to ensure that they are readily understood by all. Face to face training and meetings enables us to update these policies or reinforce the same facilitating consistent application throughout the organization.

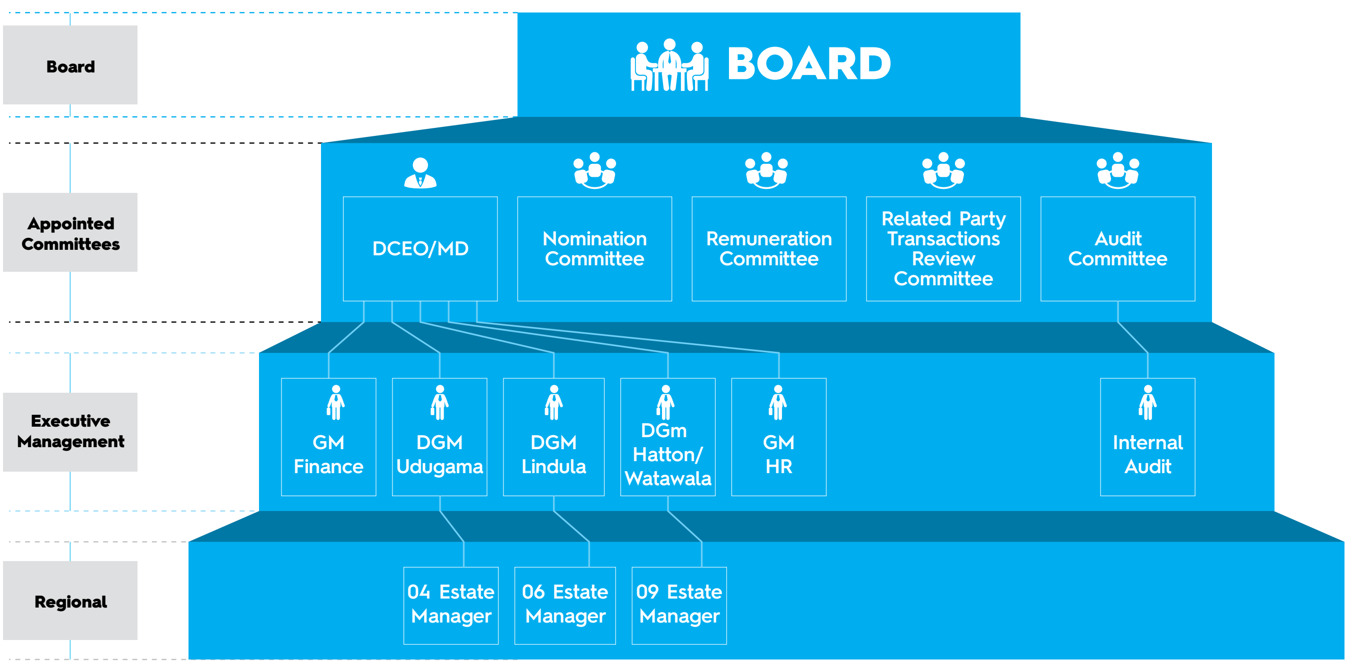
The Board sets the tone at the top ensuring that the values that govern the Board Room are no different from the values that govern the estates through the Watawala Plantations PLC's Charter for the Board of Directors and guidelines for Corporate Governance. We also comply with the Code of Best Practices of Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka (ICASL), and the Securities Exchange of Sri Lanka (SEC), as reported in the following pages which provides a comprehensive view of the Governance System in the Company.

High standards of corporate governance continue to be a key strength to driving performance and minimizing potential losses as issues are escalated to the Board in a timely manner. It has been the foundation for strong relationships with stakeholders who count on us to deliver value, balancing their interests.

Key elements of the Corporate Governance include the following:

- **Governance Structure**
- **Policy framework**
- **Code of Conduct**
- **Corporate Values**

Governance Structure



Board Composition

The Board comprises 11 directors of which four are independent non-executive directors including the Chairman. Three of the Non-executive Board Members have been nominated by Tata Global Beverages Ltd one of the largest branded Tea Companies in the world holding a 31.85% stake in Estate Management Services (Pvt) Ltd, our parent company, and one Nominee by Pyramid Wilmar Plantations (Pvt) Ltd, a joint venture between Asia's leading agri- business group Wilmar International Limited and Wressle Holdings Ltd, who obtained a 35% of Estate Management Services (Pvt) Ltd on 17th June 2013.

Its members are professionals of the highest caliber diverse fields such as Plantation Management, Export Marketing, Tea Industry and Finance etc. Mr. Ajoy Misra, the Managing Director of Tata Global Beverages Ltd contributes his expertise and experience gained from being at the helm of the second largest beverage company in the world. Mr. M.S. Mawsoon Managing

Director of several Pyramid Wilmar Group Companies in India and Sri Lanka, and Board nominee of Pyramid Wilmar International brings with him over 20 years' experience in the agricultural commodities value chain. Mr. C.P. Thomas, contributes unique perspectives as the fomer Managing Director of Kannan Devan Hills Plantations (Pvt) Ltd, the first ever employee owned plantation tea company in India. Mr. C. P. Thomas currently serves as a Director of Tata Coffee Ltd in India. Mr. Nirmal Fernando, Chairman of the Audit Committee is the former Managing Partner of KPMG.

Composition of the Board and Sub-Committees

Member of the Board and Board Committees	Executive directors	Non-Executive directors Independent	Non Independent
Board of directors	2	4	8
Audit Committee	-	3	5
Remuneration and Nomination committee	1	3	5
Related party transactions committee	-	3	5

The Board is guided by the voluntarily adopted 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 and our compliance with the same is set out in this report.

Anti-Corruption

The Company's Business Ethics clearly set out the standard of conduct expected of all our employees addressing, amongst other things, matters such as conflicts of interest, payments to outside entities and individuals, political contributions, and the maintenance of proper books, records and controls. Employees are provided training on the same at time of joining and awareness is reinforced through consistent application of the principles. Our consistent commitment to the high standards enumerated in this policy protects both the Company and its employees in their dealings with others.

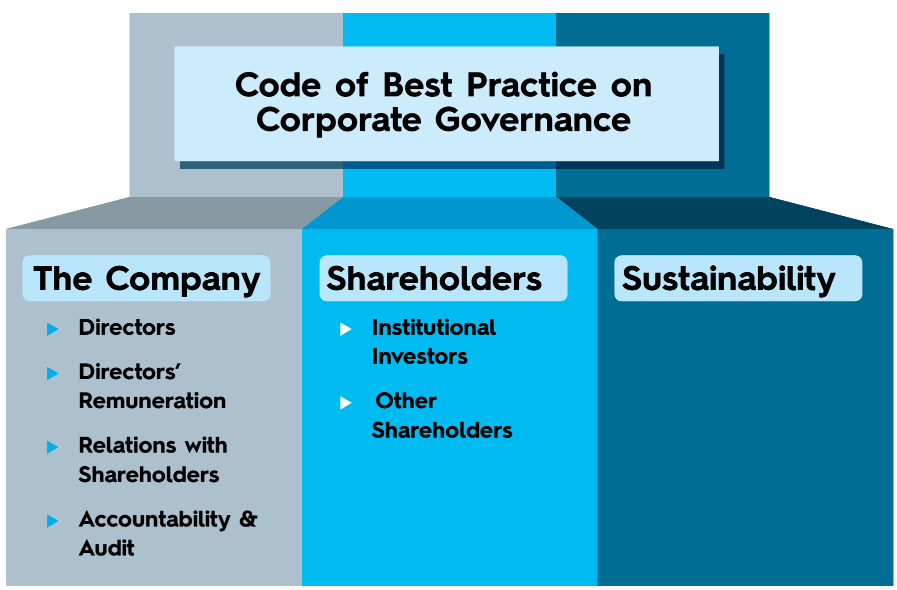
It promotes ethical behavior and creates a conducive work environment. The principles are articulated and disseminated to all employees in all three languages. The competency framework and performance appraisal criteria also addresses the need to maintain high standards of ethics to ensure that employees are sufficiently knowledgeable about their areas of expertise. Reprimands issued in case of breaches are recorded in personnel files and serve as early warning signs for monitoring by management

Compliance

Watawala Plantations complies with the following legal enactments and Codes which promulgate high standards of governance and accountability:

- Companies Act No.7 of 2007,
- Sri Lanka Accounting and Auditing Standards Act No.15 of 1995,
- Continued Listing Requirements of the Colombo Stock Exchange,
- Employees' Provident Fund Act,
- Employees' Trust Fund Act,
- Payment of Gratuity Act,
- Maternity Benefits Ordinance,
- Medical Wants Ordinance,
- Shop and Office Act,
- Industrial Disputes Act,
- Factories Ordinance,
- Workmen's' Compensation Ordinance,
- Collective Agreement entered in to between the EFC, the CESU and NESU,
- Code of Best Practice on Corporate Governance jointly issued by the Securities Exchange Commission and the Institute of Chartered Accountants of Sri Lanka,
- Inland Revenue Act No.38 of 2000.

This report has been organized along the structure of the Code of Best Practice on Corporate Governance as graphically summarized below.



Directors

A

Principle A 1 An Effective Board ☑

The Board of Directors comprises of Eleven Directors of which two of them are Executive and the others Non-Executive Directors. Four of the Non-Executive Directors are also Independent Directors. Details of the Board are given on page 18.

A1.1 Frequency of Board Meetings ☑

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.

Estate management, Regional Executive Committee and the Corporate Management Committee meet on a monthly basis to review performance against the strategic plan and budgets to identify matters requiring intervention and escalation to Board.

A1.2 Responsibilities of the Board ☑

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 the Managing Director 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 Managing Director 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.

The profiles of the Managing Director and the Management Team are produced on pages 18 to 22 The resume of the Managing Director is on page 18

The Companies' Executive Committee (Ex Com) which assists in the decision making process comprises the Managing Director, Deputy Chief Executive Officer (DCEO), the DGM - Plantations, GM Finance and the GM - Human Resource Management. 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 DCEO in his decision making process

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.

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 page 79 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.

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 of which a summary is appended on page 35 of this report.

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 stake holder value. The Company has also embarked on several cost reduction methods which are addressed in the Managing Directors Report. CSR which is discussed else where in this report has received much focus the company in the recent years.

A1.3 Act in accordance with the relevant laws and seek Independent Professional Advice. ☑

Board ensures compliance with the applicable laws wherever required. Page 33 to 34 of this report list down the laws (in the best possible manner) applicable to the organization and its compliance.

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.

A1.4 Company Secretary ☑

The company secretaries are Secretaries and Financial Services (Private) Ltd who acts as secretaries to the Board and make their presents 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. Removal of the Company Secretary

A1.5 Independent Judgment. ☑

The Directors use their independent judgments in making decisions. Seven of the Nine Directors are non-executive and two are independent.

A1.6 Director's dedication of time and effort. ☑

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 18 to 20 The Board is satisfied that all Non-Executive Directors have committed sufficient time during the year under review.

A1.7 Training for Directors ☑

The decisions on Directors training is at board level where 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.

Principle A 2
Chairman and CEO ☑

The Chairman is a non-executive member of the board and the Managing Director is an executive director, maintaining a clear segregation of roles between them.

Principle A 3
Chairman's role ☑

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.

The Chairman conducts all board meetings and the Managing Director presents all detail operating results to the board along with the DCEO and the GM Finance.

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.

Principle A 4
Financial Acumen ☑

The board comprises three Chartered Accountants and two Chartered Management Accountant i.e. Mr. K Venketramanan –FCA of Tata Global Beverages Limited, Mr. B.A. Hulangamuwa – FCA, MBA and Mr. A.N. Fernando – FCA, MBA, Mr. Sunil Wijesinghe FCMA and Mr. N. B. Weerasekera FCMA. The company also has in its employment two Chartered Accounts serving in the Finance Department.

Principle A 5
Board Balance ☑

The Board comprises Nine Non-Executive Directors which constitutes 81.8% of the Board of Directors of which four are Independent. Of the eleven members of the board, only the Managing Directors has executive powers of the company's affairs.

Following are non-executive directors of the company.

Mr. Ajoy Misra -
Non-Executive non-independent Director

Mr. N. B. Weerasekera -
Non-Executive independent Director

Mr. K. Venkataramanan -
Non-Executive non independent Director

Mr. B. A. Hulangamuwa -
Non-Executive non-independent Director

Mr. A.N. Fernando -
Non-Executive independent Director

Mr. S.G. Wijesinghe -
Non-Executive independent Director

Mr. M.R. Mawsoon -
Non-Executive, Non-independent Director

Mr. L. Ramanayake -
Non-Executive, Independent Director

Mr. C.P. Thomas -
Non-Executive non-independent Director

Of the above non-executive directors Messrs. Mr. Ajoy Misra, K. Venkataramanan and C.P. Thomas are nominees of the TATA Group of India. The four Independent Directors mentioned above are totally independent of the Management and free of any business relationship that could interfere in their independent judgment. Declaration of Independence as per the code of best practices in Corporate Governance has been obtained from the Non-Executive Directors. The Board has determined that the following Non-Executive Directors are Independent

A.N. Fernando

S.G. Wijesinghe

Lalith Ramanayake

N. B. Weerasekera

The full Board of Directors are indicated on page 18

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.

Principle A 6 Supply of Information. ☑

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 Managing Director on the performance of the Company during the period under review.

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. All documents listed under (A 6) are circulated to the entire board 7 days before the Board Meeting.

Principle A 7 Appointments to the Board ☑

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 given on page 18 of this report.

Mr. N.B.Weerasekera was appointed to the Board during the year under review. His brief resume and all other relevant details were delivered to the CSE in the required manner.

Principle A 8 Re Election ☑

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.

Principle A 9 Appraisal of Board Performance ☑

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 Managing Director 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.

Principle A 10 Disclosure of information in respect of Directors ☑

- A detailed profile in respect of the Directors is disclosed in page no 18 of this report.
- Related party transactions are showed on page 121 of this report.
- The details of Board Meetings attended are on pages 18 to 20
- Board Committees that the Directors serve on and their attendance is on pages 18 to 20

Principle A 11 Appraisal of DCEO and Managing Director ☑

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 detailed performance of the company to the Chairman for this purpose.

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 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.

At the end of the year, the Board evaluates the performance of the Managing Director on the final performance of the Company.

Directors' Remuneration B

B1 Remuneration Committee ☑

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 81 of this report.

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 117 of this report under Reward and Recognition

B2 Level of makeup of Remuneration ☑

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.

B3 Disclosure of Remuneration ☑

Remuneration Committee report on page 81 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 81 of this report.

Relations with Shareholders C

C1 Constructive use of the Annual General Meeting ☑

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. treat this as a very important occasion and make it a point to attend every year. The Chairman of the Audit Committee, the GM Finance and other Managers of divisions make themselves physically present at this meeting. The annual General Meeting of the Company will be held on the 30th June 2016.

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. The Company proposes separate resolutions for substantially separate issues. Adoption of Report and Accounts are taken as separate item in the Agenda. The Chairmen of the two subcommittees, the Audit Committee and the Remunerations Committee make themselves available at the AGM. 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. Summary of the voting procedure is stated in the Proxy Form which is circulated to all shareholders along with the Annual Report.

There were no Major Transactions during the year as specified by Sec. 185 of the Companies Act No. 7 of 2007.

Accountability and Audit — D

D1 Financial Reporting ☑

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	04th August 2015
2nd Quarter	26th October 2015
3rd Quarter	25th January 2016
4th Quarter	17th May 2016

The Annual Report is prepared at the end of the year covering the whole year. All price sensitive information such as appointment of new Directors retirement of Directors and other price sensitive information was conveyed to the CSE within time.

- Directors Report is presented on page 18 of this report.
- Report on Going Concern is on pages 74 to 76
- A comprehensive risk assessment is on pages 36 to 39
- Industrial Structure and Developments, opportunities and threats are stated in the Chairman's and Managing Directors report on pages 04 to 11
- Social and Welfare work and development of Human Resources and Industrial Relations is on pages 56 to 63 in the Sustainability Report.
- The responsibility of the Board re the presentation of Financial Statements together with the Auditors Statement have been presented on pages 74 to 76 and 83 respectively.
- Directors Report on page 74 confirm that the business is a Going Concern.

Net assets of the company have not fallen below 50% of shareholders' funds.

D2 Internal Control ☑

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 DCEO and the GM Finance. At the end of each 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.

D3 Audit Committee ☑

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.

The Audit Committee of the company consists of five Non-executive Directors :

Mr. B.A. Hulangamuwa
Non-Executive Non independent Director Fellow Member of the Institute of Chartered Accountants of Sri Lanka

Mr. K. Venkataramanan
Non-Executive Non independent Director. Fellow Member of the Institute of Chartered Accountants of India. Executive Director of Tata Coffee Ltd.

Mr. A.N. Fernando
Non Executive Independent Director, Chartered Accountant and the former Chief Partner of KPMG

Mr. S.G. Wijesinha
Non Executive Independent Director, Chartered Management Accountant and the Chairman of United Motors Lanka Plc.

Lalith Ramanayake
Non Executive Independent Director.

The Audit Committee has three Independent Non-Executive Directors out of five members. The Head of the Audit Committee is Mr. A.N. Fernando who is an Independent Non-Executive Director.

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.

The Audit Committee functions on clear guidelines given to them by the Board Directors as set out in the Report of the Audit Committee on page 79.

D4 Code of Business conduct and ethics. ☑

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:

1. Conflict of Interest with the business of the company.
2. Relations with Customers, Government and Labour.
3. Confidentiality of documents, books and records.
4. Supplier relations.
5. 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.

D5 Corporate Governance Disclosures. ☑

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.

The Company has included a detailed report in the Annual Report.

Institutional Investors & Other Shareholders E&F

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.

Other Investors. G

The company at different intervals throughout the year encourages Stock Brokers to publish research reports giving a full analysis of company's affairs. The Annual Report of the company also gives a full analysis of the affairs of the company.

Sustainability H

This report is a full sustainability report. The GRI Index on page 134 to 138 provides a comprehensive reference to information disclosed in this report.

Rule No.	Requirement	Compliance	Reference in this report
7.10.1(a)	**Non Executive Directors (NED)** ■ 2 or at least 1/3 of the total number of Directors should be NEDs	✓	Principle A1
7.10.2(a)	**Independent Directors (ID)** ■ 2 or1/3 of NEDs, whichever is higher, should be independent	✓	Principle A1
7.10.2(b)	**Independent Directors (ID)** ■ Each NED should submit a declaration of independence	✓	Available with the Secretaries for review
7.10.3(a)	**Disclosure relating to Directors** ■ The Board shall annually determine the independence or otherwise of the NEDs ■ Names of IDs should be disclosed in the Annual Report (AR)	✓	Directors' Profiles
7.10.3(b)	**Disclosure relating to Directors** ■ The basis for the Board's determination of ID, if criteria specified for independence is not met	Complied	Direcotrs' Profiles
7.10.3(c)	**Disclosure relating to Directors** ■ A brief resume of each Director should be included in the AR including the Director's areas of expertise	✓	Directors' Profiles
7.10.3(d)	**Disclosure relating to Directors** ■ Provide a brief resume of new Directors appointed to the Board with details specified in 7.10.3(a), (b) and (c) to the CSE	✓	Directors' profiles
7.10.4 (a-h)	**Determination of Independence** ■ Requirements for meeting criteria	✓	Corporate Governance
7.10.5	**Remuneration Committee (RC)** ■ The RC of the listed parent company may function as the RC	✓	Remuneration Committee Report
7.10.5(a)	**Composition of Remuneration Committee** ■ Shall comprise of NEDs, a majority of whom will be independent	✓	
7.10.5.(b)	**Functions of Remuneration Committee** ■ The RC shall recommend the remuneration of the Managing Director's and NEDs	✓	

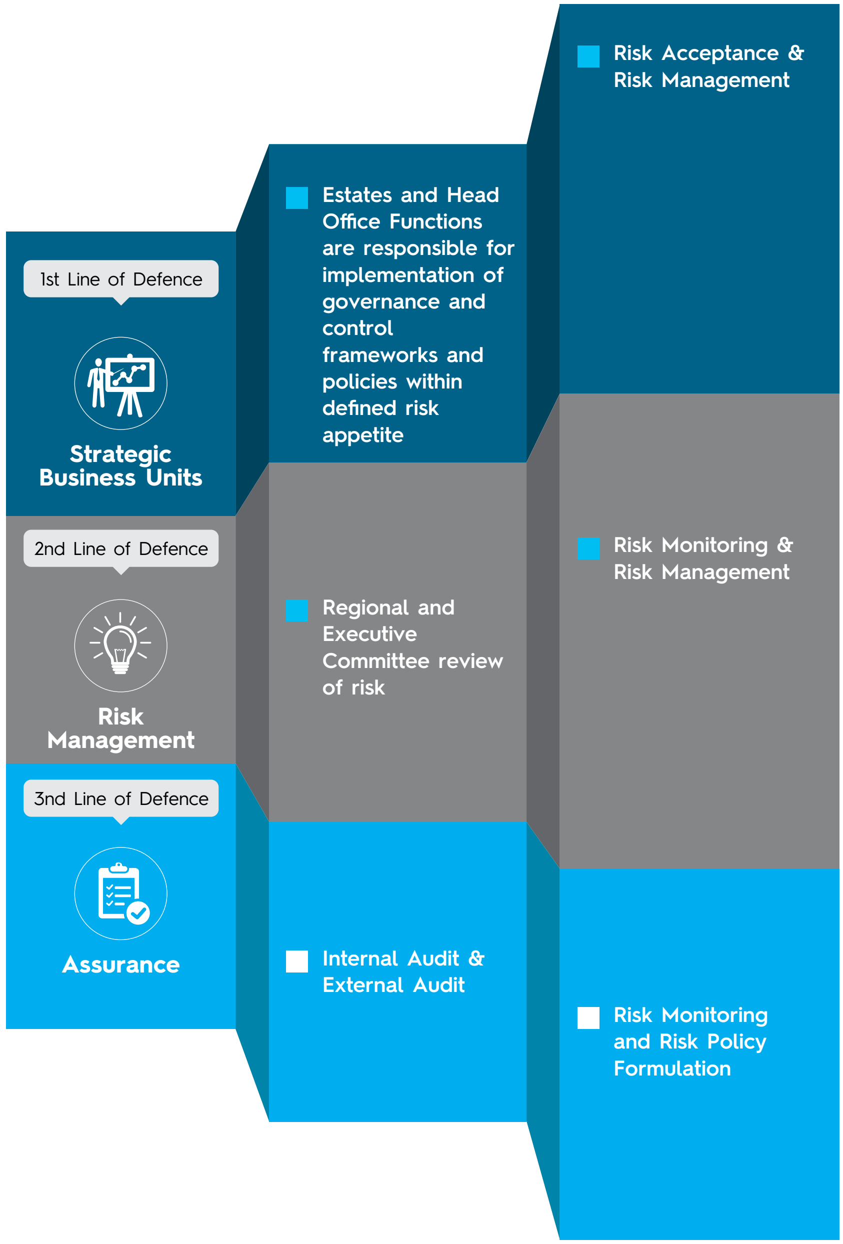
Rule No.	Requirement	Compliance	Reference in this report
7.10.5.(c)	**Disclosure in the Annual Report relating to Remuneration Committee** ■ Names of Directors comprising the RC ■ Statement of Remuneration Policy ■ Aggregated remuneration paid to NED/NIDs and NED/IDs	✓	Remuneration Committee Report on page 81
7.10.6	**Audit Committee (AC)** ■ The Company shall have an AC	✓	Principle D3 and Audit Committee Report on page 79
7.10.6(a)	**Composition of Audit Committee** ■ Shall comprise of NEDs a majority of whom will be Independent ■ A NED shall be appointed as the Chairman of the Committee ■ DCEO and GM Finance should attend AC meetings ■ The Chairman of the AC or one member should be a member of a professional accounting body	✓	Corporate Governance and the Board Committee Reports
7.10.6(b)	**Audit Committee Functions Overseeing of the** ■ Preparation, presentation and adequacy of disclosures in the financial statements in accordance with Sri Lanka Accounting Standards ■ Compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements ■ Processes to ensure that the internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards ■ Assessment of the independence and performance of the external auditors ■ Make recommendations to the Board pertaining to appointment, re-appointment and removal of external auditors, and approve the remuneration and terms of engagement of the external auditor	✓	Corporate Governance and the Board Committee Reports
7.10.6(c)	**Disclosure in Annual Report relating to Audit Committee** ■ Names of Directors comprising the AC ■ The AC shall make a determination of the independence of the Auditors and disclose the basis for such determination ■ The AR shall contain a Report of the AC setting out the manner of compliance with their functions	✓	Corporate Governance and the Board Committee Reports
	■ Related party transactions review committee ■ Names of Directors comprising the Committee. ■ Will monitor and approve recurrent and non-recurrent related party transactions as set out in the Group policy guidelines.	Voluntarily complied with effect from 1st April 2014	Corporate Governance Report

COMPLIANCE REPORT

	Reporting Party Institute / personnel	Subject	Responsibility	Deadline	Status of compliance
STATUTORY	CSE/SEC	1. Quarterly Financial Report	GMF/DCEO	30th of the month following the qtr	Complied
		2. Annual Financial Report	GMF/DCEO	08th June	Complied
	Inland Revenue	3. Income Tax Payment	GMF/DCEO	30th September	Complied
		4. Income Tax Return	GMF/DCEO	30th November	Complied
		5. VAT Payment	GMF/DCEO	15th of the following month	Complied
		6. VAT Return	GMF/DCEO	30th of the following month end of qtr.	Complied
		7. NBT Payment	GMF/DCEO	20th of the following month	Complied
		8. NBT Return	GMF/DCEO	20th of the following qtr	Complied
		9. PAYE Payment	GMF/DCEO	15th of the following month	Complied
		10. ESC Payment	GMF/DCEO	20th of the month following qtr	Complied
		11. ESC Return	GMF/DCEO	Annually	Complied
		12. Stamp Duty Return & Payment	GMF/DCEO	15th of the month following qtr	Complied
		13. Assessment/Default notices	GMF/DCEO	On given dates	Complied
	Department of Labour	14. EPF Payment	GMF/DCEO	30th of the following month	Complied
	ETF Board	15. ETF Payment	GMF/DCEO	30th of the following month	Complied
	Department of Labour	16. Gratuity - Provision/ Payment	GMF/DCEO	Within one month of resignation	Non complied
	SLAASMB	17. Publishing of Annual Financial Report	GMF/DCEO	By 22nd May 2015	Complied
		18. All Financial Reports are prepared in accordance with SLFRS	GMF/DCEO	--	Complied
	Finance Department	19. Monthly Financial Statements	GMF/DCEO	10th of the following month	Complied
		20. Interim Financial Statements	GMF/DCEO	10th of the following month	Complied
	Chairman & BOD	21. Board approval obtained for any new projects/ Investment / venture the company is planning to embark upon	GMF/DCEO	Relevant Papers to be delivered to directors 7 Days before the board meeting	Complied

Risk Management

Risk is broadly defined as any threat that may hinder the achievement of corporate goals. The Board is responsible for the effective management of risk and has set in place a sound system of risk management and internal control to safeguard shareholders' investment and the Group's assets. It comprises organisation structures, policies and procedures to facilitate risk identification, acceptance, management and monitoring whilst maintaining segregation of functions between the three lines of defence as depicted graphically below.



