Watawala Plantations PLC

a sunshine enterprise

OUR JOURNEY IS NOT OVER

ANNUAL REPORT 2016 - 2017

About the report

We continue our quest for excellence in corporate reporting with our Annual Report which presents a balanced review of our financial, environmental and social performance for the financial year ended 31st March 2017. It complies with the following regulatory requirements and incorporate best practice in corporate reporting as depicted below:

Overall Report Architecture

Companies Act No.7 of 2007
Integrated Reporting Framework

Financial Statements

- **Sri Lanka Accounting & Auditng Standards Act No.15 of 1995**
- **Sri Lanka Financial Reporting Standards**

Economic, Social & Financial Reporting

- **GRI G4 Guidelines "In Accordance core"**

Corporate Governance

- **Code of Best Practice on Corporate Governance**
- **Listing Requirement of the Colombo Stock Exchange**

Key changes to the structure include:

Reporting principle	Improvement
Strategic focus and future orientation	■ Improved communication of strategy with KPIs ■ Included a new section consolidating our prospects
Connectivity of information	■ Improved signposting through the value creation model
Stakeholder engagement	■ Presentation of information has been improved
Comparability	■ Comparable information has been provided wherever possible
Reliability	■ Information provided is carefully scrutinised to ensure that it is reliable.

Boundary for all material aspects reported in this report is the company unless otherwise stated.

Watawala Plantations Plc
No 60, Dharmapala Mawatha
Colombo -03
Tel -0114 702 416

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

Monetised Capital: Financial

Earnings Highlights and Ratios		2017	2016	2015
Group revenue	LKR.mn	6,502	6,299	6,848
Results from Operating Activities	LKR.mn	1,673	853	800
Profit before tax	LKR.mn	1,446	590	464
Profit after tax	LKR.mn	1,226	518	391
Dividends	LKR.mn	331	118	343
Earnings per share	LKR.	5.18	2.19	1.65
Cash earnings per share	LKR.	5.82	3.50	4.42
Interest cover	No. of times	31.37	8.49	6.40
Return on equity (ROE)	%	20.26%	10.83%	9.12%
Pre-tax return on capital employed (ROCE)	%	18%	8%	7%
Balance Sheet Highlights and Ratios				
Total assets	LKR.mn	9,113	7,746	7,114
Total debt	LKR.mn	443	537	371
Net debt (cash)	LKR.mn	-445	407	299
Total shareholders' funds	LKR.mn	6,050	4,780	4,283
No. of shares in issue	No.	236,666,671	236,666,671	236,666,671
Net assets per share	LKR	25.56	20.20	18.10
Debt / equity	%	7%	11%	9%
Debt / total assets	%	6%	7%	5%
Market / Shareholder Information				
Market price of share as at 31st March (actual)	LKR	24.40	19.30	20.00
Market capitalisation	LKR mn	5,775	4,568	4,733
Enterprise value	LKR mn	5,621	4,975	5,032
Total shareholder return	%	21%	11%	9%
Price earnings ratio (PER)	No. of times	4	7	12
Dividend payout	%	25%	19%	88%
Dividend per share	LKR/share	1.40	0.50	1.45
Dividend yield	%	6%	3%	7%

Monetised Capital: Manufactured Capital

		2017	2016	2015
Production Capacity				
Tea	Kg/day	49,945	49,733	49,733
Palm Oil	Kg/day	45,000	45,000	45,000
Capacity Utilisation				
Tea	Kg/day	7,422	9,413	10,311
Palm Oil	Kg/day	10,622	9,008	8,854
Investments in CAPEX	LKR'000	478,192	289,387	31,144
Investments in subsidiary	LKR'000	438,000	-	-
Carrying value of fixed assets	LKR'000	1,770,618	1,835,454	1,159,518
Depreciation/Amortization charge	LKR'000	313,187	316,582	280,893

Non-Monetised Capital

	Unit	2017	2016	2015
Natural Capital				
Land	Hectares	12,018	12,438	12,439
Cultivated Land	Hectares	7,950	8,072	8,086
Total Raw Material Consumption				
- Renewable Raw Material	Green Leaf & Oil Palm fruits Kg'000'	61,481	75,554	81,315
- Non Renewable Raw Material	Fertilizer & Dolomite Kg'000'	6,758	5,424	7849
Human Capital		**2017**	**2016**	**2015**
Total no. of employees		9,758	10,205	10,671
No. Of resident employees		9,557	10,151	10,603
Employee productivity				
Investment in staff development	LKR000	2,771	2,078	3,950
Training coverage	No. of employees	2,413	1,709	743
Average hours of training per employee		1.3	3	9.7
Social & Network Capital				
No of residents on estates		55,610	54,498	28,043
Investment in communities		6,016	8,143	59,949
No of Workers Benefited		3,754	5,409	1,065
No Disabled supported through vocational employment projects		48	19	18

Intellectual Capital

Estate	Garden mark	Tea Production Kg.		
		2016/17	2015/16	2014/15
Abbotsleigh	Florence	1,146,868	1,285,426	1,190,766
Agarakande	East Fassifern	103,684	309,127	522,002
Carolina	Carolina	814,534	1,206,688	1,223,812
Dickoya	Adisham	543,703	694,026	732,631
Henfold	Henfold	537,142	814,481	1,017,051
Kenilworth	Kenilworth	611,125	731,195	743,091
Shannon	Shannon	467,901	583,865	736,009
Strathdon	Strathdon	975,724	1,183,322	977,017
Tangakelle	Cymru	333,804	134,232	180,829
Vellaioya	Vellaioya	935,428	1,209,046	1,653,748
Waltrim	Waltrim	717,117	958,461	1,051,799
Homadola	Homadola	213,486	247,839	259,474

Chairman's Message

Dear Shareholder,

It is with great pride and pleasure that I present to you the progress made on our sustainability and financial goals, strengthening governance and taking the company to a new era of growth.

Highlights for 2016/17

Your company has delivered the highest profit recorded by a plantation company of LKR1.2 bn for the year maintaining our record of delivering sustainable growth in earnings. A long-term view of the industry, focus on the triple bottom line and a strong commitment to realise the full potential of the company has been key to delivering performance. Additionally, we continued to invest in fields, factories and people, even during lean periods when cash flows were strained, a sine qua non for success in the plantation sector. Total asset growth of 18% reflects our commitment to sustained growth and diversification while net asset growth of 27% reflects improvement in financial stability and a low appetite for debt in the current macro economic environment. Collectively, these key performance indicators are affirmation of our vision and strategy that has transformed Watawala Plantations into a more resilient and diversified plantation company.

Certification of our all our tea estates by Rainforest Alliance and the Ethical Tea Partnership stands testimony towards the progress of sustainability goals. In our Oil Palm estates, diversification enabled employees to considerably improve their livelihoods as improved financial returns paved the way for sustainable growth.

Uplifting associate living standards remains a key thrust area and formal structures are in place to address structural legacy issues and our work is enumerated in the Employee & Community Engagement Report.

A Challenging Landscape

Climate change, geo-political tensions, tightening fiscal and monetary policy and regulations combined to make 2016/17 a challenging year.

Global growth remained subdued at 3.1% as advanced economies failed to maintain growth momentum. Elections in the US and a vote for Brexit highlighted growing nationalistic sentiments in key advanced economies with associated downside risks to globalization. Terrorism remains a key concern for a number of governments. Oil prices increased during the year as supply was managed supporting demand for tea in key markets such as Russia and the Middle East. Global growth is expected to pick up pace in 2017 to 3.5% as key advanced economies strengthen although downside risks enumerated above remain.

Sri Lanka's economic growth rate also moderated to 4.4% as the agriculture sector contracted by 4.2% due to adverse weather conditions and sluggish performance of exports. Production of tea decreased by 12% due to adverse impacts of climate change which led to higher prices at the Colombo Tea Auctions as the volume in global markets also declined. Russia emerged as the largest importer of Sri Lankan Tea followed by Turkey as the second largest.

Shareholder Value

Shareholder value delivered during the year include an interim dividend of LKR0.65 per share, a final dividend of LKR0.85 per share and an increase of Rs 5.10 in the market value of shares. Market capitalisation of the company increased from LKR4.6 bn to LKR5.8 bn during the year to become the highest in the sector. It is encouraging to observe the growing intrinsic value of the company as share price increases outpaced growth in net book value, indicating progress on increasing value of non-monetised capitals.

Strengthening Governance

Composition of the Board remains unchanged during the year as we believe we have the expertise required on the Board. Board discussions have focused on areas for growth including diversification and performance review against agreed financial and sustainability goals. The Board comprises mainly Non-Executive Directors except for the Managing Director of which four are independent directors including the Chairman of the Audit Committee. Expertise within the Board is relevant with representatives from our parent company Sunshine Holdings and strategic partners Tata Global Beverages, Pyramid Wilmar and Duxton Asset Management providing both shareholder perspectives and industry insights. Independent Directors bring perspectives of the plantations industry in the country and financial acumen enriching our deliberations.

The appointment of Mr. Binesh Pananwala as Chief Executive Officer strengthened our governance structure. He has worked for Watawala Plantations for 25 years and is well acquainted with our corporate values and policies. We are confident that he can implement our charted course as we move in to a new era of growth.

We also changed our Company Secretaries during the year to Corporate Advisory Services (Pvt) Ltd with effect from 1st April 2016.

Looking Ahead

The external environment is expected to remain challenging although we expect the pace of growth to pick up as forecast both globally and locally, Our focus continues to be on the long term view and the year ahead will focus on further diversification of revenue streams to enhance the resilience of the company. Increasing the scale of the dairy farming project is a key deliverable in the coming year as we commence commercial operations in the 2nd half of FY 2017/18. We will continue to move up the value chain on tea exports which will stabilize margins as we increase our presence as a value added exporter rather than a commodity exporter. However, this is a longer journey with a more gradual increase. Other export crops will also be a key focus area for growth. We remain committed to good agricultural practices and decent work places supporting our sustainability goals and look to maintain the robust governance framework and programme of activities to deliver on the same.

Appreciations

This has been a record year and I commend the leadership provided by the Managing Director Mr. Vish Govindasamy in delivering the same. I thank the team at Watawala Plantations for their hard work in delivering a holistic performance that has made our journey a success story in the industry at a time when many are struggling. I wish to thank the Board for their valuable insights and counsel that has enabled us to chart a course and steer to success. The Board joins me in thanking our shareholders for the confidence and trust placed on us to manage its affairs and look forward to your continued support in the future as well.

Sunil G Wijesinha
Chairman

24 May 2017

An Interview with the Managing Director

Watawala Plantations has been delivering consistent growth in earnings and assets despite industry-wide challenges. What were the key strategies that drove success?

The main reason for delivery of revenue, profit and asset growth despite industry wide challenges is the foresight of the Board who invested in the early years. Profits were ploughed back to upgrade factories and plantations and diversifying in to oil palm plantations which have a 5-6 year gestation period. Implementing good agricultural practices meant that replanting and other field activities were sustained over the years whether they were lean years or otherwise. We also invested in our people which included training at all levels and implementing a holistic employee welfare programme in the estates to facilitate productivity by addressing the underlying legacy issues. We are now reaping the rewards of this visionary strategy to invest in our assets and our people.

How did the company perform in 2016/17?

Watawala Plantations delivered a strong performance recording a profit after tax of LKR1.2 bn which is the highest in the history of the company and the industry. Revenue growth was a modest 3% as drought impacted tea production resulting in a volume reduction of 21% over the previous year. Palm oil production supported revenue growth as production volumes improved by 18% during the year, off-setting the negative impact of tea. Palm oil accounted for 83% of Profit after tax as yields outperformed industry reflecting our sustained commitment to good agricultural practices and high motivation levels of this team. We were able to make a positive return on tea after 03 consecutive years of losses despite the wage increase as markets rallied during the year and we were well positioned to benefit from it. Our investment in a state of the art tea factory at Waltrim paid off as it outperformed every single upcountry tea factory during the year. Additionally, organisational layers in the tea sector were rationalised which resulted in significant cost savings.

Palm oil yields also outperformed the industry reflecting our sustained commitment to good agricultural practices..

Our Balance Sheet strengthened due to strong cash flows enabling us to fund our capital expenditure of LKR1 bn during the year of which LKR600mn was invested in the dairy farming project. This supported total asset and net asset growth of 18% and 27% respectively as we continued to invest in the future. Debt equity remains very low at 7%, improving from 11% in the previous year which proved a prudent position as interest rates climbed sharply during the year.

It is noteworthy that these results were delivered during a period when the agriculture industry of the country contracted by 4.2% as a result of the prolonged drought that prevailed dampening the country's GDP growth to 4.4%.

What were the key challenges faced during the year?

Industry wide wage negotiations were a key concern for the first half of the year as it took 18 months of negotiations to reach an acceptable solution. Negotiations were concluded in October 2016 with industry benefitting from the beginnings of a productivity based wage settlement necessary for continued operations of the plantation industry. Solidarity within the industry and greater understanding of the issues facilitated negotiations which were conducted without industrial dispute. We were also able to enforce it without retrospective effect with regards to the increases negotiated.

The Regulatory environment was a key challenge with the ban on weedicides including glyphosate and the arbitrary withdrawal of the fertiliser subsidy during the worst period for the industry. Fertiliser doubled in price as a result during a period when tea prices were at a low ebb exerting immense pressure on margins.

The prolonged drought was a key concern resulting in reduced harvests for tea as industry volumes declined from 328,773 MT in 2015 to 292,576 MT in 2016. However, the impact of the drought was offset by higher prices at Colombo Tea Auctions towards the latter half of the year which enabled a fragile recovery in tea.

Striking a balance between employee interests and shareholder interest has been a key challenge in the plantation sector.

How does Watawala Plantations manage this fine line?

Addressing employee challenges and needs is complex as it is a 150 year legacy. Aspirations of employees are higher and we also have to cater to the youth joining the workforce. The type of work has to be improved and made more attractive to future generations. Plucking tea is not an attractive job, but it is a job that must be made more interesting and viable.

We have made great strides working together with our employees and are one of the few companies' in the sector that has been able to convince our workforce to open bank accounts and have salaries remitted to them. Many have been issued ATM cards and trained on their usage. We have also conducted numerous programmes on management of family finances driving behavioural change and a change in their outlook. Women empowerment, provision of child care facilities, creating awareness of alcoholism, domestic violence and encouraging the pursuit of higher studies are just a few of the initiatives implemented within Watawala Plantations. Numerous awards for HR, CSR, Business excellence and social development bear testimony to our efforts over the years.

Similarly, we have delivered consistent returns to shareholders. Earnings per share more than doubled from LKR2.19 to 5.18 and we have maintained a consistent dividend policy with dividends for the year amounting to LKR1.50 per share. The share price improved from LKR19.30 to LKR24.40 as we closed the year with a market capitalisation of LKR5.8 bn, the highest in the plantation sector.

Climate change and eco system decline are key risks for your company. What are the actions implemented in this regard?

We are committed to Good Agricultural Practices which ensure that the environment is nurtured and impact on climate change is minimised. Our water resources are protected with chemical free buffer zones and trees are planted to restrict soil erosion. Fields need carbon matter and we ensure that we use our waste to nourish the fields. Our foray into dairy has also provided organic waste. Rainforest Alliance certification for all tea estates serves as testimony to sound environment management policies and practices. High levels of awareness of the need to preserve the balance of eco systems have employees enthused on our work and several ideas for improving material consumption, recycling waste, reducing emissions and improving our carbon footprint have been put forward and implemented by them.

Can we do more?

Yes and we intend to.

This year marks the 25th Anniversary of Watawala Plantations. What are your reflections on the company's journey?

Out of 25 years of the existence of Watawala Plantations, 20 years has been with the Sunshine Holdings PLC. The partnership with TATA Global Beverages has been a key factor as it provided access to expertise and global networks. We have always wanted to try new things with fresh ideas, breaking away from the pack. Personally, not being from the tea industry, I was able to ask why not. We also brought in Pryamid Wilmar adding new vigour to business and more recently Duxton Assets Management (PADC Holdings) which will support our venture into dairy farming.

What are the plans and prospects for the company in 2017/18?

Commercial operations of dairy farming will commence in October 2017 following a comprehensive pilot project which turned in a profit in the short period. This is a good example of how we identify concerns and take early action to improve the value created to all stakeholders. The dairy farm is located in a financially unviable tea estate which is now being used for a commercially viable project in an identified thrust area for the government, supporting import substitution goals of the country. Duxton Asset Management (PADC Holdings) has come on board as a strategic partner, strengthening the Board with the required expertise and providing access to technical knowledge. The waste from the dairy project will help the estates in improving the soil structure. We see the makings of a sound eco system with positive impacts on both social and environmental factors.

Cinnamon will be a key crop amongst others as Sri Lankan cinnamon is synonymous with quality. Plans are underway for the production of specialty tea increasing our value addition in a core business segment. Palm oil will remain as the main contributor to profits and we expect tea to maintain a positive outlook contributing positively to the bottom line.

Any concerns on delivery of plans going forward?

Forecasted economic growth both globally and locally is encouraging and we will also look to deliver revenue, profit and asset growth maintaining our growth trajectory. Downside risks to our plans include climate change impacts such as the prolonged drought, sustainability of tea prices and the policy environment. The agriculture sector has weathered a difficult year and a stable policy environment which supports growth of this sector is critical to its success.

Any closing remarks?

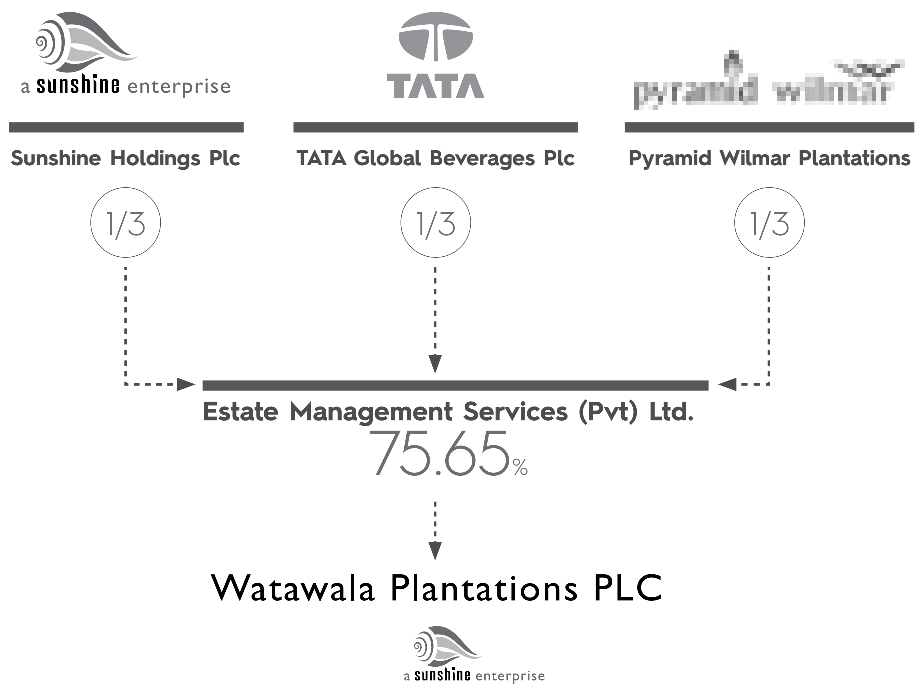
It takes a well-coordinated effort to deliver consistent growth in earnings and assets. I am deeply appreciative of the visionary guidance of the Board which enabled us to set a clear course. I thank the team at Watawala Plantations for delivering on our strategic goals as a united team through meticulous implementation of detailed, ambitious plans We enjoyed high levels of constructive engagement with our brokers, business partners and suppliers during the year and I convey my sincere appreciation for their support. In conclusion, I thank the shareholders for the confidence placed in me to lead this company to success.

V.Govindasamy
Managing Director
24 May 2017

2017 marks a significant milestone of a crop that saved an economy from the brink of bankruptcy. It has wooed and charmed its way into the courts of royals and treated the taste buds of some of Hollywood's leading men and women. It has endured 150 years and it's the cuppa that cheers for a 1000 years more. Join us, as we celebrate 150 years of Ceylon Tea.

About Us

We are a diversified plantation company producing palm oil, tea and other export crops grown, harvested and processed in 17 estates and 14 manufacturing facilities. Our estates located in the Central and Southern provinces cover 12,018 hectares of arable land at elevations between 2,100 and 4,800 feet above sea level which include some of the most picturesque landscapes in the country. We provide employment for 9,758 people and engage with 55,150 residents on our estates, supporting their socio economic progress on an ongoing basis.



13 Tea Estates	4 Oil Palm Estates	LKR5.77bn Market Capitalization
4,465 Hectares Cultivated	3,157 Hectares Cultivated	Closing Share Price LKR24.40
13 Factories	1 Mill	LKR25.56 NBV Per Share
7,422 MT tea produced	10,622 MT Palm Oil produced	LKR5.18 EPS

Our relevance to the economy

	2017	2016	2015
Residents on estates	55,150	54,498	28,043
Taxes paid to government	307Mn	126Mn	165Mn.
Employee benefit liability as of 31st March (LKR mn)	0.88m	0.89m	1 m
Community services and infrastructure projects (LKR mn)	6 m	8.1 m	60 m
Proportion of purchases from suppliers within Sri Lanka (%)	100%	100%	100%

Creating value for stakeholders

As a diversified agribusiness company, Watawala Plantations PLC manages plantations to produce diversified crops which are processed in world class factories used by corporates in a range of applications in the food and beverage industry. Accordingly we use a range of resources to create value for a number of stakeholders with whom we have relationships which have varying degrees of inter-dependency. The diagram below illustrates the linkages between these.