Risk Management Process

a) The Board has delegated authority to manage and monitor the risks of its business processes to Deputy Chief Executive Officer (DCEO) of the company and review performance on a monthly basis. The respective heads of the departments directly report to DCEO on a regular basis of the risks involved in the individual departments and the business processes. The existing risks and also the new risks that have been identified during the period are discussed in detail at the monthly and quarterly business review meetings along with the action plans for eliminating or mitigating the risks.

b) The Audit Committee also plays a vital role in reviewing the effectiveness of risk management process in place to monitor the risks in order to give an assurance to the Board on the overall effectiveness over the framework and processes adopted by the Board. The DCEO reports to the Audit Committee on a quarterly basis of the systems established and its effectiveness over identifying, assessing, managing and monitoring risks. Further, Internal Audit Division provide an assurance to the Audit Committee on a quarterly basis of the effectiveness over risk management and internal control procedures been established in the Company.

Being in the plantation business, Watawala Plantations is inherently exposed to countless risks in achieving its short-term and long-term goals. The schedule given below shows the top and emerging risks arising from the Company's operating environment during the financial year 2015/16.

Risk-1

Risk category

Climate Change

Specific risk

Unfavourable weather pattern of high intensity or over a prolonged time

Risk description

Plantations are reliant on rainfall and temperatures for high quality and land productivity. Prolonged or unusual weather phenomena can impact human lives, homes of estate residents including employees and biological assets

Risk mitigation

- Soil erosion preventive measures through planting and land preservation
- Improving housing for residents

Risk rating: High

Risk-2

Risk category

Market

Specific risk

Volatility in commodity market prices

Risk description

Adverse movement in the local and international market for tea, rubber and crude palm oil has a significant impact on the prices realized resulting in low margins.

Risk mitigation

- Monitor price movement of global crude palm oil prices very closely.
- Enter into forward contracts.

Risk rating: High

Risk-3

Risk category

Labour

Specific risk

Insufficient labour productivity in tea

Risk description

Labour cost account for approximately 70% of the total cost of production of tea and productivity of 14 kg per day is well below other countries such as Kenya and India, hampering our competitiveness in global markets. The recent impasse on negotiations of the collective agreement has also resulted in union action resulting in lost man days.

Risk mitigation

- Introduce mechanical harvesting.
- Continuous worker skill development.
- Employee value creation

Risk rating : High

Risk-4

Risk category

Land productivity

Specific risk

Low yielding tea fields

Risk description

Company has a land bank of 281.6 ha planted with seedling tea yielding below average resulting in high cost of production and low profits

Risk mitigation

- Manage with limited resources.
- Converting to forestry and other high value lucrative crops.
- Replant with high yielding clones (VP)

Risk rating : High

Risk-5

Risk category

Energy efficiency

Specific risk

High cost of power and fuel

Risk description

It requires a considerable amount of energy to produce ten million kilograms of tea in 15 tea factories and ten million kilograms of Crude Palm Oil in our Palm Oil mill. Increased cost of power and fuel cost would result in high cost of production and less profits.

Risk mitigation

- Factories are converted from fuel to firewood.
- Generating cheaper cost of firewood as a substitute for rubber firewood.
- Bio gas, mini-hydro projects, briquettes

Risk rating : High

Risk-6

Risk category

Labour

Specific risk

Drying up plantation skill labour force

Risk description

Shortage of skilled and experienced workers in the plantation sector has resulted in low land productivity and high cost of labour.

Risk mitigation

- Introduce mechanical harvesting for tea and palm oil.
- Contracting out agricultural activities.

Risk rating : Medium

Risk-7

Risk category

Materials

Specific risk

Insufficient green leaf to meet factory capacities in tea

Risk description

Approximately 40% of the tea factory capacity is met by procuring green leaf from external out-growers at high cost with insufficient quality resulting in high cost and low quality output.

Risk mitigation

- Shout-down inefficient factories and divert their estate leaf to factories which produce good quality teas.
- Enter into contracts with green leaf suppliers for acquiring good quality leaf.
- Improve own estates' yields.

Risk rating : High

Risk-8

Risk category

Land

Specific risk

Unavailability of suitable lands for expansion of palm oil

Risk description

Palm oil being the highest contributor to the profit, Company is highly dependent on Palm oil. Over 90% of the lands available for Palm oil has already been used. Unavailability of land for Palm oil expansion will restrict profit gain from this sector.

Risk mitigation

- Improve land productivity by adopting best agro practices.
- Convert rubber in to palm oil as palm oil is more profitable than rubber.
- Find suitable lands outside the company.

Risk rating : Medium

Risk-9

Risk category

Manufacturing

Specific risk

Inadequate tea factory capacity during rush cropping period

Risk description

Inability to accept additional green leaf coming into our tea factories especially during rush cropping period result in loss of profit.

Risk mitigation

- Reduce bought leaf.
- Accept only good quality green leaf.

Risk rating : Medium

Risk-10

Risk category

Environment

Specific risk

Failure in adhering to environmental protection regulations lead to financial losses in the form of fines and destruction for manufacturing.

Risk description

Our manufacturing processes includes 15 tea factories, 2 rubber factories, and a palm oil mill which are exposed to various environment risks of polluting water, air and soil.

Risk mitigation

- Compliance and certifications.
- Carry out compliance reviews more frequently in order to identify gaps and address them timely.

Risk rating : High

Risk-11

Risk category

Products

Specific risk

Inconsistency or failure to meet quality standards would result less demand and attracting low prices.

Risk mitigation

- Close monitoring of quality parameters at the factories.
- Set quality standards in all our factories.

Risk rating : High

Risk-12

Risk category

Materials

Specific risk

Unviability of fertilizer

Risk description

Unavailability of sufficient quantities of some of the essential fertilizers in the local market has a significant impact on the plantation yields resulting in uneconomical crop yields.

Risk mitigation

- Enter into forward contracts with the fertilizer suppliers in order to secure the quantities.
- Direct import of essential fertilizer.
- Substitute with organic fertilizers wherever possible.

Risk rating : Medium

Risk-13

Risk category

Capital

Specific risk

Drop in tea yield due to insufficient replanting

Risk description

Due to uncertainty of returns and the extended payback period, company was not able to find capital for replanting and as a result the replanting ratio has not been maintained in line with the industry standard. This has caused low yields and poor performance in tea.

Risk mitigation

- Look for cheaper source of funds with extended grace periods.
- Switch internally generated funds from the other segments.

Risk rating : Medium

8 DECENT WORK AND ECONOMIC GROWTH

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Operating Environment

Sri Lanka's tea industry is a significant contributor to the National economy valued at USD 658.4Mn and accounting for 0.8% of GDP in 2015. It is the 2nd largest export commodity, 4th largest foreign exchange earner and the single largest employer in the agricultural sector. Further, the contribution of the tea industry towards the Sri Lankan economy is significant in respect of the rural and socio-economic development, poverty reduction and environmental conservation initiatives the sector consciously engages in.

Over 90% of the tea produced in the country is exported whilst balance is consumed locally. Tea is produced by 22 Regional Plantation Companies (RPC) including WATA and balance by factory smallholders. Smallholders dominate the industry, contributing to 73% of production in 2015. Nonetheless, RPCs have played a critical role in the development of Sri Lanka's tea brand, Ceylon Tea, by conforming to international standards of quality and sustainability including HACCP (Hazard Analysis Critical Control Point), UTZ, Fairtrade, Forest Stewardship Council (FSC), GAP (Good Agricultural Practices), Rainforest Alliance (RA) and ISO 22000.

Despite its economic significance, the sustainability of the industry is of concern, given that the tea plantations have been incurring financial losses over the past 2 to 3 years on account of increase in cost of production against falling market prices, with no substantial increase in prices expected in the near term.

Tea produced in 2015 amounted to 329mnkg, of which WATA accounted for approx. 2%.

Production of palm oil also plays a significant role in the Sri Lankan economy as an import substitution, given that approximately 70% of edible oil consumption in Sri Lanka is imported. Currently over 7000 hectares of palm oil are cultivated in the Galle District by the industry's 2 players namely WATA and AEN Palm Oil Processing (Pvt) Ltd - a joint venture between Agalawatta Plantations, Elpitiya Plantations & Namunukula Plantations, both demonstrating equal production capacity. Imports of palm oil in crude form is processed and sold locally as well as exported.

Rubber production in Sri Lanka continued to decline for the 4th consecutive year in 2015 largely as a result of low global market prices. Consequently, smallholders slowed their tapping operations in response to lower rubber prices whilst unfavourable weather conditions during parts of the year, high cost of production, poor management of the fields and over aged trees also contributed to the decline in production. Rubber production declined by 10% to 88,570 MT in 2015 resulting in rubber imports more than doubling, to support the production and export of value added rubber products. (Source: CBSL Annual report 2015)

Government policy

The Sri Lankan economy grew relatively strongly at 4.8 % in calendar year 2015, marginally slower than 4.9% in 2014 (revised- base year 2010). Growth was driven by an accommodative monetary policy and fiscal policy stance over the past 5 years, stimulating private sector investment and increased consumption. Interest rates remained historically low and inflation decreased markedly to 0.9% by end December 2015. However tightening of monetary policy since early 2016 has resulted to a gradual rise in interest rates and inflation, moderating consumption.

Devaluation of the rupee since September 2015, has increased the competitiveness of exports as well as locally produced goods (such as palm oil) against counterpart imports.

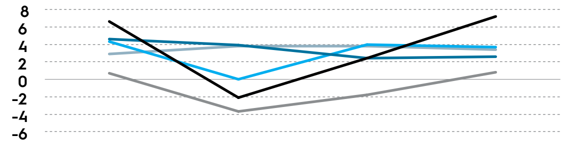
Government policy can play a key role in determining the future of the tea industry. The lack of a strong policy on tea has deterred development in the past. However, the new government administration elected to office in August last year, has sought to develop the plantation sector and has recently announced their plans. These include reinstatement/ enhancing the fertilizer subsidy for small holders, investing substantially in the Sri Lanka tea brand and promoting same in new and existing markets, and seeking proposals from the RPCs on measures to improve productivity and efficiency.

The government is keen on developing oil palm as a commercial crop to meet the local edible oil requirement and save foreign exchange for import of edible oil. To this end an import tariff has been levied on edible oils to protect the domestic coconut and palm oil industry.

Geo-Political Risk

Sri Lanka's Top 5 tea export markets in 2015 were Russia, Turkey, Iran, UAE and Iraq respectively (Source: Export Development Board), accounting for almost half of the total tea exports. Political and economic strife in these countries have lowered demand from these markets, adversely affecting tea auction prices since September 2014. As per the IMF, World Economic Outlook Update, April 2016 these nations posted mostly negative growth in 2015,reflected in the graph below. However, growth forecasts for 2016 and 2017 reflect an improvement, auguring well for tea exports and auction prices.

Economic Growth Projections - %

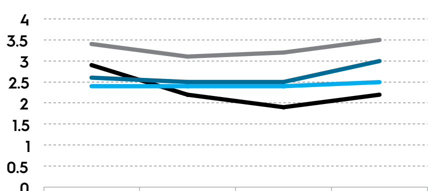


	2014	2015	2016	2017
Russia	0.7	-3.7	-1.8	0.8
Turkey	2.9	3.8	3.8	3.4
Iran	4.3	0	4	3.7
UAE	4.6	3.9	2.4	2.6
Iraq	6.6	-2.1	2.4	7.2

Source: IMF, World Economic Outlook Update, April 2016

Wealth and global markets

Economic Growth Projections - %



	2014	2015	2016	2017
Global Economy	3.4	3.1	3.2	3.5
UK	2.9	2.2	1.9	2.2
USA	2.4	2.4	2.4	2.5
Australia	2.6	2.5	2.5	3.0

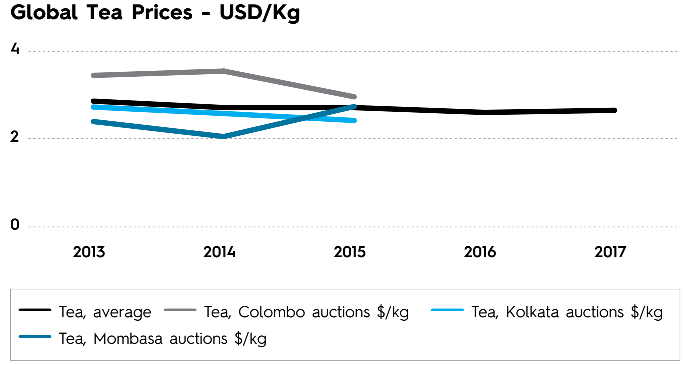
Source: IMF, World Economic Outlook Update, April 2016

Overall, global growth was disappointing in 2015, slowing to 3.1 % in 2015, impacted by the continuing decline in growth in emerging market and developing economies which still account for over 70 percent of global growth. Global growth is projected at 3.2% in 2016. Economic growth in UK, USA and Australia, WATA's main export markets promise potential in 2016-17.

The global commodities market continued its downturn in 2015, affecting tea, rubber and palm oil prices. Many commodities including crude oil reflected sharp decline and recorded 5 year lows. The low prices continued to be driven by ample supplies and weak demand. The World Bank, Commodity Markets Outlook Report, April 2016 forecasts all main commodity price indexes to decline in 2016 due to persistently abundant supplies and, in the case of industrial commodities, weak growth prospects in emerging market and developing economies. Food prices are expected to decline further following adequate supplies together with the projection of lower energy and fertilizer prices.

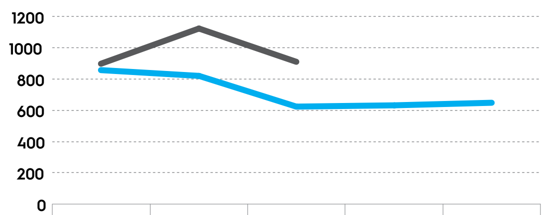
Tea prices are projected to decline 4 percent in 2016 but gain 2 percent in 2017, given strong supplies from Kenya and India and continued weak consumption in several tea-consuming countries.

Global Tea Prices - USD/Kg



Source - World Bank, Commodity Markets Outlook Report, April 2016

Global Palm Oil Prices - USD/MT



	2013	2014	2015	2016	2017
Palm oil $/mt	857	821	623	630	647
Palmkernel oil $/mt	897	1121	909		

Source - World Bank, Commodity Markets Outlook Report, April 2016

Palm oil prices which fell in 2015, rebounded in first quarter 2016 on account of reduced production by key global producers following the impact of El Nino. Prices are forecast to increase on the back the slowdown in production and growing demand.

The slump in the natural rubber market is expected to continue given the declining price of synthetic rubber, a substitute, following the fall in petroleum prices.

Demographics

Tea is the most consumed beverage in the world after water. Based on research by the Economist Intelligence Unit , global tea consumption grew at a considerable rate of 5.1% in 2015, compared to 0.5% in coffee. However, growth is projected to slow down marginally in 2016-17, to 5% given expected rise in disposable income and shift in consumer habits to more expensive beverages such as coffee. Coffee is forecast to grow at 1.2%.

Market research reflects a growing demand for specialty teas compared against standard black teas. Consumers are attracted to fruit/herbal tea and green tea because they are perceived as healthier and have a wider spectrum of tastes, offering a variety of exciting infusions and new product developments in contrast to the relatively constant black standard tea. These teas appeal to the younger generation. This augurs well for the development and export of Sri Lankan branded specialty teas, where 'Ceylon Tea' is already renowned for its high quality, aroma and taste.

Given the growing consciousness of looking after 'people' as well as 'planet', consumers are increasingly seeking tea brands that promote organically grown tea leaves, have Rainforest Alliance Certification, use biodegradable boxes and pouches and most importantly implement fair trade concepts. This augurs well for WATA where herbs are organically grown and all tea plantations are Rainforest Alliance Certified.

Despite the potential for growth of the tea sector, there are many issues faced by the plantation industry including worker shortage. Tea plantations are highly labour intensive and require the involvement of both male and female labourers. However, youth in the plantation sector dislike the work available in plantations preferring to find employment in the city instead. To mitigate the problem, tea plantation companies continuously engaged in improving the dignity and welfare of the workers and their families, by providing livable wages for food, clean water, housing and improved living conditions, education and healthcare benefits. As such, labour costs, account for approx. 70% of production costs.

Global demand for palm oil continues to grow given it is a cheap and versatile material. It is the world's most popular vegetable oil found in approximately 40-50% of household products including food products, detergents and cosmetics and is increasingly being used as a bio-fuel. In Sri Lanka, palm oil is used primarily as an edible oil.

Eco system decline and bio diversity

Agriculture, the largest industry in the world, is also the biggest threat to the environment. The impact to the environment of tea production includes deforestation for new cultivations, destruction of, or damage to, eco systems within plantations which are home to many species of fauna and flora, and soil degradation. Pesticides and artificial fertilizers are often used in tea plantations to restore nutrients used by the tea bush and to fend off parasites. This contributes towards soil degradation which problem is largely addressed by using more fertilizer and chemicals that further compounds the problem. Chemical runoff into freshwater streams and other waterways destroy downstream ecosystems, adversely impacting bio diversity as well as the health and wellbeing of the plantation workers. Management practices play a crucial role in the amount and impact of these pollutants.

The global palm oil industry has a poor reputation for sustainability. Over the past 30 years, growers in South East Asia have cut down large areas of tropical forests and drained valuable peatlands to make room for new plantations, contributing to global climate change, destruction of habitats of endangered species and displacement of indigenous people from their homelands.

Fortunately, the Sri Lankan context is less threatening. In Sri Lanka, palm oil is primarily grown as a crop substitution in rubber plantations by RPCs, which companies largely adopt sustainable agricultural practices. However, palm oil plantations are expanding. Deforestation and resulting issues such as soil erosion, reduced water security and bio diversity may arise unless development is regulated and closely monitored.

Many Sri Lankan palm oil and tea growers are conscious of their impact to the environment and have adopted standards and best practices for sustainability including Forest Stewardship Council (FSC), GAP (Good Agricultural Practices),Rainforest Alliance (RA) and Roundtable on Sustainable Palm Oil (RSPO)

Climate change

Today climate change is a reality, impacting crops in many different ways, from the amount of rainfall an area receives to shifts in temperature and overall climate patterns.

Tea cultivation is strongly correlated to climate. Whilst rainfall impacts the quantities produced, climatic conditions of plantation imparts to the product a variety of flavors and aromas, synonymous with quality.

Sri Lankan tea production fell by 2.7% to 329 million kg in 2015 primarily due to unfavorable weather conditions experienced during the greater part of the year. Similarly, palm oil production too declined during the year.

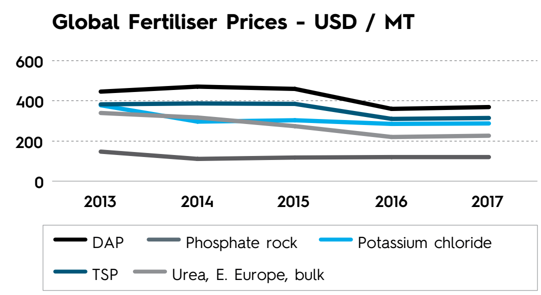
The impact of El Niño is attributed to reduced production of palm oil in South East Asia during end 2015, resulting in limited supply and rising global market prices.

Nations and corporations need to make greater effort to curb greenhouse gas emissions, threatening global warming and climate change. In its own efforts, Sri Lanka adopted the Montreal Protocol on Substances that Deplete the Ozone Layer. As such, methyl bromide used by the Sri Lankan tea growers was progressively banned. The country now produces the world's only ozone-friendly tea, certified under the Montreal Protocol on greenhouse gases.

Availability of raw materials

Adequate and timely application of fertilizer and agro chemicals is a prerequisite to ensure the quality of produce and the sustainability of the soil resulting in optimum harvests. Given the cost involved, fertilizer subsidies are provided by the Sri Lankan Government for paddy and plantation crops (tea, rubber, and coconut). Import and distribution of fertilizer is carried out by institutions registered with the National Fertilizer Secretariat.

Global fertilizer prices declined in 2015 given impact of market forces. Weak demand was on account of poor farmer profitability, low crop prices, and depreciated currencies of key importing countries. Supply continued to grow impacted by falling costs and cheaper raw material prices (e.g., natural gas). Fertilizer prices are projected to decline further by 13 percent in 2016 due to weak demand, rising supply capacity and de-stocking.



Source - World Bank, Commodity Markets Outlook Report, April 2016

Availability of water

Rain is the main contributor for maintaining soil water in the Central and Southern areas of the country, where tea and palm oil are grown. However, impact of climate change has attributed to decrease in the annual average rainfall over Sri Lanka by an amount of 144 millimeters, about 7%, during 1961 to 1990 period compared to 1931 to 1960 period with the standard deviation increasing from 234 to 263 millimeters. Further, extreme events (excessive rain and floods, droughts, etc.) are expected to be more intense and more frequent with climate change.

Activities engaged in by growers to increase/ maintain crop production despite varying rainfall patterns , include the following;

- replanting/ new planting of crop in high productive areas
- use of use hardy/drought tolerant cultivars for planting
- Establishment of medium and high shade trees ie allbizia, calliandra
- Rainwater harvesting

Further, continuous access to clean water is becoming a significant global issue in the face of depleting water resources and growing demands. A majority of the river basins that feed Sri Lanka's fresh water bodies originate in the central hill region where tea plantation are primarily located. Many feeder tributaries flow within or in very close proximity to tea plantations. Thus, the use of agrochemicals in the plantations can contaminate these water bodies and adversely affecting the health of the estate community as well as the bio diversity within the estates. Tea growers, conscious of their environmental impact are engaged in establishing ecologically friendly tea estates, adopting sustainable practices and measuring and monitoring quality of water and the diversity and abundance of flora and fauna found with the plantations. These practices are extended to other plantations as well engaged in the cultivation of rubber, palm and minor crops.

Energy

The process by which tea is dried and processed is highly energy intensive. Firewood is the main source of energy given it is a cheaper source. In the tea plantation industry, the thermal : electrical energy ratio of about 85:15. Many plantation companies including WATA grow their own firewood, to avoid deforestation. Energy efficient mechanisms and alternate energy sources including hydro and solar are being increasingly used in factories to improve energy usage and dependency on fossil fuel.

Waste and effluent from palm oil processing is used as a source of renewable energy. Solid wastes from processing palm oil which cannot be recycled as fertilizer for oil palm plantations, are burned as a substitute for imported, non-renewable energy sources.

Technology

Improved technologies on commercial cultivation especially application of fertilizer, crop management, irrigation systems, optimum input applications including seeds and cultivars, pest and disease control, post-harvest management and advanced machinery are used in increasing land productivity.

Technology is also leveraged on to improve energy efficiency and in adopting agricultural sustainable practices.

Outlook 2016/17

Monetary policy in Sri Lanka is expected to be gradually tightened in 2016/17, as balance of payments issues continue to put pressure on interest rates and exchange rates. Devaluation of the rupee will serve to increase competitiveness of the exports and subdue growth of imports.

Tea auction prices are expected to improve following improvement in the Russian economy and removal of trade sanctions in Iran, a major importer of Sri Lankan tea. Continuation of the government's protectionist measures for local edible oil production as well as pressure on the exchange rate, will serve to increase demand for locally produced palm oil, as an import substitution.

Declining energy costs and fertilizer costs will improve cost of production supporting increased profitability.

The collective bargaining negotiations which are currently underway will be a key determinant of the future of the tea industry and need to balance stakeholder interests for a win -win solution.

Further, continued focus and development of sustainable agricultural and social practices– benefitting the environment and communities where tea and palm oil is grown, is a must.

Financial Capital: Creating Value for Shareholders

Watawala Plantations PLC (CSE-WATA) has delivered a Total Comprehensive Income of Rs 616 Mn for the financial year 2016, retaining its position as the most profitable Regional Plantation Company in the country. This year's performance is significant given the exceptional growth in comprehensive income by 51% compared to last year, in an extremely challenging market and socio economic conditions. The results reflect visionary leadership and effective implementation of smart strategy. Whilst our foresighted crop diversification strategy into Palm Oil continues to sustain robust performance. This year's performance is largely attributed to a change in strategy in tea – quality as opposed to quantity. Growth in Exports also contributed towards increased profits, endorsing further the crop diversification strategy.

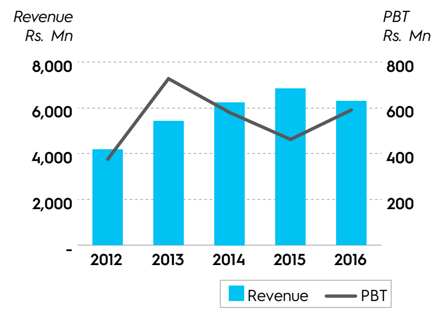
The highlights of 2016 are given below.

Strategy | **Performance**

Profitability

Increased profitability through focused marketing of high quality products, attracting premium pricing and generating high margins.

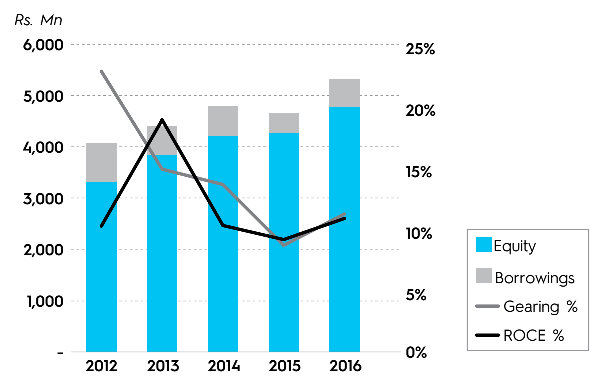
The WATA NSA (Net Sales Average) of both Tea and Palm oil were higher than market rates. Further, the NSA of tea increased over the year in contrast to decreasing market trends.



Stability

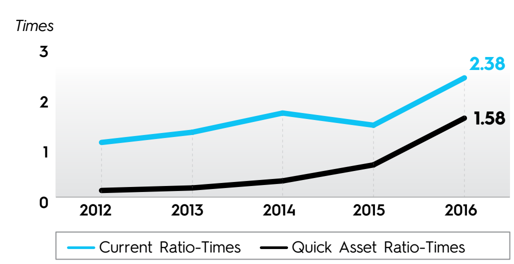
The strong profits generated contributed towards growth in retained earnings to Rs 4.3 bn, whilst driving an improvement in gearing to maintain at 11%. (FY15 – 8.6%) despite substantial increase in borrowings.

Assets grew by 9% to Rs 7.73bn during the year, of which Biological Assets account for 44% and Property Plant & Equipment 24%, respectively.



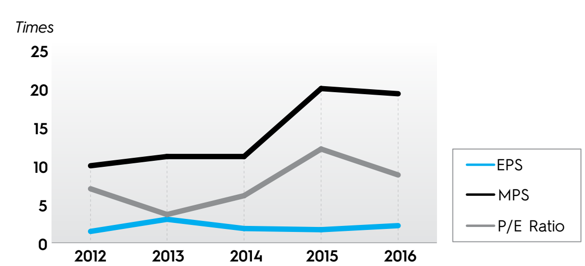
Liquidity

Current ratio improved to 2.41 times and quick assets ratio to 1.59 times, largely due to the cash generated from operations, held in ST deposits pending investment in the proposed dairy project in early 2016/17.



Value Created for Shareholders

Value created for shareholders increased during the year as Earnings Per Share increased by 33% to Rs 2.19



Revenue and gross profit

	Tea			Palm Oil			Rubber			Export		
	FY 16	FY 15	% change	FY 16	FY 15	% change	FY 16	FY 15	% change	FY 16	FY 15	% change
Quantity (Kg'000)	9,413	10,311	-9%	9,019	8,854	2%	268	326	-18%	539	310	74%
Revenue (LKRMN)	4,118	4,717	-13%	1,504	1,555	-3%	73	89	-19%	534	413	29%
Gross profit (LKRMN)	(23)	(78)	-71%	825	898	-8%	(24)	(53)	-54%	73	31	134%
NP(LKR MN)	(230)	(428)	-46%	685	780	-12%	(47)	(91)	-48%	64	27	139%
NP/kg (LKR)	(24.48)	(41.50)	-41%	75.94	88.14	-14%	(176.04)	(279.45)	-37%	118.40	86.06	38%

Tea

Tea remains our main contributor to top line accounting for 66% of total revenue followed by palm oil 24%, exports 9% and rubber 1%. However, Palm oil is the mainstay of the company, contributing 132% to gross profit in 2016 whilst Exports contributed 12% and Tea & Rubber negatively contributed.

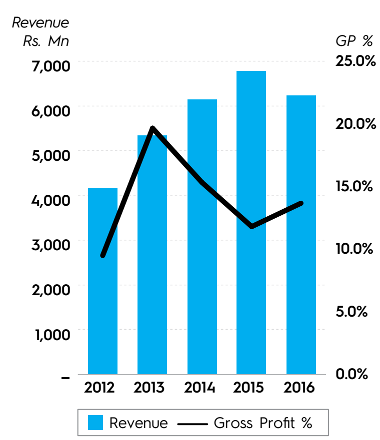
The substantial growth in overall profit despite a reduction in revenue by 8% to Rs 616 Mn in 2016 is largely attributed to the change in strategy in tea. Superior quality tea was carefully produced to specific customer requirements and sold at premium prices at the auctions with higher margins than in the previous year, growing GP margin considerably.

Tea volumes reduced by 9% during the year whilst our NSA reflected a rising trend, growing to Rs 412/- from Rs 399/- in 2015. This movement is in contrast to market trends where tea auction prices continued to fall, impacted by continued geo-political risk and economic turmoil in Sri Lanka's key export markets.

Palm Oil

Revenue from palm oil fell marginally by 3% to Rs 1,504 Mn in 2016, due to reduction in NSA during the year. Production marginally up by 2% to 9 Mn Kg being negatively impacted by adverse weather patterns attributed to El nino. The WATA NSA, which is benchmarked against the futures price of the Malaysian Palm Oil Board, fell during the year until August 2015, given the correlation of Palm oil prices to Crude oil. However, prices have since been volatile following the negative affect of El Nino on global production, volatility in petroleum prices and subsequent impact on supply and demand market forces. Palm oil NSA as at March 2016 was Rs 167/-, lower than that in 2015 of Rs 8/-

Revenue and Gross Profit Growth



Export

Revenue and profits from Exports grew substantially in 2016, contributing 8% (2015- 4%) to gross profit and further endorsing the diversification strategy. Results reflect increased sales of bulk and value added teas to the existing markets. Value added teas accounted for 63% of export sales (2015 – 74%).

Rubber

Revenue from rubber declined by 19% to Rs 72.5 Mn following a continued reduction in global market prices attributed to declining demand for natural rubber. NSA marginally up by Rs 9/- to Rs 264/- at year end.

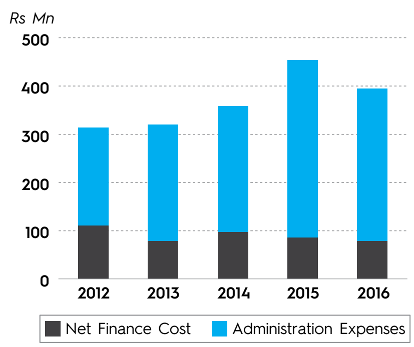
Other operating income

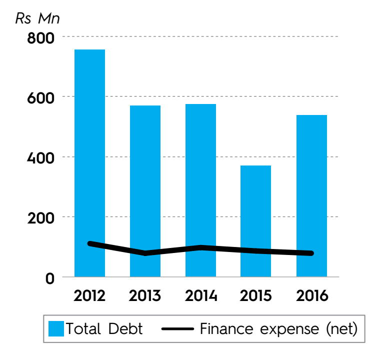
Other operating income amounts to Rs 134 Mn and is derived from harvesting of biological assets - consumable and hydro power generated from leased properties, rent on bungalows.

Administrative expenses and net finance cost

Administrative costs declined during the year by Rs 51 Mn as lean processes and higher levels of cost consciousness facilitated efficiencies in all internal processes. Staff costs reduced by 5% subsequent to right sizing of the staff cadre.

Net finance cost reduced by 8%, despite the increase in borrowings by 45%. This is attributed to obtaining loans on concessionary interest rates from banks as well as offered the below market rates. Resultantly, interest cover widened to 8 times from 6 times the previous year.





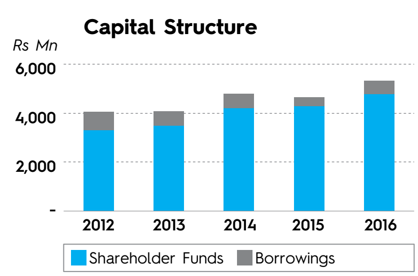
Pre & post tax profit

Profit before tax increased by 27 % whilst the total comprehensive income increased by 51% to Rs 616 Mn. The key contributors to the improved performance was increased GP margin, improved labour productivity ,reduced energy cost and rightsizing the staff cadre.

The net losses incurred by tea and rubber segments, were compensated from the profits from Palm Oil and Exports. Bottom line was also supplemented by other income from sale of consumable biological assets, rent income from hydro power and reduced interest cost. Palm oil was the main contributor to profits, accounting for 119% of profits before tax.

Capital structure

The capital structure continued to improve during the year with the funding mix tilting more towards shareholder funds. Strong profitability during the year led to shareholder funds growing Rs 4,282 Mn (12%) to Rs 4,780 Mn, subsequent to the payment of the Final dividend for FY 2015 of Rs 118 Mn. Dividend proposed for FY 2016 is Rs 0.75 per share.

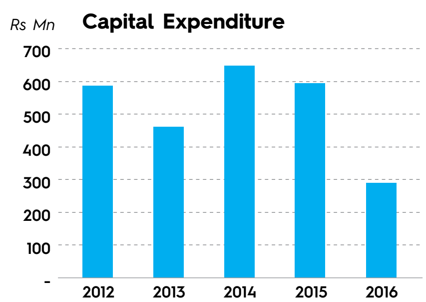


The company's total debt rose during the year given increased long term borrowings to fund permanent working capital. The increase was however, slower than the growth in equity resulting in gearing improving to 11% from 9% the previous year. ROCE improved to 13% (2015 – 10%).

Assets

Total assets grew by 9% to Rs 7.73bn during the year, of which Biological Assets accounted for 44% , Property Plant & Equipment 24% and current assets 24%. Growth in assets was primarily due to increase in cash and cash equivalents as cash generated from operations, were held in short term deposits pending investment in the proposed dairy project in FY 2017.

The company continues to invest in capital expenditure consisting of field development expenditure and expenditure on property plant and equipment. Rs 209 Mn (2015- Rs 362 Mn) was incurred on field development expenditure such as pruning, replanting of palm oil and tea, which is carried out on a regular basis to improve production and yield, whilst Rs 80 Mn (2015- Rs 233mn) was spent on factory expansion and renovations to increase production capacity, efficiency and maintain consistent standards of quality. Investments in capex is less this year compared to the last years, given the exceptional investment over the recent past following a strategic drive to increase land and operational productivity. These investments are already giving high returns, as evidenced in the increased quality of tea produced this year. Investments are funded through long term debt and cash generated from operational.



Cash flow and working capital management

The strong performance during the year contributed to a healthy cash flow generation. Apart from paying dividends, these funds have been retained in short term deposits, reflected under Cash and cash equivalents, to be invested in a dairy project, in FY 2017.

The current and quick assets ratios have improved significantly to 2.41 (2014/15 – 1.44) times and 1.59 (2014/15 - 0.64) times, respectively, given the increase in cash and cash equivalents.

Return to Shareholders

The company continues to focus on delivering value to its shareholders and the results are summarized below.

	2014/15	2015/16
Earnings per share	Rs 1.65	Rs 2.19
Dividend per share	Rs 1.45	Rs 0.50
Market Price per share	Rs 20.00	Rs 19.30
No of shares in issue	236,666,671	236,666,671
Market capitalization	Rs 4.73 bn	Rs 4.57 bn

Proposed final dividend for 2015/16 - Rs 0.75 per share.

Creating value in 2016/17

We will continue to engage in our diversification strategy and focus on increasing land and labour productivity and managing costs, in sustaining our performance and within increasingly challenging industry dynamics. We will leverage our strengths of visionary leadership and smart strategy, integrating sustainability and sound risk management, to enhance value to our shareholders.

Biennial wage negotiations are currently underway as per the collective agreement between the plantation companies and trade union. No agreement has been reached as at the date of the statement of financial position.

The expansion of our diversification strategy into a dairy project in early 2017 through Watawala Dairy Ltd, as explained on note 37 to the financial statements , will result in considerable contribution to Group revenue and profits from 2017.

Intellectual Capital

Our intellectual capital comprises our **tacit knowledge** within the company and our trademarks

Tacit Knowledge

A leader in the industry, WATA's tacit knowledge is its competitive advantage comprising its ability to lead and govern, nurture values, innovate, maintain a careful balance in addressing key stakeholder interests, respect for the local community and the environment and a rigorous focus on performance. This is evident in the careful formulation of strategy and delivery of growth in margins and profitability in an increasingly challenging environment and in the setting of industry benchmarks for sustainable processing and operational excellence.

Garden Marks

WATA owns 12 garden marks, each distinct in its own taste, quality, character and appearance. The variations are largely based on soil and climatic conditions the tea estate is located in Hatton, Watawala and Lindula. Synonymous with quality, some of these garden marks are considered best in the country such Kenilworth, Waltrim, Adisham, Henfold, Dickoya etc...

Manufactured Capital

Our manufactured capital primarily consists of 14 tea factories, one palm oil mill and a rubber factories, capable of the following production capacity and volumes.

Produce	Factory Capacity kg/ day	Annual Production Mn kg
Tea	79,733	9.41
Palm Oil	45,000	9.01
Rubber	4,500	0.27

The palm oil factory located in Udugama, is the single largest factory in the country. Supported with technological knowledge and industry expertise from our strategic partner Pyramid Wilmar, Asia's leading agribusiness group, the factory is equipped with the latest technology and benchmarked against global standards.

Our tea estates are located in the Hatton, Watawala, Lindula and Udugama regions (encompassing high grown, medium grown and low grown categories) and the factories produce both orthodox and CTC teas. Factory capacity comprises 50% orthodox - Rotorvane, 10% orthodox - Leafy and 40% CTC. The versatile varieties of tea produced augur well for WATA in catering to the different export markets and consumer preferences. Further, the balanced product mix contributes towards a stable NSA throughout the year despite seasonal fluctuations on individual teas.

We have continuously invested in upgrading our factories focused on improving productivity, product quality and cost efficiency. These investments have contributed towards a substantial increase in market value of the estates.

Watawala leads the industry setting benchmarks for sustainable processing and operational excellence, improving our competitiveness and bottom line.

Biological Assets

WATA 's biological asses of LKR 3.4 Mn are three fold in nature. Bearer biological assets consist of WATA's tea, palm oil, rubber, caliandra, sundry crops and nurseries, and account for 82% of total biological assets. 17%, are consumable biological assets consisting of WATA's timber plantations. Balance consist of livestock/diary biological assets and is nominal in value.

WATA manages 12,438 hectares of plantations of which 67% is tea, 27% palm oil, 5% rubber and 1% timber. 65% of land is cultivated and yielded 5.9 mn Kg of made tea, 9mn kg of Palm oil and 0.27 mn kg of rubber during the year.

we are focused on enhancing land productivity by using good agrocultual practices which sustain the environment. we are guided by our Agricultual policy that balances stakeholder concersn ie health and welfare concerns of the community, prevents abuse of the enviroentm and ensures that we nourish the soil using environmentally freidnly measures.

Land productivity	
What we manage	**How we manage**
soil nutrients	burying pruning
soil structure	composting
soil erosion	Reduce agro chemicals
	Forking
	planting of green manure trees

Performance Of Segments

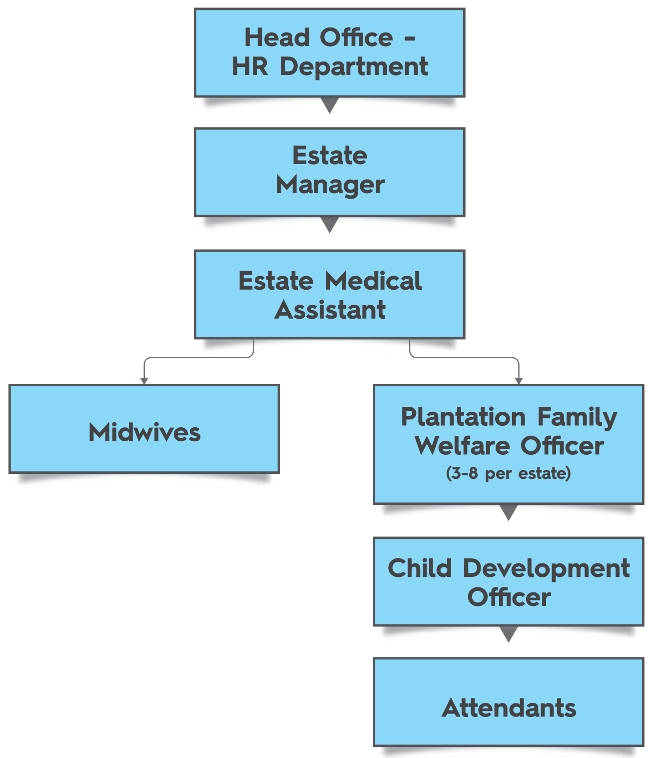
Higher yields are attributed to the good agricultural practices applied consistently over the long term. The plucking average for tea has also increased due to increased training and recognition of achievements above the norm. Bought leaf reduced this year, given the increased focus on quality and resultant reduction in production of tea for the auctions.

Lonach not only is unique for its tea but also for its dairy farming project with 200 head of dairy cows which gives an average of 1500 liters of milk per day. At the compost site located in land with 10 acres in extent, they produce 1000 kg of organic fertilizer per day. They use it for their tea plantations under the 'forking and applying' process while also supplying the excess to other estates. Cow dung, dust tea, and other waste material are used for producing fertilizer using chopper machines. The biomass project is also a part of the estate's dairy farming project.


1 NO POVERTY
2 ZERO HUNGER
3 GOOD HEALTH AND WELL-BEING
4 QUALITY EDUCATION
5 GENDER EQUALITY
6 CLEAN WATER AND SANITATION
7 AFFORDABLE AND CLEAN ENERGY
8 DECENT WORK ECONOMIC GRO
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
10 REDUCED INEQUALITIES
11 SUSTAINABLE CITIES AND COMMUNITIES
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION
14 LIFE BELOW WATER
15 LIFE ON LAND
16 PEACE, JUSTICE AND STRONG INSTITUTIONS
17 PARTNERSHIPS FOR THE GOALS

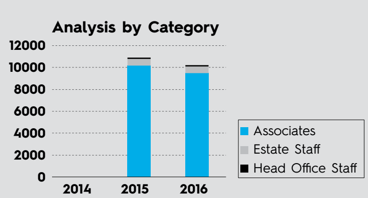
Employee & Community Engagement Report

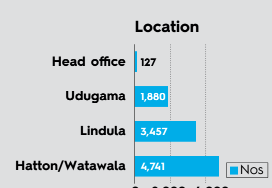
Watawala Plantations PLC provided employment for 10,678 employees in 19 plantations located in Up country and Low country. Most of our workers (99%) and their families reside in the plantations and this creates a higher level of mutual obligations. Five awards of the 15 awards received by the company are related to HR which has been a centre of excellence for the company and serve as testimonials of our efforts. We also benchmark our HR practices with international best practice through external certifications including Rainforest Alliance which cover employment aspects in their assessments. This year we have combined our Employee Report and the Community Engagement Reports as our communities are largely represented by the families of our employees and activities are implemented by the same teams.

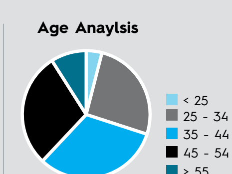


Key Performance area	Measurement	2016	2015
Total staff cost	LKR	3.1 bn	3.3 bn
Investment in Training	LKR	2.0 mn	3.9 mn
Employee coverage for training	%	99%	99%
Recruitment	%	2.42%	7.61%
Employee retention	%	95%	95%
Employee productivity	Revenue/ Employee	583,255	593,970
	Profit/ Employee	57,699	35,724
Value created per employee	Cost/ Employee	293,939	290,197

TEAM PROFILE







> *As many of the estates are significant communities in their own right, we have adopted an approach based on the Sustainable Development Goals (SDGs) that came in to effect from September 2015 to reflect the work that is done on the estates which is underestimated by many of our stakeholders due to historical perceptions of plantations workers. These perceptions have played a key role in holding back the plantation industry from driving change that is urgently required to ensure its long term sustainability, maintaining an equitable balance between key stakeholder interests and preserving livelihoods of our employees. At present, negotiations with trade unions on the industrywide Collective Agreement have reached an impasse, and it is timely that we reflect on the value created by estate workers and the value created for them by employers in a balanced and objective manner, shaping our perceptions with facts.*

Fair remuneration

The Plantation sector has long been associated with poverty, a legacy inherited from imperial times. However, since RPCs commenced managing estates, wages have increased and today our associates receive Rs 687.50 per day (US$4) with 300 days of guaranteed pay per annum averaging Rs.15,500 per month for a 95.38 hour week. This compares very well with:

- SDG Goal 1 benchmark of US$ 1.25 per day
- Wage rates in India and Kenya of US$ 2 for workers
- Income distribution of the country, falling between the 2nd and 3rd decile which have medians of Rs.13,850 and Rs.18,944
- Apparel sector monthly wages of US$ 90 – 110 for a 60 hour week, which is positioned as Garments

In addition to the salaries and wages our employees receive the following benefits:

Executives-Estates

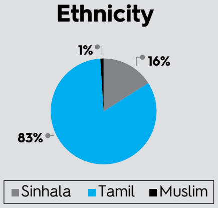
- ☑ Billet Allowance
- ☑ Medical facility
- ☑ Tea allowance
- ☑ Mobile allowance
- ☑ Fuel/Travelling/Vehicle
- ☑ Accommodation
- ☑ Water, Electricity, Gas

Executives-Head Office

- ☑ Insurance
- ☑ Medical
- ☑ Tea allowance
- ☑ Mobile Allowance

TEAM PROFILE

Ethnicity



Membership of Trade Unions

	No.	%
CWC	4677	46%
LJEWU	381	4%
JPTUC	1008	10%
UWF	1045	10%
SLNSS	1254	12%
CWA	138	1%
WLF	0	0%
ADWC	0	0%
Others	557	5%
Non Members	1116	11%

Staff-Head Office

- ☑ Medical Facility
- ☑ Tea Allowance
- ☑ Mobile Allowance
- ☑ Fuel/Travelling

Associates

- ☑ Housing
- ☑ Water
- ☑ Tea allowance
- ☑ Free drugs
- ☑ Medical facility
- ☑ Free clinics
- ☑ Ambulance
- ☑ Child development centres
- ☑ Wheat Flour
- ☑ Death Donation
- ☑ Assistance to temples & religious festivals.
- ☑ Health Education

Staff-Estates

- ☑ Medical facility
- ☑ Tea allowance
- ☑ Accommodation
- ☑ Water, Electricity

Estate Welfare Teams also promote estate residents to supplement the family income through home gardening, inland fishing, supply of food items etc., to engage unemployed family members to develop micro entrepreneurs within the estate community through workshops and fairs.

Zero Anemia in children under 5

Our employees have access to home gardening plots which they utilise to grow vegetables to supplement their income and for their own use. Located in fertile valleys in temperate climes, they are able to grow or source at farm gate prices some of the freshest produce in the country.

Regular health checks of children revealed the prevalence of malnutrition in children below the school going age which has been addressed by providing mid-day meals at the child care centres in a collaborative and sustainable manner which increased awareness among the entire community of the need to address nutrition deficiencies and the simplicity of the solutions. Mothers are encouraged to grow vegetables in their home gardens and take it in turn to supply a balanced meal to the children at their respective child care centres. This has resulted in zero anaemia in children under 5 facilitating their growth and development.

As all employees are subject to health checks, we are able to monitor their health and identify and address anaemia in our employees.

Health, safety & well-being

Estate Welfare Teams (EWT) visit all employees at their homes and in the field or factory, engaging proactively with them in groups and in confidential discussions to identify key concerns. These vary from caring for children, elderly and disabled, to alcoholism in partners or housing which are prioritised and addressed where possible in the Estate Welfare Team activity plans. Each estate submits a return to the Plantation Human Development Trust with statistics on a range of indicators on health. Routine medical checks at the government hospitals facilitated by the EWTs facilitate early detection of medical issues enabling employees to obtain treatment in a timely manner. Employees exposed to toxic chemicals on a regular basis are provided safety equipment, facilities for showers and are routinely subject to health checks at government hospitals for which files are maintained by the Estate Welfare Teams. All estate staff below the Executive grade contribute 5% of their salary and the company contributes 10% to a medical fund which is administered by estate managers to provide medical services to the estate staff. All staff above this grade in estates and head office are covered by a medical insurance scheme. Additionally, primary health care facilities in the estates, address minor issues and dispense routine medications under the supervision of the Assistant Medical Officer.

We also conduct programmes to increase awareness on alcoholism, communicable diseases and domestic violence for residents as these are some of the issues faced by our Associates.

Play grounds, sports meets and festivals are sponsored by the company in several estates to encourage an active lifestyle amongst residents which are held on a regular basis.

HEALTH & SAFETY

100% Institutional Child Birth

100% 100% Vaccination for Children Under 5

0 Zero fatalities or serious injuries in 2016

Child care, primary & secondary education

4 QUALITY EDUCATION

Child care is provided for resident employees in their divisions and Welfare Officers monitor attendance of children to ensure that they avail themselves of the early childhood development opportunities, nutrition and other measures taken to promote their health and well-being.

School attendance of all children under 14 is monitored by the EFTs to ensure compliance with current legislation requiring all children under 14 to attend school. All children passing the Ordinary Level exams on the estate are recognised and rewarded with scholarships to assist their Advanced Level studies and to inspire others.

Students gaining entrance to universities on completion of Advance Level examinations are also recognised and provided scholarships.

Vocational Training for Residents

We established Vocational Training Centres for disabled residents on our estates at Kenilworth in 1998 which has been operating on a self-funded basis for many years. Our second Vocational Training Centre was established in Waltrim estate. The two centres provide training and employment for a total of 38 disabled residents. Participants are taught to make cards, envelopes, tea sample bags, environmentally

QUALITY EDUCATION

SCHOOL

100% of all estate resident children under 14 attend school

Operates 84 Child Development Centres catering to 2,534 children aged 5 and under

Vocational Training for diasbled residents at Kenilworth & Waltrim friendly paper bags etc., which are sold to well-wishers and at exhibitions. The Kenilworth Estate project earned sufficient funds to purchase its own bus which provides transport to and from their homes to the vocational centre. Savings accounts have been opened for all employees of the centre to encourage saving as a habit to secure their financial independence.