Our Capitals

Natural Capital
See page 67

Financial Capital
See page 52

Manufactured Capital
See page 56

Human Capital
See page 58

Social & Network Capital
See page 77

Intellectual Capital
See page 75

Value Adding Processes

Vision · Mission · Strategy · Governance · Risk Management

Tea	Oil Palm	Other
Planting, pruning, weeding and nurturing our tea plantations	Cultivate oil palm trees at Homadola, NKD-R,NKD-OP and Talangaha estates	Dairy Project
Harvesting two leaves and a bud from tea bushes	Harvest fresh fruit bunches	Managed Forestry
Manufacture of tea at our factories	Processing of fresh fruit bunches in to palm oil at the mill	Tea Exports
Tea is sent to Brokers for cataloguing and sale at auctions	Direct Sale	Spices
See page 48	Page 47	Page 50

Value Created

Customers
Tea 7,422 MT
Palm Oil 10,622 MT
See page 47

Shareholders
PAT Rs.1,226 m
See page 95

Employees
Value created Rs.3.03 bn
See page 58

Community
Investment Rs.6 m
See page 58

Government
Income Taxes Rs.158 Mn
Other taxes Rs.75 Mn
Lease Rental Rs.73 Mn

Suppliers
Purchases Rs.4.12bn
See page 77

Stakeholder Engagement

Stakeholder engagement is a shared responsibility across the organisation with feedback used as a barometer to determine the effectiveness and relevance of our operations and even considered as an early indicator for change of strategic direction. Structured mechanisms are in place for engagement with key groups of stakeholders who create value for us and to whom we distribute value as described below.

Stakeholders	Engagement	Value Created
Employees As 99% of our employees reside in the plantations, our role extends to provision of a variety of welfare services	✓ Daily forums ✓ Community development forums ✓ Employee surveys ✓ Complaint registers maintained at all estates ✓ Monthly meetings with union representatives	■ Livelihoods ■ Empowerment ■ Equal Opportunity ■ Job enrichment ■ Lifestyle ■ Medical facilities ■ Conducive environment
Small Holders We purchase tea leaves from Small scale plantations and Small holders which accounts for approximately 25% of leaves processed in our factories	✓ Village forums ✓ Complaint registers maintained at all estates ✓ One to one meetings	■ Fair price ■ Technical advice on agribusiness ■ Financial support
Brokers & Buyers 90% of our tea is sold at the Colombo Tea Auctions through Brokers. Other produce is sent direct to buyers.	✓ Tea Auctions ✓ One to one meetings	■ High Quality produce ■ Certifications of quality assurance systems ■ Compliance with certification requirements
Communities We work with the government and NGOs to facilitate the socio economic progress of residents on our estates.	✓ Village forums ✓ One to one meetings Complaint Registers maintained at all estates	■ Provision of housing and other facilities ■ Basic medical facilities ■ Education for children ■ Preservation of environment ■ Financial support for community development
Investors Shareholders and banks provide capital to finance our growth	✓ Quarterly financials ✓ Press releases ✓ Annual Report ✓ Annual General Meeting	■ Increasing financial returns ■ Risk Management ■ Corporate Governance
Government The government is the Golden Shareholder in the company, the lessor of the estates we manage and the regulator of markets and the environment. The government also levies taxes on our products sold and profits.	✓ One to one meetings at estate level with local government and provincial councils. ✓ One to one meetings at corporate level with relevant ministries and Department of Inland Revenue.	■ Alignment with national strategy ■ Compliance with terms of lease agreements ■ Preservation of natural capital ■ Timely payment of taxes

Strategy & Measuring Success

A well articulated strategy is a pre-requisite for success to effectively communicate our strategic goals to employees located in 17 different estates. This is a summary of our Group strategy.

Corporate Vision, Mission & Objectives

Strategy	What we will do	Measuring success
Crop Diversification & Non-Plantation Diversification	Increase oil palm cultivation hectarage	Increased extent cultivated by 114 hectares
	Diversify in to other commercial crops such as cinnamon	Increased extent cultivated with other commercial crops
	Increase timber plantations for internal consumption	Increased extent of timber plantations by -10% hectares
An evolving marketing strategy	Leverage the networks of our Joint Venture Partners to develop export markets	6% of revenue from JV partners
	Representations at Colombo Tea Auctions	Highest volume sold at CTA for the fifth consecutive year
	Increase focus on quality	07 estates improved their NSA rankings
An Empowered Team	Employee Productivity	Productivity improved due to productivity incentive in the new wage structure.
	Talent Management	LKR2.7mn invested in training 25% of employees locally & overseas.
	Empowering employees	Employee satisfaction survey
Cost Leadership	Optimise use of technology to gain operational efficiencies	Reducing the cost and saving time
Preservation of Environment	Explore alternative renewable energy sources for use in our estates	Energy from renewable sources increased by 17%
	Use only eco-friendly agricultural practices that minimise negative impacts to environment	Chemical inputs have decreased
	Survey, document and monitor endangered and vulnerable species of flora and fauna populations in estates to facilitate preservation	Follow up study conducted during the year on 17 estates with positive growth in vulnerable populations of fauna

The strategic plan is translated in to regional plans, estate level plans and individual Key Performance Indicators as depicted below. Monthly reports facilitate monitoring of performance at company, region and estate levels against identified performance indicators.

Company Strategic Plan → **Region Business Plans** → **Estate operational Plans** → **Individual Key Performance Indicators**

Board of Directors

	Mr. Sunil G. Wijesinha	Mr. G. Sathasivam	Mr. V. Govindasamy	Mr. A. K. Misra
	Chairman Age : 68	Director *(Non-Executive/non-independent)* Age : 70	Managing Director *(Executive/non-independent)* Age : 53	Director *(Non-Executive/non-independent)* Age : 60
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 Watawala Dairy 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 Waltrim Hydropower (Pvt) Ltd Healthguard Pharmacy Ltd	**Chairman / Director** Tata Communications Lanka Ltd Sunshine Healthcare Lanka Ltd Watawala Tea Ceylon Ltd Group Managing Director Sunshine Holdings PLC Watawala Dairy Ltd Healthguard Pharmacy Ltd **Director** TAL Lanka Hotels PLC Sunshine Energy Ltd Estate Management Services (Pvt) Ltd Waltrim Hydropower (Pvt) Ltd Sunshine Packaging Ltd Watawala Tea Australia (Pty) Ltd. **Executive Management Committee** Tata Global Beverages Ltd- India	**Managing Director** Tata Global Beverages Ltd **Director** Watawala Tea Ceylon Ltd Estate Management Services (Pvt) Ltd
Board meeting attendance	5/5	5/5	5/5	5/5
Audit Committee attendance	4/4	N/A	N/A	N/A
Nomination and remuneration Committee attendance	1/1	1/1	N/A	1/1
Related Party Transactions review Committee	2/2	N/A	N/A	N/A

Mr. K. Venkataramanan	Mr. A. N. Fernando	Mr. M. S.Mawzoon	Mr. L. D. Ramanayake
Director *(Non-Executive/non-independent)* Age : 56	Director *(Non-Executive/independent)* Age : 70	Director *(Non-Executive/non-independent)* Age : 47	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
5/5	5/5	5/5	5/5
4/4	4/4	N/A	4/4
N/A	1/1	N/A	N/A
2/2	2/2	N/A	2/2

Board of Directors

	Mr. C. P. Thomas	Mr. N. B. Weerasekera	Mr. B. A. Hulangamuwa
	Director *(Non-Executive/non-independent)* Age: 47	Director *(Non Executive/independent)* Age : 58	Director *(Non-Executive/non-independent)* Age : 61
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 Sunshine Energy Ltd Sunshine Healthcare Ltd Healthguard Pharmacy Ltd	**Director** Sunshine Holdings PLC Waltrim Hydropower (Pvt) Ltd Sunshine Energy Ltd Asia Siyaka Commodities PLC

Corporate Advisory Services (Pvt) Limited

Company Secretary

47, Alexandra Place

Colombo -07

Board meeting attendance	5/5	5/5	5/5
Audit Committee attendance	N/A	N/A	4/4
Nomination and remuneration Committee attendance	N/A	1/1	N/A
Related Party Transactions review Committee	N/A	N/A	2/2

Executive Committee

Binesh Pananwala
Chief Executive Officer

Counts an experience of 25 years in the Plantation sector. Started his career as a Trainee Assistant Superintendent under Janatha Estates Development Board and continued with Watawala Plantations Plc. Holds a MSc in Crop Science from the University of Peradeniya. Holds a MBA from Manipal (Sikkim) University. Holder of Diploma In Management of Plantations from Kothari Agriculture Management Center and undergone extensive Higher Management Training at the NUS, Singapore.

Alex C Samuel
General Manager - Human Resources

Counts an experience of 33 years in the Plantation sector. Holds a Diploma in Plantation Management and a Diploma in ABE (Association of Business Executives). Holds an MBA from the Cardiff Metropolitan University – UK.

H Milton Wijepala
General Manager Engineering

Counts 33 years' experience in the field of mechanical engineering in manufacturing organizations. Graduate from the faculty of engineering of the university of Peradeniya specialized in Mechanical Engineering. Started his career as a Management trainee at Pelwatte Sugar Industries Ltd. and appointed as Engineering Superintendent. He joined Watawala Plantations in the year 1998 as the Mill Manager and promoted to the position of General Manager Engineering in the year 2013.

Prasanna Pahalagamage
Deputy General Manager Finance

Holds a B Sc in Business Administration. A member of the Association of Chartered Certified Accountants – UK and Institute of Chartered Accountants Sri Lanka. He counts over 14 years' experience in the Financial Management.

Chamika Naranapitiya
Deputy General Manager - South

Counts 26 years' experience in the Plantation sector, having managed Tea, Rubber, Oil Palm & other crops. Joined the industry as an Assistant superintendent. Holds a MBA from the University of Wales, UK and a Diploma in HRM from London & Weigh College.

Dinesh Perera
Deputy General Manager -
Lindula Region / Marketing

Counts an experience of 25 years in the Plantation sector out of which 3 years in Central Africa. He worked for Maskeliya Plantations & Kegalle Plantations and then joined Watawala Plantations in the year 2009. Holds a Diploma in Plantation Management from NIPM. A member of the executive committee of the Fairtrade Labelling Organisation.

Robin Winter
Deputy General Manager -
Hatton / Watawala Region

Joined Watawala Plantations in the year 1997. He has 25 years' 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. Yathindra Tennekoon - *Senior Manager Marketing*
Mr. Uditha Karunaratne - *Manager Marketing*

Regional Executive Committee members

Name	Designation	Estate
Hatton/Watawala Region		
Mr.Prasanna Premachandra	Acting Senior Manager	Carolina
Mr.Suranga Dela	Senior Manager	Vellaioya
Mr.Mihiraj Samaraweera	Manager	Dickoya
Mr.Zaman Imthiyaz	Deputy Manager	Shannon
Mr.Viduranga Thennakoon	Assistant Manager	Kenilworth
Mr.Dinesh Jayaweera	Deputy Manager	Lonach
Lindula Region		
Mr. Kapila Sumanaratne	Senior Manager	Henfold
Mr. Udeni Wanigathunga	Senior Manager	Waltrim
Mr. S. Nandakumar	Manager	Tangakelle
Mr. Priyantha Sunilaratne	Manager	Ouvahkelle
Mr. Tharaka Wijeratne	Acting Manager	Agrakande
Mr. C. Devaranjan	Deputy Manager	Waltrim
Mr. Kusal Chandrasekera	Senior Assistant Manager	Henfold
Mr. Rakhitha Pathiraja	Assistant Manager	Tangakelle
Udugama Region		
Mr.Ruwan Gunaratne	Manager	Homadola
Mr.Rohana Deshapriya	Assistant Manager	Homadola
Mr.Nilantha Seneviratne	Acting Manager	Talangaha
Mr.Dhanushka Daswatte	Senior Manager	Nakiyadeniya Rubber
Mr.Sudeera Madanayake	Deputy Manager	Nakiyadeniya Oil Palm
Mr.K.H.Thanushka	Manager	Palm Oil Mill

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Sri Lanka
Jafna
Kilinochchi
Mannar
Vavuniya
Nilaveli
Trincomalee
Wilpattu
Anuradhapura
Puttalam
Polonnaruwa
Kalkudan
Baticaloa
Chilaw
Kurunegala
Kandy
Kegalle
Ampara
Negombo
Gampaha
Ginigathena
COLOMBO
102 Km
Kitulgala
Awissawella
Homagama
Badulla
Mt. Lavinia
Nugegoda
NUWARA ELIYA
Monaragala
Moratuwa
Bandarawela
Panadura
Rathnapura
119 Km
Kumana
Kaluthara
Yala
Bentota
Katharagama
GALLE
Hikkaduwa
Hambantota
Galle
Matara
NUWARA ELIYA DISTRICT
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 DISTRICT
Bentota
Pelawaththa
Nelluwa
Tawalama
Hiniduma
Balapitiya
Talgaswala
16
Ambalangoda
Nagoda
Udugama
Baddegama
17
Hikkaduwa
Wanduramba
Yakkalamulla
Wakwella
Walahanduwa
GALLE

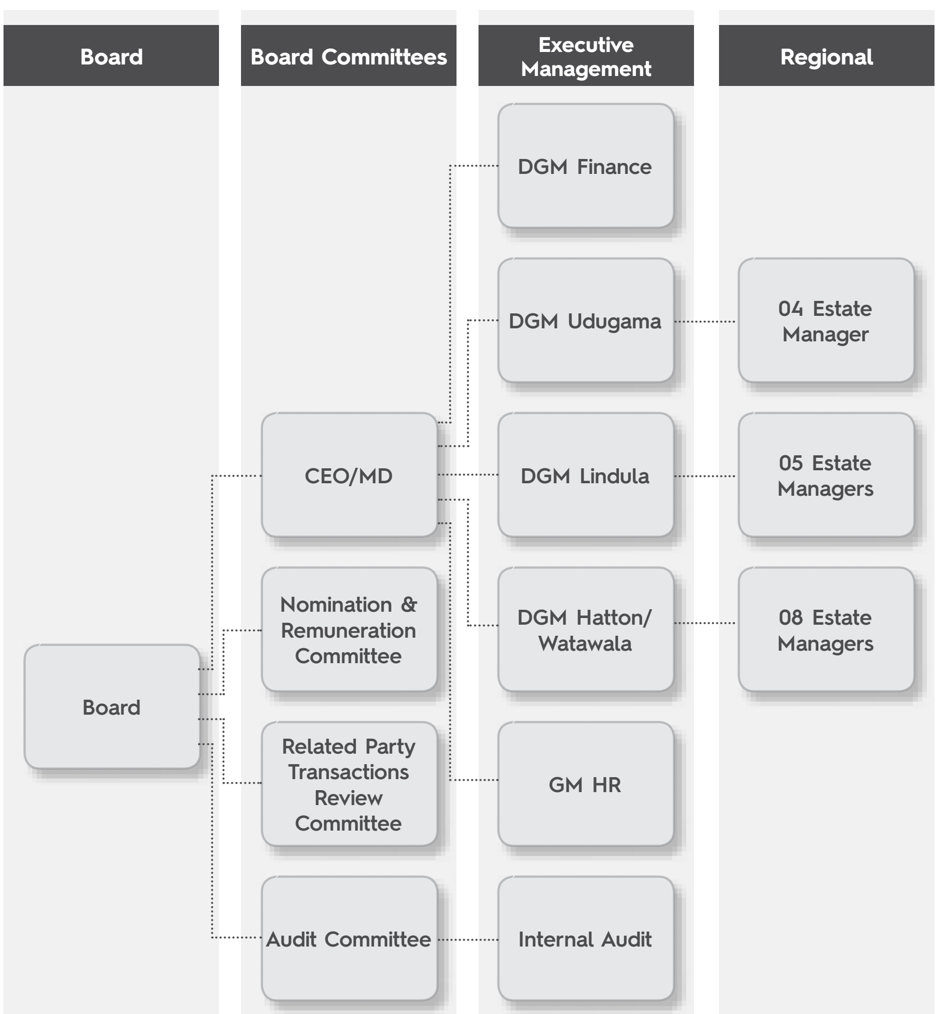
Corporate Governance

Sound governance, balancing stakeholder interests in an equitable manner, has defined how we do business, shaping our success and reputation. Building on regulatory requirements, we incorporate voluntary codes and sound principles in in to the framework as set out in the adjacent column.

As the highest decision making authority, the Board sets the tone at the top through the Watawala Plantations PLC's Charter for the Board of Directors and guidelines for Corporate Governance. While all executives and clerical staff are provided with the Code of Conduct, we rely on training, meetings and trilingual communication of corporate values for associates who are mainly engaged in field work. Watawala CG Framework comprises:

- Governance Structure
- Policy Framework
- Corporate Values
- Board Charter
- Code of Conduct
- Guidelines for Corporate Governance

Governance Structure



KEY LEGAL ENACTMENTS, CODES AND AGREEMENTS COMPLIED WITH

- 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

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.

The directors are professionals of the highest calibre in diverse fields such as Plantation Management, Export Marketing, Tea Industry and Finance etc., and their profiles are set out on page xx.

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	1	4	7
Audit Committee		3	2
Remuneration and Nomination committee		3	2
Related party transactions committee		3	2

Areas of Expertise of Board Members

Area of expertise	No. of board members with expertise
Business management	6
Financial and management accounting	3
Plantation management	3
Engineering	3
Science	3
Law	1

Anti-Corruption

The Company's Code of Conduct clearly sets 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.

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.

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

Code of Best Practice on Corporate Governance

The Company
- *Directors*
- *Directors' Remuneration*
- *Relations with Shareholders*
- *Accountability & Audit*

Shareholders
- *Institutional Investors*
- *Other Shareholders*

Sustainability

Directors A

Principle A 1
An Effective Board ☑

The Board of Directors comprises Eleven Directors of which one is Executive and Ten are Non-Executive Directors. Four Directors are Non-Executive and Independent.

A 1.1 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 with additional meetings scheduled as deemed necessary.

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.

Board attendance

Director	Board Meetings	Audit Committee	Nominations & Remuneration Committee	Related Party Transactions Review Committee
Mr. S G Wijesinha	05/05	04/04	01/01	02/02
Mr. G. Sathasivam	05/05		01/01	
Mr. V. Govindasamy	05/05			
Mr. K Venkataramanan	05/05	04/04		02/02
Mr. A Misra	05/05		01/01	
Mr. A. N. Fernando	05/05	04/04	01/01	02/02
Mr. M. S. Mawzoon	05/05			
Mr. L. D Ramanayake	05/05	04/04		02/02
Mr. C. P. Thomas	05/05			
Mr. N. B. Weerasekara	05/05		01/01	
Mr. B. A. Hulangamuwa	05/05	04/04		02/02

A 1.2 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 Executive Committee chaired by the Chief Executive Officer review performance and discuss new strategies and the methods prior to recommending same to the Board of Directors for discussion. The Regional Executive Committees streamline the flow of information to the Executive Committee for fast decision making. The Five Year Strategic Plan, the Annual Budget are discussed in depth at the Executive Committee prior to submitting to the Board for approval, expediting decision making and focus on key matters.

The Company's Executive Committee (Ex Com) which assists in the decision making process comprises the Chief Executive officer and the DGM Plantations, DGM Finance,GM- Human Resources and GM-Engineering. The second level of Ex Com which is now known as the Regional Ex Com has been developed to cascade information to the Regions and to provide insights to the ExCom, enhancing the deliberations.

Succession planning was introduced to cover the more important roles in the company. The relevant training is being provided in accordance with identified needs. All members of the management are encouraged to follow MBA programmes.

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... 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.

A 1.3 Act in accordance with the relevant laws and seek Independent Professional Advice. ☑

Board ensures compliance with the applicable laws wherever required. Page ... 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.

A 1.4 Company Secretary ☑

The company secretaries are Corporate Advisory Services (Pvt) 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.

Appointment and removal of the Company Secretary is a matter for the Board as a whole and this was evident with the appointment of M/s Corporate Advisory Services (Pvt) Ltd., as the new Company Secretaries during the year.

A 1.5 Independent Judgment. ☑

The Directors use their independent judgments in making decisions. Ten of the Eleven Directors are non-executive and four are independent. As experienced directors, they are able to exercise their independent judgement without hindrance and every effort is made by the Chairman to ensure that all directors contribute to the deliberations.

A 1.6 Director's dedication of time and effort. ☑

In addition to the attendance and participation at the Board Meetings, Board Members make their time available for consultation whenever 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 05 times during the as reported on page 24 and is satisfied that all Non-Executive Directors have committed sufficient time during the year under review.

A 1.7 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 Director participated in several study tours of Plantations outside Sri Lanka.

Principle A 2

Chairman and Managing Director ☑

The Chairman is a non-executive Independent 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 ensuring the participation of all Board members, maintaining a balance between Executive and Non-Executive, and Independent and non-independent Directors.