Employee Training & Development

All employees are encouraged to undertake relevant tertiary and vocational education that will support their career development. A clearly defined the career path with minimum required qualifications and competencies is in place for the Creepers who are equivalent to management trainees. A key requirement is the National Institute of Plantation Management – NIPM qualifications covering language proficiency to Tea Manufacture / Rubber Manufacture and Factory Practice, Book Keeping and Accounts at Diploma and Higher Diploma levels followed by a degree programme. Course fees are reimbursed in full on successful completion of courses for this. Consequently, 60 Estate Assistant Managers and Managers have at least one of the NIPM qualifications required and 02 Estate Managers are currently reading for their Master in Business Administration

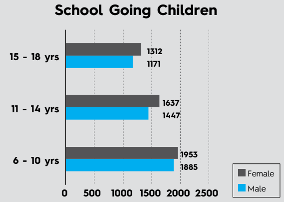
Our regular training calendar includes customised training programmes which include the following:

- ☑ Para extension training for Associates with Tea Research Institute using the Train the Trainer concept
- ☑ Training for Family Welfare Officers
- ☑ Tea tasting with veterans in the field

Employee category	Training Hours	No of Employees	Amount Spend Rs.
Corporate managers	119	8	217,286
Managers	231	48	1,277,438
Executives	50	14	77,895
Non Executives	19	57	115,000
Estate Staff	1,137	167	122,972
Associates	3,684	1,415	267,340
Total	5,240	1,709	2,077,931

QUALITY EDUCATION

School Going Children



- ☑ **Full reimbursement of NIPM Qualifications on successful completion**
- ☑ **Defined career path**
- ☑ **Customised Training Courses with Training Partners**

Employee category	Training Hours	No of Employees
Male	1,951	668
Female	1,558	653
Total	3,509	1,321

Gender equality

The Plantation sector workforce is mainly female which sets our overall female representation of 52% well above the national average of 35.2%. However, gender representation in management is lower due to historical factors and the geographical diversity and nature of the job discouraging females at entry level.

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

Historically, "Kanganies" or field supervisors have been males who supervised a predominantly female workforce. Perceptions and attitudes regarding their ability to perform as Kanganies which were deeply embedded in the culture of the estate communities prevented many from aspiring to this role. We launched a programme to encourage females and train them to perform as Kanganies with a pilot project in the Udugama Region which has proved effective as a result of persistent and extensive support provided. Currently, we have 236 male kanganies and 16 female kanganies throughout our estates although there are many issues that require attention to increase this number.

We also provide a number of facilities to our female workforce to ensure that they are able to continue in employment which include:

- Early childhood development centres, most of which are located in their respective divisions
- 84 days paid maternity leave for the first two pregnancies and 41 days paid maternity leave for subsequent pregnancies as per current legal requirement
- Monitoring school attendance of children up to 18

We have established 54 Women Empowerment Teams in the Udugama Region together with the support of several NGOs to increase their knowledge of money management, income generation, work life balance, developing core values and various aspects of health to uplift their lives.

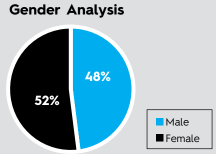
We also conduct financial literacy training programs on

- Long term and short term Goal setting on Finance
- Daily Cash Management
- Planning on Income and Expenditure
- Family Budgeting
- Savings and Investment
- Expenditure plan
- Debt Management

The outcome of this training the 40% of women invest the money for sewing machine, Oven, Refrigerator, Kitchen utensils for making sweet items, further empowering their socio economic progress.

GENDER EQUALITY

Gender Analysis



93% **Return to work after maternity leave**

54 **Women Empowerment Teams work to uplift their lives**

Housing, water & sanitation

More than 9,164 families live in 6,102 number of units out of which some are either in single houses or in twin cottages. Majority of our workers live on the estate itself although we do have a small number of non-resident workers as well.

Type of Houses	No. of units	No. of Families
Single house	2,510	3,307
Twin houses	1,531	2,748
Line rooms -single barrack	73	556
Line rooms -double barrack	26	449
Upstairs line rooms	327	342
Cottage	897	972
Temporary Shed	738	790
Total	6102	9164

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. 8,219,684/= to PHDT during the financial year. Given below are the projects carried out to uplift the communities together with PHDT.

Activity	Investment by PHDT & NGOs (Rs.)	Investment by WATA (Rs.)	No of Beneficiaries
Re-roofing	4,042,530	13,134,662	329
Latrines	5,890,000	643,500	173
Water scheme	1,754,030	2,497,457	696
Field rest rooms	158,227	8,328	158
Housing	11,960,000		26
Compost/ Common Bins	185,820		901

We have made provisions for individual water supply to more than 2,066 families in the form of wells and hand pumps and an additional 10,042 families use the common well and the water supply scheme implemented in the plantation.

Additionally, 9,897 families have been provided with individual latrines while another 1,076 families make use of the common latrines. We are in the process of constructing another 3,387 new latrines to meet the requirements of more than 2,500 families.

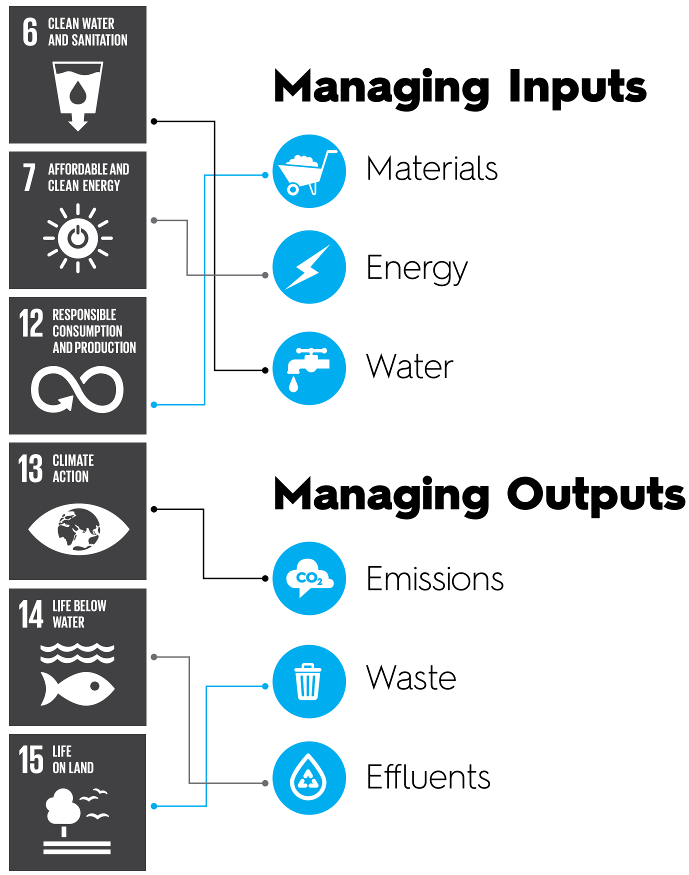
Electricity Supply

All housing types on the estates have access to electricity which enables children to study and extends the day light hours for all. Wiring of all housing units are checked once in 6 months to ensure safety and residents are made aware of the need for safety measures in the home to prevent unfortunate incidents.

Natural Capital

WATA is committed to conducting our business in an environmentally responsible and sustainable manner. We are conscious of the impact of our industry on the environment as described in the Operating Environment section of this Report and seek to address environmental issues whilst balancing the concerns of our stakeholders who rely on WATA for creating value. Consequently, we place significant emphasis on reducing our environmental impact and continually improving our environmental performance and to this end constantly explore the use of more efficient technologies and processes. Rigorous processes are in place for monitoring, reporting and reviewing our performance facilitating compliance with regulatory, certification and customer requirements.

Our environment management policy is graphically depicted below together with the relevant Sustainable Development Goals.



The philosophy is simple. If we manage our inputs, we are better able to manage our outputs and compliance and we will nurture the environment to halt and reverse degradation of land, water and air as we are all directly impacted by it.

RAW MATERIAL

RAW MATERIAL CONSUMPTION

		2015/16	2014/15
Raw materials-renewable			
Green leaf			
Own leaf	Kg'000	25,788	28,539
Bought leaf	Kg'000	14,148	16,484
Rubber Latex	L '000	239	323
Oil Palm fruits - Own	Kg'000	34,385	35,969
Oil Palm fruits - Bought	Kg'000	1,233	-
Raw materials-non renewable			
Fertilizer	Kg'000	4,779	6,221
Dolomite	Kg'000	645	1,628
Agrochemicals	L'000	41	38
Packing materials			
Paper bags	Nos'000	207	312

Raw Materials

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

- ☑ By 2030, achieve the sustainable management and efficient use of natural resources
- ☑ By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
- ☑ Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle
- ☑ Promote public procurement practices that are sustainable, in accordance with national policies and priorities

Consumption of raw materials has reduced this year given the reduction in production volumes. However, the resulting variance in material efficiency is difficult to measure given the different crops produced and the differing input materials required. Never the less, we are strongly committed towards responsible consumption and production within the company by reducing waste and minimizing the application of fertilizer and agro chemicals, where possible, through the continuous adoption of new agricultural practices and processes.

Further, we are guided by an Agricultural policy that provides specific guidance on the correct usage of agro chemicals supplemented by biological methods and an Environmental Management Policy, which combine to balance stakeholder interests with that of the company. We use only agro chemicals that are approved by the regulators and also conform to the certifications obtained which cover the health and safety of consumers and environment management practices of the company.

Energy

7 AFFORDABLE AND CLEAN ENERGY

- ☑ By 2030, increase substantially the share of renewable energy in the global energy mix
- ☑ By 2030, double the global rate of improvement in energy efficiency

Our key sources of energy are electricity, diesel, firewood and briquettes. Energy is a significant operating expense being the second highest production cost after labour. WATA's energy management initiatives are focused on two key aspects, substantially increasing the share of renewable energy in the energy mix of the company and enhancing energy efficiency.

Accordingly, we have implemented several initiatives to improve energy efficiency, as follow;

- Increasing the use of bio mass energy, given it is a renewable source with lower emissions factor. This has been achieved by ;

1. Manufacturing briquettes from bio waste such as tea waste, paddy husks and saw dust. These briquettes have high combustion efficiency and lower levels of moisture and ash and are used to heat boilers at the factories.
2. Growing short term rotating crops such as Calliandra Calothyrsus and Glixirindia and improving self-sufficiency in firewood
3. Heating the steam turbine at the Palm oil mill with waste from fresh fruit bunches of oil palm, and meeting almost the entirety of the energy requirement

- Building solar drying sheds to dry firewood in 11 estates
- Replacing equipment and machinery with new energy efficient production machinery or machinery run on solar energy
- Installation of Variable Speed Drives and capacitor banks to reduce power consumption
- Conducting technical forums on Vehicle Fleet Management.
- Installation of mini hydro plants in 03 tea estates up to capacity of 1MW, supplying the national grid

As a result of our initiatives, total energy efficiency has increased over the years. Of the total energy consumed in 2016, renewable energy accounts for 78% (2015- 76%).

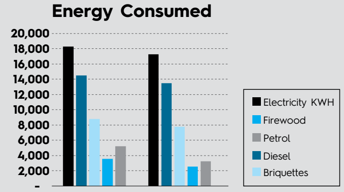
	2014/2015	2015/2016
Diesel(kJ/kg)	37	37
Electricity(kJ/kg)	4	4
Petrol	33	33
Briquettes (kJ/kg)	17	17

In order to drive energy management across the company, Energy Management Committees have been formed at regional and estate level, with representation from all levels of employees with the objective of conducting energy audits, monitoring monthly energy consumption and conducting awareness programmes on energy efficiency. These committees report to the Regional Executive committees who in turn report to the Group Management Committee.

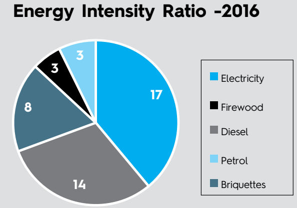
SOURCES OF ENERGY

Source	Unit	2016	2015
Diesel	L'000	282	358
Petrol	L'000	42	53
Electricity	Kwh	1,457,330	1,808,021
Firewood	Kg '000	164	110
Briquettes	Kg '000	2,298	2,617

Energy Consumed



Energy Intensity Ratio -2016



Water

6 CLEAN WATER AND SANITATION

- ☑ By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally
- ☑ By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity
- ☑ By 2030, implement integrated water resources management at all levels, including through transboundary cooperation as appropriate
- ☑ By 2020, protect and restore water-related ecosystems, including mountains, forests, wetlands, rivers, aquifers and lakes

Consumption of large quantum of water is critical in agriculture, given that moisture in the soil determines crop growth. In order to better manage our water resources we have identified and mapped all the water bodies and the purposes for which they are used within the estates. Accordingly, WATAs key sources of water at the estates are streams, reservoir and well. Daily water consumption averages 237-285 cubic meters.

The following initiatives have been implemented to improve water efficiency and reduce water consumption.

- Rain water harvesting and deep draining in order to ensure that maximum amount of rainwater is stored
- Burying all pruning materials to improve soil water retention and ground moisture levels
- Planting of Caliandra and Bamboo species in water logged areas
- Conservation of a perimeter of 60 meters from the water body as a catchment area
- Engaging staff in conservation, through awareness building and training programmes

Information on purity of water discharged by the factories is discussed in the Effluents segment of this report on page 70 whilst initiatives to safe guard the eco systems related to the water sources is discussed in the next segment on Biodiversity.

There are no significant protected nature reserves in close proximity to the area.

KEY SOURCES OF WATER

Source	Average Water consumption per day - M3
Well	11
Reservoir	95
Streams	131-179
Total	237-285

Bio Diversity

6 CLEAN WATER AND SANITATION

- ☑ By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally
- ☑ By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity
- ☑ By 2030, implement integrated water resources management at all levels, including through transboundary cooperation as appropriate
- ☑ By 2020, protect and restore water-related ecosystems, including mountains, forests, wetlands, rivers, aquifers and lakes

Our tea estates are rich in biodiversity and are home to diverse eco systems found within the grasslands, streams, small-scale reservoirs and home gardens in the estates. Our high grown tea estates are home to many endangered species of fauna and flora. As such, we are committed to conserving bio diversity and making a zero impact on these eco systems. Accordingly, our environmental responsibility and sustainability initiatives address shade management, responsible fertilizer and agro chemical usage and application of good agricultural practices.

With a view to establishing ecologically friendly tea estates, we continued the work begun on conservation and protection of biodiversity under the Rainforest Alliance Certification program during the year. Partnering with "Friends of Horton Plains", a Non- Government Organization the series of studies aims at identifying the present status of habitats and continuously monitoring them. All WATA estates were incorporated into the programme and five new endangered species was identified.

Year	Taxonomic Group	Scientific name	Common name	National red list endangered
Species identified during the period 2015/16	Dragon Fly	Drepanosticta nietneri	Nietneri's Shadowdamsel	Yes
	Reptiles	Hypnale nepa	Millard's Hump nosed pit viper	Yes
	Butterflies	Calotes liocephalus	Spineless forest lizard	Yes
	Butterflies	Udara lanka	Ceylon Hedge Blue	Yes
	Butterflies	Euthelia lubantina	Gaudy Baron	Yes
Species identified during the period 2014/15	Insects	Neurobasis Chinensis	Oriental Green Wing	Yes
	Insects	Indolestes gracilis gracilis	Mountain Reedling	Yes
	Insects	Libellago Finalis	Drepanosticta Neitneri	Yes
	Birds	Culicicapa ceylonensis	Gray-Headed Canary Flycatcher	Yes
	Birds	Picus xanthopygaeus	Steak-throated Wood pecker	Yes

Year	Taxonomic Group	Scientific name	Common name	National red list endangered
Species identified during the period 2013/14	Butterflies	Parantica taproba	Sri Lanka Tiger	Yes
	Butterflies	Lethe Drypetis	Tamil Tree-Brown	Yes
	Butterflies	Argynnis hyperbius taprobana	Indian Fritillary	Yes
	Butterflies	Vanessa indica nubicola	Indian Red Admiral	Yes
	Amphibians	Pseudophilautus alto	Horton Plains Shrub Frog	Yes
	Amphibians	Pseudophilautus reticulatus	Reticulated thigh Shrub Frog	Yes
	Amphibians	Pseudophilautus silus	Pugnosed Shrub Frog	Yes
	Amphibians	Pseudophilautus viridis	Dull green Shrub Frog	Yes
	Amphibians	Pseudophilautus sarasinorum	Muller's Shrub Frog	Yes
	Amphibians	Pseudophilautus asankai	Asanka's Shrub Frog	Yes
	Reptiles	Aspidura trachyprocta	Common rough-sided snake	Yes
	Reptiles	Rhinophis blythii	Blyth's shield Tail	Yes
	Reptiles	Calotes nigrilabris	Black Cheek lizard	Yes
	Birds	Cuculus varius	Common Hawk Cuckoo	Yes
	Birds	Saxicola caprata	Pied Bush Chat	Yes
	Mammals	Prionailurus viverrinus	Fishing cat	Yes
	Mammals	Panthera Pardus	Leopard	Yes
	Mammals	Semnopithecus vetulus	Sri Lanka Purple-faced langur	Yes
	Fishes	Pethia nigrofasciata	Sri Lanka Black Ruby Barb	Yes
	Fishes	Aplocheilus dayi	Sri Lanka Day's Killifish	Yes
	Fishes	Pethia cumingii	Sri Lanka Cuming's Barb	Yes
	Birds	Coturnix Chinensis	Blue Breasted Quail	Yes

Other initiatives adopted in our efforts towards conservation of bio diversity and environmental sustainability include the following;

- Maintenance of chemical free buffer zones along the water bodies and identified terrestrial ecosystems
- Implementation of an Integrated Waste Management system to prevent contamination of water and soil
- Conservation of nesting and roosting sites of identified bird species
- Establishment of mini forests in bare lands by planting of native trees and propagating the under growth with natural indigenous species to provide habitats
- Frequently conducting awareness programs highlighting the importance of preserving and conserving biodiversity targeted at estate communities and school children, to prevent unintentional disturbance of wildlife and ecosystems

Emissions

7 AFFORDABLE AND CLEAN ENERGY

☑ Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning

WATA is conscious of its carbon footprint and impact on climate change. The company engages in many operations and initiatives to reduce emissions. This includes generation of renewable energy and numerous other energy reduction operations, as described under Energy on page 65 as well as positive contributions for cleaner air such as planting short term crops as firewood and establishing mini forests in bare lands including planting native trees as part of the company's biodiversity conservation initiatives.

In our effort to monitor and manage emissions, we have engaged National Cleaner Production Centre and environmental consultant agency to measure the carbon dioxide emissions under the 3 scope approach, as reflected below.

EMISSIONS

Direct Greenhouse Gas Emissions (Scope 1)	Co2 emission (Kg)
Mobile Combustion	205
Total for Scope 1	205
Energy Indirect Greenhouse Gas Emissions (Scope 2)	
Purchased Electricity	1271
Total	1271

Effluents and Waste

- ☑ By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally
- ☑ By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity
- ☑ By 2030, implement integrated water resources management at all levels, including through transboundary cooperation as appropriate
- ☑ By 2020, protect and restore water-related ecosystems, including mountains, forests, wetlands, rivers, aquifers and lakes

- ☑ By 2020, ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater eco systems and their services, in particular forests, wetlands, mountains and drylands, in line with obligations under international agreements

At WATA we practice an Integrated Waste Management system focusing on strategies for both waste management and waste reduction ensuring sustainability of the environment. Such initiatives include the following:

- Bio degradable waste generated in production is used to produce compost as fertilizer for crops.
- Pruning waste is buried to improve soil water retention and enrich the soil.
- Waste water from factories is diverted to soak pits to prevent the discharge to natural water bodies. Under the Rainforest Alliance Certification program periodic waste water analysis are conducted to ensure that water discharged by associates comply with the approved water quality parameters given below.
- All the non-degradable and hazardous waste is disposed

of responsibly through Central Environmental Authority approved collectors.

- As majority of our employees live on the plantations, they are both beneficiaries and violators and education plays a key role in achieving results. Therefore, our training programmes include modules on waste management and its relevance in the workplace and at home.
- Awareness has been created among the associates and estate staff to dispose household waste to composting pits which they use for home gardens avoiding contaminations of any sort.

The company has taken all the precautionary approaches to ensure that hazardous material storage facilities are well covered and there were no incidents of spills durng the year.

EFFLUENTS AND WASTE

	Drinking Water	Tolerance Limit	WATA Actuals
a)	Fecal Coliforms at 44 C	00 No/100 ml	00
b)	Total Coliforms @ 37 C	00 - 10 No/100 ml	02
c)	Chemical oxygen demand	2 - 8 mg/l	06
d)	pH	6.5 - 8.5	6.9
e)	Conductivity	750 - 3000 us	167

	Waste Water	Tolerance Limit	WATA Actuals
a)	Total suspended solids	50 mg/l	1
b)	Chemical oxygen demand	2 – 8 mg/l	16
c)	Biological Oxygen demand	30 mg/l	6.7
d)	pH	6.5 – 8.5	7.2
e)	Conductivity	750 – 3500 us	121

Compliance

- ☑ Develop effective, accountable and transparent institutions at all levels
- ☑ Promote and enforce non-discriminatory laws and policies for sustainable development

As a responsible corporate citizen we comply with all the regulatory requirements of Central Environment Authority, certifications on environmental and social sustainability - Rainforest Alliance, Ethical Tea Partnership, Fair Trade, Sri Lanka Standard Institution- Sri Lanka Tea Board and voluntarily adopt environmental best practices. All the estates have Environment Protection License which certify operations are in line with the Central Environment Authority Regulations.

The Quality Assurance Managers conduct surprise audits regularly at estates to ensure operations are conducted according to the prescribed methods.

We have not had any instances of non-compliance with environmental regulation during the year nor been required to pay any fines in this regard.

Ethical Tea Partnership

RAINFOREST ALLIANCE CERTIFIED

FAIRTRADE

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 31 March 2016 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 04 to 06 and Managing Director's review on pages 08 to 11. These reports together with the audited financial statements (pages 84 to 123) and financial review (pages 47 to 51) 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 2016 duly signed by the General Manager-Finance, two of the Directors of the Company are given on pages 84 to 123 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 78 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 2016 and the report on those financial statements is given on page 83 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 88 to 127.

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 2015/2016 was LKR 6,298,769,000 (2014/2015: LKR 6,848,491,000) while the Company's revenue was 2015/2016 LKR 6,228,002,000 (2014/2015: LKR 6,773,635,000). An analysis of income is given in note 26 to the financial statements.

Financial Results

The Group's profit for the year amounted to LKR 517,750,000/-. (2014/2015: LKR 390,747,000/-) while the Company recorded a net profit of LKR 518,221,000/- (2014/2015: LKR 390,565,000/-).

The Group's total comprehensive income for the year is LKR 615,642,000/- (2014/15: LKR 407,579,000/-) while the Company has recorded a total comprehensive income of LKR 616,113,000/- (2014/15: LKR 407,397,000/-)

The Consolidated Income Statement

along with the Company's Income Statement for the year are given on page 85. 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 86.

Stated Capital and Reserves

The stated capital of the Company as at 31 March 2016 is LKR 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 2016 amounts to LKR 4,780,050,000/- (2014/2015: LKR 4,282,741,000/-) and LKR 4,780,409,000/- (2014/2015: LKR 4,282,629,000/-), respectively.

Dividend on Ordinary Shares

A dividend of LKR 118,333,336 (LKR 0.50 per share) was paid on 07 July 2015 to the ordinary shareholders of the Company for the financial year ended 31 March 2015. During the year, the Directors recommend that the final cash dividend of LKR 0.75 per share be paid for the year ended 31 March 2016.

Corporate Donations

During the year 2015/16 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 and 23 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 LKR 289,387,000 (2014/2015: LKR 590,342,000/-). The movement in property, plant & equipment is set out in note No 08 to the financial statements.

Property, Plant and Equipment

The details of property, plant and equipment are given in note No 08 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 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 130 to 131.

Shareholdings

As at 31 March 2016 there were 16,239 registered shareholders. (2014/15: 16,614) Information on the distribution of shareholding, categories of shareholders and the percentage holding of twenty largest shareholders is indicated on pages 132 to 133.

Equitable Treatment to Shareholders

The Company has at 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 are as follows.

	As at 31/03/16	As at 31/03/15
S.G.Wijesinha	-	-
G.Sathasivam	-	-
V.Govindasamy		-
A.K. Misra	-	-
K.Venkataramanan	-	-
A.N.Fernando	-	-
M.S.Mawzoon	-	-
L.Ramanayake	-	-
C.P.Thomas	-	-
N.B.Weerasekara	-	-
B.A.Hulangamuwa	-	-

Directors' Emoluments

Directors' emoluments, in respect of the Company and the Group for the financial year ended 31 March 2016 are given in note 28 to the financial statements.

The Board of Directors

As at 31 March 2016, the Board of Directors of Watawala Plantations PLC consisted of eleven members. Names of the Directors and their brief profiles appear on pages 18 to 20 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 LKR 2,627,000/-. (2014/15: LKR 2,073,000/-). Further the Company has paid LKR 567,000/- (2014/15: LKR 268,000/-) 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 25 to 34.

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 A" of the Bandaranaike Memorial International Conference Hall (BMICH), Bauddhaloka Mawatha, Colombo 07, on Thursday 30 June 2016 at 10.00am. The Notice of the Annual General Meeting appears on page 140 for and on behalf of the Board.