The Managing Director presents all detail operating results to the board along with the Chief Executive Officer and the Chief Financial Officer. He also ensures that the Board is in complete control of company's affairs.

Principle A 4

Financial Acumen ☑

The board comprises three Chartered Accountants and two Chartered Management Accountants namely,
Mr. K Venkataramanan –FCA of Tata Coffee Limited,
Mr. B.A. Hulangamuwa – FCA, MBA
and Mr. A.N. Fernando – FCA, MBA,
Mr. Sunil Wijesinghe - FCMA
and Mr. N. B. Weerasekera - FCMA.

Principle A 5

Board Balance ☑

The Board comprises Ten Non-Executive Directors which constitutes 90.91% of the Board of Directors of which four are Independent.

Following are non-executive directors of the company.

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

Mr. G. Sathasivam
Non-Executive non-independent Director

Mr. V Govindasamy
Executive non-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. M.S. Mawzoon
Non-Executive non-independent Director

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

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

Mr A Misra
Non-Executive non-independent Director

Mr N B Weerasekera
Non-Executive, non-independent Director

Of the above non-executive directors Messrs. Mr.A 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 Independent Non-Executive Directors. The Board has determined that the following Non-Executive Directors are Independent

- **A.N. Fernando**
- **S.G. Wijesinha**
- **L D 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 with additional meetings scheduled, 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. No new appointments were made during the Financial Year. Details of the current Board of Directors are given on page 16 of this report.

Principle A 8
Re Election ☑

At the first Annual General Meeting of the Company, all new Directors appointed during the year, with the exception of the Managing Director and directors appointed by shareholders at previous AGM , 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 evaluate their 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 effective information and control systems and audit
- 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 16 of this report.
- Related party transactions are disclosed on page 143 of this report.
- The details of Board Meetings attended are on page 24.
- Board Committees that the Directors serve on and their attendance is on pages

Principle A 11
Appraisal of CEO 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

Principle B 1

Remuneration Committee ☑

The Board determines the remuneration of the Managing Director. In deciding this remuneration the Board takes into 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 89 of this report.

Remuneration of the Management Staff is also approved by the Board in total.

The Directors' remuneration is disclosed in Note no 29 of the Financial Statement and the Management Staff remuneration is described on page 139 of this report under Reward and Recognition

Principle B 2

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. There were no instances where compensation was paid on early termination. Mr. B.A. Hulangamuwa, Mr. A.N. Fernando, Mr. S.G. Wijesinha, Mr L D Ramanayake and Mr N B Weerasekera draw a fee and the other Non-Executive Directors do not get any remuneration from the company.

Principle B 3

Disclosure of Remuneration ☑

Remuneration Committee report on page 89 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 138 of this report.

Relations with Shareholders C

Principle C 1
Constructive use of the Annual General Meeting (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. 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 CFO and other Managers of divisions make themselves physically present at this meeting. The annual General Meeting of the Company will be held on the 29th of June 2017.

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

Principle D 1
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 Financial Reporting 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 2016
2nd Quarter	24th October 2016
3rd Quarter	26th January 2017
4th Quarter	24th May 2017

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 pages 82 to 84 of this report.
- Report on Going Concern is on page 82.
- Management Discussion and Analysis on pages 40 to 77 in this report.
- A comprehensive risk assessment is on pages 35 to 39.
- Industrial Structure and Developments, opportunities and threats are stated in the Chairman's and Managing Directors report on pages 06 to 10.
- Social and Welfare work and development of Human Resources and Industrial Relations is on page 58 and page 77 in the Sustainability Report.
- The responsibility of the Board regarding the presentation of Financial Statements together with the Auditors Statement have been presented on pages 82 and 93 respectively.
- Directors Report on page 82 confirm that the business is a Going Concern.

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

Principle D 2
Internal Control ☑

The Board is overall responsible in establishing a good system of 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 concerns 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 Meetings with the Internal Auditor the Chief Executive Officr and the DGM 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.

Principle D 3
Audit Committee ☑

The Board has delegated their responsibility to the Audit Committee with regard to selecting and application of accounting policies, financial reporting, internal control, risk management 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 four Non-executive Directors

:**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.

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 L D Ramanayake
Non-Executive Non independent Director. Director Watawala Tea Ceylon Ltd

The Audit Committee has three Independent Non-Executive Directors. 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 87.

Principle D 4
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.

Principle D 5
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.

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.

Other Investors. H

This report is a full sustainability report. The GRI Index on page 160 provides a comprehensive reference to information disclosed in this report.

Rule No.	Requirement	Compliance	Reference in this report
	Non Executive Directors (NED)	✓	
7.10.1(a)	2 or at least 1/3 of the total number of Directors should be NEDs		Principle A1
	Independent Directors (ID)	✓	
7.10.2(a)	2 or1/3 of NEDs, whichever is higher, should be independent		Principle A1
	Independent Directors (ID)	✓	
7.10.2(b)	Each NED should submit a declaration of independence		Available with the Secretaries for review
	Disclosure relating to Directors		
	The Board shall annually determine the independence or otherwise of the NEDs	✓	
7.10.3(a)	Names of IDs should be disclosed in the Annual Report (AR)		Directors' Profiles

Rule No.	Requirement	Compliance	Reference in this report
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	✓	
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 89.
7.10.6	**Audit Committee (AC)** The Company shall have an AC	✓	Principle D3 and Audit Committee Report on page 82.
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 Managing Director and Chief Financial Officer (CFO) 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

Rule No.	Requirement	Compliance	Reference in this report
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 30th Sep 2016	Corporate Governance Report

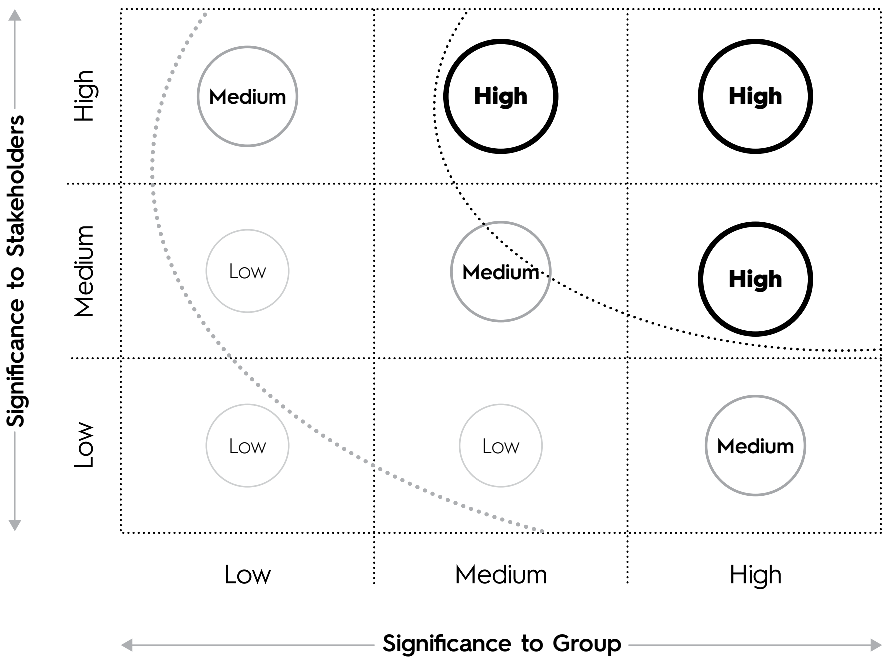
COMPLIANCE REPORT

	Reporting Party Institute / personnel	Subject	Responsibility	Deadline	Status of compliance
STATUTORY	CSE/SEC	1. Quarterly Financial Report	DGM-F/CEO	30th of the month following the qtr	Complied
		2. Annual Report	DGM-F/CEO	09th June 2016	Complied
	Inland Revenue	3. Income Tax Payment	DGM-F/CEO	30th September	Complied
		4. Income Tax Return	DGM-F/CEO	30th November	Complied
		5. VAT Payment	DGM-F/CEO	15th of the following month	Complied
		6. VAT Return	DGM-F/CEO	30th of the following month end of qtr.	Complied
		7. NBT Payment	DGM-F/CEO	20th of the following month	Complied
		8. NBT Return	DGM-F/CEO	20th of the following qtr	Complied
		9. PAYE Payment	DGM-F/CEO	15th of the following month	Complied
		10. ESC Payment	DGM-F/CEO	20th of the month following qtr	Complied
		11. ESC Return	DGM-F/CEO	Annually	Complied
		12. Stamp Duty Return & Payment	DGM-F/CEO	15th of the month following qtr	Complied
		13. Assessment/Default notices	DGM-F/CEO	On given dates	Complied
	Department of Labour	14. EPF Payment	DGM-F/CEO	30th of the following month	Complied
	ETF Board	15. ETF Payment	DGM-F/CEO	30th of the following month	Complied
	Department of Labour	16. Gratuity - Provision/ Payment	DGM-F/CEO	Within one month of resignation	Complied
	SLAASMB	17. Publishing of Annual Financial Report	DGM-F/CEO	By 09th June 2016	Complied
		18. All Financial Reports are prepared in accordance with SLFRS	DGM-F/CEO	--	Complied
	Finance Department	19. Monthly Financial Statements	DGM-F/CEO	10th of the following month	Complied
		20. Interim Financial Statements	DGM-F/CEO	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	DGM-F/CEO	Relevant Papers to be delivered to directors 7 Days before the board meeting	Complied

Managing Risk

Material issues are determined through a robust risk governance structure and a structured risk management process as illustrated alongside. Internal audit provide assurance on the effective functioning of processes and a whistle blowing policy is in place providing a direct line to the Board.

Material issues identified are prioritized and mapped on to the grid given below which forms the basis for risk management and determining strategic direction.



Principal risks identified through this robust process are given below. These are the material matters that impact the sustainable performance of the Group and form the basis for selecting disclosures and determining the depth of reporting in this annual report.

RISK MANAGEMENT STRUCTURES

Board of Directors
Bears ultiamte responsbility

Audit Committee
Assists the Board and has oversight responsibility

CEO
Risk Champion

Risk Management Executive Committtee
Comprises all Deputy General Managers

Estate risk Management Committee
Estate managers, Deputy Estate Managers, Chief Clerks and Senior Clerks

RISK MANAGEMENT PROCESS

Evaluate how we create value

Stakeholder Engagement

Identify Risk Universe

Prioritise risks

Determine material matters

Determine boundaries for risk management

Principal Risks

Risk	Potential Impact	Mitigants	Risk Rating
Strategic Risks			
1. Climate Change Unfavourable weather patterns and natural disasters	• Loss of crop and revenue, higher cost of production. In the case of natural disasters, potential physical damage to employees, estate residents, fields and factories.	■ Crop diversification, intercropping ■ Management of shade trees ■ Improving water retention capacities on estates, drought tolerant cultivars ■ Folio application to prevent excessive transpiration during dry spells ■ Analysis and forecast of weather patterns facilitating early preparations ■ Maintain adequate liquidity reserves to buttress adverse effects ■ Introduce weather resistant clones ■ Identify landslide prone arears ■ Preparing contingency plans Link to strategy: Good agricultural practices	**Overall Rating:** ***High*** **Probability of occurrence:** ***High*** **Severity of Impact:** ***High***
2. Geo-political risk Domestic turbulance in foreign markets. Crude oil prices impacting tea prices. Supply of Competitors affecting Sri Lankan auction prices.	• Volatility in the topline and bottom line • Domino effect on all areas of operations such as capital expenditure (eg: replanting), agricultural practices, staff welfare, liquidity etc.	■ Improve quality to attract higher prices ■ Negotiate forward sale contracts ■ Maintain adequate liquidity buffers ■ Stringent cost control ■ Maintain an ideal crop mix ■ Maintain and improve product quality Link to strategy: Diversification, quality focus	**Overall Rating:** ***High*** **Probability of occurrence:** ***High*** **Severity of Impact:** ***High***
3 Archaic wage model not conducive to productivity Biennial wage hike not linked to output	• Pressure on liquidity, • High cost of production • Loss of cost competitiveness • Going concern of certain estates	■ Introduce out-grower model. ■ Engagement/motivation of associates to improve the output. ■ Lobby for a productivity based wage structure. ■ Better HR practices at the estates leading to higher output. Link to strategy: Improve productivity mechanisation	**Overall Rating:** ***High*** **Probability of occurrence:** ***High*** **Severity of Impact:** ***High***

Risk	Potential Impact	Mitigants	Risk Rating
4. Government policy Impact range from banning of glyphosate, withdrawal of fertiliser subsidy, imposition of minimum wages, border tariffs and nationalisation of plantations	• High cost of production, • Pressure on liquidity • Loss of business viability • Going concern	■ Collective lobbying to the Government through Planters Association. ■ Press for consultation before decisions are made by the Government. ■ Anticipate and devise contingency plans for such eventualities. Link to strategy: Representation in Industrial groups	**Overall Rating:** ***Medium*** **Probability of occurrence:** *Moderate* **Severity of Impact:** ***High***
5. Investment Risk	• Earnings fall below required rate of return	■ Proper project appraisal prior to the investment ■ Close monitoring the macro and micro environment impacting the investment ■ Regular review of performances of the investee ■ Risk management strategies Link to strategy: Expertise through strategic alliances	**Overall Rating:** ***Medium*** **Probability of occurrence:** *Low* **Severity of Impact:** ***High***
Operational Risks			
6. Dependence on bought leaf Approx. 25% of production is from bought leaf which maximises output and factory capacity	• Lower net sales average, revenue and higher COP	■ Acceptance of only quality leaf from out-growers ■ Educate regular B/L suppliers on leaf quality ■ Reward the quality leaf suppliers by monetary and Non-monetary rewards ■ Maintain close relationships with suppliers Link to strategy: Quality focus, supply chain management	**Overall Rating:** ***High*** **Probability of occurrence:** ***High*** **Severity of Impact:** ***High***
7. Supply of Energy Higher prices of electricity Availability of quality firewood Power outages during droughts	• High cost of production • Strain on cash flows • Production continuity	■ Revert to fuelwood ■ Use cheaper fuelwood substituting rubber fuelwood ■ Bio gas, mini-hydro projects, briquettes, ■ Replace old boilers with fuel efficient larger capacity boilers ■ Renewable energy such as waste and effluents from Oil Palm ■ Use of Solar energy for firewood drying sheds ■ Variable speed drives and capacitors banks to reduce power consumption Link to strategy: Renewable energy	**Overall Rating:** ***High*** **Probability of occurrence:** ***High*** **Severity of Impact:** ***High***

Risk	Potential Impact	Mitigants	Risk Rating
8. Manufacturing shortcomings Low quality teas, lower outturn of production, Higher Free Fatty Acid in Palm Oil	• Impact the quality of tea resulting in lower NSA • Loss of reputation/loss of markets • Non moving/unsalable stock • Quality claims	■ Field level supervision to get quality leaf ■ Good agri practices to ensure quality leaf ■ Modern manufacturing facilities ■ Quality control and assurance in the manufacturing process ■ Factory certifications such as ISO Link to strategy: Field and factory development	**Overall Rating:** ***High*** **Probability of occurrence:** ***High*** **Severity of Impact:** ***High***
9. Disruption to production Factory fire, machine breakdown, non-planned maintenance, availability of input materials	• Production halt/Loss of revenue/crop • Loss of mandays/High COP • Loss of asset/production halt • Loss of revenue/loss of customers	■ Regular maintenance ■ Contingency plans ■ Timely replacements of assets ■ Stringent safety measures ■ Insurance ■ Fire insurance covering business losses Link to strategy: Contingency planning	**Overall Rating:** ***Medium*** **Probability of occurrence:** *Moderate* **Severity of Impact:** ***High***
10. Issues concerning estate labour Labour unrest, shortage of skilled/unskilled labour, lower labour productivity, Out migration	• Loss of crop/revenue • Low land productivity/high cost of labour • Lower bottomline • Inhibit growth prospects	■ Recognition and rewarding of associates ■ Cordial relationships with unions ■ Regular meetings to handle grievances ■ Training & development programs ■ Improvement of working conditions,facilities and estate housing infrastructure Link to strategy: Employee welfare and engagement	**Overall Rating:** ***Medium*** **Probability of occurrence:** *Moderate* **Severity of Impact:** ***High***
11. Lower land productivity Old seedling tea fields, lower profitability of some crops, uncultivated lands, Insufficient replanting ratio, Ageing tea bushes	• High COP/Lower revenue/Lower profit • Deprive the Co of its potential/restrict growth • Strain on cashflows • Lower yeilds	■ Replace with profitable crops-crop diversification ■ Improve fields by good agri practices. ■ Introduce short crops such as Citronella, pepper, maize ■ Introduce mechanised harvesting ■ Seeking low cost fund to finance replanting ■ Undertake replanting YOY on an incremental basis ■ Use own funds in a prudent manner for replanting Link to strategy: Diversification and development	**Overall Rating:** ***High*** **Probability of occurrence:** ***High*** **Severity of Impact:** *Moderate*

Risk	Potential Impact	Mitigants	Risk Rating
12. Ineffective accounting and information systems Inaccurate information, not generating timely information, system failures, loss of data, system security	• Wrong reporting, • Loss of reputation, • penalties, • wrong decision making, • Loss of investor confidence.	■ Sound system of internal controls ■ Robust internal audits ■ Qualified & experienced finance staff at HO and Estates ■ Advanced & latest MIS systems with the support of In-house ERP manager ■ Cloud based back ups, updating of Anti virus, firewall etc. Link to strategy: Entity level controls	**Overall Rating:** ***Low*** **Probability of occurrence:** *Moderate* **Severity of Impact:** ***High***
13. Health & Safety Electrocution, Wasp and leech attacks, exposure to toxic chemicals Injuries from machines, Old trees falling on workers	• Loss of workers,productive time • Payment of compensation • Litigations and claims • Declining workforce morale • Worker unrest/work stoppages	■ Appointments of Health and Safety Executives ■ Training on safety measures on factories ■ Obtaining insurance covers ■ Provision of safety equipment and clothing ■ Removing dangerous trees in the fields and Wasp nests. ■ Provision of leech repellents Link to strategy: Health & Safety	**Overall Rating:** ***Medium*** **Probability of occurrence:** *Moderate* **Severity of Impact:** ***High***
14. Risk of fraud Theft, Misappropriation of assets Misstatements of Financial statements	• Loss of revenue/profits • Impact on corporate reputation	■ Sound internal controls ■ Pre-employment screening ■ Effective Internal audit ■ Sound control environment Link to strategy: Insurance covers from reputed insurers	**Overall Rating:** ***Medium*** **Probability of occurrence:** *Moderate* **Severity of Impact:** ***High***
15. Project failures	• Failure of special projects • Losses due to budget overruns	■ Training to managers on project management ■ Close project monitoring Link to strategy: Skills development	**Overall Rating:** ***Medium*** **Probability of occurrence:** *Moderate* **Severity of Impact:** ***High***

WPL Regional Office – Dickoya (CEO's Office)
January 1998
WPL Regional Office Staff

Waltrim tea factory celebrated the 150 th anniversary of Tea in Sri Lanka

Operating Environment

Sri Lankan economy

Despite steady acceleration in quarterly growth from the 2nd quarter onwards in response to tightening of fiscal and monetary policies, Sri Lanka's economy slowed to 4.4% growth in 2016, from 4.8% in 2015 following adverse weather conditions and sluggish global economic recovery. The agricultural sector recorded a marked fall, contracting 4.2% whilst the industrial and services sectors, grew 6.7% and 4.2% respectively, to help sustain growth. Key industries driving growth were construction, mining & quarrying, financial services, insurance and telecommunications.

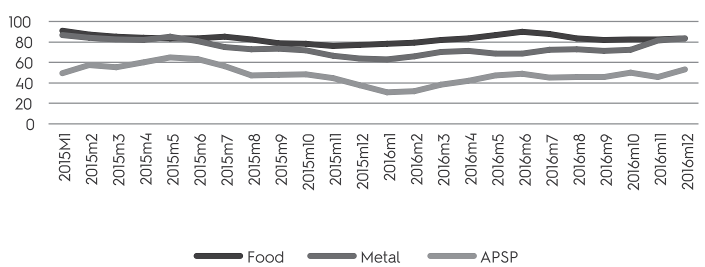
Inflation increased to an annual average of 4.0 % whilst year-on-year broad money (M2b) growth remained high at 18.4 %. The trade deficit widened substantially to 11.2% of GDP from 10.4% a year before. Export earnings contracted for the 2nd consecutive year, by 2.2 %, whilst Import Expenditure increased 2.5 %. Decline in exports was mainly on account of the low commodity prices in the international market, modest economic recovery of Sri Lanka's major export destinations and reduced domestic output given the destructive weather conditions. Imports grew mainly due to higher imports of machinery and equipment, textiles and textile articles and gold.

Gross official reserves were estimated at USD 6.0 bn at end December 2016 equivalent to 3.7 months of imports. The Sri Lankan rupee depreciated by 3.83% against the US dollar in 2016.

Global economy

2016 marked another disappointing year wrought by stagnant global trade, subdued investment and heightened policy uncertainty. Global GDP growth declined from 3.4 % to 3.1% in 2016. Advanced Economies declined from 2.1% to 1.7% and Emerging Market and Developing Economies from 4.2%to 4.1%.