V.Govindasamy
Managing Director

Sunil G Wijesinha
Chairman

Corporate Advisory Services (Pvt) Ltd.
Secretaries, Watawala Plantations PLC.,

17 May 2016

Managing Director's and 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 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 83 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 auditors 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
General Manager-Finance

17 May 2016

Statement of Directors' Responsibility

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 84 to 123 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 Statement of financial position date, are paid or where relevant, provided for.

By Order of the Board.

V. Govindasamy
Managing Director

Sunil G. Wijesinha
Chairman

17 May 2016

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 five members, three 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)

L R Ramanayake
(Independent, Non-Executive Director)

K Venkataramanan
(Non-Independent, Non-Executive Director)

B A Hulangamuwa
(Non-Independent, Non-Executive Director)

Profiles of the members are given on pages 18 to 20 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 five (5) times during the year.

Members and attendance at meetings held during the year ended 31 March 2016 are given below.

A N Fernando..................5/5
S G Wijesinha....................5/5
K Venkataramanan.........5/5
B A Hulangamuwa........3/5
L R Ramanayake.............1/1

The Deputy Chief Executive Officer and 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 2016.

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 to 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 Deputy Chief Executive Officer, 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 36 to 39.

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 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 requirements have 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 2016 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. The Deputy Chief Executive Officer along with the 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 2016

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, A. K. Misra and 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 2016

Financial Calender

2016

- 1st Quarter: 04 AUG 2015
- 2nd Quarter: 26 OCT 2015
- 3rd Quarter: 25 JAN 2016
- 4th Quarter: 17 MAY 2016

2015

- 1st Quarter: 25 JUL 2014
- 2nd Quarter: 27 OCT 2014
- 3rd Quarter: 23 JAN 2015
- 4th Quarter: 22 MAY 2015

Annual General Meetings

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
2014/2015	-	Annual Report Published on 8th June, 2015 and 22nd AGM on 30th June,2015
2015/2016	-	Annual Report Published on 9th June, 2016 and 23rd AGM on 30th June,2016

Independent Auditor's Report

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 Company"), the consolidated financial statements of the Company and its subsidiary ("the Group"), which comprise the statements of financial position as at 31 March 2016, and the statements of income, comprehensive income and changes in equity and, cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information as set out in pages 88 to 123.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In our opinion, the financial statements of the Company and the consolidated financial statements of the Group give a true and fair view of the financial positions of the Company and the Group as at 31 March 2016 and their financial performance and cash flows for the year then ended, in accordance with Sri Lanka Accounting Standards.

Report on other Legal and Regulatory Requirements

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

CHARTERED ACCOUNTANTS
COLOMBO
17 May2016

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Partners **Y. Kanagasabai FCA, D.T.S.H. Mudalige FCA, C.S. Manoharan FCA, N.R. Gunasekera FCA, S. Gajendran FCA, Ms. S. Hadgie FCA, Ms. S. Perera ACA, T.U. Jayasinghe ACA**

Statements of financial position

In Rs.'000s	Notes	Group		Company	
As at 31st March		2016	2015	2016	2015
ASSETS					
Non-current assets					
Leasehold right to land - JEDB / SLSPC estates	6	205,508	212,543	205,508	212,543
Immovable estate assets on finance lease (other than land)	7	124,574	142,033	124,574	142,033
Property, plant and equipment	8	1,835,454	1,921,745	1,835,454	1,921,745
Biological assets - bearer	9.1	2,794,625	2,743,030	2,794,625	2,743,030
Biological assets - consumable	9.2	608,995	566,967	608,995	566,967
Biological assets - livestock	10	27,535	40,256	27,535	40,256
Gratuity investments	11	234,369	220,262	234,369	220,262
Investment in subsidiary	12	-	-	852	852
Investment in others	13	21,645	10,882	21,645	10,882
Total non-current assets		5,852,705	5,857,718	5,853,557	5,858,570
Current assets					
Inventories	15	637,773	693,086	637,773	693,086
Trade and other receivables	16	560,954	491,241	560,866	488,148
Cash and cash equivalents	17	694,775	72,031	678,327	67,832
Total current assets		1,893,502	1,256,358	1,876,966	1,249,066
Total assets		7,746,207	7,114,076	7,730,523	7,107,636
EQUITY AND LIABILITIES					
Capital and reserves					
Stated capital	18	460,000	460,000	460,000	460,000
Retained earnings and other reserves		4,320,050	3,822,741	4,320,409	3,822,629
Total equity		4,780,050	4,282,741	4,780,409	4,282,629
Non-current liabilities					
Borrowings	19.2	388,741	187,500	388,741	187,500
Leasehold rights -SLSPC and JEDB	20	336,296	342,526	336,296	342,526
Retirement benefit obligations	21	976,639	1,005,185	976,639	1,005,185
Deferred income and capital grants	22	203,569	213,610	203,569	213,610
Net deferred tax liability	23	267,005	206,954	267,040	207,040
Total non-current liabilities		2,172,250	1,955,775	2,172,285	1,955,861
Current liabilities					
Borrowings	19.2	148,751	183,809	148,751	183,809
Leasehold rights - SLSPC and JEDB	20	6,460	6,210	6,460	6,210
Trade and other payables	24	610,617	671,541	594,618	665,127
Current income tax liabilities	25	28,079	14,000	28,000	14,000
Total current liabilities		793,907	875,560	777,829	869,146
Total liabilities		2,966,157	2,831,335	2,950,114	2,825,007
Total equity and liabilities		7,746,207	7,114,076	7,730,523	7,107,636

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
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 2016.

V. Govindasamy
Managing Director
17 May2016

Sunil G. Wijesinha
Chairman

The notes on pages 88 to 123 form an integral part of these financial statements.

Statements of income

In Rs.'000s Year ended 31 March	Notes	Group 2016	Group 2015	Company 2016	Company 2015
Revenue	26	6,298,769	6,848,491	6,228,002	6,773,635
Cost of sales		(5,445,408)	(6,048,447)	(5,376,764)	(5,975,837)
Gross profit	26	853,361	800,044	851,238	797,798
Other operating income	27	134,192	119,151	134,192	119,151
Administrative expenses		(318,502)	(369,572)	(315,960)	(367,487)
Operating profit	28	669,051	549,623	669,470	549,462
Finance income	29	16,944	14,601	16,925	14,556
Finance cost	29	(95,759)	(100,475)	(95,759)	(100,475)
Net finance costs		(78,815)	(85,874)	(78,834)	(85,919)
Profit before income tax		590,236	463,749	590,636	463,543
Income tax expense	30	(72,486)	(73,002)	(72,415)	(72,978)
Profit for the year		517,750	390,747	518,221	390,565
Earnings per share - Basic (Rs)	31	2.19	1.65	2.19	1.65

Statements of comprehensive income

In Rs.'000s Year ended 31 March	Notes	Group 2016	Group 2015	Company 2016	Company 2015
Profit for the year		517,750	390,747	518,221	390,565
Other comprehensive income					
Items that may not be subsequentlyreclassified to profit or loss					
Available for sale investment	13	10,763	-	10,763	-
Actuarial gain on gratuity	21	102,714	19,854	102,714	19,854
Tax on actuarial gain on gratuity	30	(15,585)	(3,022)	(15,585)	(3,022)
Total other comprehensive income for the year (net of tax)		97,892	16,832	97,892	16,832
Total comprehensive income for the year		615,642	407,579	616,113	407,397
Total comprehensive income attributable to :					
- Equity holders of the Company		615,642	407,579	616,113	407,397
Total comprehensive income for the year		615,642	407,579	616,113	407,397

Statement of changes in equity - Group

In Rs.'000s	Stated capital	Retained earnings	Total equity
Balance at 1 April 2014	460,000	3,758,328	4,218,328
Net profit for the year	-	390,747	390,747
Actuarial gain on gratuity	-	19,854	19,854
Tax on actuarial gain on gratuity	-	(3,022)	(3,022)
Total comprehensive income for the year	-	407,579	407,579
Transactions with owners of the Company, recognised directly in equity			
Dividends paid for the year ended 31 March 2014	-	(118,333)	(118,333)
Interim dividends paid for the year ended 31 March 2015	-	(224,833)	(224,833)
Total transactions with owners	-	(343,166)	(343,166)
Balance at 31 March 2015	460,000	3,822,741	4,282,741
Balance at 1 April 2015	460,000	3,822,741	4,282,741
Net profit for the year	-	517,750	517,750
Available for sale investment	-	10,763	10,763
Actuarial gain on gratuity	-	102,714	102,714
Tax on actuarial gain on gratuity	-	(15,585)	(15,585)
Total comprehensive income for the year		615,642	615,642
Transactions with owners of the Company, recognised directly in equity			
Dividends paid for the year ended 31 March 2015	-	(118,333)	(118,333)
Total transactions with owners		(118,333)	(118,333)
Balance at 31 March 2016	460,000	4,320,050	4,780,050

Statement of changes in equity - Company

In Rs.'000s	Stated capital	Retained earnings	Total equity
Balance at 1 April 2014	460,000	3,758,398	4,218,398
Net profit for the year	-	390,565	390,565
Actuarial gain on gratuity	-	19,854	19,854
Tax on actuarial gain on gratuity	-	(3,022)	(3,022)
Total comprehensive income for the year	-	407,397	407,397
Transactions with owners of the Company, recognised directly in equity			
Dividends paid for the year ended 31 March 2014	-	(118,333)	(118,333)
Interim dividends paid for the year ended 31 March 2015	-	(224,833)	(224,833)
Total transactions with owners	-	(343,166)	(343,166)
Balance at 31 March 2015	460,000	3,822,629	4,282,629
Balance at 1 April 2015	460,000	3,822,629	4,282,629
Net profit for the year	-	518,221	518,221
Available for sale investment	-	10,763	10,763
Actuarial gain on gratuity	-	102,714	102,714
Tax on actuarial gain on gratuity	-	(15,585)	(15,585)
Total comprehensive income for the year		616,113	616,113
Transactions with owners of the Company, recognised directly in equity			
Dividends paid for the year ended 31 March 2015	-	(118,333)	(118,333)
Total transactions with owners		(118,333)	(118,333)
Balance at 31 March 2016	460,000	4,320,409	4,780,409

Statements of cash flow

In Rs.'000s	Notes	Group		Company	
Year ended 31 March		2016	2015	2016	2015
Cash flows from operating activities					
Cash generated from operations	35	1,012,402	1,234,761	1,000,231	1,233,416
Interest paid	29	(95,759)	(100,475)	(95,759)	(100,475)
Tax paid	25	(264)	(4,440)	(323)	(4,440)
Retirement benefit obligations paid	21	(98,285)	(94,287)	(98,285)	(94,287)
Interest received	29	16,944	14,601	16,925	14,556
Net cash generated from operating activities		835,038	1,050,160	822,789	1,048,770
Cash flows from investing activities					
Field development expenditure	9	(209,025)	(362,483)	(209,025)	(362,483)
Purchase of property, plant and equipment	8	(80,362)	(232,664)	(80,362)	(232,664)
Proceeds from sale of property, plant and equipment		20,079	12,682	20,079	12,682
Proceeds from sale of consumable biological assets		29,251	73,243	29,251	73,243
Re-investment / investment in gratuity fund	11	(14,107)	(20,262)	(14,107)	(20,262)
Purchase of shares in related company	13	-	(10,882)	-	(10,882)
Net cash used in investing activities		(254,164)	(540,366)	(254,164)	(540,366)
Cash flows from financing activities					
Dividends paid	32	(118,333)	(343,166)	(118,333)	(343,166)
Proceeds from borrowings	19.1	340,657	249,579	340,657	249,579
Repayment of borrowings	19.1	(77,529)	(493,231)	(77,529)	(493,231)
Repayment of lease principal		(5,980)	(5,750)	(5,980)	(5,750)
Net cash generated / (used) from financing activities		138,815	(592,568)	138,815	(592,568)
Increase / (decrease) in cash and cash equivalents		719,689	(82,774)	707,440	(84,164)
Movement in cash and cash equivalents					
At the beginning of year		(62,020)	20,754	(66,219)	17,945
Increase / (decrease) for the year		719,689	(82,774)	707,440	(84,164)
At end of year	17	657,669	(62,020)	641,221	(66,219)

Notes to the financial statements

Note 01 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 Maratha, 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 2016 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 2016.

Note 02 Basis of preparation and adoption of Sri Lanka Accounting Standards ('SLFRS')

The financial statements of the Company and the Group have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS), 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, liabilities and certain biological assets which are measured at fair value

2.1 Changes in accounting policies and disclosures

(a) New accounting standards, amendments and interpretations adopted in 2015.

The following standards have been adopted by the Company and the Group for the first time with effect from financial year beginning on 1 April 2015.

(i) Amendment to LKAS 1 'Financial Statement Presentation', regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'Other Comprehensive Income' (OCI) on the basis of whether they are potentially re classifiable to profit or loss subsequently (reclassification adjustments).

(ii) SLFRS 13 - Fair value measurement, confirms that short-term receivables and payables can continue to be measured at invoice amounts if the impact of discounting is immaterial. SLFRS 13 also clarifies that the portfolio exception in the standard (measuring the fair value of a group of financial assets and financial liabilities on a net basis) applies to all contracts within the scope of LKAS 39 ' Financial Instruments: Recognition and Measurement'.

(vi) LKAS 24 - where an entity receives management personnel services from a third party (a management entity), the fees paid for those services must be disclosed by the reporting entity, but the compensation paid by the management entity to its employees or directors.

(b) New accounting standards, amendments and interpretations issued but not yet adopted.

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the financial statements of the Company and the Group, except as set out below:

(i) SLFRS 9 'Financial Instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of SLFRS 9 was issued in July 2014. It replaces the guidance in LKAS 39 that relates to the classification and measurement of financial instruments. SLFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories

*Note 02 **Basis of preparation and adoption of Sri Lanka Accounting Standards ('SLFRS')** (Contd).*

for financial assets: amortised cost, fair value through OCI and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in LKAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under LKAS 39. The standard is effective for accounting periods beginning on or after 1 April 2018. Early adoption is permitted. The Company and the Group is yet to assess the full impact of SLFRS 9.

(ii) SLFRS 15, 'Revenue from Contracts with Customers', deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces LKAS 18 and LKAS 11 and related interpretations. This standard will be effective for annual periods beginning on or after 1 April 2018 and earlier application is permitted.

(iii) LKAS 41 Agriculture now distinguishes between bearer plants and other biological asset. Bearer plants must be accounted for as property plant and equipment and measured either at cost or revalued amounts, less accumulated depreciation and impairment losses. A bearer plant is defined as a living plant that:

- is used in the production or supply of agricultural produce
- is expected to bear produce for more than one period, and
- has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.

Agricultural produce growing on bearer plants remains within the scope of LKAS 41 and is measured at fair value less costs to sell with changes recognised in profit or loss produce grows. The amendments is effective for annual periods beginning on or after 1 January 2016.

There are no other standards or IFRIC interpretations that are not yet effective that would be expected to have a material impact to the Company and the Group.

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.

Note 02 Basis of preparation and adoption of Sri Lanka Accounting Standards ('SLFRS') (Contd).

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 balance sheet presented are translated at the closing rate at the date of the statement 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 includes 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. 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

*Note 02 **Basis of preparation and adoption of Sri Lanka Accounting Standards ('SLFRS')** (Contd).*

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 discontinued.

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

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

	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	15	-
-Coconut	33	-

2.6 Biological assets

Biological assets are classified as bearer biological assets and consumable biological assets. Consumable biological 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 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 recognise 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

Note 02 Basis of preparation and adoption of Sri Lanka Accounting Standards ('SLFRS') (Contd).

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 that are managed by the group 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 include all costs that would be necessary to sell the assets, including transportation costs if any. The fair value of trees younger than 5 years cannot be reliably estimated and are carried at cost less impairment. The cost include direct material, direct labour and appropriate proportion of directly attributable overheads.

Gains or losses arising on initial recognition of timber plantation at fair values 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 cost 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 than 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 cost 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

2.8.1 Classification

The Company and 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 assets classified as fair value through profit or loss and held to maturity.

a) 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 (notes 2.12 and 2.13). Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non current.

*Note 02 **Basis of preparation and adoption of Sri Lanka Accounting Standards ('SLFRS')** (Contd).*

b) Available-for-sale financial assets

AFS financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within twelve (12) months from the end of the reporting period.

2.8.2 Recognition and initial measurement

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Company and the Group commit to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. AFS financial assets are subsequently carried at fair value unless they are equity investments in non quoted private entities which are carried at cost. 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 Company and 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 income statement.

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 income statement.

Assets classified as available-for-sale financial assets

The Company and the Group assess at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For equity securities classified as AFS, in addition to the criteria for 'Assets carried at amortised cost' above, a significant or prolonged decline in the fair value of the security below its cost is also considered as an indicator that the assets are impaired. If any such evidence exists for AFS financial assets, the cumulative loss that had been recognised directly in equity is removed from equity and recognised in the statement of comprehensive income. The amount of cumulative loss that is reclassified to the statement of comprehensive income is the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on equity instruments classified as AFS are not reversed through the statement of comprehensive income.

2.11 Inventories

(i) Produce stock

The Group has valued unsold produce stock (tea, rubber, palm

Note 02 Basis of preparation and adoption of Sri Lanka Accounting Standards ('SLFRS') (Contd).

oil) at since realised prices. The Group takes into consideration of the most recent selling prices available subsequent to the year end in estimating the since realised price for valuing the unsold produce stock as at the date of the financial position.

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

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

(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.

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 dividends 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 profit or loss 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 recognised in the profit or loss 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 recognised in the profit or loss 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.

Note 02 Basis of preparation and adoption of Sri Lanka Accounting Standards ('SLFRS') (Contd).

2.19 Current income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, 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 operates and 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 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 recognised in the statement of financial position in respect of defined benefit plans is the present value of the defined benefit obligation at the statement of financial position date, together with adjustments for unrecognised 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 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 recognised immediately in the profit or loss, 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

Note 02 Basis of preparation and adoption of Sri Lanka Accounting Standards ('SLFRS') (Contd).

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 partially 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 other 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 other income 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 and sale. 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 recognised 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.

Note 02 Basis of preparation and adoption of Sri Lanka Accounting Standards ('SLFRS') (Contd).

(ii) Interest income

Interest income is recognised using the effective interest method. Interest income on impaired loans 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 38.

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.

Note 03 Segment information

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
(iv) Exports

Measurement of segment assets, liabilities, segment revenue and results are 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 Note 26 to the financial statements.

Note 04 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 risks

(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	2016	2015
Rate of exchange LKR per 1 USD	143.90	132.90

Note 04 Financial risk management (Contd).

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 2016, if the USD had strengthened/weakened 1% against the financial year with all other variables held constant, profit after tax would have been Rs 5,383,600 higher/lower, mainly as a result of foreign exchange gain/loss on transaction of US dollar-denominated sales.

(ii) Interest rate risk

The Group's interest rate risk arises mainly 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 price 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 assess the credit quality of the customers taking into account its financial position, past performance and other factors. Credit limits are set and the utilisation of credit limits is regularly monitored. The credit quality of financial assets are disclosed in note 14.

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.

In Rs.'000s At 31 March 2016	Note	Within one year	2-3 years	4-5 years	More than 5 years	Total
Financial Liabilities						
Leasehold rights	20	20,320	40,640	40,640	487,680	589,280
Borrowings	19	148,791	186,580	186,580	15,541	537,492
Trade and other payables (excluding statutory liabilities)		610,617	-	-	-	610,617
		779,728	227,220	227,220	503,221	1,737,389
Financial Assets						
Trade and other receivables	16	341,974	-	-	-	341,974
Investment in others	13	-	-	-	21,645	21,645
Cash and cash equivalents	17	694,775	-	-	-	694,775
Gratuity investments	11	-	-	-	234,369	234,369
		1,036,749	-	-	256,014	1,292,763

4.1.4 Capital risk management

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 the 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 statement of financial position plus net debt.

Note 04 ***Financial risk management*** *(Contd).*

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

In Rs.'000s	Note	Group		Company	
As at 31 March		2016	2015	2016	2015
Total borrowings	19 & 20	880,248	720,045	880,248	720,045
Less: cash and cash equivalents	17	694,775	72,031	678,327	67,832
Net debt		185,473	648,014	201,921	652,213
Total equity		4,780,050	4,282,741	4,780,409	4,282,629
Total capital		4,965,523	4,930,755	4,982,330	4,934,842
Gearing ratio		3.7%	13.1%	4.1%	13.2%

Note 05 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 Company 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 Company 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 and are disclosed in note 21.

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 requires 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

Note 05 Critical accounting estimates and judgments (Contd).

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 relates 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.

Note 06 Leasehold right to land of JEDB / SLSPC estates - Group and Company

In Rs. '000s	Group and Company 2016	2015
Cost		
As at 1 April	372,840	372,840
Accumulated amortisation		
As at 1 April	160,297	153,262
Amortization for the year	7,035	7,035
As at March	167,332	160,297
Carrying value As at 31 March	205,508	212,543

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 Recommended Practice 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 19 December 2012. Corresponding liability is shown as a lease payable to JEDB/SLSPC.

Note 07 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 2015	3,340	3,305	406,633	484	3,838	93,279	1,540	32,506	544,925
As at 31 March 2016	3,340	3,305	406,633	484	3,838	93,279	1,540	32,506	544,925
Accumulated amortization									
As at 1 April 2015	2,528	1,021	276,148	267	3,838	85,044	1,540	32,506	402,892
Amortisation for the year	111	44	13,541	11	-	3,752	-	-	17,459
As at 31 March 2016	2,639	1,065	289,689	278	3,838	88,796	1,540	32,506	420,351
Carrying value									
As at 31 March 2015	812	2,284	130,485	217	-	8,235	-	-	142,033
As at 31 March 2016	701	2,240	116,944	206	-	4,483	-	-	124,574

Note 07 *Immovable estate assets on leasehold rights (other than land) - Group and Company* (Contd).

(a) Assets in estates that are held under leasehold right to use have been taken in to 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.

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

Note 08 Property, Plant and Equipment - Group and 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 2014	850,385	25,010	333,662	1,293,640	137,009	18,560	38,131	170,708	2,867,105
Additions	50,467	7,873	12,177	143,069	10,618	2,041	809	5,610	232,664
Disposals	-	-	(18,506)	-	-	-	-	-	(18,506)
As at 31 March 2015	900,852	32,883	327,333	1,436,709	147,627	20,601	38,940	176,318	3,081,263
Additions	11,394	20,512	14,635	24,991	2,980	795	101	4,954	80,362
Transfers	3,917	(8,687)	-	4,549	221	-	-	-	-
Disposals	-	-	(40,065)	-	-	-	-	-	(40,065)
As at 31 March 2016	916,163	44,708	301,903	1,466,249	150,828	21,396	39,041	181,272	3,121,560
Accumulated depreciation									
As at 1 April 2014	126,433	-	185,347	528,770	105,510	10,334	29,207	40,879	1,026,480
Charge for the year	21,396	-	35,059	80,813	5,939	3,201	1,421	3,715	151,544
Disposals	-	-	(18,506)	-	-	-	-	-	(18,506)
As at 31 March 2015	147,829	-	201,900	609,583	111,449	13,535	30,628	44,594	1,159,518
Charge for the year	23,622	-	34,119	88,995	6,052	2,316	1,371	3,793	160,268
Disposals	-	-	(33,680)	-	-	-	-	-	(33,680)
As at 31 March 2016	171,451	-	202,339	698,578	117,501	15,851	31,999	48,387	1,286,106
Carrying value									
As at 31 March 2015	753,023	32,883	125,433	827,126	36,178	7,066	8,312	131,724	1,921,745
As at 31 March 2016	744,712	44,708	99,564	767,671	33,327	5,545	7,042	132,885	1,835,454

(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 still in use as at 31 March 2016 amounts to Rs 810,451,962 (2015 - Rs. 590,592,917).

(iii) Depreciation expense of Rs 138,903,941 (2015 - Rs. 127,379,120) has been charged in cost of goods sold and Rs. 21,363,210 (2015 - Rs. 24,164,880) in administrative expenses.

Note 09 Biological assets - Group and Company

9.1 Biological assets - bearer - Group and Company

In Rs.'000'	Nurseries	Immature plantations	Mature plantations	Total
Cost				
As at 1 April 2014	17,167	704,162	2,339,564	3,060,893
Additions	14,753	321,603	-	336,356
Transfers	-	(424,854)	424,854	-
As at 31 March 2015	31,920	600,911	2,764,418	3,397,249
Additions	1,580	181,835	-	183,415
Transfers				
Nurseries to Immature plantations	(20,053)	20,053	-	-
Immature plantations to Mature plantations	-	(325,698)	325,698	-
As at 31 March 2016	13,447	477,101	3,090,116	3,580,664
Accumulated depreciation				
As at 1 April 2014	-	-	(542,329)	(542,329)
Charge for the year	-	-	(111,890)	(111,890)
As at 31 March 2015	-	-	(654,219)	(654,219)
Charge for the year	-	-	(131,820)	(131,820)
As at 31 March 2016	-	-	(786,039)	(786,039)
Carrying value				
As at 31 March 2015	31,920	600,911	2,110,199	2,743,030
As at 31 March 2016	13,447	477,101	2,304,077	2,794,625

(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 and 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.'000'	Nurseries	Immature plantations	Mature plantations	Total
Cost				
As at 1 April 2014	2,467	65,540	507,937	575,944
Additions	-	21,322	-	21,322
Transfers	-	(2,412)	2,412	-
Decrease due to harvest / disposals	-	-	(36,947)	(36,947)
Gain arising from changes in fair value less cost to sell	-	-	6,648	6,648
As at 31 March 2015	2,467	84,450	480,050	566,967
Additions	13,982	11,628	-	25,610
Transfers				
Nurseries to Immature plantations	(14,955)	14,955	-	-
Immature plantations to Mature plantations	-	(22,405)	22,405	-
Decrease due to harvest / disposals	-	-	(13,073)	(13,073)
Gain arising from changes in fair value less cost to sell	-	-	29,491	29,491
As at 31 March 2016	1,494	88,628	518,873	608,995

Note 09 ***Biological assets - Group and Company** (Contd).*

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 13.5% (2015 - 12.5%)
- Maturity for harvesting - 25 years (2015 - 25 years)
- Number of trees valued - 77,683

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)

In Rs. '000's	Year	+10% Increase	Value as stands	-10% Decrease
	2016	669,894	608,995	548,095

Sensitivity variation discount rate (using 1.0% variation)

Simulations made for the timber show that a rise or decrease by 1% of the discount rate has the following effect on the net present value of biological assets:

In Rs. '000's	Year	+1% Increase	Value as stands	-1% Decrease
	2016	633,350	608,995	587,102

Note 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.