Real Commodity Price Indices



Growing consumer confidence and a gradual recovery in investment from the second half of the year, contributed towards increased manufacturing and trade activity and the global economy gaining momentum towards end 2016. Commodity prices began to recover from their trough in early 2016 and financial markets are buoyant. Long-term nominal and real interest rates, particularly USD and GBP rates, rose during the year following policy decisions. With widening interest differentials, the U.S. dollar strengthened whereas the euro and Japanese yen weakened. Global growth is projected at 3.5 % in 2017 and 3.6% in 2018.

			Projection	Projection
	2015	2016	2017	2018
World GDP	3.4	3.1	3.5	3.6
Advanced Economies	2.1	1.7	2	2
United States	2.6	1.6	2.3	2.5
Euro Area	2	1.7	1.7	1.6
United Kingdom	2.2	1.8	2	1.5
Australia	2.5	2.5	3.1	3.0
Emerging Market and Developing Economies	4.2	4.1	4.5	4.8
Russia	-2.8	-0.2	1.4	14
China	6.9	6.7	6.6	6.2
India	7.9	6.8	7.2	7.7
Middle East	2.7	3.9	2.6	3.4

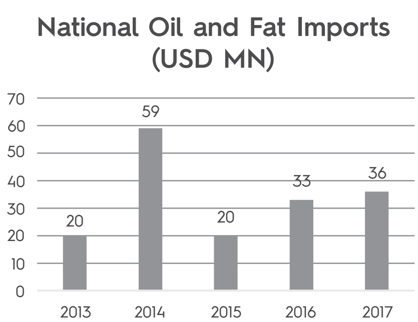
Source: World Economic Outlook (WEO) Update April 2017

Palm oil

Industry background

Palm oil is a versatile and cheap oil found in household products ranging from food to cosmetics and is increasingly being used as a biofuel. The global palm oil market is expected to reach USD 92.84 billion in 2021 and is anticipated to grow at a CAGR of 7.2% between 2016 and 2021.

In Sri Lanka, palm oil is used primarily as an edible oil. The national vegetable oil consumption is estimated at around 160,000 – 170,000 MT pa (Economic Analysis of Coconut oil Consumption in Sri Lanka, 2009, www.wyb.ac.lk), the bulk of which is imported, given the local coconut oil production is insufficient to meet demand. Local coconut oil production was only 40,000MT in 2016.



Source : CBSL Annual report 2016

Currently over 7000 hectares of palm oil are cultivated in the Galle District by 04 RPCS including WATA. There are two Palm oil processing factories namely WATA and AEN Palm oil processing (Pvt)Ltd., a joint venture between Agalawatta Plantations, Elpitiya Plantations & Namunukula Plantations. Both demonstrate equal production capacity of 45,000 ltres per day.

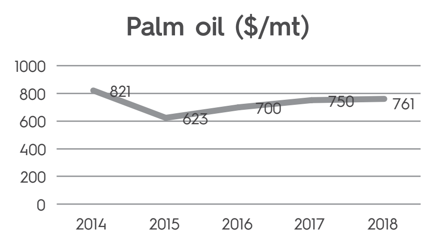
Industry opportunities

Government policy

In 2016, the Sri Lanka spent USD 36mn on importation of edible oils, an increase of 9% over the previous year. As such, the Government is keen on developing oil palm cultivation as a commercial crop to meet the local edible oil requirement and save foreign exchange. It plans to increase the extent of palm cultivation to 25,000 hectares by 2025 and has also installed an Oil Palm Research Division at the Coconut Research Institute to support the industry.

Rebounding commodity market

Global palm oil prices increased in calendar year 2016, on the back of the rebounding commodity market and crude oil prices. Palm oil prices are forecast to increase further by 7% in 2017.



Source - World Bank, Commodity Markets Outlook Report, April 2017

Substantial agro-economic advantage over other crops

- higher oil yield – litres per hectare pa

Palm	others
3,000 to 4,000	Coconut 700
	Sunflower - 600

- Commences yielding early: Plants yield in 3 years, peaking between 7 and 18 years. Rubber plants yield in 5 to 7 years.
- Less labour requirement: palm oil requires 0.1 worker per hectare, compared to four workers for tea.

Industry challenges

Sourcing land

The arable land for cultivation of palm oil is scarce as most lands available have been used. Currently, palm oil is primarily grown as a crop substitution in rubber plantations by RPCs. However, exhaustion of this land extent may limit further expansion.

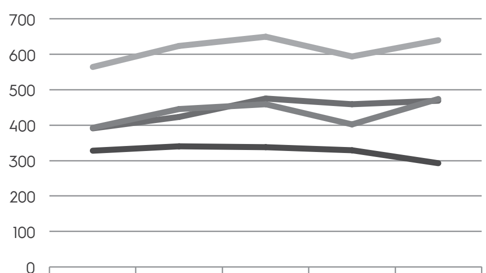
Tea

Industry background

Contributing 0.7% to Sri Lanka's GDP, Tea is the 2nd largest export and the single largest employer in the agricultural sector. Its significance to the national economy is further enhanced in respect of the rural and socio-economic development, poverty reduction and environmental conservation initiatives the sector consciously engages in.

Tea is produced by 22 Regional Plantation Companies (RPC) including WATA and balance smallholders who contribute to 60% of production. Regulations require that minimum 90% of tea produced must be sold through the Tea Auction.

National Tea Statistics



	2012	2013	2014	2015	2016
PRODUCTION (KG MN)	328.4	340	338	328.8	292.6
COP (RS/KG)	390.89	422.7	475.11	458.84	469.24
AUCTION PRICE (RS/KG)	392.4	445.83	459.01	401.46	473.15
EXPORT PRICE (RS/KG)	563.94	623.91	649.44	593.08	639.88

Source: CBSL Annual report 2016

Tea production continued to decline in 2016, falling 11% to 292.6 Mn kg, from 328.8kg in 2015 due to both supply and demand factors. Adverse weather condition, weedicide ban and trade union activities in the plantation sector impacted production whilst lower income levels in major tea export destinations, such as Middle East and Russia, as a result of low oil prices and increased geopolitical tensions affected demand. 99% of the tea produced in 2016 was exported.

Auction prices increased in 2016 mainly due to the lower output and the rising global commodity prices. However, cost of production also increased attributed to the rising input costs such as wages and fertilizer following the withdrawal of fertilizer subsidy to RPCs, low yields and low labour productivity. The cost of production in Sri Lanka is the highest of all tea producing countries.

Due to these reasons the general profitability of the tea plantation industry has been low.

Industry opportunities

Increased demand for specialty teas

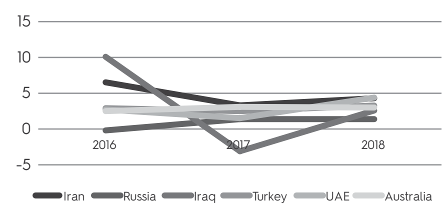
Fruit/herbal tea and green teas are perceived as healthier and have a wider spectrum of tastes, offering a variety of exciting infusions and new product developments in contrast to the relatively constant black standard tea. Further, there is growing demand for 'organic' and 'ethically traded' teas.

Improved economic outlook in Sri Lanka's key tea export markets

The firming of oil prices driven by the November 2016 OPEC agreement to cut oil production, will positively impact the economies of Russia and oil export countries in the Middle East. However, geopolitical factors may hold back growth in many of these countries and in Turkey.

Improved growth forecast for Australia, WATA's main export market augurs well for the company's value added tea exports.

GDP Growth Forecast



Source: World Economic Outlook (WEO) Update April 2017

Industry challenges

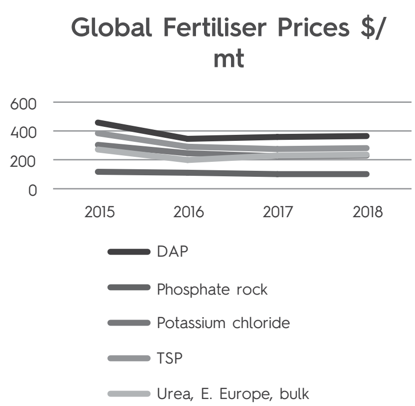
The Sri Lankan tea industry faces many challenges that is threatening productivity and its ability to remain globally competitive.

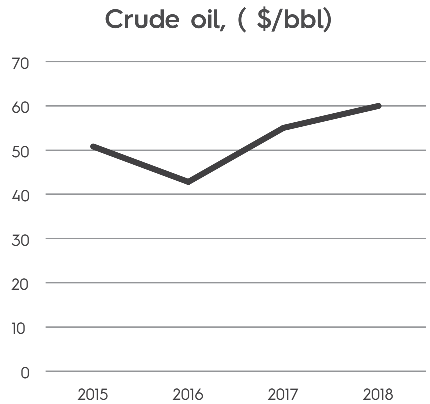
Labour Shortage

Tea plantations are highly labour intensive. However youth in the plantation sector dislike the work available in plantations preferring to find employment in the city instead. To attract and retain labour, RPCs continuously engage in improving the dignity and welfare of the workers and their families, by providing housing, improved living conditions, education and healthcare benefits. As such, labour costs, account for approx. 70% of production costs.

Increasing Cost of Production

Due to the withdrawal of the fertilizer subsidy to RPCs, cost of production has increased. Alternatively many growers use less fertilizer which ultimately affects production yields. The banning of weedicide, glyphosate, without the provision of a suitable alternative has led to growers having to resort to manual weeding which is costly, time consuming and impractical.





Source: Source - World Bank, Commodity Markets Outlook Report, April 2017

Global Fertilizer prices are projected to rise by 1% and crude oil by 26% in 2017.

Higher wage demands

The scarcity of labour has resulted in constant pressure in the form of higher wage demands, negotiated biennially. The recent agreement in 2016 resulted in wages rising to LKR 730 from LKR 620 previously. The new wage structure incorporates a productivity based incentive of LKR 140 paid only if the estate norm is met and an attendance allowance, paid only in the event of maintaining minimum 75% attendance.

Climate change

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. Weather patterns have of late become erratic and unpredictable.

Dairy

National milk production grew 2.6 per cent to 384 million litres in 2016, on the back of government efforts to achieve self-sufficiency in milk. However, as per the Central Bank of Sri Lanka Annual Report 2016, this is sufficient to meet only 42% of the total demand. Milk powder imports amounting to 94,011 MT and valued at LKR 33.6 bn, substituted the balance 58%, an increase of 15% over 2015.

As such, the government is keen on developing the dairy industry in Sri Lanka and has embarked on various initiatives to support same.

The dairy farm sector is predominantly based on small holders keeping 2-5 cows and large organizations such as NLDB, Milco, Ambewela, Kotmale, CIC, etc

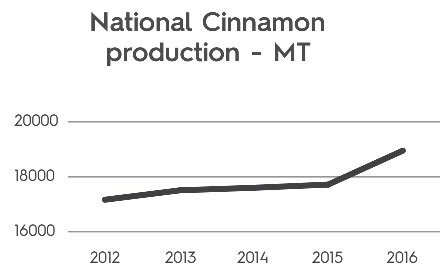
The key challenge in the large scale dairy production system, whether fully grazed or indoor, is maintaining animal health and welfare. Strong husbandry following good stockholding of animal feed, farm management and adherence to farm assurance standards, ensures sound animal health and welfare.

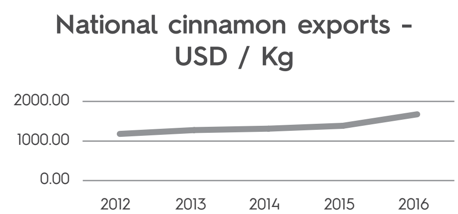
Cinnamon

Cinnamon is Sri Lanka's third largest agricultural export product. Cinnamon sticks in bulk as well as in value added form such as Cinnamon oil, Cinnamon powder and tablets are produced and exported under the 'Pure Ceylon Cinnamon' National brand name patented by the Export Development Board, to large number of countries, the main markets being USA & Mexico. Ceylon Cinnamon commands more than 85% of the world market share for 'real' cinnamon.

Indigenous to Sri Lanka, Ceylon Cinnamon' referred to as "sweet cinnamon" and "true cinnamon" is considered superior to the cheaper variety known as Cassia. The unique method of processing and curing of cinnamon entices the characteristic flavour over Cassia. Cinnamon is widely used as a food ingredient, in pharmaceutical preparations and in the cosmetics industry.

National production of cinnamon increased considerably by 7.0% to 18,945 MT in 2016 from 17,707 MT in 2015, despite the decline in production of most minor export crops due to adverse weather conditions and cyclical seasonal patterns of this, 79% was exported. Export price of a kilogram of Cinnamon increased sharply by 21% to USD 1670.88, given the increased demand for Ceylon Cinnamon and increased value addition.





Outlook for 2017 / 18

Recent policy reforms including monetary tightening and revenue-led fiscal consolidation have improved Sri Lanka's outlook, and as per the Central Bank of Sri Lanka, GDP is forecast to grow 5.0% in 2017.

The gradual pickup in global agricultural commodity prices, improved economic outlook in Sri Lanka's key tea and cinnamon export markets and increased demand for locally produced palm oil and dairy, augurs well for WATAs key business segments.

Palm oil

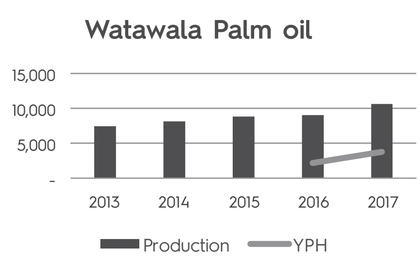
Our palm oil plantations are located in the Galle District. The palm oil factory located in Udugama with a production capacity of 45,000 lts/ day.

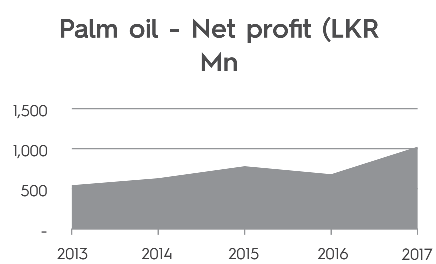
Our main buyer of palm oil is Pyramid Lanka (Pvt) Ltd which is affiliated to Pyramid Wilmar, who manufactures 'Masterline' and 'Fortune' brands of palm oil products for the local market. Pyramid Willmar is a member of Wilmar International, Singapore, Asia's largest agri business group and a strategic partner to Sunshine Holdings. We leverage on the technological knowledge and industry expertise of Wilmar International in nurturing our plantations to reach international standards.

Performance

		2016	2017
Revenue	LKR Mn	1,504	2,162
Gross profit	LKR Mn	825	1,307
Operating profit	LKR Mn	717	1,154
Production	KG	9,008	10,622
Cultivated land extent	Hectares '000	3,157.01	3,271.16
age < 6 years	%	24%	22%
age>6 years	%	76%	78%
Yield per hectare	Kg/hectare	3,786	3,297
Operating profit / hectare	LKR /Hectare	227,116	352,667
Property plant and equipment	LKR Mn	2,140	2,712
Head count	Nos	1,555	1,431

Palm oil is the mainstay of the company, accounting for 83% of net profit and offsetting the losses from tea and until 2017 rubber, which business segment has since been discontinued. Palm oil contributed 34% to total revenue and 77% to total gross profit in 2017 , despite accounting for only 27% of total cultivated land.





Operating profits from palm oil grew in 2017 by 160% largely attributed to an increase in GP margin from 55% to 60%, driven by an increase in price and production volumes. The selling price of WATA palm oil is based on a formula determined using the Malaysian palm oil Futures market and the local import tariff levied on edible oils. WATA 's pricing formula benefited in 2017 from increase in the global palm oil prices and an increase in the Special Commodity Levy on imported palm oil.

Production volumes increased largely following an increase in the yield per hectare. The hectarage of WATA plantations, falling within an age span of over 6 years old increased by 2% in 2017, contributing significantly towards higher yields. Oil palm yields increase as the plant matures, reaching peak production between over 6 years and gradually decreases thereafter. Oil palm harvesting commences after 3 years of age, whilst the commercial lifespan of an oil palm is approx 25 years.

Our yields also increased given our commitment to good agricultural and agronomic practices. We closely monitor harvesting intervals, plucking Fresh Fruit Bunches (FFB) at optimum ripeness, thereby maximizing the quality and quantity of palm oil extracted. We ensure harvested fruits are processed within 24 hours to minimize the build-up of fatty acids and have developed internal road networks amongst other initiatives, to expedite the transport of FFB to the factory.

Way forward

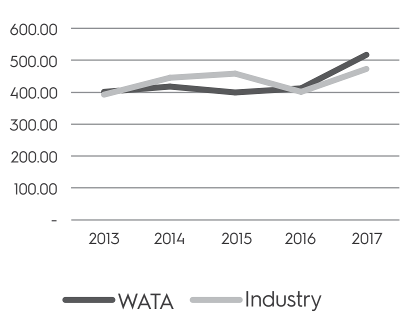
The Government's keenness to promote oil palm as a commercial crop augurs well for the industry. The replanting of rubber with the more profitable Palm oil and the progressive increase in the extent of mature palm oil plantations where yields are peaking, positions WATA firmly for future growth. This coupled with the expected rise in global palm oil prices following the recovery of the commodity market, will comfortably sustain future profitability. We will continue to leverage on the expertise of Wilmar International to nurture and grow our plantations to achieve high standards of quality and yield. Roundtable on Sustainable Palm Oil (RSPO) certification will be obtained by year end, affirimg our commitment to environmental and social sustainability.

Tea

WATA produces high, low and medium grown teas in the key regions of Hatton, Watawala, Lindula and Udugama and in both Orthodox (60% of production) and CTC form. The versatile varieties of tea facilitates WATA in catering to the different export markets and consumer preferences. The varied product mix also contributes towards a stable NSA throughout the year despite seasonal / climatic fluctuations on individual selling marks.

In 2015, the management adopted a "quality driven" strategy for tea, where less quantities were produced at a superior standard, as opposed to maximizing yields. The success of this strategy is reflected in the NSA, where WATA NSA exceeded industry average in both 2016 and 2017 (Calender year). In 2017, WATA achieved an NSA of LKR 517.75 against a much lower industry average of LKR 473.15 (CBSL Annual report)

NSA - WATA Vs Industry



WATA drove the 'quality' strategy through the adoption of good agricultural practices such as advance pruning to manage rush crop and leaf quality, selective purchases of bought leaf to improve leaf standards, increasing worker knowledge through training on topics including identifying ideal leaf quality and size, optimum fertilizer application subsequent to soil mapping and improving the handling and care of fresh leaves after harvesting.

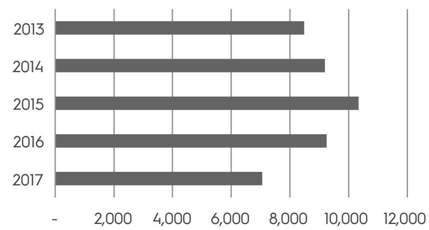
In 2017 , WATA account for 2.54% (2016 - 2.86%) of national tea production.

Performance

		2016	2017
Revenue	LKR Mn	4,118	3,878
Gross profit	LKR Mn	(23)	340
Operating profit	LKR Mn	(215)	170
Production	KG	9,412,523	7,422,459
Total extent	hectares	4,465.42	4,284.54
Extent Bearing	hectares	4,363.98	4,223.50
Yield per hectare	Kg/hectare	1,439	1,213
Plucking average	Kg	19.41	19.78
Operating profit per hectare	LKR / Hectare		
NSA	LKR per Kg	411.78	517.67
Replanting	hectares	1	9.5
Property plant and equipment	LKR Mn	3,224,756	3,201,515
Head count	Nos	8,604	8,151

The tea business segment made an operating profit of LKR 170mn, after a lapse of 3 years. Profits were driven by an increase in the NSA attributed to an overall increase in auction prices due to lower production given the drought that prevailed over most parts of the year and more particularly to WATA, following the strategic shift to focus on producing high quality teas fetching premium prices. Accordingly, GP margin rose sharply from -1% in 2016 to 9% in 2017. However, tea revenue fell 6% to LKR 3,878 mn in 2017 due to the lower sales volumes.

WATA Sales Volumes - LKR Mn



Despite its comparatively lower profitability, tea remains the largest contributor to revenue, accounting for 61% share in 2017 (64% - 2016).

Our cost of production increased in line with the industry. Cost of production was impacted by increased cost of fertilizer, wage hike and labour cost of manual weeding. However, we observed an increase in labour productivity and attendance following the incorporation of respective incentives into the wage hike, which helped offset the increased cost. Manual weeding has been outsourced to estate families, to be attended to outside plucking hours for an additional income. The scheme has been successful with many families accepting the opportunity for increase livelihood.

Way forward

We will continue to increase our focus on enhancing quality and sustain margins through premium pricing. The improved economic outlook in Sri Lanka's key tea export markets augurs well for the industry, positively impacting demand and pricing further. We are concerned about the issues facing the industry given the pressure on margins and we will seek to minimize the impact by realizing raw material and labour efficiencies.

Dairy

Performance

		2017
Revenue	LKR Mn	32.6
Gross profit	LKR Mn	-16.5
Operating profit	LKR Mn	-13.6
Production	lites '000	423.21
Total extent	hectares	442.37
herd	Nos	167
milking cows	Nos	82
property plant and equipment	Mn	659.8

In March 2016, WATA signed a joint venture agreement with PADC Holdings a subsidiary of Duxton Asset Management to set up a US$ 11.5 million dairy operation on Lonach Estate under Watawala Dairy Ltd. Duxton is a leading international agriculture asset management firm Based in Singapore with a portfolio of approx USD 700mn and with extensive experience in dairy farming in Australia and Indonesia.