In Rs.'000'	Group and Company	
	2016	**2015**
As at 1 April	40,256	45,061
Increase due to purchases	788	120
Increase due to birth	488	-
Decrease due to sales	(5,390)	(3,690)
Decrease due to deaths	(1,910)	(1,235)
Change in fair value less cost to sell	(6,697)	-
As at 31 March	27,535	40,256

As at 31 March 2016 livestock comprised 171 cattle (2015: 186 cattle). During the year Company sold 47 cattle (2015: 13 cattle).

Note 11 Gratuity investments

In Rs.'000'	Group and Company	
	2016	**2015**
As at 1 April	220,262	200,000
Investment made during the year	-	-
Reinvestment of income	14,107	20,262
As at 31 March	234,369	220,262

As at the date of the financial reporting, the Company has set-aside Rs. 234,369,000/- in the form of an investment fund in order to cover up part of the future liabilities towards the retirement benefit obligations. The management of fund is assigned to Guardian Fund Management Limited.

The average yield for the year was 6.04% (2015 -10.13%).

Note 12 Investments in subsidiary

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

In Rs.'000'	Company	
	2016	2015
Opening balance	852	852
Closing balance	852	852

Note 13 Investment in others

In Rs.'000s		Group and Company	
		2016	2015
At 1 April		10,882	-
Investment made during the year-			
Sunshine Power (Pvt) Ltd	a	-	10,882
Unit Energy Lanka (Pvt) Ltd	b	10,763	-
As at 31 March		21,645	10,882

a. *Represent 2.51% of investment in Sunshine Power (Private) Limited which is classified as available for sale.*

b. *Represent 5% of investment in Unit Energy Lanka (Pvt) Limited which is classified as available for sale.*

Investment in others represents non quoted equity investments that are carried at cost.

Note 14 Financial instruments by category

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

In Rs.'000s	Noes	Group		Company	
As at 31 March		2016	2015	2016	2015
Assets as per statement of financial position					
Loan and receivables					
Trade and other receivable excluding pre-payments	16	341,974	347,850	341,886	344,757
Cash and cash equivalents	17	694,775	72,031	678,327	67,832
Gratuity investment	11	234,369	220,262	234,369	220,262
Total Loan and receivables		1,271,118	640,143	1,254,582	632,851
Available-for-sale financial assets					
Non-current financial assets	13	21,645	10,882	21,645	10,882
Total financial assets		1,292,763	651,025	1,276,227	643,733

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

In Rs.'000s	Noes	Group		Company	
As at 31 March		2016	2015	2016	2015
Liabilities as per statement of financial position					
Other financial liabilities at amortised cost					
Borrowings (excluding finance lease liability)	19	537,492	371,135	537,492	371,135
Finance lease liabilities		-	174	-	174
Leasehold rights	20	342,756	348,736	342,756	348,736
Trade and other payables excluding non financial liabilities	24	610,617	671,541	594,618	665,127
Total financial liabilities		1,490,865	1,391,586	1,474,866	1,385,172

Note 14 Financial instruments by category (Contd).

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:

(i) Cash at bank and short- term bank deposits

In Rs.'000s	Rating	Group		Company	
As at 31 March		**2016**	**2015**	**2016**	**2,015**
Cash at bank					
MCB Bank	BBB-	3,717	-	3,717	-
Public Bank Berhad	AAA	216	216	216	216
Hong Kong and Shanghai Banking Corporation	AAA	-	13,734		13,734
Peoples Bank PLC	AA	9,109	4,125	9,109	4,125
Sampath Bank PLC	AA-	480	480	480	480
ICICI Bank Limited	BBB-	765	-	765	-
Hatton National Bank PLC	AA-	57,202	8,772	57,202	8,772
Citi Bank, N.A.	AAA	2,138	5	2,138	5
Commercial Bank of Ceylon PLC	AA	5,635	4,612	5,635	4,612
Bank of Ceylon	AA+	137	209	137	209
Nation Trust Bank PLC	A	4,689	-	4,689	-
Standard Chartered Bank	AAA	82	82	82	82
Amana Bank	BB	439	55	439	55
		84,609	32,290	84,609	32,290
Counterparties without external credit rating and cash in hand		17,360	6,803	912	2,604
Short-term deposits/investments					
Investment in Unit Trust (Note 17)		562,804	-	562,804	-
Hatton National Bank PLC	AA-	27,103	32,938	27,103	32,938
Commercial Bank of Ceylon PLC	AA	2,899	-	2,899	-
		694,775	72,031	678,327	67,832

(ii) Trade receivable

In Rs.'000s	Group		Company	
As at 31 March	**2016**	**2015**	**2016**	**2015**
Existing customers with no default history	85,296	160,372	85,208	157,279
	85,296	160,372	85,208	157,279

The age analysis of the past due but not impaired trade receivables are as follows;

In Rs.'000s	Group		Company	
As at 31 March	**2016**	**2015**	**2016**	**2015**
Up to 3 months	85,296	160,372	85,208	157,279
	85,296	160,372	85,208	157,279

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.

Note 14 ***Financial instruments by category*** *(Contd).*

Fair Value Hierarchy - Group and Company

In Rs.'000s	Level 1	Level 2	Level 3	Total
At 31 March 2016				
Biological assets - consumable	-	608,995	-	608,995
Biological assets - Livestock	-	27,535	-	27,535
	-	636,530	-	636,530
At 31 March 2015				
Biological assets - consumable	-	566,967		566,967
Biological assets - Livestock	-	40,256		40,256
	-	607,223	-	607,223

There are no movement between fair value hierarchies during the year. The details of biological assets are given in notes 9 and 10.

Note 15 Inventories

In Rs.'000'	Group and Company	
As at 31 March	**2016**	**2015**
Harvested crops	388,775	508,034
Export general stocks	103,585	81,957
Raw materials, spares and consumables	145,413	103,095
	637,773	693,086

The cost of inventory included in the cost of sales for the year amounted to Rs. 388,775,000 (2015-Rs.502,109,477).

Note 16 Trade and other receivables

In Rs.'000'	Notes	Group		Company	
31 March		**2016**	**2015**	**2016**	**2015**
Trade receivables		85,296	160,372	85,208	157,279
Due from related companies	36 (iii)	74,992	79,125	74,992	79,125
Employee advances		77,406	54,522	77,406	54,522
Deposits and Prepayments		20,443	14,924	20,443	14,924
Other receivables		83,837	38,907	83,837	38,907
		341,974	347,850	341,886	344,757
Classified as financial assets, loans and receivables (other than cash and cash equivalents)		341,974	347,850	341,886	344,757
Taxes recoverable-net		111,945	99,900	111,945	99,900
Advances paid to suppliers		25,970	34,753	25,970	34,753
Advance paid on importation of goods		81,065	8,738	81,065	8,738
Non-financial assets		218,980	143,391	218,980	143,391
Total trade and other receivables		560,954	491,241	560,866	488,148

(i) Taxes receivable includes Advance Company Tax of Rs. 31,359,166 (2015 - Rs. 36,359,166), Value Added Tax of Rs. 77,900,563 (2015 - Rs. 52,923,609) and Economic Service Charge of Rs. 28,582,322 (2015 - Rs 33,408,479).

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

Note 17 Cash and cash equivalents

In Rs.'000'	Group		Company	
31 March	**2016**	**2015**	**2016**	**2015**
Cash at bank - local currency	21,630	15,281	21,630	11,082
Cash at bank - foreign currency	61,186	21,250	61,186	21,250
Cash in hand - local currency	17,163	2,293	715	2,293
Cash in hand - foreign currency	197	269	197	269
Short term bank deposits	30,002	32,938	30,002	32,938
Investment in Unit Trust	564,597	-	564,597	-
	694,775	72,031	678,327	67,832

The Company has invested in Unit Trust namely Guardian Acuity Asset Management Limited, Capital Alliance Investments Limited and Hatton National Bank PLC amounting to Rs.236,058,440, Rs.326,745,639 and Rs.1,792,745 respectively.

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

In Rs.'000'	Notes	Group		Company	
31 March		**2016**	**2015**	**2016**	**2015**
Bank overdrafts	19.6	(37,106)	(134,051)	(37,106)	(134,051)
Cash and bank balance		694,775	72,031	678,327	67,832
		657,669	(62,020)	641,221	(66,219)

The average interest yield on short term deposits was 6.4% (2015 - 4.5%).

Note 18 Stated capital

In Rs.'000'		Group and Company	
As at 31 March		**2016**	**2015**
Issued and fully paid			
236,666,671 ordinary shares and 1 golden share	As at 1 April	460,000	460,000
	As at 31 March	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 a detailed quarterly accounts report 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.

Note 19 Borrowings

19.1 Movement of borrowings during the year:

In Rs.'000' As at 31 March	Notes	Leases	Bank overdrafts	Packing credit	Tea Board	Term loan	Group and Company 2016 Total	Group and Company 2015 Total
As at 1 April		174	134,051	-	-	237,084	371,309	480,910
Obtained during the year		-	-	-	30,657	310,000	340,657	249,579
Repaid during the year		(174)	-	-	(12,262)	(65,093)	(77,529)	(493,231)
Bank overdrafts	19.6		(96,945)	-	-	-	(96,945)	134,051
As at 31 March		-	37,106	-	18,395	481,991	537,492	371,309

Tea board has granted a loan to be paid to associates as a salary advance, which will be recovered within a period of 10 months. This is an intrest free loan.

19.2 Analysis of borrowings by year of repayment

In Rs.'000' As at 31 March	Notes	Group and Company 2016	Group and Company 2015
Repayable within one year			
Term loans	19.4	93,250	49,584
Other assets obtained on leases	19.5	-	174
Tea Board		18,395	-
Bank overdrafts	19.6	37,106	134,051
		148,751	183,809
Repayable after one year			
Term loans	19.4	388,741	187,500
		388,741	187,500
Total borrowings		537,492	371,309

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

Group and company In Rs. '000's	Notes	Within one year	2-3 years	4-5 years	More than 5 years	Total
		Analysis of borrowings based on the repayment schedule				
Term loan	19.4	93,290	186,580	186,580	15,541	481,991
Tea board loan		18,395	-	-	-	18,395
Bank overdraft	19.6	37,106	-	-	-	37,106
As at 31 March 2016		148,791	186,580	186,580	15,541	537,492
As at 31 March 2015		183,809	31,250	93,750	62,500	371,309

19.4. Term loans - Group and Company

	Notes	Outstanding liability: Repayable within one year	Outstanding liability: Repayable after one year	Outstanding liability: Balance as at 31 March 2016	Outstanding liability: Repayable within one year	Outstanding liability: Repayable after one year	Outstanding liability: Balance as at 31 March 2015	Security
Hatton National Bank PLC	19.4.1	31,250	156,250	187,500	31,250	187,500	218,750	Unsecured
ICICI Bank Limited	19.4.2	-	-	-	18,334	-	18,334	Unsecured
Seylan Bank PLC	19.4.3	62,000	232,491	294,491	-	-	-	Unsecured
		93,250	388,741	481,991	49,584	187,500	237,084	

19.4.1 Hatton National Bank PLC
In Rs.'000s
Purpose
To finance re-planting of plantation

				Outstanding liability 2015 / 2016			Outstanding liability 2014 / 2015			
Year	Loan number	Original amount	Interest rate % p.a.	Repayable within one year	Repayable after one year	Balance as at 31 March 2016	Repayable within one year	Repayable after one year	Balance as at 31 March 2015	Repayment terms
2014		250,000	AWPLR + 0.5%	31,250	156,250	187,500	31,250	187,500	218,750	96 equal monthly instalments commencing from April 2014
Sub total		250,000		31,250	156,250	187,500	31,250	187,500	218,750	

19.4.2 ICICI Bank Limited
In Rs.'000s
Purpose
For purchase of fixed assets in factories

				Outstanding liability 2015 / 2016			Outstanding liability 2014 / 2015			
Year	Loan number	Original amount	Interest rate % p.a.	Repayable within one year	Repayable after one year	Balance as at 31 March 2016	Repayable within one year	Repayable after one year	Balance as at 31 March 2015	Repayment terms
2011	180	50,000	SLIBOR + 1% 1 year	-	-	-	9,167	-	9,167	60 equal monthly instalments commencing from March 2011
2011	181	50,000	SLIBOR + 1% 2 to 5 years	-	-	-	9,167	-	9,167	60 equal monthly instalments commencing from March 2011
Sub total		100,000		-	-	-	18,334	-	18,334	

19.4.3 Seylan Bank Plc
In Rs.'000s
Purpose
Working capital/factory development

				2015 / 2016			2014 / 2015			
Year	Loan number	Original amount	Interest rate % p.a.	Repayable within one year	Repayable after one year	Balance as at 31 March 2016	Repayable within one year	Repayable after one year	Balance as at 31 March 2015	Repayment terms
2016		310,000	AWPLR - 0.5% (1-2 years)	62,000	234,491	294,491	-	-	-	60 equal monthly instalments commencing from Dec 2015
Sub total		310,000		62,000	234,491	294,491	-	-	-	

Note 19 Borrowings (Contd).

19.5 Obligation on other assets obtained on lease

In Rs.'000s			Total	
As at 31 March	Current	Non-current	2016	2015
Hatton National Bank PLC				
Finance lease liabilities - minimum lease payments	-	-	-	174
Present value of finance lease liabilities	-	-	-	174
Total	-	-	-	174

19.6 Overdrafts

Nature of liability outstanding

As at 31 March	2016	2015	Security
Hatton National Bank PLC	27,901	46,397	Unsecured
Commercial Bank of Ceylon PLC	2,360	15,746	Unsecured
Citi Bank, N.A.	-	13,139	Unsecured
ICICI Bank Limited	-	2,790	Unsecured
Nation Trust Bank	-	54,734	Unsecured
Seylan Bank Limited	6,845	1,245	Unsecured
	37,106	134,051	

Note 20 Leasehold rights obtained from SLSPC and JEDB

In Rs.'000s	Group and Company			
As at 31 March	2016		2015	
	Current	Non-current	Current	Non-current
Gross liability	20,320	603,140	20,320	603,620
Less: Interest in suspense	(13,860)	(266,844)	(14,110)	(261,094)
Net liability to lessor	6,460	336,296	6,210	342,526

Leasehold rights can be analysed as follows:

In Rs.'000s	Total	1- 2 years	2 - 5 years	More than 5 years
As at 31 March 2016	342,756	6,460	20,980	315,316
As at 31 March 2015	348,736	6,210	20,170	322,356

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.

Note 21 Retirement benefit obligations

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

In Rs. '000's As at 31 March	Notes	Group and Company 2016	2015
Present value of obligation			
Covered by investments	11	234,369	220,262
Not covered by investments		742,270	784,923
Liability in the statement of financial position		976,639	1,005,185

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

In Rs. '000's As at 31 March	Notes	Group and Company 2016	2015
As at 1 April		1,005,185	949,697
Current service cost		61,882	65,160
Interest cost		110,571	104,469
Actuarial gain		(102,714)	(19,854)
Benefits paid		(98,285)	(94,287)
At 31 March		976,639	1,005,185

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

In Rs. '000's As at 31 March	Notes	Group and Company 2016	2015
Current service cost		61,882	65,160
Interest cost		110,571	104,469
Total included in the staff cost	28.2	172,453	169,629
Actuarial gain recognised in the statement of other comprehensive income		(102,714)	(19,854)
Total recognised in the comprehensive income		69,739	149,775

An actuarial valuation for defined benefit obligation was carried out as at 31 March 2016 by Mr.M.Poopalanathan, of Messrs Actuarial and Management Consultants (Private) Limited, 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	11 % p.a. (2015 - 11%)
(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.	
(v) No of employees 10,678 (2015 - 11,404)	

Note 21 *Retirement benefit obligations (Contd).*

Sensitivity analysis

In order to illustrate the significance of the salary /wage escalation rate and the discount rate assumed in this valuation as at 31 March 2016, a sensitivity analysis was carried out for all employees assuming the following salary/wage escalation rate and discount rate.

In Rs. '000's

Discount rate	Salary / wage escalation rate	Present value of defined benefit obligation	
		Staff	Workers
One percentage point increase	As given above	105,306	791,453
One percentage point decrease	As given above	121,645	947,498
As given above	One percentage point increase	122,285	904,645
As given above	One percentage point decrease	104,640	825,083

Note 22 Deferred income and capital grants

In Rs. '000's	Group and Company	
As at 31 March	2016	2015
Capital grants		
As at 1 April	213,610	223,803
Less: Amortised during the year	(10,041)	(10,193)
As at 31 March	203,569	213,610

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.

Note 23 Deferred income tax

In Rs. '000's	Note	Group		Company	
As at 31 March		2016	2015	2016	2015
As at 1 April		206,954	144,930	207,040	145,040
Recognised in income statement	30	44,466	59,002	44,415	58,978
Recognised in other comprehensive income	30	15,585	3,022	15,585	3,022
As at 31 March		267,005	206,954	267,040	207,040

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.

Note 23 Deferred income tax (Contd).

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

Deferred income tax - Group

In Rs. '000's	2016			2015		
	Deferred tax assets	Deferred tax liability	Net deferred tax	Deferred tax assets	Deferred tax liability	Net deferred tax
Property plant and equipment	-	(149,075)	(149,075)	-	(88,832)	(88,832)
Biological assets - bearer	-	(347,710)	(347,710)	-	(341,504)	(341,504)
Biological assets - consumable	-	(3,067)	(3,067)	-	(48,050)	(48,050)
Retirement benefit obligations	148,382	-	148,382	152,827	-	152,827
Capital grants	56,638	-	56,638	59,811	-	59,811
Tax losses carried forward	27,827	-	27,827	58,794	-	58,794
Asset / (liability) as at 31 March	232,847	(499,852)	(267,005)	271,432	(478,386)	(206,954)

Deferred income tax - Company

In Rs. '000's	2016			2015		
	Deferred tax asset	Deferred tax liability	Net deferred tax	Deferred tax asset	Deferred tax liability	Net deferred tax
Property plant and equipment	-	(149,110)	(149,110)	-	(88,918)	(88,918)
Bearer biological assets	-	(347,710)	(347,710)	-	(341,504)	(341,504)
Consumable biological assets	-	(3,067)	(3,067)	-	(48,050)	(48,050)
Retirement benefit obligations	148,382	-	148,382	152,827	-	152,827
Capital grants	56,638	-	56,638	59,811	-	59,811
Tax losses carried forward	27,827	-	27,827	58,794	-	58,794
Asset / (liability) as at 31 March	232,847	(499,887)	(267,040)	271,432	(478,472)	(207,040)

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) Exports bulk tea - 28%
(iii) Exports value added tea - 10%
(iv) Other - 28%

Note 24 Trade and other payables

In Rs. '000's As at 31 March	Notes	Group 2016	Group 2015	Company 2016	Company 2015
Trade payables		150,559	160,064	134,562	153,650
Due to related companies	36 (iv)	1,544	-	1,544	-
Employee related dues		141,228	178,861	141,228	178,861
Provisions and accruals		224,995	258,416	224,995	258,416
Other payables		92,291	74,200	92,289	74,200
		610,617	671,541	594,618	665,127

Note 25 Current income tax liabilities

In Rs. '000's As at 31 March	Note	Group 2016	Group 2015	Company 2016	Company 2015
As at 1 April		14,000	53,950	14,000	53,950
Charge for the Year	30	28,020	14,000	28,000	14,000
Tax paid		(13,941)	(53,950)	(14,000)	(53,950)
As at 31 March		28,079	14,000	28,000	14,000

Note 26 Segmental analysis by principal activities

The analysis by the principal activities, is as follows:

In Rs. '000's Year ended 31 March	Group 2016	Group 2015	Company 2016	Company 2015
Revenue				
Tea	4,118,122	4,716,540	4,118,122	4,716,540
Rubber	72,536	89,280	72,536	89,280
Palm oil and others	1,503,584	1,555,064	1,503,584	1,555,064
Exports	604,527	487,607	533,760	412,751
	6,298,769	6,848,491	6,228,002	6,773,635
Gross profit / (loss)				
Tea	(22,589)	(78,430)	(22,589)	(78,430)
Rubber	(24,083)	(52,646)	(24,083)	(52,646)
Palm oil	824,964	897,689	824,964	897,689
Exports	75,069	33,431	72,946	31,185
	853,361	800,044	851,238	797,798

Management has determined the operating segments based on information reviewed by the board of directors for the purpose of allocating resources and assessing performance.

The Board of Directors consider the business mainly from commodity perspective.

Management separately consider 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 Limited is not significant.

The Board of Directors assesses the performance of the operating segments based on a measure of profitability, excluding non recurring and discontinued operations.

26.1 Segmental analysis by principal activities - Group

In Rs.'000s	Tea		Rubber		Palm Oil		Export		Other		Inter segment adjustments		Total	
Year ended 31 March	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Revenue	4,118,122	4,716,540	72,536	89,280	1,503,584	1,555,064	604,527	487,607	-	-	-	-	6,298,769	6,848,491
Gross profit	(22,589)	(78,430)	(24,083)	(52,646)	824,964	897,689	75,069	33,431	-	-	-	-	853,361	800,044
Other operating income	-	-	-	-	-	-	-	-	134,192	119,151	-	-	134,192	119,151
Administrative expenses	(192,550)	(246,752)	(13,890)	(24,497)	(107,956)	(95,310)	(2,502)	(3,017)	-	-	(1,604)	4	(318,502)	(369,572)
Operating profit	(215,139)	(325,182)	(37,973)	(77,143)	717,008	802,379	72,567	30,414	134,192	119,151	(1,604)	4	669,051	549,623
Net finance (cost) / income	(55,847)	(63,559)	(8,772)	(11,829)	(14,215)	(10,531)	19	45	-	-	-	-	(78,815)	(85,874)
Profit before tax	(270,986)	(388,741)	(46,745)	(88,972)	702,793	791,848	72,586	30,459	134,192	119,151	(1,604)	4	590,236	463,749
Tax	(43,211)	(56,006)	(925)	(856)	(20,737)	(12,542)	(7,613)	(3,598)	-	-	-	-	(72,486)	(73,002)
Profit for the year	(314,197)	(444,747)	(47,670)	(89,828)	682,056	779,306	64,973	26,861	134,192	119,151	(1,604)	4	517,750	390,747
Other Comprehensive Income														
Available for sale investment	-	-	-	-	-	-	-	-	10,763	-	-	-	10,763	-
Actuarial gain on gratuity	98,706	19,851	659	(1,344)	3,349	1,347	-	-	-	-	-	-	102,714	19,854
Tax on actuarial gain on gratuity	(14,977)	(3,021)	(100)	204	(508)	(205)	-	-	-	-	-	-	(15,585)	(3,022)
Total other comprehensive (loss) / income	83,729	16,830	559	(1,140)	2,841	1,142	-	-	10,763	-	-	-	97,892	16,832
Total comprehensive income for the year	(230,468)	(427,917)	(47,111)	(90,968)	684,897	780,448	64,973	26,861	144,955	119,151	(1,604)	4	615,642	407,579
Segment assets	3,224,756	3,319,311	304,615	285,997	2,140,462	2,120,928	181,984	152,633	1,894,390	1,235,207		-	7,746,207	7,114,076
Segment liabilities	2,497,288	2,431,703	67,451	87,638	161,399	177,264	16,043	6,328	223,976	128,402		-	2,966,157	2,831,335
Other segment items														
Capital expenditure	118,391	302,227	9,424	6,698	127,362	250,033	-	-	34,210	31,384	-	-	289,387	590,342
Depreciation	126,914	117,753	15,159	15,651	119,116	100,053	-	-	48,358	47,436	-	-	309,547	280,893
Amortisation	4,894	4,894	1,337	1,337	804	804	-	-	-	-	-	-	7,035	7,035

26.2 Segmental analysis by principal activities - Company

In Rs.'000s	Tea		Rubber		Palm Oil		Export		Other		Total Year ended 31 March	
Year ended 31 March	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Revenue	4,118,122	4,716,540	72,536	89,280	1,503,584	1,555,064	533,760	412,751	-	-	6,228,002	6,773,635
Gross profit	(22,589)	(78,430)	(24,083)	(52,646)	824,964	897,689	72,946	31,185	-	-	851,238	797,798
Other operating income	-	-	-	-	-	-	-	-	134,192	119,151	134,192	119,151
Administrative expenses	(192,550)	(246,752)	(13,890)	(24,497)	(107,956)	(95,310)	(1,564)	(928)	-	-	(315,960)	(367,487)
Operating profit	(215,139)	(325,182)	(37,973)	(77,143)	717,008	802,379	71,382	30,257	134,192	119,151	669,470	549,462
Net finance (cost) / income	(55,847)	(63,559)	(8,772)	(11,829)	(14,215)	(10,531)	-	-	-	-	(78,834)	(85,919)
Profit before tax	(270,986)	(388,741)	(46,745)	(88,972)	702,793	791,848	71,382	30,257	134,192	119,151	590,636	463,543
Tax	(43,211)	(56,006)	(925)	(856)	(20,737)	(12,542)	(7,542)	(3,574)	-	-	(72,415)	(72,978)
Net profit	(314,197)	(444,747)	(47,670)	(89,828)	682,056	779,306	63,840	26,683	134,192	119,151	518,221	390,565
Other Comprehensive Income												
Available for sale investment	-	-	-	-	-	-	-	-	10,763	-	10,763	-
Actuarial gain on gratuity	98,706	19,851	659	(1,344)	3,349	1,347	-	-	-	-	102,714	19,854
Tax on actuarial loss on gratuity	(14,977)	(3,021)	(100)	204	(508)	(205)	-	-	-	-	(15,585)	(3,022)
Total other comprehensive income/ (loss)	83,729	16,830	559	(1,140)	2,841	1,142	-	-	10,763	-	97,892	16,832
Total comprehensive income for the year	(230,468)	(427,917)	(47,111)	(90,968)	684,897	780,448	63,840	26,683	144,955	119,151	616,113	407,397
Segment assets	3,224,756	3,319,311	304,615	285,997	2,140,462	2,120,928	166,300	146,193	1,894,390	1,235,207	7,730,523	7,107,636
Segment liabilities	2,497,288	2,431,703	67,451	87,638	161,399	177,264	-	-	223,976	128,402	2,950,114	2,825,007
Other segment items												
Capital expenditure	118,391	302,227	9,424	6,698	127,362	250,033	-	-	34,210	31,384	289,387	590,342
Depreciation	126,914	117,753	15,159	15,651	119,116	100,053	-	-	48,358	47,436	309,547	280,893
Amortisation	4,894	4,894	1,337	1,337	804	804	-	-	-	-	7,035	7,035

Note 27 Other operating income

In Rs. '000's Year ended 31 March	Notes	Group 2016	Group 2015	Company 2016	Company 2015
Profit on sale of property, plant and equipment		13,694	7,877	13,694	7,877
Amortisation of capital grants	22	10,041	10,193	10,041	10,193
Harvesting of biological assets - consumable		16,179	36,296	16,179	36,296
Biological assets - gain on fair valuation	(a)	29,491	6,647	29,491	6,647
Hydro power income		47,960	48,207	47,960	48,207
Net sundry income		16,827	9,931	16,827	9,931
		134,192	119,151	134,192	119,151

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

Note 28 Expenses by nature

28.1 Profit before income tax is stated after charging the following

In Rs.'000s Year ended 31 March	Notes	Group 2016	Group 2015	Company 2016	Company 2015
Auditors' remuneration					
- Audit		2,627	2,503	2,627	2,073
- Non audit		567	268	567	268
Amortisation					
- leasehold right to bear land	6	7,035	7,035	7,035	7,035
Depreciation					
- Immovable leased assets	7	17,459	17,459	17,459	17,459
- Property, plant and equipment	8	160,268	151,544	160,268	151,544
- Biological assets - bearer	9.1	131,820	111,890	131,820	111,890
Directors' emoluments		4,068	34,849	4,068	34,849
Staff costs	28.2	3,138,680	3,309,409	3,138,680	3,309,409
Cost of inventories sold other than expenses as staff costs		2,067,845	2,451,110	1,999,201	2,378,500
Transport cost		126,867	35,548	126,867	35,548
Other expenses		106,674	296,404	104,132	294,749
Total cost of sales and administrative expenses		5,763,910	6,418,019	5,692,724	6,343,324

28.2 Staff costs

In Rs.'000s Year ended 31 March	Notes	Group 2016	Group 2015	Company 2016	Company 2015
Wages and salaries		2,704,837	2,884,402	2,704,837	2,884,402
Defined contribution plan		231,840	233,859	231,840	233,859
Defined benefit plan	21	172,453	169,629	172,453	169,629
Workers' profit share bonus		29,550	21,519	29,550	21,519
	29.1	3,138,680	3,309,409	3,138,680	3,309,409
Average number of persons employed during the year Full time		10,679	11,405	10,678	11,404
Average cost per employee Rs.'000		294	290	294	290

Note 29 Finance expenses and finance income

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

In Rs.'000s	Group		Company	
Year ended 31 March	2016	2015	2016	2015
(i) Finance costs				
Interest expense for borrowings at amortised cost				
- Interest on term loans	22,185	27,694	22,185	27,694
- Interest on bank overdrafts	5,934	9,955	5,934	9,955
	28,119	37,649	28,119	37,649
Contingent lease series of payments				
- Interest on leasehold rights payable to JEDB/SLSPC	67,640	62,739	67,640	62,739
- Interest on finance lease liabilities-other	-	87	-	87
Total finance costs	95,759	100,475	95,759	100,475
(ii) Finance income				
Interest income on short-term bank deposits	16,944	14,601	16,925	14,556
Total finance income	16,944	14,601	16,925	14,556
Net finance costs	78,815	85,874	78,834	85,919

Note 30 Income tax expense

In Rs.'000s	Note	Group		Company	
Year ended 31 March		2016	2015	2016	2015
Current tax	25	28,020	14,000	28,000	14,000
Deferred tax recognised in the income statement	23	44,466	59,002	44,415	58,978
Taxes included in income for the period		72,486	73,002	72,415	72,978
Deferred tax recognised in other comprehensive income	23	15,585	3,022	15,585	3,022
Taxes included in total comprehensive income		88,071	76,024	88,000	76,000

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%, Export of bulk and packeted teas' are taxed at 28% and 10% respectively.

Reconciliation between current tax expenses and the accounting profit:

In Rs.'000s	Notes	Group		Company	
Year ended 31 March		2016	2015	2016	2015
Accounting profit before tax		590,236	463,749	590,636	463,543
Expenses not deductible for tax purposes		426,187	487,634	426,187	487,634
Expenses deductible for tax purposes		(688,997)	(828,325)	(688,997)	(828,325)
Taxable profit		327,426	123,058	327,826	122,852
Utilisation of previously unrecognised tax losses		(40,631)	(42,992)	(40,631)	(42,992)
Taxable profit		286,795	80,066	287,195	79,860
Tax at effective rates		28,020	14,000	28,000	14,000
Deferred income tax	23	60,051	62,024	60,000	62,000
		88,071	76,024	88,000	76,000

The advance company tax carried forward as at the reporting date amounted to Rs 31,359,166 (2015 - Rs.36,359,166).
The unutilised tax loss carried forward as at the reporting date amounted to Rs 111,747,753 (2015 -Rs 221,000,109)

Note 31 Earnings per share

Basic 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 requirements of the Sri Lanka Accounting Standard -LKAS 33 on 'Earning per Share'.

Calculation of Earnings per share

In Rs.'000s	Group		Company	
Year ended 31 March	**2016**	**2015**	**2016**	**2015**
Net profit attributable to shareholders	517,750	390,747	518,221	390,565
Weighted average number of ordinary shares in issue (thousands)	236,667	236,667	236,667	236,667
Basic earnings per share (Rs)	2.19	1.65	2.19	1.65

Note 32 Dividends paid

Calculation of dividend per share

Rs.		Company	
Year ended 31 March	**Dividend Per share**	**2016**	**2015**
Final dividend - 2013/2014	0.50	-	118,333
Interim dividend - 2014/2015	0.95	-	224,833
Final dividend - 2014/2015	0.50	118,333	-
		118,333	343,166
Number of ordinary shares		236,667	236,667
Dividend per share		0.50	1.45

The Board of Directors of the Company has approved a final dividend of Rs 0.75 cents per share for the year ended 31 March 2016. In accordance with the - LKAS 10 on 'Event after the Reporting Period', this final dividend has not been recognised as a liability in the Financial Statements as at 31 March 2016.

Note 33 Commitments

a) Financial commitments

The expected equity investment in Watawala Dairy Limited would be approximately Rs.1 billion of which 59% would be contributed by the Company.

b) Other commitments

The Company has operating leases with Central Finance PLC where future lease payments of the contracts as at the statement of financial position amounted to Rs.82,173,721

c) Capital commitments

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

In Rs.'000s	Company	
Year ended 31 March	**2016**	**2015**
Approved and contracted for	318,612	590,342
Approved and not contracted for	130,208	-
Total	448,820	590,342

There were no other capital commitments as at 31st March 2016. The budgeted capital expenditure but not committed by the Group / Company for the financial year 2016/17 is Rs 484,614,000 (2015/16 is Rs.448,819,764).

Note 34 Contingent liability

Bank guarantees amounting to Rs. 13,585,000 was issued in favour of the Sri Lanka Customs to facilitate the Company to import green tea. As at the date of financial position the company is in compliance with the terms and conditions of the imports.

The Group confirms that there are no cases (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.

Note 35 Cash generated from operations

Reconciliation of profit before tax to cash generated from operations.

In Rs.'000s	Notes	Group		Company	
Year ended 31 March		2016	2015	2016	2015
Net profit before taxation		590,236	463,749	590,636	463,543
Adjustments for:					
Depreciation	7, 8 and 9	309,547	280,893	309,547	280,893
Profit on sale of property, plant and equipment	27	(13,694)	(7,877)	(13,694)	(7,877)
Profit on sale of consumable biological assets		(16,179)	(36,296)	(16,179)	(36,296)
Movement in livestock		12,722	4,805	12,722	4,805
Timber fair valuation gain	27	(29,491)	(6,648)	(29,491)	(6,648)
Amortisation of leasehold right to land	6	7,035	7,035	7,035	7,035
Amortisation of capital grants	22	(10,041)	(10,193)	(10,041)	(10,193)
Finance income	29	(16,944)	(14,601)	(16,925)	(14,556)
Finance costs	29	95,759	100,475	95,759	100,475
Changes in working capital					
- Inventories		55,313	246,896	55,313	246,896
- Trade and other receivables		(69,713)	(93,707)	(86,395)	(97,152)
- Trade and other payables		(74,601)	130,601	(70,509)	132,862
Provision for retirement benefit obligations	21	172,453	169,629	172,453	169,629
Cash generated from operations		1,012,402	1,234,761	1,000,231	1,233,416

Note 36 Related party transactions

The Company is controlled by Estate Management Services (Private) Limited which owns 75.65% of ordinary shares (2015 - 75.65%) of the Company's shares. The remaining ordinary shares are widely held. The ultimate parent company of the Group is Sunshine Holdings Plc.

Directors' interest in contracts

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

(ii) Messrs V Govindasamy who is a director of the Company.

(iii) Messrs. G Sathasivam, V Govindasamy and B A Hulangamuwa who are directors of the Company are also directors of Sunshine Healthcare Lanka Limited, Sunshine Power (Private) Limited and Sunshine Holdings PLC.

(iv) Mr V Govindasamy who is a director of the Company is also a director of Sunshine Packaging (Private) Limited.

(v) Messrs G Sathasivam, V Govindasamy, K Venkataramanan, M S Mawzoon, L Ramanayake and A Misra who are directors of the Company are also directors of Watawala Tea Ceylon Limited.

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

(vii) Mr. B A Hulangamuwa who is a director of the Company is also director of Secretaries and Financial Services (Private) Limited.

In Rs.'000s	Group		Company	
Year ended 31 March	2016	2015	2016	2015
(i) Sales of goods and services				
Sunshine Tea (Private) Limited	3,663	756	3,663	756
Tata Global Beverages Limited	604,527	412,751	604,527	412,751
Secretaries and Financial Service (Private) Limited	740	864	740	864
Watawala Tea Ceylon Limited	76,815	76,987	76,815	76,987
Sunshine Holdings PLC	9,441	1,591	9,441	1,591
Sunshine Healthcare Lanka Limited	1,160	1,060	1,160	1,060
Sunshine Power (Private) Limited	24,724	10,013	24,724	10,013
Pyramid Lanka (Private) Limited	1,236,901	1,320,867	1,236,901	1,320,867
(ii) Purchase of goods and services				
Estate Management Services (Private) Limited	-	46,981	-	46,981
Sunshine Tea (Private) Limited	23,534	37,987	23,534	37,987
Secretaries and Financial Services (Private) Limited	1,456	2,429	1,456	2,429
Health Guard Limited	421	1,678	421	1,678
Sunshine Packaging (Private) Limited	-	26	-	26
Sunshine Healthcare Lanka Limited	303	321	303	321
Sunshine Holdings PLC	55,089	2,372	55,089	2,372

Note 36 Related party transactions *(Contd).*

Outstanding balances arising from purchase of goods and services

In Rs.'000s	Group		Company	
As at 31 March	2016	2015	2016	2015
(iii) Amounts due from related companies				
Tata Global Beverages Limited	74,992	64,235	74,992	64,235
Sunshine Power (Private) Limited	-	10,839		10,839
Watawala Tea Ceylon Limited	-	4,051	-	4,051
	74,992	79,125	74,992	79,125

In Rs.'000s	Group		Company	
As at 31 March	2016	2015	2016	2015
(iv) Amounts due to related companies				
Pyramid Lanka (Private) Limited	1,544	-	1,544	-
	1,544	-	1,544	-

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.

(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	Group		Company	
Year ended 31 March	2016	2015	2016	2015
Salaries and other short term employee benefits	34,888	77,339	34,888	77,112

Note 37 Assets/liabilities classified for transfer

The assets and liabilities relating to Dairy Farm operation are classified as held for sale following a board resolution to create a subsidiary Watawala Dairy Limited with effect from 1 April 2016 by disposing assets and liabilities of the company's Dairy Farm division and Lonach estate at market value.

Watawala Plantations PLC has entered into a Joint Venture Agreement on 24 March 2016 with M/s PADC Holdings a company incorporated under the laws of Cayman Islands to set up a dairy farm on the Lonach estate, a land of approximately 1,051 acres situated at Watawala, Sri Lanka through the subsidiary company Watawala Dairy Limited incorporated on 1 December 2015. Watawala Dairy Limited is registered under Section 17 (2) of the BOI Law No. 4 of 1978. The expected equity investment in Watawala Dairy Limited would be approximately Rs.1 billion of which 59% would be contributed by the Company. The Company is yet to complete the identification and valuation of the assets to be transferred which will be completed after the end of the reporting date. The Company is in the process of obtaining approval from the Golden Shareholder to sublease the above property.

***Note 37 Assets/liabilities classified for transfer** (Contd).*

In Rs.'000s Financial position of the group / company	Group 31 March 2016	Company
Assets		
Non current assets	5,852,705	5,853,557
Current assets	1,893,502	1,876,966
Total Assets	7,746,207	7,730,523
Less:		
Non current assets held for sale	205,173	205,173
Current assets held for sale	5,737	5,737
Total assets held for sale	210,910	210,910
Total assets net of assets held for sale	7,535,297	7,519,613
Equity and liabilities		
Equity	4,780,050	4,780,409
Liabilities	2,966,157	2,950,114
Total equity and liabilities	7,746,207	7,730,523
Less:		
Liabilities held for sale	27,330	27,330
Total equity and liabilities net of liabilities held for sale	7,718,877	7,703,193

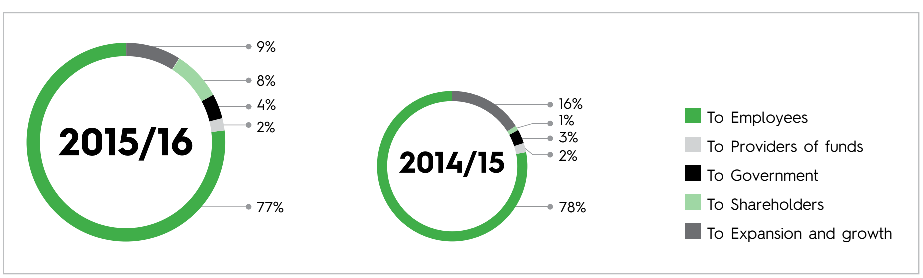
Note 38 Events after the reporting date

Biennial wage negotiations are currently underway as per the collective agreement between the Plantation Companies and Trade Unions. No agreement has been reached as at the date of statement of financial position. No events have occurred after the reporting date, which would require adjustments to or disclosure in the financial statements except disclosed above and note 32.

Value Added Statement

Rs.'000	Group				Company			
	2015/2016	%	2014/2015	%	2015/2016	%	2014/2015	%
Revenue	6,298,769		6,848,491		6,228,002		6,773,635	
Other income	134,192		119,151		134,192		119,151	
	6,432,961		6,967,642		6,362,194		6,892,786	
Cost of materials and services obtained	(2,177,371)		(2,650,464)		(2,106,125)		(2,575,814)	
Value Addition	4,255,590		4,317,178		4,256,069		4,316,972	
Value allocated to:								
To Employees								
Salaries,wages and other benefits	3,138,680	74	3,309,409	78	3,138,680	74	3,309,409	78
To Providers of funds								
Interest to money lenders	95,759	2	100,475	2	95,759	2	100,475	2
To Government								
JEDB/SLSPC Lease rental	71,981		68,488		71,981		68,488	
Value Added Tax	-		50		-		50	
Nation Bulding Tax	40,226		39,230		40,226		39,230	
Economics Service Charges	323		4,440		323		4,440	
Stamp Duty	297		437		297		437	
Income Tax	13,941		53,950		14,000		53,950	
	126,768	3	166,595	3	126,827	3	166,595	3
To providers of capital								
Dividend paid to shareholders	118,333	3	343,166	1	118,333	3	343,166	1
To Expansion and growth								
Profit retained	399,417		47,581		399,888		47,399	
Depreciation & ammotization	316,582		287,928		316,582		287,928	
Deferred Taxation	60,051		62,024		60,000		62,000	
	776,050	18	397,533	16	776,470	18	397,327	16
	4,255,590	100	4,317,178	100	4,256,069	100	4,316,972	100

	GROUP		GROUP	
	2015/2016	%	2014/2015	%
To Employees	3,138,680	77%	3,309,409	78%
To Providers of funds	95,759	2%	100,475	2%
To Government	126,768	4%	166,595	3%
To Shareholders	118,333	8%	343,166	1%
To Expansion and growth	776,050	9%	397,533	16%
	4,255,590	100%	4,317,178	100%

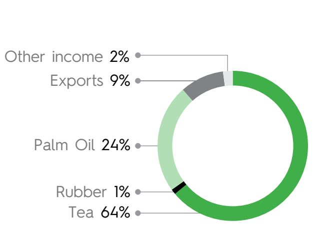


Sources and Utilisation of Income

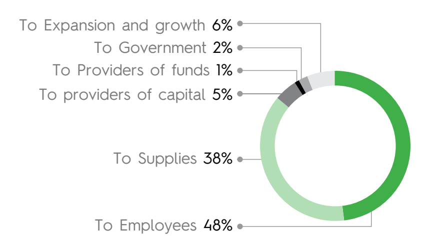
Rs.'000	Group 2015/2016	%	Group 2014/2015	%	Group 2013/2014	%	Group 2012/2013	%	Group 2011/2012	%
Sources Of Income										
Tea	4,118,122	64%	4,716,540	68%	4,164,561	66%	3,655,744	66%	2,858,702	63%
Rubber	72,536	1%	89,280	1%	168,721	3%	183,787	3%	267,744	6%
Palm Oil	1,503,584	24%	1,555,064	22%	1,392,375	22%	1,323,444	24%	903,857	20%
Exports	604,527	9%	487,607	7%	520,614	8%	271,804	5%	145,128	3%
Other income	134,192	2%	119,151	2%	89,656	1%	139,585	2%	348,716	8%
	6,432,961	100%	6,967,642	100%	6,335,927	100%	5,574,364	100%	4,524,147	100%
Utilisation Of Income										
To Employees										
Salaries,wages and other benefits	3,138,680	48%	3,309,409	59%	3,722,312	50%	2,771,499	58%	2,596,362	35%
To Providers of funds										
Interest paid to money lenders	95,759	1%	100,475	2%	103,794	1%	78,522	2%	88,816	1%
To Supplies & Service Providers	2,177,371	38%	2,650,464	25%	1,576,813	28%	1,563,195	20%	893,860	47%
To Providers of capital										
Dividend paid to shareholders	118,333	5%	343,166	1%	59,167	4%	201,167	4%	201,167	1%
To Government										
Lease Rent,VAT,NBT,BTT,SRL	126,768	2%	166,595	2%	143,946	4%	232,660	4%	180,921	3%
To Expansion & growth										
Retained Profits,depreciation	776,050	6%	397,533	11%	729,895	13%	727,321	12%	563,021	13%
	6,432,961	100%	6,967,642	100%	6,335,927	100%	5,574,364	100%	4,524,147	100%

	GROUP 2015/2016	%	GROUP 2014/2015	%
To Employees	3,138,680	48%	3,309,409	59%
To Supplies	2,177,371	38%	2,650,464	25%
To providers of capital	118,333	5%	343,166	1%
To Providers of funds	95,759	1%	100,475	2%
To Government	126,768	2%	166,595	2%
To Expansion and growth	776,050	6%	397,533	11%
	6,432,961	100%	6,967,642	100%

2015/16 INCOME



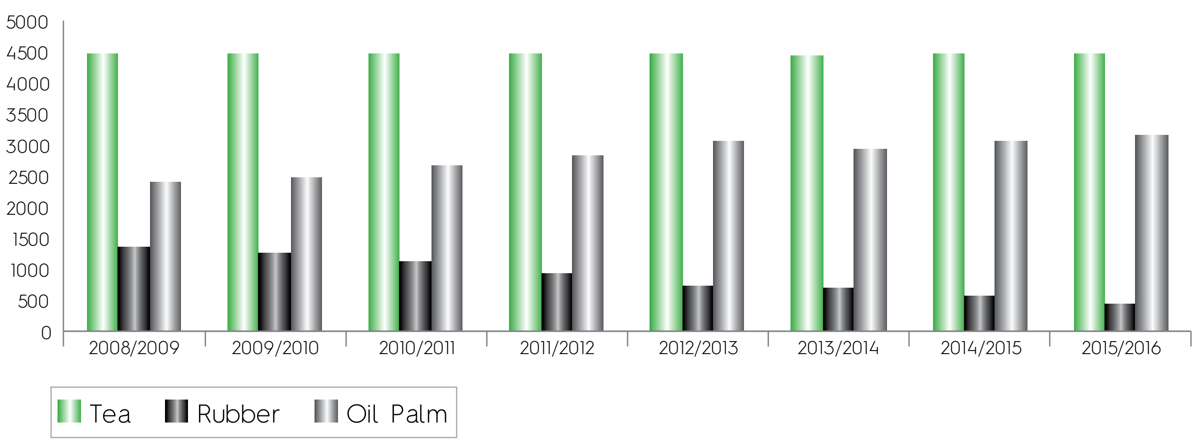
2015/16 INCOME UTILISATION



Estate Hectarage Statement

Area (Ha)	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016
Tea Mature	4,346	4,330	4,334	4,347	4,357	4,373	4,369	4,364
Tea Immature	134	133	127	114	116	77	100	101
Tea	4,480	4,463	4,461	4,461	4,473	4,450	4,469	4,465
Rubber Mature	1,141	1,089	1,046	861	687	652	521	426
Rubber Immature	201	176	82	66	35	50	39	24
Rubber	1,342	1,265	1,128	927	722	702	560	450
OP Mature	1,879	1,846	1,875	1,871	1,910	1,936	2,153	2,401
OP Immature	538	628	787	975	1,162	986	904	756
Oil Palm	2,417	2,474	2,662	2,846	3,072	2,922	3,057	3,157
Fuelwood	1,188	861	997	1,332	1,392	1,495	1,388	1,069
Nursery	30	30	32	34	42	28	28	26
Minor Crop	220	214	209	211	174	177	186	174
Other Area	2,763	3,133	2,951	2,629	2,565	2,666	2,752	3,099
Transferred to Ginigathena development	-	-	-	-	-	-	(1)	(2)
Other	4,201	4,238	4,189	4,206	4,173	4,366	4,353	4,366
Company	12,440	12,440	12,440	12,440	12,440	12,440	12,439	12,438

Cultivated Extent



Crops and Yields

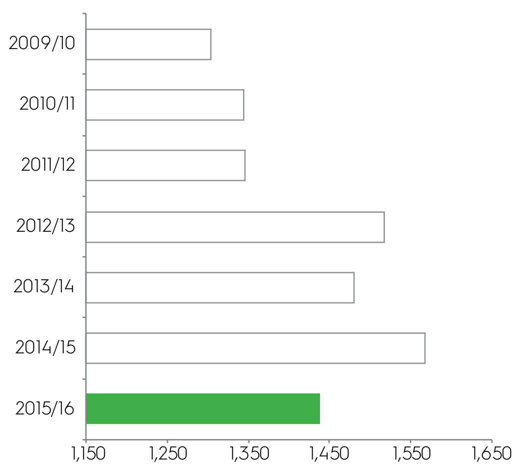
Production (Kg'000)

Region	2015/16	2014/15	2013/14	2012/13	2011/12	2010/11	2009/10	2008/09	2007/08	2006/07	2005/06	2004/05	2003/04	15 Months 2002/03
Tea														
Watawala	2,489	2,754	2,563	2,778	2,245	2,364	2,189	2,076	2,156	1,654	2,127	2,047	2,058	2,498
Hatton	4,297	4,402	4,388	4,066	3,875	3,872	3,577	3,012	2,837	2,773	3,007	2,931	2,435	2,948
Lindula	2,323	2,881	2,682	2,759	2,388	2,513	2,359	2,174	2,250	1,981	2,447	2,606	2,603	2,751
Udugama	303	274	294	285	886	1,081	963	723	1,104	1,189	1,581	1,654	1,755	1,934
Tea	9,413	10,311	9,926	9,888	9,394	9,830	9,087	7,986	8,347	7,597	9,162	9,238	8,851	10,131
Rubber	268	325	490	535	648	674	658	766	884	854	1,001	874	1,027	978
Palm oil	9,008	8,854	8,127	7,455	6,584	5,080	6,164	6,162	5,671	7,563	7,330	6,244	4,644	4,557

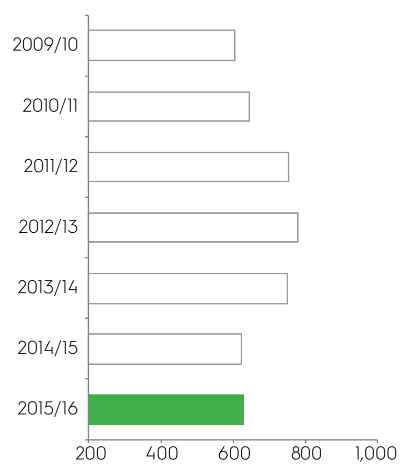
Yield per hectarage (Kg)