The BOI investment is expected to be fully operational by 2018 and will have 1,700 cows, of which 1,000 will be dairy cows producing 30,000 litres of milk/ day. Initially, fresh produce will be sold to commercial buyers, pending branding and value addition in the future.

The cows will be housed in stalls as opposed to being pastured, given the inherent terrain of the estate, resources and space available on the farm. The Total Mixed Ration (TMR) method, where all feedstuffs will be weighed and blended into a complete ration and fed to meet the nourishment needs of the dairy cows will be applied. TMR is the most adopted method for feeding high producing, indoor-housed dairy cows in the world.

Yet under construction, the project commenced few years back on a pilot basis and currently has 160 cows producing 1143 liters of milk daily , generating LKR 32.6mn revenue The project is expected to provide better employment for the estate workers through herd and feedstock management given the tea operations within the estate have been lagging.

Way forward

The dairy project is expected to generate a bottom line of 40% and will contribute considerably towards the groups future profitability. We will continue to leverage on the expertise of Duxton in the setting up and management of the project.

Others – Tea exports, cinnamon and timber

Tea Exports

		2016	2017
Revenue	LKR Mn	533,760	352,547
Gross profit	LKR Mn	72,946	58,730
Operating profit	LKR Mn	71,382	58,730

We export value added teas to Australia, USA, UK, India and Russia. The herb and fruit infused teas, primarily in tea bag form, are distributed through our Group Strategic partner TATA Global Beverages, who owns the Tetley brand and is the world's 2nd largest tea retailer.

Revenue and profit from tea exports fell 34% and 18% respectively, following a revision in pricing to be more competitive in our main market, Australia, which accounts for over 80% of exports. This year we focused on consolidating our presence in existing markets, prior to expanding to new regions.

Cinnamon

Production and export of Ceylon cinnamon is our latest strategic diversification project launched in 2015. Although cinnamon was grown in our estates in a small scale over the past 8 years, the plantation has now been expanded to 67 hectares and a cinnamon peeling center and cinnamon oil extraction plant set up in the Homadola Estate, Udugama. We have obtained accreditations and certifications including Good Manufacturing Practices (GNP) and Food and Drug Administration(FAD), confirming production under quality standards. The Cinnamon products will be sold in stick, oil and powder form under our registered brand name 'Cinnamon Tribe'. Having commenced to sales locally in small scale, we are currently, seeking out overseas markets.

Timber

WATA has 1,058 hectares of managed forest where Eucalyptus has been cultivated as high end timber, calliandra, as a short rotation crop in the Hatton and Lindula regions. Calliandra is cultivated with the intention of becoming self -sufficient in fuel wood. Clearance from the Central Environmental Authority is obtained prior to harvesting the timber.

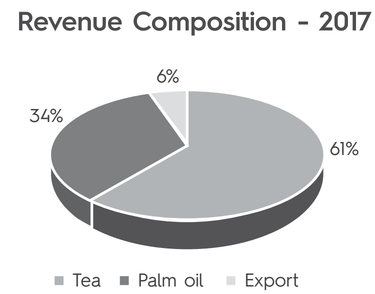
Way forward

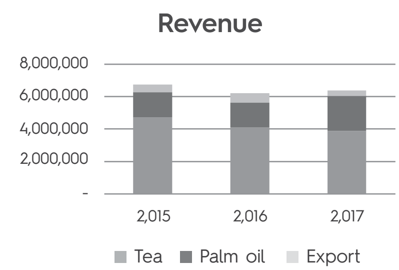
Given the market potential in Cinnamon and tea exports and in local timber sales, we are confident that these segments would contribute substantially towards the company's future profitability. The certifications on our estates on social, environment and labour practices and those on quality standards in the production process, together with the alliance of our strategic partners would enable us to capture traditional and new markets.

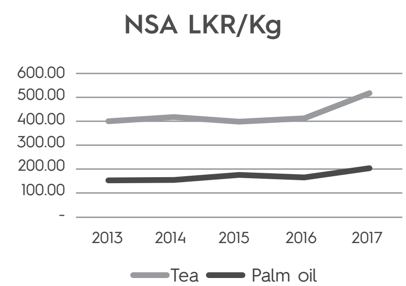
Financial Capital: Creating Value for Shareholders

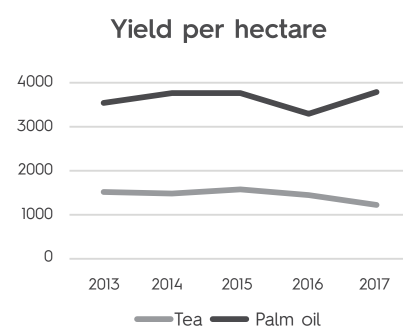
2017 has been an outstanding year of profit and earnings growth. We achieved a record net profit in excess of LKR 1.2 bn, streaking far ahead of our peers and retaining our undisputed position as the most profitable company in the industry.

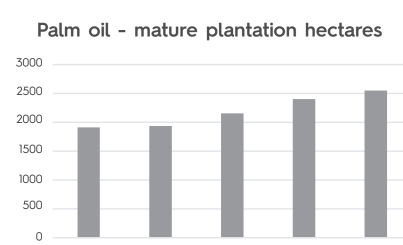
Driving transformation of the plantation industry through related diversification, we are proud of the success of our business strategies. The growth in profits by more than double, was largely driven by significant price and volume growth in palm oil following our strong commitment to increasing product yield. Tea too recorded its highest NSA ever, generating a positive operating profit of LKR 170mn after a lapse of 3 years. Our timely strategy to shift direction in 2015 to focus on enhancing tea quality rather than maximizing yields, paid off.

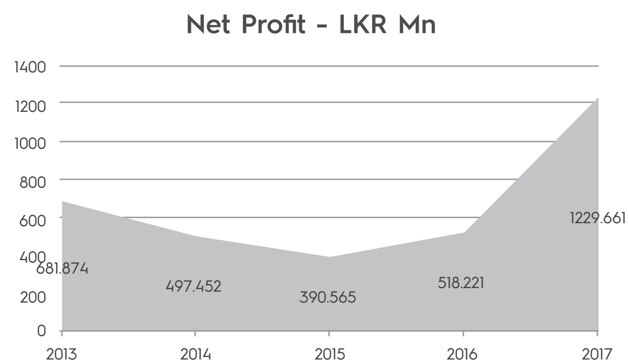












The strong profits contributed towards substantial operating cash flows and solid financial position at year end. EPS increased to LKR 5.18. Dividend payout increased to 27% from 23% for 2017.

The financial review relates to the performance of the parent company unless otherwise specifically stated, as it is the key determinant of the Group's performance.

Revenue

Despite the significant growth in profits, revenue remained largely flat, growing by a marginal 3% on the back of increased revenues from palm oil set off against a decline in revenues from tea and exports.

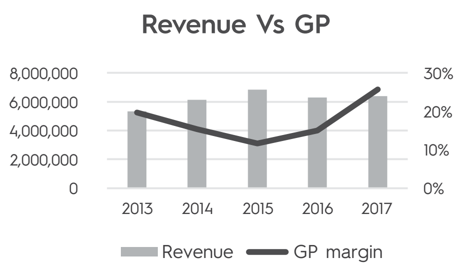
Palm oil revenue grew 44%, following price and volume growth of 23% and 18% respectively. Palm oil sales prices are set based on a formula determined using the futures price of the Malaysian Palm Oil Board and local customs duty on imported palm oil. As such, rising global commodity prices, crude oil prices and an increase in the Special Commodity Levy on imported palm oil during the year, benefitted the palm oil sales price in 2017. The volume growth is credited to the increase in extent of mature plantations reaching peak production.

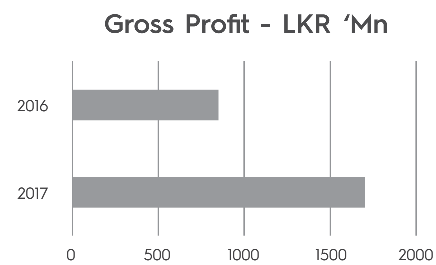
Tea revenues declined 6%, despite the NSA growing 26%, above the industry growth of 18%, given the drop in Tea Auction sales volumes attributed to reduced production following adverse weather conditions and poor demand from major tea export destinations.

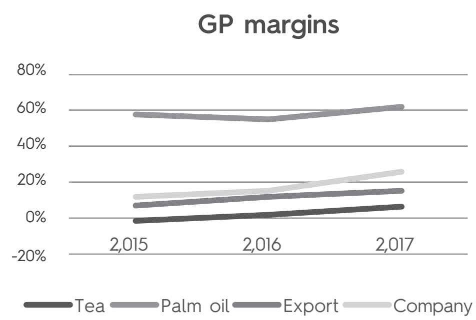
Revenues from exports declined 34% following a strategic downward price revision in its key market Australia, in order to be competitive in a market dominated by many players, as WATA focused on consolidating its overseas market base.

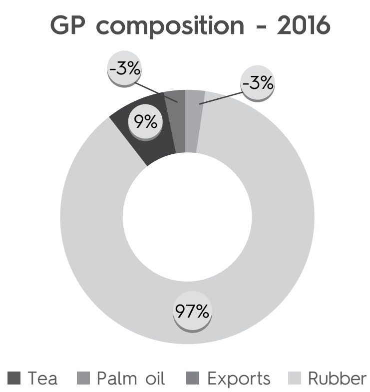
Gross Profit

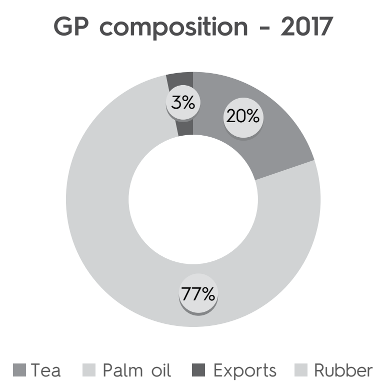
Although turnover grew marginally by 3%, Gross profit doubled to LKR 1.7bn (2016- LKR 0.851Bn) following significant contributions from both tea and palm oil. Total GP margin inclined sharply from 14% to 27%.











The growth in GP margin of palm oil from 55% to 60% is due to the increase in selling price of palm oil.

The growth in GP margin of tea from -1% to 9% in 2017, is largely attributed to the increase in Auction price of teas, following the shift in strategy to focus on enhancing quality as opposed to maximizing yields and driving economies of scale. Cost of production per kg of tea and palm oil both increased during the year, due to;

- the wage hike subsequent to the biennial collective agreement of 2016. Cost particularly increased in the labour intensive tea segment, where over 70% of cost of production consists of wages
- withdrawal of fertilizer subsidy by the Government and
- Increased cost of labour for manual weeding as an alternative to the banned weedicide glyphosate,

The shift in strategy to focus on quality also contributed towards the increase in cost of production of tea by compromising economies of scale, although the benefit from the higher price obtained for superior quality offset the increase in cost.

WATA is focused on reducing cost of production by

- driving lean management and reduction of waste .
- increased labour productivity through incentives, improved worker conditions ,mechanization and development of human capital, and
- higher yields through good agricultural practices applied consistently.

Energy is a key expense accounting for 3% of cost of production. Many initiatives have been implemented to improve energy efficiency, as outlined in the Natural capital report. It is noteworthy that approximately 75% of energy is of renewal form, generated from combustion of briquettes, manufactured in-house from bio waste such as tea waste, paddy husks and saw dust.

Other operating income

Other operating income amounts to LKR 142.808mn and includes income from hydro power generated from leased properties and income from short term investments and gratuity fund.

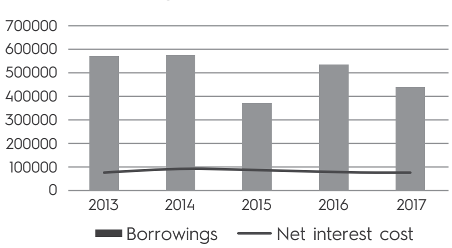
Operating Expenses and net finance cost

Operating costs increased 3%, as lean processes and higher levels of cost consciousness helped curtail expenses

Staff costs reduced by 3% subsequent to right sizing of the staff cadre.

Net finance cost also reduced 3%, following a reduction in borrowings reflected at balance sheet date as 17%, given the increased cash flows from operations. Interest cover widened to 20 times from 8 times the year before.

Borrownings Vs Net interest cost

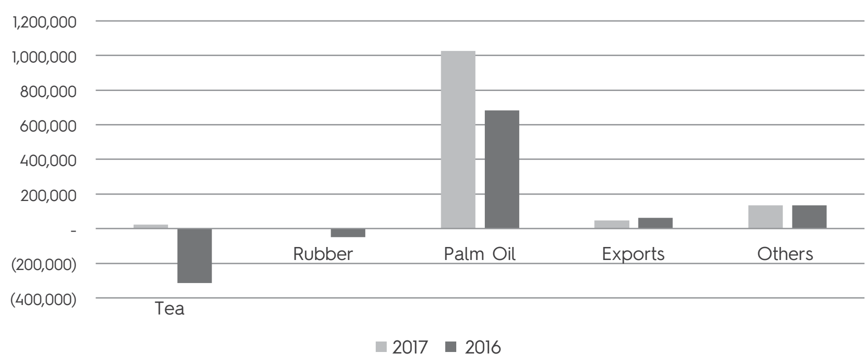


Pre & Post Tax Profit

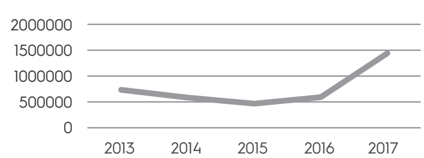
Achieving a historical milestone, the company recorded a net profit in excess of LKR 1.2 bn in 2017. Profit before tax increased by 145 % to LKR 1.446bn whilst profit after tax increased by 137% to LKR 1.229bn.

Palm oil was the main contributor to profits, accounting for 83% of profits after tax driven by increased price and volume growth. Tea segment recorded a net profit of LKR 24mn, after a lapse of 3 years, following a strategic shift to focus on enhancing quality than maximizing yields, where the corresponding increase in sales price is able to absorb rising costs of production.

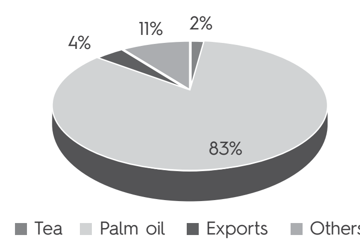
Segmental Net Profit/(Loss) - LKR Mn



Profit before Tax - LKR Mn

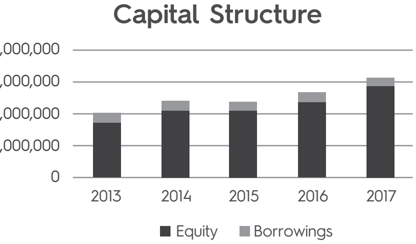


Net Profit - 2017



Capital Structure

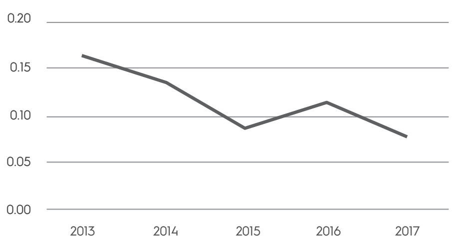
Capital Structure



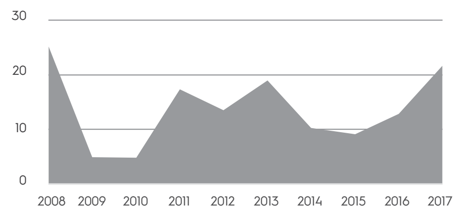
Financial stability improved further during the year driven by strong profits and reduced borrowings. Total equity grew 120% to LKR 5,758mn, subsequent to the payment of the first and final dividend for FY 2016 of LKR 177.5mn (LKR 0.75 per share) and interim dividend for FY 2017 of LKR 153.833mn (LKR 0.65 per share) during the year. A Final dividend of LKR 201 mn (LKR 0.85 per share) has been proposed by the Board of Directors.

Debt to Equity ratio declined to 0.14 times from 0.18 times. ROE improved sharply to 21.64% (2016 – 12.89%).

Debt equity ratio



ROE %



Assets

Total assets grew by LKR 1bn (13%) to Rs 8.733bn during the year, largely attributed to an increase in investment in the subsidiary, Watawala Diary Ltd. by LKR 626mn. Also cash equivalents by LKR 785mn attributed to the increase in operational cash flows invested in short term deposits and an increase in amount due to related parties being loan of Rs 200 Mn disbursed to Watawala Tea Ceylon Limited.

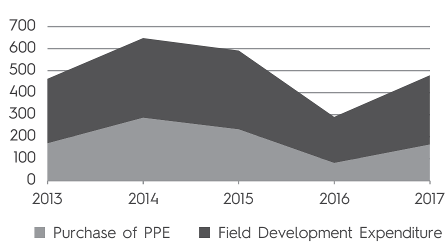
Biological Assets accounted for 40% of total assets, Property Plant & Equipment 20% and current assets 26%.

The company continues to invest in capital expenditure consisting of field development expenditure and property plant and equipment. LKR 284.3mn (2015- LKR 183.4mn) was incurred on field development expenditure such as, replanting of palm oil and tea, which is carried out on a regular basis to improve production and yield, whilst LKR 164.3mn (2016- LKR 80.3) was spent on factory expansion and renovations to increase production capacity, efficiency and maintain consistent standards of quality.

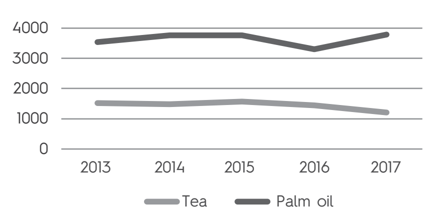
These investments are already giving high returns, as proven in the increased quality of tea commanding premium prices and the sharp increase in palm oil yields.

Investments have been funded primarily through excess operating cashflows and long term debt at concessionary interest rates obtained from the Tea Board.

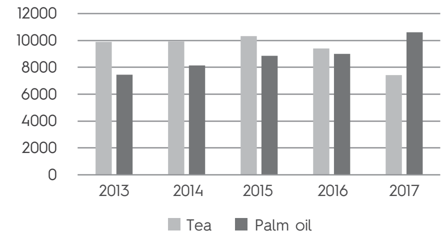
Capital Expenditure - LKR Mn



Yield per hectare



Production - kg'000



Cash flow and working capital management

The strong performance during the year contributed to a healthy cash flow generation. These funds were utilized towards paying dividends, settling long term debt and investing in capex. Excess funds have been invested in ST deposits, reflected under Cash and cash equivalents, to be utilized towards when necessary.

The current and quick assets ratios are strong at 2.52 (2016 – 2.41) times and 1.77 (2016 -1.59) times, respectively, given the increase in cash and cash equivalents.

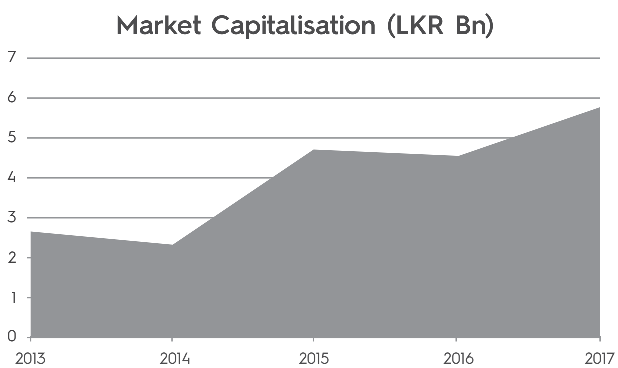
Return to Shareholders

WATA creates value to shareholders through dividends and enhanced value of shares. The dividend policy seeks to maximise shareholder wealth, increase market capitalization whilst ensuring there is sufficient capital for planned business expansion.

The board of directors have recommended a final dividend of LKR 0.85/- per share for 2017. This is in addtion to the interim dividend of LKR. 0.65/- per share already paid.

	2013	2014	2015	2016	2017	Trend
Annualised Earnings Per Share	3.07	1.84	1.65	2.19	5.18	
Price Earnings Per share	3.65	5.34	12.12	8.81	13.5	
Market share price - closing (LKR)	11.2	9.8	20	19.3	24.4	
Dividend / share	0.75	0.75	1.45	0.50	1.40	
Dividend cover	3.61	2.45	1.14	3.47	3.5	
Net Asset Value per share	16.24	17.82	18.10	20.29	24.33	

WATA outperformed all listed plantation companies in the country, with a market capitalization of LKR 5.8 Bn. as at 31st March 2017.



Way forward

Thanks to WATAs diverse range of agri crops and smart business strategy, the company performed exceptionally well in a year plagued by drought affecting output and a wage hike. A good palm oil harvest and strong tea prices contributed towards the outstanding profit of over LKR 1.2 bn.

We expect WATA to record a strong performance for the year ahead, where the main profitability is yet again expected to generate from the Palm oil segment. Leveraging on our visionary leadership and smart strategy we will continue to integrate sustainability and sound risk management, to enhance value to our shareholders.

Manufactured capital

Our manufactured capital consists of property plant and equipment and biological assets.

Property plant and equipment

Property plant and equipment primarily consists of 13 tea factories and one palm oil mill carrying the following assets.

	2016		2017	
LKR000	**Gross Carrying value**	**Net carrying value**	**Gross Carrying value**	**Net carrying value**
Buildings	916,163	744,712	860,012	677,094
Motor vehicles	301,903	99,564	369,667	156,603
Plant & machinery	1,466,249	767,671	1,491,984	704,417
equipment	150,828	33,327	141,196	27,415
Capital work in progress	44,708	44,708	39,966	39,966
Others	241,709	145,472	265,468	165,123
Total	3,121,560	1,835,454	3,168,293	1,770,618

Our palm oil factory located in Udugama, is the largest factory in the country, equipped with a production capacity of 45,000kg/ day. The factory produced 10.622 mn kg of Crude Palm Oil during the year. Supported with technological knowledge and industry expertise from our strategic partner Pyramid Wilmar,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.

Region	2016	2017
Watawala	2,489	1,893
Hatton	4,297	3,459
Lindula	2,323	1,835
Udugama	303	235
Total	9,413	7,423

We have continuously invested in upgrading our factories with emphasis on innovation and value addition in order to enhance capacity, product quality and cost efficiency. Our ecofriendly state- of- the-art, factory at Waltrim, uses natural air flow and ventilation for tea leaf processing, improving the withering process and the quality of tea whilst transparent sheets in the loft allows for natural lighting reducing energy cost.

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

Biological assets

Biological assets totaling LKR 3.4bn consist of the following;

Type	Nature	LKR MN
Bearer plants	Plants yielding tea, palm oil, calliandra, sundry crops and their nurseries	2,850
Consumable biological assets	Timber and fuelwood plantations	608
TOTAL		3,458

We manage 12,018 hectares of plantations of which 60% is tea, 27% palm oil, 3% rubber, 1% timber and 9% fuelwood. 61% of land is cultivated and produced 7.4mn Kg of tea, 10.6mn kg of Palm oil during the year.

Production yield is key to profitability and sustainable growth in any agribusiness and to that extent we continuously and substantially, invest in enhancing land and labour productivity, for long term benefits.

In improving land productivity, we engage in good agricultural practices which sustain the environment. We are guided by our Agricultural policy that balances stakeholder concerns ie health and welfare concerns of the community, prevents abuse of the environment and ensures that we nourish the soil using environmentally friendly measures. All our plantations are Rainforest Alliance Certified confirming our commitment to environmental conservation, bio diversity and the health and welfare of our employees and families.

Enhancing Land productivity

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

We are also committed towards enhancing labour productivity, given the low level of mechanization in the tea plantation sector. The mountainous terrain and impact on quality necessitates a labour intensive approach to plucking and pruning. The Government ban on weedicide glyphosate, has necessitated engagement in manual weeding. Accordingly, we invest significantly in improving labor productivity, as reflected in the table below. Consequently, our field productivity levels are above the national average for tea.

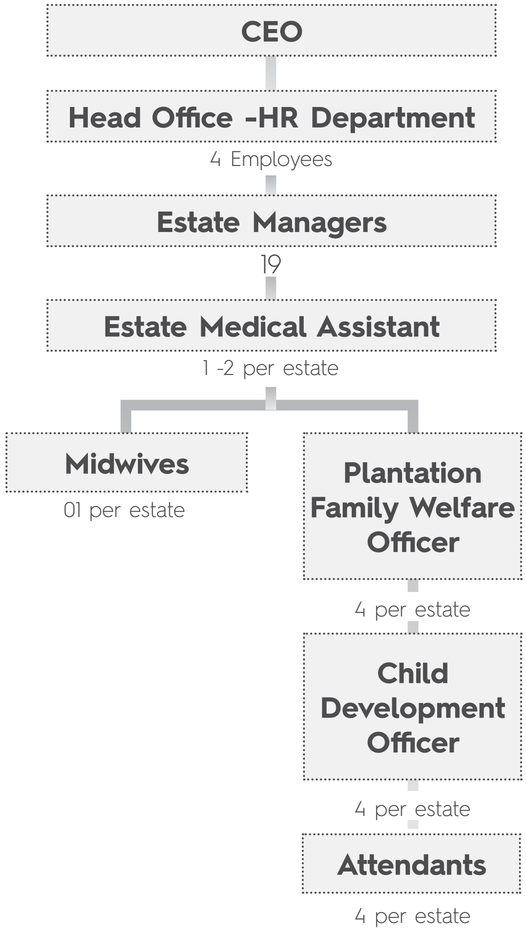
Enhancing Labour productivity
Training and development ● Para Extension programme
Quality of life ● Provision of care for children under 6 ● Monitoring attendance of school going children ● Monitoring health
Rewards and recognition ● Competitions ● Regional awards ● Incentive payments

Employee & Community Engagement Report

A team of 9,758 employees work in 17 plantations located in two provinces and our Head Office driving its performance. As 99% of our employees reside on the estates with their families, creating a higher level of interdependency. Consequently, it is imperative that our HR function is governed wisely, balancing stakeholder interests in an equitable manner.

Our HR practices are benchmarked with international best practice through external certifications which include Rainforest Alliance and Ethical Tea Partnership which cover employment aspects in their assessments. Responsibility for employee welfare is shared across 06 roles with 05 of them engaged solely in employee welfare related activities.

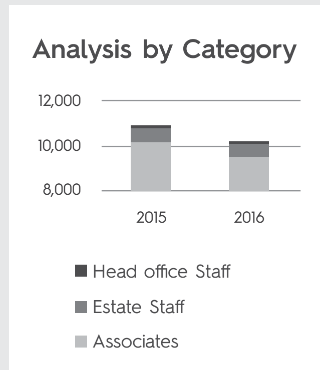
The Employee Report and the Community Engagement Reports are combined as our communities are largely represented by the families of our employees and activities are implemented by the same teams.

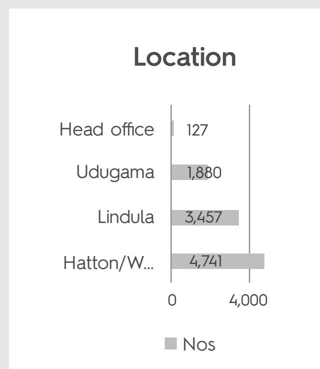


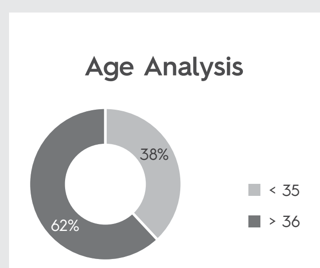
Key Performance area	Unit	2017	2016
Total staff cost	LKR bn	3.03	3.1
Investment in Training	LKR mn	2.7	2.07
Employee coverage for training	%	25%	17%
Recruitment	%	1%	2.42%
Employee retention	%	99%	95%
Employee productivity	LKR. (Revenue)/ Employee	640,624	583,255
	LKR. (Profit)/ Employee	128,049	57,699
Value created per employee	Cost/ Employee	316,114	293,939

As in the previous year, we have used the Sustainable Development Goals (SDGs) to guide reporting of the work done on the estates to facilitate the socio economic progress of our employees. GRI Indicators and other numerical facts are inserted in the vertical strips alongside, supporting narrative. We trust that the facts set out in this report will serve to debunk widely held historical perceptions of the plight of plantations workers as we have invested significant time and resources to propel them in to a modern era with a lifestyle that reflects their earnings and other employee benefits.

TEAM PROFILE







No Poverty

Fair Remuneration

1 NO POVERTY

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

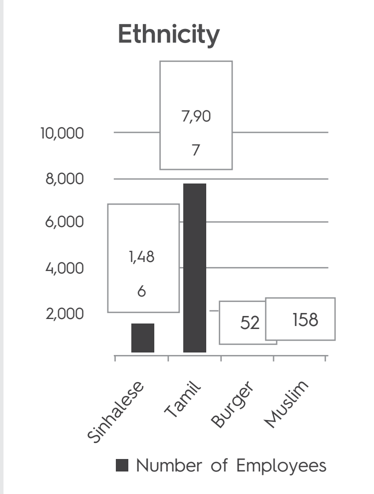
The Plantation sector has long been associated with poverty, a legacy inherited from imperial times and it is a stigma that we wish to shed as responsible employers. Since RPCs commenced managing estates, wages have increased and today our employees receive LKR. 730 per day (US$6) with 300 days of guaranteed pay per annum averaging LKR. 17,500 per month for a 48 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 LKR.13,850 and LKR.18,944
- Apparel sector monthly wages of US$ 90 – 110 for a 60 hour week, which is positioned as Garments without Guilt" based on its reputation for eschewing sweatshop practices

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

Executives-Estates	Associates
Billet Allowance	Housing
Medical facility	Water
Tea allowance	Tea allowance
Mobile allowance	Free drugs
Fuel/ Travelling /Vehicle	Medical facility
Accommodation	Free clinics
Water, Electricity, Gas	Ambulance
Executives-Head Office	Child care facilities for children below school going age
Insurance	Wheat Flour
Medical	Death Donation
Tea allowance	Assistance to temples & religious festivals.
Mobile Allowance	Health Education
Staff-Head Office	**Staff-Estates**
Medical Facility	Medical facility
Tea Allowance	Tea allowance
Mobile Allowance	Accommodation
Fuel/Travelling	Water, Electricity

TEAM PROFILE



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%

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

Financial Inclusion

We established 54 Women Empowerment Teams in the Udugama Region 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

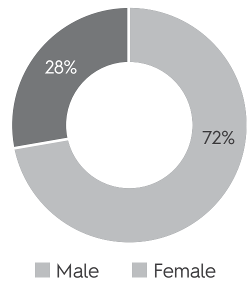
- Long term and short term Goal setting on Finance
- Daily Cash management
- Planning on Income and Expenditure
- Family Budgeting
- Savings and Investment
- Expenditure plan
- Debt Management

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.

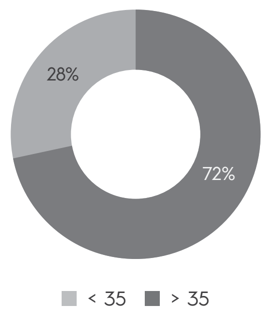
Over the years, we worked with NGOs and the government agencies to issue of national identity cards to estate residents to facilitate access to a wide range of services including the ability to open a bank account. We also worked with Hatton National Bank to install ATMs in 02 estates and open bank accounts for our employees with a view to facilitating better cash management and inculcating a savings habit.

NEW RECRUITS

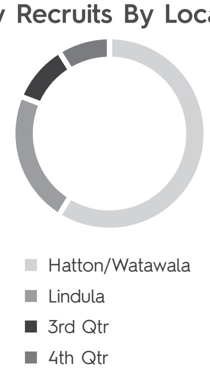
New Recruits By Gender



New Recruits by Age



New Recruits By Location



Zero Hunger

Employees and their families are encouraged to grow their own vegetables in home gardening plots to supplement their income and for their own use. Fertile land, temperate climates and access to knowledge of good agricultural practices enable them to grow or source some of the freshest produce in the country at farm gate prices.

Malnutrition in children below the school going age identified as a key area of concern has been addressed by providing mid-day meals at the child care centres increasing awareness among the entire community of the need to address nutrition deficiencies and the simplicity of the solutions. Mothers take turns to supply a balanced meal to the children at their respective child care centres using vegetables grown in their home gardens. 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

3 GOOD HEALTH AND 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 management 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 Assistant.

HEALTH & SAFETY

100%
Institutional Child Birth

100%
Vaccination for Children Under 5

Zero
fatalities or serious injuries in 2016

Zero
aneamia in children under 5

100%
Health Checks for all Employees working with chemicals

Project	Estate	No. of Beneficiaries	Partner organizations	Expected Outcome
Ayurvedic Medical Camp	Abbotsleigh	102	PHDT & Health Team	Provide palliative care for associates with long term disease such as rheumatism and arthritis
Treatment of Aneamia	Dickoya, Tangakelle Kenilworth	1013	PHDT & Berendina	Identify aneamic workers and provide iron tablets
Awareness program for school children regarding Dengue/ Alcohol/Smoking	Tangakelle	40		Awareness program for school children regarding Dengue/ Alcohol/Smoking
Personal Hygiene Programme	Lippakelle Estate	Entire Estate	Health Staff & Associates	Improve Productivity and Health
Medical Checkup	Vellaioya	150 Factory Associates & Chemical sprayers		To raise awareness of the risks associated with chemical usage
Non Communicable Disease Clinic	Tangakelle	300	MOH - Lindula & RDHS Nuwara Eliya	Identify and treat communicable diseases
Awareness Program for Feeding Mother's	Henfold	18	CDOs & PH	Improve child health
Worm Treatment & Health	Agrakande	Estate Children		Improve health of workers

We also conduct programmes to increase awareness on alcoholism, communicable diseases, children's rights 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.

Quality Education

Child Care, Primary & Secondary 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 PFWTs 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. The company awarded 29 such scholarships with a total value of LKR.1.158 mn during the year. Additionally, education counselling programmes were conducted on Nakiyadeniya and Henfold estates to encourage school children to pursue higher studies in order to reduce the school drop out rates. Nakiyadeniya estate distributed school books to all associates' children to encourage pursuit of education and to relieve the parents of the annual expense.

Vocational Training for Residents

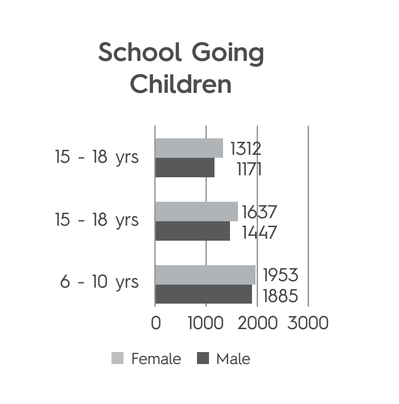
Vocational Training Centres for disabled residents on our estates were established at Kenilworth in 1998 and in Waltrim in 2014. These two centres provide training and employment for a total of 48 disabled residents who are now gainfully occupied. Participants are taught to make cards, envelopes, tea sample bags, environmentally 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

Employees are encouraged to undertake relevant tertiary and vocational education supporting their career development. Career paths have been clearly defined together with requisite qualifications and competencies for the Creepers who are equivalent to management trainees. A key requirement is the National Institute

TRAINING & DEVELOPMENT

- ☑ **100% of all estate resident children under 14 attend school**
- ☑ **Operates 79 Child Development Centres catering to 2,028 children aged 5 and under**
- ☑ **Vocational Training for diasbled residents at Kenilworth & Waltrim**
- ☑ **29 Scholarships awarded to encourage pursuit of higher studies amounting to LKR.1.158mn**



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

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, 45 Estate Assistant Managers and Managers have at least one of the NIPM qualifications required and 01 Estate Assistant Manager is 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
- Health & Safety Training
- Soft Skill Development
- Training on Systems
- Training on Agriculture Policies

Employee category	Training Hours	No of Employees
Male	884	663
Female	1528	1000
Total	**2412**	**1663**

Gender Equality

5 GENDER EQUALITY

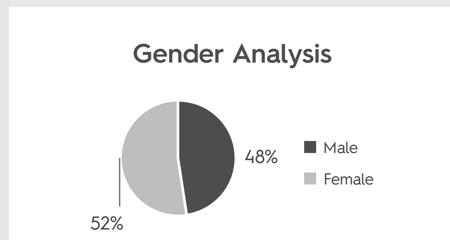
Female participation in the estate workforce is 53%, well above the national average of 36%[1] due to historical and social factors. Gender representation in management is lower due to reluctance of females to enter in to mainstream plantations given the remote locations and nature of work involved.

PFWTs 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.

Watawala pioneered the training and appointment of female "Kanganies" (field supervisors) which have been traditionally been occupied by men as part of its women empowerment initiatives. Deeply embedded perceptions and cultural factors deter many Associates from aspiring to this role despite the considerable encouragement and support. Consequently, we launched a programme to encourage females and train them to perform as

Kanganies with a pilot project in the Hatton Region which has proved effective due to the sustained and extensive

GENDER EQUALITY



93% Return to work after maternity leave

54 Women Empowerment Teams work to uplift their lives

Sri Lanka Labour Force Survey, Quarterly Report – 2016, Fourth Quarter support provided. Currently, we have 191 male kanganies and 13 female kanganies throughout our estates although there are many issues that require attention to increase this number.

A number of facilities are provided to our female workforce to facilitate their continued 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

Housing, Water & Sanitation

6 CLEAN WATER AND SANITATION

11 SUSTAINABLE CITIES AND COMMUNITIES

Over 14,000 families live in 9,531 housing units on the estates as tabulated below.

Type of Houses	No. of units	No. of Families
Single house	1708	1803
Twin houses	1177	1487
Line rooms -single barrack	2868	4009
Line rooms -double barrack	2869	4929
Upstairs line rooms	198	1311
Cottage	302	661
Temporary Shed	409	410
Total	9531	14610

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 contributed LKR 29 to PHDT and other NGO during the financial year and carried out the following projects to uplift the communities together with PHDT.

Activity	Investment by PHDT & NGOs LKR	Investment by WATA LKR	No of Beneficiaries
Re-roofing	16,189,919	1,438,734	370
Latrines	6,253,163	732,988	119
Water scheme	16,305,233	3,102,295	3232
Field rest rooms	500,000	143,485	65
Housing	75,410,000	24,339,000	227
Compost/ Common Bins	170,510	8,974	15

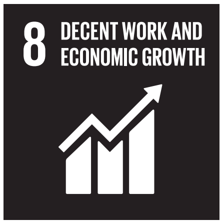
We made provisions for individual water supply to more than 800 families in the form of wells and hand pumps and an additionally 9,897 families use the common well and the water supply scheme implemented in the plantations.

Additionally, 9,897 families have been provided with individual latrines while another 345 families make use of the common latrines.

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.

Decent Work



We are committed to creating a conducive work environment where employees of all levels can interact in dignity and harmony with mutual respect. Changing attitudes and practices that have been embedded in the 150 year old plantation industry required a multi faceted and structured approach and we are encouraged by the progress made in this regard. All our Estate Managers are committed to the Watawala Plantations Code of Conduct, creating a Conducive Work Environment which enables all our Associates to work in dignity and harmony. The Code is communicated in all of our estates in all 3 languages and rigorously followed.

We also maintain a continuous dialogue with Associates and Trade Union representatives as 89% of our employees belong to trade unions. Bi annual wage negotiations which had reached an impasse in the previous year across the industry were concluded during the year with the inclusion of a productivity element in determining remuneration. We are appreciative of the harmonious relations maintained with trade unions and associates during this period which was free of incidents.

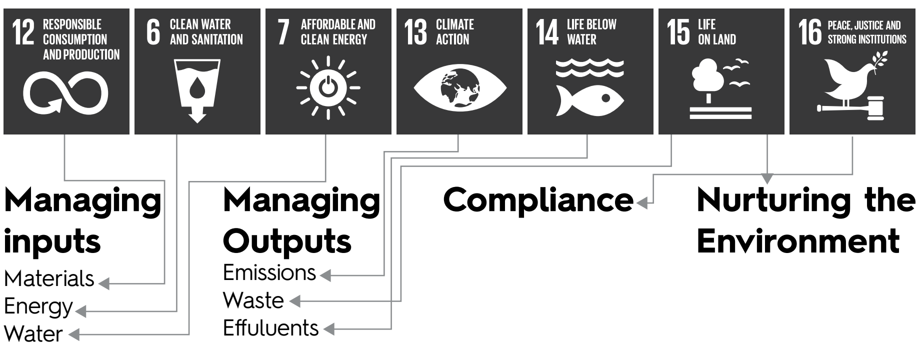
CODE OF CONDUCT

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

WATA remains committed to creating a greener, more sustainable natural environment. We recognize our responsibility to monitor, manage and reduce our environmental impacts wherever possible, taking action beyond basic legal and regulatory compliance.

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

Environment Policy



We believe if we manage our inputs better, we are better able to manage our outputs and to this end we constantly explore the use of more efficient technologies and processes to halt and reverse degradation of land, water and air.

RAW MATERIAL

		2016	2017
Raw materials-renewable			
Green leaf	Kg'000	**5,963**	5,045
Own leaf	Kg'000	**18,906**	13,794
Bought leaf	Kg'000	**14,203**	9,647
Rubber Latex	L '000	**344**	280
Oil Palm fruits	MT'000	**53,063**	58,737
Raw materials-non renewable			
Fertilizer	MT'000	**443**	366
Dolomite	MT'000	**183**	229
Agrochemicals	L'000	**34**	26
Packing materials			
Paper bags	Nos '000	**178**	144

Raw Materials

- ✓ **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**

Except for the fertilizer and agro chemicals, other raw materials used in the business are renewable in nature.

Consumption of fertilizer and agro chemicals decreased following the reduction in produce given the prolonged drought that prevailed over most parts of the year. However, we also have in place a focused fertilizer plan, based on soil mapping and leaf analysis and has also been engaging in fertilizer mixing in collaboration with the Tea Research Institute to obtain the right combination of nutrients in order to reduce the amount of fertilizer consumed and improving fertilizer effectiveness and efficiency.

We are guided by the Agricultural policy that provides specific guidance on the correct usage of agro chemicals supplemented by agricultural practices 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.