Region	2015/16	2014/15	2013/14	2012/13	2011/12	2010/11	2009/10	2008/09	2007/08	2006/07	2005/06	2004/05	2003/04	15 Months 2002/03
Tea														
Watawala	1,373	1,533	1,420	1,533	1,262	1,209	1,152	1,158	1,152	1,062	1,372	1,346	1,397	1,611
Hatton	1,441	1,624	1,570	1,532	1,365	1,342	1,378	1,245	1,235	1,201	1,470	1,487	1,445	1,638
Lindula	1,444	1,523	1,415	1,472	1,343	1,396	1,295	1,235	1,267	1,258	1,382	1,332	1,330	1,623
Udugama	1,871	1,761	1,745	1,762	1,799	1,782	1,752	1,486	1,674	1,341	1,457	1,439	1,546	1,625
Tea	1,439	1,568	1,480	1,517	1,345	1,344	1,304	1,228	1,243	1,192	1,413	1,392	1,395	1,626
Rubber	629	625	752	778	753	645	604	671	755	671	779	652	816	783
Palm oil	3,294	3,757	3,765	3,537	3,156	2,391	2,973	2,908	2,734	2,781	2,814	2,512	2,321	2,609

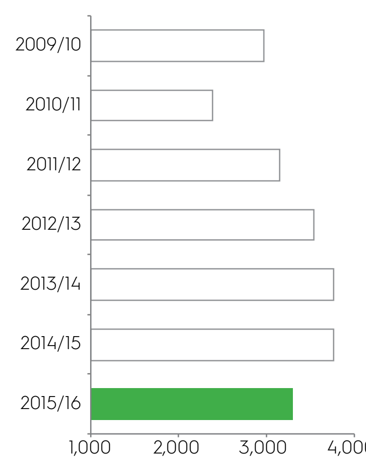
TEA - YPH



RUBBER- YPH



OP - YPH



Historical Financial Information

In Rs.'000s	2006/07 Company	2007/08 Company	2008/09 Group	2008/09 Company	2009/10 Group	2009/10 Company
Statement of Income						
Revenue	3,169,788	4,313,604	4,124,503	4,121,976	5,615,167	5,611,731
Gross profit	502,376	811,320	487,193	489,495	851,239	860,887
Other operating income	76,946	84,563	43,523	45,223	130,603	132,303
Administrative expenses	(92,054)	(128,637)	(138,479)	(137,225)	(164,099)	(178,687)
Distribution expenses	(105,281)	(148,084)	(201,360)	(200,981)	(231,657)	(231,375)
Management fees	(50,960)	(75,427)	(35,112)	(35,112)	(75,798)	(75,798)
Operating profit	330,826	543,735	155,765	161,400	510,288	507,330
Net finance cost	(83,092)	(87,902)	(71,057)	(71,415)	(79,669)	(79,711)
Profit /(loss) before Tax	247,734	455,833	84,708	89,985	430,619	427,619
Tax expense	(26,034)	(51,879)	(10,000)	(10,000)	(4,000)	(4,000)
Profit /(loss) for the year from continuing operations	221,700	403,954	74,708	79,985	426,619	423,619
Total comprehensive income for the year	221,700	403,954	74,708	79,985	426,619	423,619
Statement of Financial Position						
Non Current Assets						
Leasehold right to bare land of JEDB/SLPC estates	260,928	261,788	254,753	254,753	247,718	247,718
Immovable estate assets on finance lease	277,534	265,062	247,415	247,415	229,768	229,768
Property, plant and equipment	722,453	885,477	1,068,101	1,062,527	1,486,213	1,478,604
Biological assets-bearer	990,204	1,168,364	1,376,476	1,376,476	1,603,713	1,603,713
Biological assets-consumables	-	-	-	-	-	-
Biological assets-live stock	-	-	-	-	-	-
Investment in Gratuity Fund	-	-	-	-	-	-
Investments	203,416	-	-	16,125	-	-
Available for sale financial assets	-	-	-	-	-	-
Total Non Current Assets	2,454,535	2,580,691	2,946,745	2,957,296	3,567,412	3,559,803
Current Assets						
Inventories	292,917	540,488	351,370	342,092	540,583	540,583
Trade and other receivables	336,986	439,337	525,966	530,740	464,611	471,112
Cash and cash equivalents	75,356	90,434	73,615	67,920	53,442	52,369
Total Current Assets	705,259	1,070,259	950,951	940,752	1,058,636	1,064,064
Total Assets	3,159,794	3,650,950	3,897,696	3,898,048	4,626,048	4,623,867
Capital and Reserves						
Stated capital	460000	460000	460000	460000	460000	460000
Negative goodwill	-	-	-	-	-	-
Investment reserve	146,030	-	-	-	-	-
Retained earnings	768,470	1,137,408	1,154,267	1,159,678	1,584,167	1,583,297
Total equity attributable to equity holders of the company	1,374,500	1,597,408	1,614,267	1,619,678	2,044,167	2,043,297
Minority interests	-	3,110	3,571	-	290	-

2010/11 Group	2010/11 Company	2011/12 Group	2011/12 Company	2012/13 Group	2012/13 Company	2013/14 Group	2013/14 Company	2014/15 Group	2014/15 Company	2015/16 Group	2015/16 Company
6,158,246	4,663,744	4,175,421	4,172,214	5,434,779	5,340,962	6,246,271	6,142,624	6,848,491	6,773,635	6,298,769	6,228,002
1,199,796	683,004	398,167	394,950	1,051,048	1,048,233	945,575	942,466	800,044	797,798	853,361	851,238
124,369	239,309	348,716	621,206	139,585	140,575	89,656	89,555	119,151	119,151	134,192	134,192
(342,364)	(220,759)	(211,231)	(203,235)	(246,238)	(242,464)	(264,586)	(261,270)	(369,572)	(367,487)	(318,502)	(315,960)
(167,142)	-	-	-	-	-	-	-	-	-	-	-
(90,033)	(90,033)	(49,331)	(49,331)	(137,510)	(137,510)	(92,264)	(92,264)	-	-	-	-
724,626	611,521	486,221	763,590	806,885	808,834	678,381	678,487	549,623	549,462	669,051	669,470
(85,984)	(84,951)	(111,103)	(111,103)	(77,530)	(77,919)	(97,600)	(97,600)	(85,874)	(85,919)	(78,815)	(78,834)
638,642	526,570	375,118	652,487	729,355	730,915	580,781	580,887	463,749	463,543	590,236	590,636
3,830	5,830	(89,837)	(89,196)	(49,111)	(49,041)	(83,587)	(83,435)	(73,002)	(72,978)	(72,486)	(72,415)
642,472	532,400	285,281	563,291	680,244	681,874	497,194	497,452	390,747	390,565	517,750	518,221
642,472	532,400	339,420	447,674	725,212	726,842	434,047	434,305	407,579	407,397	615,642	616,113
240,683	240,683	233,648	233,648	226,613	226,613	219,578	219,578	212,543	212,543	205,508	205,508
212,121	212,121	194,474	194,474	176,827	176,827	159,492	159,492	142,033	142,033	124,574	124,574
1,750,413	1,632,149	1,690,078	1,690,078	1,697,655	1,697,655	1,840,625	1,840,625	1,921,745	1,921,745	1,835,454	1,835,454
1,825,149	1,825,149	2,115,980	2,115,980	2,316,658	2,316,658	2,518,564	2,518,564	2,743,030	2,743,030	2,794,625	2,794,625
615,816	615,816	630,566	630,566	531,190	531,190	575,944	575,944	566,967	566,967	608,995	608,995
19,355	19,355	20,037	20,037	32,231	32,231	45,061	45,061	40,256	40,256	27,535	27,535
-	-	42,641	42,641	127,267	127,267	200,000	200,000	220,262	220,262	234,369	234,369
-	355,852	-	852	-	852	-	852	-	852	-	852
-	-	-	-	-	-	-	-	10,882	10,882	21,645	21,645
4,663,537	4,901,125	4,927,424	4,928,276	5,108,441	5,109,293	5,559,265	5,560,116	5,857,718	5,858,570	5,852,705	5,853,557
760,125	531,484	465,980	465,980	635,951	635,951	939,982	939,982	693,086	693,086	637,773	637,773
487,347	311,213	324,290	342,374	444,289	435,631	447,044	440,506	491,241	488,148	560,954	560,866
40,697	15,061	470,231	447,716	443,333	431,799	114,660	111,851	72,031	67,832	694,775	678,327
1,288,169	857,758	1,260,501	1,256,070	1,523,573	1,503,381	1,501,686	1,492,339	1,256,358	1,249,066	1,893,502	1,876,966
5,951,706	5,758,883	6,187,925	6,184,346	6,632,014	6,612,674	7,060,950	7,052,455	7,114,076	7,107,636	7,746,207	7,730,523
460000	460000	460000	460000	460000	460000	460,000	460,000	460,000	460,000	310,000	310,000
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
2,721,150	2,611,078	2,859,403	2,857,585	3,383,448	3,383,260	3,758,328	3,758,398	3,822,741	3,822,629	4,320,050	4,320,409
3,181,150	3,071,078	3,319,403	3,317,585	3,843,448	3,483,260	4,218,328	4,218,398	4,282,741	4,282,629	4,780,050	4,780,409
-	-	-	-	-	-	-	-	-	-	-	-

Historical Financial Information

In Rs.'000s	2006/07 Company	2007/08 Company	2008/09 Group	2008/09 Company	2009/10 Group	2009/10 Company
Non-current Liablilites						
Long term borrowings	221,371	303,168	246,811	246,811	412,824	412,824
Obligations under finance lease obtained from SLPC/JEDB	385,628	380,896	375,983	375,983	370,870	370,870
Retirement benefit obligation	357,538	420,624	439,939	439,939	643,388	643,388
Deferred income and capital grants	139,632	156,618	177,421	177,421	228,732	228,732
Net Deferred tax liability	-	10,000	20,000	20,000	-	-
Total Non-current liablilites	1,104,169	1,271,306	1,260,154	1,260,154	1,655,814	1,655,814
Current Liablilites						
Short-term borrowings	343,866	287,444	503,704	503,704	262,895	262,895
Obligations under finance lease obtained from SLPC/JEDB	4,542	4,720	4,910	4,910	5,113	5,113
Trade and other payables	325,722	453,985	466,621	465,133	589,297	588,277
Current tax payable	6,995	32,977	44,469	44,469	68,472	68,471
Total Current liablilites	681,125	779,126	1,019,704	1,018,216	925,777	924,756
Total Liabilities	1,785,294	2,050,432	2,279,858	2,278,370	2,581,591	2,580,570
Total Equity & Liabilities	3,159,794	3,650,950	3,897,696	3,898,048	4,626,048	4,623,867
Cash Flows						
Cash generated from operations	418,681	529,981	520,845	526,931	891,758	893,936
Net cash inflow from operating activities	297,699	404,297	375,135	380,863	752,710	754,846
Net cash inflow/(outflow) from investing activities	(217,720)	(364,299)	(512,966)	(520,091)	(727,659)	(725,173)
Net cash inflow/(outflow) from financing activities	(59,530)	(44,107)	(20,451)	(20,451)	120,393	120,393
Increase/(decrease) in cash and cash equivalents	20,449	(4,109)	(158,282)	(159,679)	145,444	150,066
Operating Ratios						
Annual turnover growth %	11	36	(4)	(4)	36	36
Profit Growth %	8	82	(82)	(80)	471	430
Turnover per employee (Rs.'000)	225	302	309	309	431	430
Financial Ratios						
Return on equity %	16.13	25.20	4.60	4.90	4.79	4.82
Current ratio (Times)	1.04	1.37	0.93	0.92	1.14	1.15
Debt equity ratio (Times)	0.41	0.37	0.46	0.46	0.33	0.33
Interest cover (Times)	3.98	6.19	2.19	2.26	6.40	6.36
Total assets to current liabilities %	22	21	26	26	20	20
Investor Ratios						
Annualised earning per share (Rs.)	9.37	17.07	3.21	3.38	1.80	1.79
Price earning share (Times)	5.66	5.04	18.53	17.31	9.76	9.83
Dividend per share (Rs.)	1.50	2.50	-	-	2.75	2.75
Dividend cover (Times)	6.24	6.83	-	-	6.55	6.51
Market Capitalization (Rs.'000)	1,254,298	2,035,333	1,384,500	1,384,500	4,165,333	4,165,333
Net assets value per share (Rs.)	5.81	6.75	6.82	6.84	8.64	8.63

2010/11 Group	2010/11 Company	2011/12 Group	2011/12 Company	2012/13 Group	2012/13 Company	2013/14 Group	2013/14 Company	2014/15 Group	2014/15 Company	2015/16 Group	2015/16 Company
304,730	304,730	210,727	210,727	100,568	100,568	270,242	270,242	187,500	187,500	388,741	388,741
365,560	365,560	360,253	360,253	354,293	354,293	348,506	348,506	342,526	342,526	336,296	336,296
643,872	638008	815,851	815,851	801,767	801,767	949,697	949,697	1,005,185	1,005,185	976,639	976,639
255,798	255,798	244,935	244,935	234,585	234,585	223,803	223,803	213,610	213,610	203,569	203,569
27,129	26,161	82,792	82,939	118,462	118,751	144,930	145,040	206,954	207,040	267,005	267,040
1,597,089	1,590,257	1,714,558	1,714,705	1,609,675	1,609,964	1,937,178	1,937,288	1,955,775	1,955,861	2,172,250	2,172,285
437,029	437,029	546,145	546,145	470,152	470,152	304,574	304,574	183,809	183,809	148,751	148,751
5,313	5,313	5,310	5,310	5,750	5,750	5,980	5,980	6,210	6,210	6,460	6,460
717,122	642,236	588,677	588,631	654,087	634,858	540,940	532,265	671,541	665,127	610,617	594,618
14,003	12,970	13,832	12,970	48,902	48,690	53,950	53,950	14,000	14,000	28,079	28,000
1,173,467	1,097,548	1,153,964	1,152,056	1,178,891	1,159,450	905,444	896,769	875,560	869,146	793,907	777,829
2,770,556	2,687,805	2,868,522	2,866,761	2,788,566	2,769,414	2,842,622	2,834,057	2,831,335	2,825,007	2,966,157	2,950,114
5,951,706	5,758,883	6,187,925	6,184,346	6,632,014	6,612,674	7,060,950	7,052,455	7,114,076	7,107,636	7,746,207	7,730,523
856,487	981,602	1,020,651	604,155	1,049,724	1,059,071	636,767	645,308	1,352,079	1,351,364	1,012,402	1,000,231
686,166	813,026	815,083	399,399	883,607	893,598	414,214	422,940	1,118,598	1,117,208	835,038	822,789
(694,755)	(846,182)	(194,182)	224,623	(517,667)	(516,677)	(682,262)	(682,262)	(608,804)	(608,804)	(254,164)	(254,164)
(123,925)	(123,921)	(308,782)	(308,782)	(395,581)	(395,581)	251,230	251,230	(592,568)	(592,568)	138,815	138,815
(132,514)	(157,077)	312,119	315,240	(29,641)	(18,660)	(16,818)	(8,092)	(82,774)	(84,164)	719,689	707,440
10	(17)	(32)	(11)	30	28	15	15	10	10	(8)	(8)
51	26	(47)	(16)	114	62	(40)	(40)	(21)	(21)	51	51
472	358	342	342	445	438	541	532	628	621	590	583
20.20	17.34	10.23	13.49	18.87	18.91	10.29	10.30	9.12	9.12	12.88	12.89
1.10	0.78	1.09	1.09	1.29	1.30	1.65	1.66	1.43	1.44	2.39	2.41
0.50	0.52	0.52	0.52	0.42	0.42	0.46	0.46	0.46	0.46	0.11	0.11
8.43	7.20	4.38	6.87	10.41	10.38	6.95	6.95	6.40	6.40	8.49	8.49
20	19	19	19	18	17	8	8	8	8	10%	10%
2.72	2.25	1.43	1.89	3.06	3.07	1.83	1.84	1.65	1.65	2.60	2.60
9.21	1.11	6.97	5.29	3.66	3.65	6.11	5.34	12.11	12.12	8.82	8.81
0.85	0.85	0.35	0.35	0.75	0.75	0.85	0.75	1.45	1.45	0.75	0.75
3.19	2.65	4.10	5.4	3.61	3.61	2.16	2.45	1.14	1.14	3.47	3.47
5,916,675	5,916,675	2,366,670	2,366,670	2,650,670	2,650,670	2,319,337	2,319,337	4,733,340	4,733,340	4,567,673	4,567,673
13.44	12.98	14.03	14.02	16.24	16.24	17.82	17.82	18.10	18.10	20.20	20.20

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 2016 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 2016: 16,239
(as at 31st March 2015: 16,614)

Public share holding

The Percentage of shares held by the public : 13.42%
(2015-24.35%)

A). Distibution of Shareholding

	Residents				Non Residents				Total			
Shareholdings	No of Share holders	(%)	No of Shares	(%)	No of Share holders	(%)	No of Shares	(%)	No of Share holders	(%)	No of Shares	(%)
1 to 1,000	8,419	51.84	3,950,305	1.67	11	0.07	4,696	0.00	8,430	51.91	3,955,001	1.67
1,001 to 5,000	7,443	45.83	14,014,733	5.92	8	0.05	21,524	0.01	7,451	45.88	14,036,257	5.93
5,001 to 10,000	205	1.26	1,534,824	0.65	4	0.02	23,600	0.01	209	1.29	1,558,424	0.66
10,001 to 50,000	104	0.64	2,254,533	0.95	5	0.03	142,353	0.06	109	0.67	2,396,886	1.01
50,001 to 1,000,000	26	0.16	5,367,526	2.27	5	0.03	530,100	0.22	31	0.19	5,897,626	2.49
Over 1,000,000	8	0.05	207,022,477	87.47	1	0.01	1,800,000	0.76	9	0.06	208,822,477	88.23
Total	16,205	99.79	234,144,398	98.93	34	0.21	2,522,273	1.07	16,239	100.00	236,666,671	100.00

B). Categories of Shareholders

	Institutional				Non Institutional				Total			
Shareholdings	No of Share holders	(%)	No of Shares	(%)	No of Share holders	(%)	No of Shares	(%)	No of Share holders	(%)	No of Shares	(%)
1 to 1,000	31	0.19	17,110	0.01	8,399	51.72	3,937,891	1.66	8,430	51.91	3,955,001	1.67
1,001 to 5,000	43	0.26	140,876	0.06	7,408	45.62	13,895,381	5.87	7,451	45.88	14,036,257	5.93
5,001 to 10,000	16	0.10	117,140	0.05	193	1.19	1,441,284	0.61	209	1.29	1,558,424	0.66
10,001 to 50,000	16	0.10	318,122	0.13	93	0.57	2,078,764	0.88	109	0.67	2,396,886	1.01
50,001 to 1,000,000	12	0.07	2,946,038	1.24	19	0.12	2,951,588	1.25	31	0.19	5,897,626	2.49
Over 1,000,000	7	0.04	204,610,537	86.46	2	0.01	4,211,940	1.78	9	0.06	208,822,477	88.23
Total	125	0.77	208,149,823	87.95	16,114	99.23	28,516,848	12.05	16,239	100.00	236,666,671	100.00

Share Trading Information From 1st April to 31st March

	2016	2015
Highest during the period (Rs.)	25.50	21.00
Lowest during the period (Rs.)	17.00	9.90
Closing price (Rs.)	19.30	20.00
No. of Transactions	2,771	10,397
No. of Shares Traded	4,802,621	47,584,718
Value of Shares Traded (Rs)	110,934,319	784,365,650

Twenty (20) Largest Shareholders as at

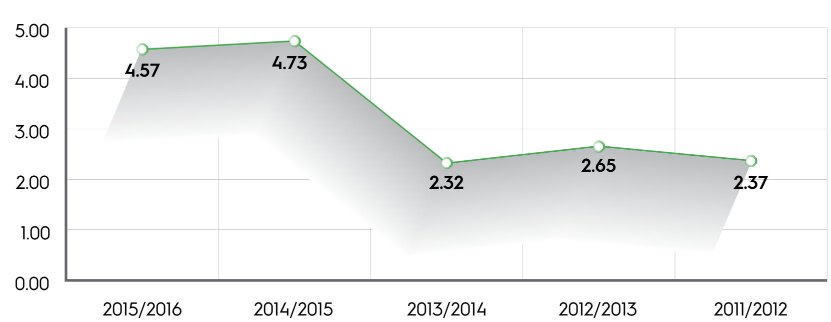
Name	31st March 2016 No of Shares held	31st March 2016 % of the holding	31st March 2015 No of Shares held	31st March 2015 % of the holding
Estate Management Services (Pvt) Ltd	179,034,370	75.65	179,034,370	75.65
Sampath bank Plc/Seylan Bank Plc/Dr.T.Senthil Verl	25,869,224	10.93	22,670,323	9.58
K.C.Vignarajah	2,118,883	0.90	2,045,067	0.86
HSBC International Nominees Ltd-SSBT-Deustche Bank	1,800,000	0.76	2,000,000	0.85
Vyjayanthi & Company Limited	1,000,000	0.42	1,000,000	0.42
N.Muljie	552,900	0.23	552,900	0.23
Bank of Ceylon No.1 Account	350,100	0.15	350,100	0.15
M.I.Abdul Hameed	350,000	0.15	350,000	0.15
M.M.Hashim	300,900	0.13	170,000	0.07
S.Vignarajah	262,539	0.11	362,539	0.15
Merchant Bank of Sri Lanka Limited/Union Investment	250,000	0.11	250,000	0.11
Commercial Bank of Ceylon Plc/S.A.Gulamhusein	237,500	0.10	237,500	0.10
Harnam Holdings SDN BHD	201,344	0.09	201,344	0.09
Cocoshell Activated Carbon Company Limited	201,002	0.08	219,811	0.09
D.D.Gunaratne	200,000	0.08	210,000	0.09
C.M.Holdings PLC	170,000	0.07	170,000	0.07
M.M.Hashim	170,000	0.07	170,000	0.07
M.H.M.Nazeer	169,000	0.07	-	-
Best Real Invest Co Services (Private) Limited	158,257	0.07	-	-
W.T.K.Pieris (Deceased)	125,900	0.05	-	-
D.C.D.L.S.D.Perera	115,000	0.05	-	-
Sub Total	213,636,919	90.27	209,993,954	88.73
Others	23,029,752	9.73	26,672,717	11.27
Grand Total	236,666,671	100.00	236,666,671	100.00

Share trading information-last five years

Rs.	2015/16	2014/15	2013/14	2012/13	2011/12
Highest during the year	25.50	21.00	13.70	14.00	28.80
Lowest during the year	17.00	9.90	9.20	6.40	8.80
As at 31st March	19.30	20.00	9.80	11.20	10.00
No.of shares	236,666,671	236,666,671	236,666,671	236,666,671	236,666,671

Market capitalization (Bn)

Year	Rs. Bn
2015/2016	4.57
2014/2015	4.73
2013/2014	2.32
2012/2013	2.65
2011/2012	2.37



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Notes

Notice of Meeting

Notice is hereby given that the twenty third (23rd) Annual General Meeting of Watawala Plantations PLC will be held at the 'Committee Room A, Bandaranaike Memorial International Conference Hall (BMICH), Bauddhaloka Mawatha, Colombo 07 on Thursday, the 30th June 2016 at 10.00 a.m. 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 31st March 2016 with the report of the Auditors' thereon.
2. To declare a final Dividend of Rs.0.75 (Cents seventy five) per share as recommended by the Directors.
3. To re-appoint Mr.N.B.Weerasekera 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-elect Mr.L.Ramanayake who retires by rotation at the Annual General Meeting, a Director as per Article 30 of the Articles of Association.
5. To re-elect Mr.M.S.Mawzoon who retires by rotation at the Annual General Meeting, a Director as per Article 30 of the Articles of Association.
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-appoint Messrs.PricewaterhouseCoopers (Chartered Accountants) as Auditors of the company and authorize the Directors to determine their remuneration.
8. To authorize the Directors to determine contributions to Charities.

By order of the Board
Corporate Advisory Services (Pvt) Ltd
Secretaries, Watawala Plantations PLC

Colombo
17/05/2016

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 third (23rd) Annual General Meeting of the Company to be held on Thursday 30th June 2016 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 31st March 2016 with the report of the Auditors' thereon.		
2. To declare a final Dividend of Rs. 0.75 (Cents Seventy Five) per share as recommended by the Directors.		
3. To re-appoint Mr. N. B. Weerasekera who was appointed during the year, a Director.		
4. To re-elect Mr. L. Ramanayake who retires by rotation at the Annual General Meeting, a Director.		
5. To re-elect Mr. M. S. Mawzoon who retires by rotation at the Annual General Meeting, a Director.		
6. To re-elect Mr. A. N. Fernando who retires by rotation at the Annual General Meeting, a Director.		
7. To re-appoint Messrs. PricewaterhouseCoopers (Chartered Accountants) as Auditors of the company and authorize the Directors to determine their remuneration		
8. To authorize the Directors to determine contributions to Charities.		

Dated .... day of 2016

....

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 your 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 Association.
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 issued 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.

DIVIDEND 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

GEARING 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.

FY 16 : FY 2015/16

1QFY14 : First quarter of the financial year 2013/14.

NP : Total comprehensive income

FFB : Fresh Fruit Bunches (Palm oil)

ROCE : Return on Capital Employed

CAPEX : Capital Expenditure

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-Chaiman
G. Sathasivam (Alternate-S. G. Sathasivam)
V. Govindasamy - Managing Director
D. V. Seevaratnam - Chief Executive Officer (retired w.e.f 31.05.2015)
A. K. Misra
K. Venkataramanan
A. N. Fernando
M. S. Mawzoon
L. Ramanayake
C. P. Thomas
B. A. Hulangamuwa
N. B. Weerasekare (appointed w.e.f 11.08.2015)

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
People's Bank
Amana Bank Ltd
ICICI Bank
Citi Bank N A
MCB Bank Ltd
Nations Trust Bank
Standard Chartered Bank
Public Bank Berhad
Seylan Bank

Lawyers
FJ & G de Saram
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Digital Plates & printing by Gunaratne Offset Limited

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