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 main sources of energy are electricity, diesel, petrol, firewood and briquettes. The most energy consuming processes are the withering and drying of tea. Apart from factory operations, energy utilized for transport of goods and employees within estates, is also considerable.

Source		2016	2017
Electricity			
Diesel	KJ	8,250	7,037
Petrol	KJ	981	1,026
Oil-others	KJ	47	42
	KJ	9,278	8,105
Firewood	KJ	930	171
FFB waste			
Briquettes	KJ	40,011	22,272
Calliandra	KJ	172	115
		41,113	**22,559**
		50,390	**30,664**

Notably, 74% of energy consumed is of renewable form, from the generation of biomass energy. Given the large quantities of energy required to run the agri-crop operation, this is a popular cheaper source than fossil fuel.

Bio mass energy is generated at the oil palm mill by heating the steam turbine with waste from fresh fruit bunches, meeting almost the entirety of the energy requirement. Tea factories produce bio mass energy from combustion of;

1. Briquettes manufactured utilizing bio waste such as tea waste, paddy husks and saw dust. These briquettes have high combustion efficiency and lower levels of moisture and ash.
2. Short term rotating crops such as Calliandra Calothyrsus and Glixirindia grown on the estate to promote self-sufficiency in firewood

Overall energy consumption decreased during the year subsequent to the reduction in tea produce. Energy intensity ratios of palm oil and tea also reduced during the year. attributed to the payoff of energy efficiency initiatives implemented in the past. Such initiatives include the following;

- Increase the amount of bio- mass energy used
- Building solar drying sheds to dry firewood
- 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
- use of an LED lighting system for palm oil factory
- Conducting technical forums on Vehicle Fleet Management.
- Installation of 3 mini hydro plants in Strathdon , Ouvahkelle and Vellaioya tea estates supplying the national grid

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**

WATAs key sources of water at the estates are wells, streams, springs and rain harvested water reservoirs. Water consumption in 2017 reduced compared to 2016 given the impact of drought and reduced number of wet days resulting in a reduction in ground water content.

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.

The following initiatives have been implemented to improve water conservation and moisture in soil.

- 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 Calliandra and Bamboo species in water logged areas
- Conservation of a perimeter of 60 meters from the water body as a catchment area

Information on purity of water discharged by the factories is discussed in the Effluents segment of this report on page 73 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 estates.

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 given the 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 continue the work begun on conservation and protection of biodiversity under the Rainforest Alliance Certification program. 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 estates have been incorporated into the programme.

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 Cat	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	Aploccheilus 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 25m chemical free buffer zones along the water bodies and identified terrestrial ecosystems
- No direct or indirect discharges of waste to any streams
- Implementation of an Integrated Waste Management system to prevent contamination of water and soil
- Planting of cover crop - Mucana , minimizing soil erosion and evaporation and increasing soil fertility
- Conservation of nesting and roosting sites of identified bird species
- Maintaining wild life sighting books to update wild life availability in our estates and analyze monthly behaviour
- Establishment of mini forests in bare lands by planting of native trees and propagating the under growth with natural indigenous species to provide habitats
- Growing crops such as Caliandra for our firewood and reducing the dependency on firewood found in the forest
- 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

6 CLEAN WATER AND SANITATION

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

We are conscious of are carbon footprint and impact on climate change. The company engages in many operations and initiatives to reduce emissions including the generation of renewable energy which has a lower emissions factor, and accounts for xx% of our total energy requirement, as described under Energy on page XX Further, our initiative to plant short term crops to be self-sufficient in firewood and in establishing mini forests in bare lands under our bio-diversity programme contributes positively towards cleaner air.

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. Greenhouse gas emissions had decreased compared to last year given the reduction in fuel usage, mainly attributed to reduction in tea production.

Plant	Number of Plants Planted		
	2014/15	2015/16	2016/17
Tea	158,043	43,303	88,293
Palm oil	-	28,231	2,155
Eucalyptus	26,322	29,252	38,574
Grevillia	3,180	3,605	4,200

Emissions

GHG Emission tCO2e (metric tones)

Direct Greenhouse Gas Emissions (Scope 1)	2016	2017
Combustion in stationary sources	4.097	2.066
Mobile Combustion	70.711	42.123
Total for Scope 1	74.808	44.189
Energy Indirect Greenhouse Gas Emissions (Scope 2)		
Total Emissions efficiency ratio	474.267	287.780

Effluents and Waste

15 LIFE ON LAND

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

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

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 during the year.

Compliance

6 CLEAN WATER AND SANITATION

- ✓ **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.

Creating Value in 2016/17

We will continue to place significant emphasis on reducing our environmental impact and improving our environmental performance and to this end constantly explore the use of more efficient technologies and processes. We will monitor our performance against UNSDG goals and ensure compliance with regulatory requirements.

FAIRTRADE

Ethical Tea Partnership

Our intellectual capital distinguishes WATA from industry peers. Our distinct garden selling marks renowned for premium teas, international certifications affirming our passion for environmental conservation and community upliftment, the agri-crop specific tacit knowledge and innovative spirit of our employees and the foresighted strategic leadership of the management drives WATAs operational excellence and competitive edge.

Selling Marks

Our 12 garden selling marks, listed on page 05, are each distinct in its own taste, quality, character and appearance based on the soil and climatic conditions the tea estate is located in. Many, such as Adhisham and Waltrim, are renowned for their superior quality and are ranked at the top of selling marks from the respective agro climatic regions, commanding premium auction prices.

Certifications

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

ISO 22000:2005	HACCP	Ethical Tea Partnershi	Fair Trade
This certifies that our food safety management systems addresses the food safety management risks across the food supply chain.	Certifies that our Hazards Analysis and Critical Control Points systems for biological, chemical and physical hazards from raw material production , procurement and handling to manufacturing, distribution and consumption is compliant with international best practice	Certifies that our products meet with international standards on social and environmental practices.	This certifies that our products meet international Fairtrade Standards which cover environmental, labour and developmental aspects .
7 Estates Certified	**5 Estates Certified**	**15 Estates Certified**	**7 Estates Certified**
Abbotsleigh, Dickoya, Waltrim, Shannon, Kenilworth, Carolina, Homadola	Abbotsleigh, Dickoya, Waltrim, Shannon, Kenilworth,	Abbotsleigh, Dickoya, Waltrim, Henfold, Shannon, Tangakelle, Kenilworth, Vellaioya, Carolina, Homadola, Agarakande, Ouvahakellie, Lippakellie, Strathdon & Wigton	Abbotsleigh, Dickoya, Waltrim, Henfold, Kenilworth, Vellaioya, Homadola

Tacit Knowledge

WATA is committed to the use of best agricultural management practices to optimise crop yields and quality. WATA provides substantial training and development to estate workers and management to learn new and modern concepts and technologies for application at the fields and factories. What may initially be introduced as 'explicit' knowledge is nurtured into tacit knowledge, through regular practice of skills and experience. Identifying and harvesting palm oil fresh fruit bunches at correct ripeness, maximises the quality and quantity of the produce as much as an employee's speed in plucking optimal tender tea shoots.

Innovation

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

	Example of innovation	Impact	Benefits
1	Design and fabrication of kernel bucket elevator by replacing 'detachable' chain link with pin type chain at the palm oil mill	Significant reduction in number of breakdowns	1. cost savings from ■ limited machine down time ■ lower purchase price of new chain link , saving of LKR72,000 per replacement ■ less maintenance / repair cost 2. easier maintenance as new chain parts are readily available in hardware stores unlike previous type
2.	Fabrication /installation of a Low Cost Solar panel attached to LED lamp post for garden lighting at Palm oil Mill		1.Electricity cost savings ■ - from CEB supply LKR 10,000pa ■ - from Bio-gas supply LKR 75,000pa 2. facilitates lighting in remote areas 3. improved illumination than CFL or Incandescent bulbs
3	Introduction of a picture postcard showing oil palm FFB at optimal ripeness to assist workers to identify suitable FFB for harvesting	Harvesting of FFB at optimum ripeness maximizes quality and yield	1. Increased profits from improved quality and yield 2. reduced crop loss from incorrect harvesting

Social and relationship capital

Strong relationships with our key stakeholders is fundamental to driving business success and growth. As such, our social and relationship capital discussed below, reflects how we create value for our business partners through engagement and by driving the attributes which underlie the strength of our brand - commitment to product quality, social and environment responsibility and investments in new technology and innovation.

Social and relationship capital

Engagement	Business Partners	Brand Attributes
	Tea Brokers	■ High Quality
	Direct Buyers	■ Social & Environmental responsibility
	Strategic Partners	■ Technology and innovation
	Bought Leaf Suppliers	
	Agro Chemical Suppliers	

Business Partners

Customers and Strategic Partners

Over 90% of our tea produce is sold through brokers at the Colombo Tea Auction and the balance to direct buyers including wholesalers and exporters.

Palm oil is sold primarily to our Group strategic partner Pyramid Wilmar. Pyramid Wilmar is engaged in palm oil refining and is the largest manufacturer of margarine, fats and edible consumer oils in Sri Lanka.

The company is a member of the Singapore based Wilmar International, Asia's leading agri business Group with over 450 manufacturing facilities in over 50 countries.

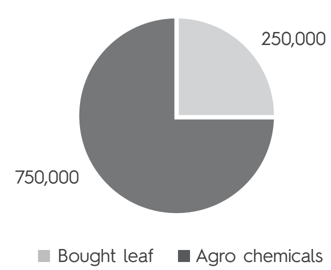
Our value added tea and herb exports in the USA, UK, Australia, Pakistan, India and Russia are sold through our Group Strategic partner TATA Global Beverages. Owning the Tetley brand, the company is the world's 2nd largest tea retailer with significant brand presence in over 40 countries.

We have entered into a joint venture with Singapore-based asset manager Duxton Asset Management to set up a US$ 11.5 million dairy operation in Lonach Estate in Watawala to produce 30,000 litres of milk a day for local consumption. The project is under construction as detailed on page 49. Duxton is a leading international player in agricultural investments, with a portfolio of approx US $700 million. Over 65% of this comprises agricultural investments in 21 operations that span 540,000 hectares of farmland and over 30 commodities.

Suppliers

Our regular suppliers are bought leaf and agrochemical suppliers.

Supplier expense - LKR '000



Bought leaf volumes account for 25% of green tea leaves processed and are met through over 100 suppliers, of whom 22 are key. The suppliers are either tea small holders registered with TSHDA (Tea Small Holders Development Association) or collectors from groups of out growers, registered with the Tea Commissioners Division. All bought leaf suppliers are located within a 30 km radius of the factory it is supplying.

Fertilizers and Agro chemicals are purchased from 2-3 local suppliers of repute, who are recognized in the industry for their high quality goods and reliability in supply. By regulation, these suppliers are registered with the National Fertilizer Secretariat and the Registrar of Pesticides, respectively. Volumes of purchases of agro chemicals has reduced subsequent to the banning of weedicides - glyphosate and Basta. Alternatively, WATA engages in manual weeding, as explained under Tea segment. Following the withdrawal of the fertilizer subsidy by the Government, WATA continues to purchase fertilizer, at higher cost. The company has been focused on improving the cost-effectiveness of fertilizer application through initiatives including soil mapping and leaf analysis.

Engagement

Our engagement initiatives are focused on strengthening ties and nurturing relationships through common understanding and shared experiences contributing towards building trust in the WATAWALA brand.

We regularly extend invitations to our business partners and facilitate visits to our plantations and factories. We showcase our production process and technologies and apprise them on the good agricultural practices we have adopted to produce our teas and palm oil to meet high quality standards in an environmentally and socially sustainable manner.

We advise and share knowledge on plucking, manuring, storing and transporting goods with our bought leaf suppliers supporting their capacity building whilst ensuring quality produce and the adoption of environmental sustainable practices throughout our supply chain. Workshops conducted for brokers enhance their knowledge in the finesse of good teas.

	2017
No of visits to buyers	96
No of visits by buyers to plantations	48
No of workshops with brokers	05
no of participants	40 for one workshop
No of broker review meetings	2

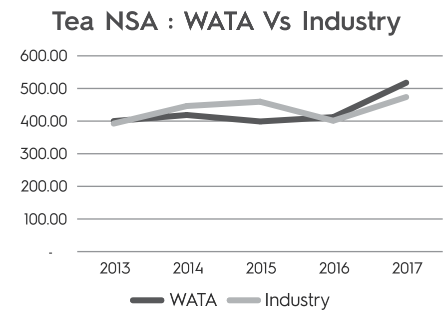
Apart from sharing best practices, we also provide financial support to our bought leaf suppliers by paying for goods on delivery, despite the substantial lead time until tea auction sales proceeds are received by WATA. Selected smallholders are provided further support in the form of agro-chemical inputs which are dispensed from our warehouses directly and cost subsequently recovered by deducting from earnings from the next consignment

Further, we have drawn on the expertise of our strategic partners to drive our business growth. Agronomic advisory support from Pyramid Wilmar /Wilmar International has contributed towards nurturing our palm oil plantations and increasing production yield, whilst the wide experience of TATA Global in retail branding and sales has helped establish and expand our presence in our export markets.

Creating value for our business partners

Product quality

In 2015, the company shifted its strategy to focus on enhancing the quality of tea rather than maximizing yields. Initiatives under this programme include advanced pruning to manage rush crop and selective purchases of good quality leaves from bought leaf suppliers. The improvement to quality is evident in the increased NSA, risen above industry average.



(Source : Industry NSA , CBSL Annual report 2016)

Last February, the garden marks of Waltrim Estate, Lindulla set an all-time record price of LKR 980 for a BOPF grade in the Western High Grown.

Quality is an important attribute of edible oil products and WATA is in compliance with Pyramid Wilmar specifications. Subsequent to stringent testing at our laboratories for moisture, free fatty acid levels, iodine values and peroxide levels prior to dispatch to buyers, the buyers themselves conduct their own tests at their factories on receipt of goods.

Product Responsibility

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

100% of our tea estates are certified with

Rain Forest Alliance, Ethical Tea Partnership, Fair Trade, ISO 22000:2005, HACCP voluntarily whilst adhering to the regulatory requirements of Sri Lanka Tea Research Institute and Sri Lanka Standards Institution - Sri Lanka Tea Board. Our agricultural practices on tea estates conform to the requirements of the TRI and other certification requirements including concentration of agro chemicals, gestation period and permitted materials. With regard to palm oil, we are in the process of obtaining the Roundtable on Sustainable Palm Oil (RSPO) certification by end of the year confirming sustainable agricultural practices in our palm oil plantations.

Certifications are accreditations are detailed on page 75.

During the year, the Company did not record any monetary fines for non-compliance with laws and regulations nor any rejections in any of our product categories. All our products meet the labelling requirements of the relevant authorities and the industry best practice.

Technology and innovation

We continuously invest in modern agricultural technology, keeping abreast of the latest trends in developing sustainable processes and products and improving product quality. Our open organization culture encourages suggestions for improvement, stimulating innovation and growth.

Our state of the art factory set up in Waltrim Tea Estate in 2012 is testimony to the significant improvements to production, productivity and energy efficiency that can be achieved by investment in technology

Going forward

We will continue to strengthen our relationships with our business partners, seeking to develop and grow the organisation whilst exploiting new opportunities.



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 2017 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. and 68% in Watawala Dairy Ltd. The principal activities of the Group during the year under review were cultivation, manufacturing and sale of tea, palm oil, direct exports of bulk and value added tea.

There was no significant change in the nature of business of the Company or its subsidiaries during the year that may have a significant impact on the state of affairs of the Group except for large scale Dairy farming under Watawala Diary Limited.

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 06 to 07 and Managing Director's review on pages 08 to 10. These reports together with the audited financial statements (pages 93 to 146) and financial review (pages 51 to 55) 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 2017 duly signed by the Deputy General Manager-Finance, two of the Directors of the Company are given on pages 93 to 146 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 Financial Reporting 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 85 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 2017 and the report on those financial statements is given on page 93 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 99 to 111.

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 2016/2017 was LKR 6,501,765,000 (2015/2016: LKR 6,298,769,000) while the Company's revenue was 2016/2017 LKR 6,392,956,000 (2015/2016: LKR 6,228,002,000). An analysis of income is given in Note 27 to the financial statements.

Financial Results

The Group's profit for the year amounted to LKR 1,225,659,000/-.(2015/2016: LKR 517,750,000/-) while the Company recorded a net profit of LKR 1,229,661,000/- (2015/2016: LKR 518,221,000/-).

The Group's total comprehensive income for the year is LKR 1,309,418,000/- (2015/2016: LKR 615,642,000/-) while the Company has recorded a total comprehensive income of LKR 1,309,267,000/- (2015/2016: LKR 616,113,000/-)

The Consolidated Income Statement along with the Company's Income Statement for the year are given on page 95. Details of transfer to / from reserves in respect of the Group and the Company are shown in the Statement of Changes in Equity on pages 96 to 97.

Stated Capital and Reserves

The stated capital of the Company as at 31 March 2017 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 2017 amounts to LKR 6,050,135,000 (2015/2016: LKR 4,780,050,000/-) and LKR 5,758,343,000/- (2015/2016: LKR 4,780,409,000/-), respectively.

Dividend on Ordinary Shares

A final dividend of LKR 177,500,000, (LKR 0.75 per share) was paid on 12 July 2016 and interim dividend of LKR 153,833,336(LKR 0.65 per share) was paid on 11 Novmber 2016 to the ordinary shareholders of the Company for the financial year ended 31 March 2017. During the year, the Directors recommend that the final cash dividend of LKR 0.85 per share be paid for the year ended 31 March 2017.

Corporate Donations

During the year 2016/17 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% Watawala Diary Limited enjoyes a tax holiday of five years and profit will be taxed at 20% after the expiry of tax holiday.

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 31 and 24 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 Group and the Company as at 31 March 2017 amounts to LKR 1,106,155,000 (2015/2016: LKR 289,387,000/-) and LKR 478,192,000/- (2015/2016: LKR 289,387,000/-), respectively. The movement in property, plant & equipment is set out in note No 08 to the financial statements.

Property, Plant and Equipment

Group and the Company as at 31 March 2017 amounts to LKR. 2.4bn. LKR 1.8bn respectively.

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 158 to 159.

Shareholdings

As at 31 March 2017 there were 16,056 registered shareholders. (2015/16: 16,239) Information on the distribution of shareholding, categories of shareholders and the percentage holding of twenty largest shareholders is indicated on pages 158 to 159.

Equitable Treatment to Shareholders

The Company has 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 31/03/17	As at 31/03/16
S. G. Wijesinha	-	-
G. Sathasivam	-	-
V. Govindasamy		-
A. K. Misra	-	-
K. Venkataramanan	-	-
A. N. Fernando	-	-
M. S. Mawzoon	-	-
L. D. 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 2017 are given in note 29 to the financial statements.

The Board of Directors

As at 31 March 2017, the Board of Directors of Watawala Plantations PLC consisted of eleven members. Names of the Directors and their brief profiles appear on pages xx to xx 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 Group amounted to LKR 2,899,000/- (2015/16: LKR 2,627,000/-) and Company amounted to LKR 2,749,000/-. (2015/16: LKR 2,627,000/-). Further the Group has paid LKR 714,000/- (2015/16: LKR 567,000/-)and Company has paid LKR 664,000/- (2015/16: LKR 567,000/-) 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 22 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 29 June 2017 at 9.00am. 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.,

24 May 2017

Managing Director's and Deputy 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 Deputy 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 93 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 has 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

Prasanna Pahalagamage
Deputy General Manager-Finance

24 May 2017

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 94 to 146 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

24 May 2017

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 D 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 22 to 34 Corporate Advisory 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 four (4) times during the year.

Members and attendance at meetings held during the year ended 31 March 2017 are given below.

A N Fernando	4/4
S G Wijesinha	4/4
K Venkataramanan	4/4
B A Hulangamuwa	4/4
L D Ramanayake	4/4

The Chief Executive Officer and Deputy 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 2017.

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 Sri Lanka Financial Reporting Standards provisions of the Companies Act, No. 7 of 2007, CSE and any other relevant legal and regulatory requirements.

In the review of the annual audited financial statements, the Committee discussed with the Chief Executive Officer, Deputy 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 35 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 2017 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 Chief Executive Officer along with the Deputy 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
24 May 2017

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 five Directors namely

G. Sathasivam
(Non-Executive, Non Independent)

A. N. Fernando
(Non-Executive, Independent)

S. G. Wijesinha
(Non-Executive, Independent)

A. K. Misra
(Non-Executive, Non Independent)

N. B. Weerasekera
(Non-Executive, Independent)

Corporate Advisory Services (Pvt) 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
24 May 2017

Financial Reports

Financial Calender

2017

1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
04 AUG 2016	24 OCT 2016	26 JAN 2017	24 MAY 2017

2016

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

Annual General Meetings

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

2016/2017 - Annual Report Published on 05th June, 2017 and 24th AGM on 29th June,2017

Independent Auditor's Report

pwc

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 subsidiaries ("the Group"), which comprise the statements of financial position as at 31 March 2017, and the statements of income, comprehensive income, 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 94 to 146.

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 2017 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 Section 153 (2) of the Companies Act, No. 7 of 2007.

CHARTERED ACCOUNTANTS

COLOMBO

24 May 2017

Statement of financial position

In LKR. '000s	Notes	Group		Company	
As at 31st March		2017	2016	2017	2016
ASSETS					
Non-current assets					
Right to use of land	6	**198,473**	205,508	**191,774**	205,508
Immovable estate assets on finance lease (other than land)	7	**107,474**	124,574	**102,984**	124,574
Property, plant and equipment	8	**2,423,768**	1,835,454	**1,770,618**	1,835,454
Bearer plants	9	**2,955,251**	2,794,625	**2,850,482**	2,794,625
Biological assets - consumable	10	**648,831**	608,995	**607,707**	608,995
Biological assets - livestock	10	**24,944**	27,535	**-**	27,535
Gratuity investments	11	**258,319**	234,369	**258,319**	234,369
Investment in subsidiaries	12	**-**	-	**627,352**	852
Available for sale investments	13	**21,645**	21,645	**21,645**	21,645
Total non-current assets		**6,638,705**	5,852,705	**6,430,881**	5,853,557
Current assets					
Inventories	15	**732,988**	637,773	**686,138**	637,773
Biological assets-growing crops on bearer plants	10	**35,757**	-	**35,452**	-
Trade and other receivables	16	**537,199**	485,962	**438,380**	485,874
Amounts due from Related parties	17	**279,735**	74,992	**279,735**	74,992
Investments in Unit Trusts		**-**	564,597	**-**	564,597
Cash and cash equivalents	18	**888,143**	130,178	**861,945**	113,730
Total current assets		**2,473,822**	1,893,502	**2,301,650**	1,876,966
Total assets		**9,112,527**	7,746,207	**8,732,531**	7,730,523
EQUITY AND LIABILITIES					
Capital and reserves					
Stated capital	19	**460,000**	460,000	**460,000**	460,000
Retained earnings		**5,298,935**	4,320,050	**5,298,343**	4,320,409
		5,758,935	4,780,050	**5,758,343**	4,780,409
Non controlling interest		**291,200**			
Total equity		**6,050,135**	4,780,050	**5,758,343**	4,780,409
Non-current liabilities					
Borrowings	20	**325,006**	388,741	**325,006**	388,741
Lease Liability to -SLSPC and JEDB	21	**328,412**	336,296	**328,412**	336,296
Retirement benefit obligations	22	**908,192**	976,639	**882,705**	976,639
Deferred income and capital grants	23	**193,528**	203,569	**193,528**	203,569
Deferred tax liability	24	**331,182**	267,005	**331,217**	267,040
Total non-current liabilities		**2,086,320**	2,172,250	**2,060,868**	2,172,285
Current liabilities					
Borrowings	20	**118,318**	148,751	**118,318**	148,751
Lease Liability to -SLSPC and JEDB	21	**6,720**	6,460	**6,720**	6,460
Trade and other payables	25	**688,426**	610,617	**630,019**	594,618
Current tax liabilities	26	**162,608**	28,079	**158,263**	28,000
Total current liabilities		**976,072**	793,907	**913,320**	777,829
Total liabilities		**3,062,392**	2,966,157	**2,974,188**	2,950,114
Total equity and liabilities		**9,112,527**	7,746,207	**8,732,531**	7,730,523

Prasanna Pahalagamage
Deputy 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 24 May 2017.

V. Govindasamy
Managing Director

Sunil G. Wijesinha
Chairman

24 May 2017

Statement of income

In LKR. '000s Year ended 31 March	Notes	Group 2017	Group 2016	Company 2017	Company 2016
Revenue	27	**6,501,765**	6,298,769	**6,392,956**	6,228,002
Cost of sales		**(4,828,579)**	(5,445,408)	**(4,689,441)**	(5,376,764)
Gross profit	27	**1,673,186**	853,361	**1,703,515**	851,238
Other Income	28	**146,851**	134,192	**142,808**	134,192
Administrative expenses		**(326,336)**	(318,502)	**(324,227)**	(315,960)
Operating profit	29	**1,493,701**	669,051	**1,522,096**	669,470
Finance income	30	**71,182**	16,944	**42,523**	16,925
Finance cost	30	**(118,802)**	(95,759)	**(118,802)**	(95,759)
Net finance costs		**(47,620)**	(78,815)	**(76,279)**	(78,834)
Profit before income tax		**1,446,081**	590,236	**1,445,817**	590,636
Income tax expense	31	**(220,422)**	(72,486)	**(216,156)**	(72,415)
Profit for the year		**1,225,659**	517,750	**1,229,661**	518,221
Profit is attributable to:					
- Owners of Watawala Plantations PLC		**1,227,779**	517,750	**1,229,661**	518,221
- Non-controlling interests		**(2,120)**	-	**-**	-
Earnings per share					
- Basic (LKR)	32	**5.18**	2.19	**5.20**	2.19

Statement of comprehensive income

In LKR. '000s Year ended 31 March	Notes	Group 2017	Group 2016	Company 2017	Company 2016
Profit for the year		**1,225,659**	517,750	**1,229,661**	518,221
Other comprehensive income					
Items that may not be subsequently reclassified to profit or loss					
Available for sale investment	13	**-**	10,763	**-**	10,763
Actuarial gain on retirement benefit obligations	22	**92,604**	102,714	**88,451**	102,714
Tax on actuarial gains	31	**(8,845)**	(15,585)	**(8,845)**	(15,585)
Total other comprehensive income for the year (net of tax)		**83,759**	97,892	**79,606**	97,892
Total comprehensive income for the year		**1,309,418**	615,642	**1,309,267**	616,113
Total comprehensive income attributable to :					
- Owners of the Company		**1,310,218**	615,642	**1,309,267**	616,113
- Non-controlling interest		**(800)**	-	**-**	-
Total comprehensive income for the year		**1,309,418**	615,642	**1,309,267**	616,113

Statement of changes in equity - Group

In LKR. '000s	Stated capital	Retained earnings	Total	Non controling interest	Total Equity
Opening balance at 1 April 2015	460,000	3,822,741	4,282,741	-	4,282,741
Net profit for the year	-	517,750	517,750	-	517,750
Available for sale investment	-	10,763	10,763	-	10,763
Actuarial gain on gratuity	-	102,714	102,714	-	102,714
Tax on actuarial gain on gratuity	-	(15,585)	(15,585)	-	(15,585)
Total comprehensive income for the year	-	615,642	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)	-	(118,333)
Total transactions with owners	-	(118,333)	(118,333)	-	(118,333)
Balance at 31 March 2016	460,000	4,320,050	4,780,050	-	4,780,050
Balance at 1 April 2016	**460,000**	**4,320,050**	**4,780,050**	**-**	**4,780,050**
Shares issued to NCI	**-**		**-**	**292,000**	**292,000**
Net profit for the year		**1,226,459**	**1,226,459**	**(800)**	**1,225,659**
Actuarial gain on gratuity	**-**	**92,604**	**92,604**	**-**	**92,604**
Tax on actuarial gain on gratuity	**-**	**(8,845)**	**(8,845)**	**-**	**(8,845)**
Total comprehensive income for the year	**-**	**1,310,218**	**1,310,218**	**291,200**	**1,309,418**
Transactions with owners of the Company, recognised directly in equity				**-**	
Dividends paid for the year ended 31 March 2016	**-**	**(177,500)**	**(177,500)**	**-**	**(177,500)**
Interim dividends paid for the year ended 31 March 2017		**(153,833)**	**(153,833)**	**-**	**(153,833)**
Total transactions with owners	**-**	**(331,333)**	**(331,333)**	**-**	**(331,333)**
Balance at 31 March 2017	**460,000**	**5,298,935**	**5,758,935**	**291,200**	**6,050,135**

Statement of changes in equity - Company

In LKR. '000s	Stated capital	Retained earnings	Total equity
Opening 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
Balance at 1 April 2016	**460,000**	**4,320,409**	**4,780,409**
Net profit for the year	**-**	**1,229,661**	**1,229,661**
Actuarial gain on gratuity	**-**	**88,451**	**88,451**
Tax on actuarial gain on gratuity	**-**	**(8,845)**	**(8,845)**
Total comprehensive income for the year	**-**	**1,309,267**	**1,309,267**
Transactions with owners of the Company, recognised directly in equity			
Dividends paid for the year ended 31 March 2016	**-**	**(177,500)**	**(177,500)**
Interim dividends paid for the year ended 31 March 2017		**(153,833)**	**(153,833)**
Total transactions with owners	**-**	**(331,333)**	**(331,333)**
Balance at 31 March 2017	**460,000**	**5,298,343**	**5,758,343**

Statement of cash flows

In LKR. '000s	Notes	Group		Company	
Year ended 31 March		2017	2016	2017	2016
Net profit before taxation		**1,446,081**	590,236	**1,445,817**	590,636
Adjustments for:					
Depreciation & amortisation		**320,108**	316,582	**313,187**	316,582
Provision for retirement benefit obligations	22	**164,156**	172,453	**159,625**	172,453
Profit on sale of property, plant and equipment	28	**(9,650)**	(13,694)	**(9,650)**	(13,694)
Profit on sale of consumable biological assets		**-**	(16,179)	**-**	(16,179)
Profit on sale of bearer plants		**(20,320)**	-	**(20,320)**	-
Gain on fair valuation of Consumable biological assets	28	**(6,161)**	(29,491)	**(6,196)**	(29,491)
Gain on fair valuation unharvested crops		**(35,757)**	-	**(35,452)**	-
Gain on fair valuation of livestocks	28	**(3,983)**	6,697	**-**	6,697
Income from gratuity fund	11	**(23,950)**	-	**(23,950)**	-
Amortisation of capital grants	23	**(10,041)**	(10,041)	**(10,041)**	(10,041)
Loss on transfer of livestocks to WDL		**-**	-	**6,574**	-
Net finance cost	30	**47,620**	78,815	**76,279**	78,834
Profit before working capital changes		**1,868,103**	1,095,378	**1,895,873**	1,095,797
Changes in working capital					
- Inventories		**(95,215)**	55,313	**(52,039)**	55,313
- Trade and other receivables		**(51,237)**	(73,846)	**45,758**	(76,851)
- Amount due from Related parties		**(204,743)**	4,133	**(204,743)**	4,133
- Trade and other payables		**77,810**	(60,924)	**36,089**	(70,509)
Cash generated from operations		**1,594,718**	1,020,054	**1,720,938**	1,007,883
Cash flows from operating activities					
Net finance cost	30	**(47,620)**	(78,815)	**(76,279)**	(78,834)
Tax paid	31	**(30,562)**	(13,941)	**(30,562)**	(14,000)
Retirement benefit obligations paid	22	**(139,998)**	(98,285)	**(138,698)**	(98,285)
		(218,180)	(191,041)	**(245,539)**	(191,119)
Net cash generated from operating activities		**1,376,538**	829,013	**1,475,399**	816,764
Cash flows from investing activities					
Additions to property, plant and equipment	8	**(755,447)**	(80,362)	**(164,307)**	(80,362)
Additions to Bearer plants	9	**(317,033)**	(183,415)	**(284,302)**	(183,415)
Additions to Consumable biological assets	10	**(33,675)**	(25,610)	**(29,583)**	(25,610)
Proceeds from sale of bearer plants		**39,693**	29,251	**39,693**	29,251
Proceeds from sale of property, plant and equipment		**10,525**	20,079	**10,525**	20,079
Adjustments to Property,plant & equipment		**7,318**	-	**7,318**	-
Impairment loss on livestocks	10	**6,574**	-	**-**	-
Investment in unit trusts		**564,597**	(564,597)	**564,597**	(564,597)
Proceeds from issue of shares		**292,000**	-	**-**	-
Investment in a subsidiary		**-**	-	**(438,000)**	-
Sale proceeds from Livestock		**-**	6,024	**-**	6,024
Income from gratuity fund	11	**-**	(14,107)	**-**	(14,107)
Net cash used in investing activities		**(185,448)**	(812,737)	**(294,059)**	(812,737)
Cash flows from financing activities					
Dividends paid	33	**(331,333)**	(118,333)	**(331,333)**	(118,333)
Proceeds from borrowings	20	**71,247**	340,658	**71,247**	340,658
Repayment of borrowings	20	**(128,309)**	(77,529)	**(128,309)**	(77,529)
Repayment of lease principal		**(7,624)**	(5,980)	**(7,624)**	(5,980)
Net cash generated / (used) from financing activities		**(396,019)**	138,816	**(396,019)**	138,816
Increase / (decrease) in cash and cash equivalents		**795,071**	155,092	**785,321**	142,843
Movement in cash and cash equivalents					
At the beginning of year		**93,072**	(62,020)	**76,624**	(66,219)
Increase / (decrease) for the year		**795,071**	155,092	**785,321**	142,843
At end of year	18	**888,143**	93,072	**861,945**	76,624

Notes to the consolidated financial statements

Note 01 Reporting entity

Watawala Plantations PLC (the Company) is a public limited liability company incorporated and domiciled in Sri Lanka under the Companies Act No 17 of 1982 in terms of the provisions of the Conversion of Public Corporations or Government Owned business Undertaking into Public Companies Act No 23 of 1987 and re-registered under the Companies Act No 7 of 2007. The registered office of the Company is located at No 60, Dharmapala Mawatha, Colombo 03.Plantations are situated in the planting districts of Hatton-Watawala,Lindula and Udugama.

The consolidated financial statements of the Watawala Plantations PLC as at and for the year ended 31 March 2017 comprised the Company and its subsidiaries Watawala Dairy Ltd and Watawala Tea Australia Pty Ltd (the Group).

The Company is primarily engaged in cultivation, manufacture and sale of tea, palm oil and direct exports of bulk and value added tea. Its subsidiaries Watawala Dairy Ltd and Watawala Tea Australia are engaged in dairy farming and promoting branded tea in Australia respectively.

The ordinary shares of the Company are listed on the Colombo Stock Exchange of Sri Lanka.The Company's parent undertaking is Estate Management Services Pvt Limited.

The Consolidated financial statements were authorised for issue by the Board of Directors in accordance with the resolution of the Directors on 24 May 2017.

Note 02 Summary of significant accounting policies

2.1 Basis of preparation

The financial statements of the Group and of the Company are prepared in accordance with Sri Lanka Accounting Standards which comprise Sri Lanka Financial Reporting Standards(SLFRS),Sri Lanka Accounting Standards(LKAS),pronouncements by the Standards interpretation Committee(SIC) and the International Financil Reporting Interpretations.

The financial statements have been prepared under the historical cost convention except as disclosed in the summary of principal accounting policies in Note 3.

The preparation of financial statements in conformity with SLFRS, requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reported period. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Group's and to the Company's financial statements are disclosed in Note 5.

The accounting policies have been consistently applied by the Group and the Company and are consistent with those used in the previous financial year except for the adoption of new and revised SLFRS as mentioned under Note 2.2(i).

2.2 Changes in accounting policies

(i) Adoption of new and revised SLFRS

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Group has adopted the following new and revised standards that are effective for annual financial periods beginning on or after 1 January 2016.

Amendment to LKAS 1 Disclosure Initiative.

Amendment to SLFRS 10, SLFRS 12 and LKAS 28 Consolidated financial statements and Investment in Associates and Joint Ventures.

Ammendment to LKAS 16 Property,plant & equipment.

Ammendment to LKAS 41 Agriculture: Bearer plants.

Annual Improvements to SLFRS 2015.

Except for Amendments to SLFRS 16 and LKAS 41, the adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

Amendments to LKAS 16 Property, Plant and Equipment and LKAS 41 Agriculture: Bearer Plants

The amendments require changes to the accounting requirements for biological assets that meet the definition of bearer plants as detailed in Note 9. Under the amendments, biological assets that meet the definition of bearer plants are no longer within the scope of LKAS 41. Instead, LKAS 16 will apply. The Group's bearer plants comprise mainly Tea & oil palm plantations as disclosed in Note 9. A bearer plant is 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. The bearer plants of the Group are tea and oil palm trees. It was originally required by LKAS 41 to recognise bearer plants together with its produce as biological assets (non-current) using the fair value model where changes to its fair value less costs to sell at each reporting date were to be recognised in the income statement in the respective periods.However,this requirement under LKAS 41 was superseded by the ruling issued on 02 March 2012 by the Institute of Chartered Accountants of Sri Lanka by permitting cost model also to be used. Accordingly, the Group had elected to measure the bearer biological assets at cost using LKAS 16 -Property, Plant & Equipment.Hence,this amendment has no impact on group's current accounting treatment on recognition and measurement of bearer plants since the group continued to recognise and measure bearer plants in accordance with LKAS 16.

The immature bearer plants are initially recognised and measured under LKAS16 at accumulated cost, while matured bearer plants are accounted for using the cost model in LKAS16 i.e. at cost less accumulated depreciation and impairment. Pursuant to the application of the amendments by the Group Produce that grows on bearer plants remain within the scope of LKAS 41 and are measured at fair value less costs to sell. Government grants related to bearer plants are accounted for under LKAS 20 Accounting for Government Grants and Disclosure of Government Assistance.

(ii) Standards issued but not yet effective

The Group has not adopted the following standards that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
Amendments to LKAS 12 Income Taxes *(Deferred Tax Assets for Unrealised Losses)*	1 January 2017
Amendments to LKAS 7 Statement of Cash Fows	1 January 2017
Improvements to SLFRSs-2016	1 January 2017
Amendments to SLFRS 02 Share-Based Payment	1 January 2017
Amendments to SLFRS 04 Insurance Contracts	1 January 2017
SLFRS 09 Financial Instruments	1 January 2017
Amendments & Clarifications to SLFRS 15 Revenue from Contracts with Customers	1 January 2017
SLFRS 16 Leases	1 January 2017

Except for SLFRS 09 and SLFRS 15, the Directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of SLFRS 09 and SLFRS 15 are described below:

SLFRS 15 Revenue from Contracts with Customers

SLFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under SLFRS 15, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer.The new revenue standard will supersede all current revenue recognition requirements under SLFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted.

The core principle in SLFRS 15 is that an entity recognises revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Revenue is recognised when a customer obtains control of goods or services, i.e. when the customer has the ability to direct the use of and obtain the benefits from the goods or services.

The Group has performed a preliminary assessment of the impact of SLFRS 15. Based on this preliminary assessment, the impact upon adoption of SLFRS 15 is not expected to be material to the Group's financial statements. However, it will need to perform a more detailed analysis which considers all reasonable and supportable information to determine the extent of impact.

SLFRS 09 Financial Instruments

The Group has performed a preliminary assessment of the impact of SLFRS 09, which is subject to changes arising from a more detailed ongoing analysis. SLFRS 09 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held.The impairment requirements in SLFRS 09 are based on an expected credit loss model and replace the SLFRS 39 incurred loss model.

(a) Classification and measurement

The Group will continue to account for loans and receivables at amortised cost using the amortised cost model under SLFRS 09.Currently, the Group measures its available for sale financial assets at fair value through other comprehensive income, except for its unquoted equity instruments which is measured at cost. Under SLFRS 09, the Group will be required to measure the investment in unquoted equity instruments at fair value. The Group is currently assessing if it will elect to present subsequent changes in fair value of its available for sale financial assets in other comprehensive income.

(b) Impairment

SLFRS 09 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables. Upon application of the expected credit loss model, the group does not expect a material impact on its equity. However, it will need to perform a more detailed analysis which considers all reasonable and supportable information, including forward looking elements to determine the extent of impact.

SLFRS 16 – Leases

SLFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. It introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments

The Group is in the process of assessing the full impact of the new standards, revisions and amendments to published standards and, in particular, SLFRS 09, SLFRS 15 and SLFRS 16, on the financial statements of the Group and of the Company in the year of initial application.

2.3 Use of Estimates and Judgements

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 4.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements. The accounting policies applied are consistant with group accounting policies where applicable.

Note 03 Significant Accounting Policies

3.1. Basis of consolidation

The consolidated Financial Statements have been prepared using uniform accounting policies for like transactions/ events in similar circumstances and where necessary,appropriate adjustments have been made.

3.1.1 Business Combinations

The consolidated Financial Statements(referred to as the "Group") comprise the Financial Statements of the Company and its subsidiaries.

3.1.2 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 consolidated using the acquisition method.Under the acquisition method subsidiaries are consolidated from the date on which control is transferred to the Group and de-consolidated from the date that control ceases. Inter-company transactions and balances are eliminated on consolidation, but unrealised gains arising therefrom are eliminated to the extent of the asset that can be recovered,and the balance is recognised in the profit or loss as reduction in net realisable value or as impairment loss. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and net assets of non-wholly owned subsidiaries are presented separately in the financial statements.Transactions with owners of non-controlling interests without a change in control are treated as equity transactions in the statement of changes in equity.

When control ceases, the disposal proceeds and the fair value of any retained investment are compared to the Group's share of the net assets disposed. The difference together with the carrying amount of allocated goodwill and the exchange reserve that relate to the subsidiary is recognised as gain or loss on disposal.

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.

3.2 Foreign currency translations

Functional and Presentation Currency

The Consolidated Financial Statements are presented in Sri Lankan Rupees(LKR.) which is the Group's functutional currency. All financial information presented in Sri Lankan Rupees has been rounded to the nearest rupee,unless stated otherwise.

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.

Translation of foreign currency financial statements

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.

3.3 Property, plant and equipment & Bearer plants

Property plant & equipment comprise tangible assets and Bearer plants.

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.

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.

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.

Discontinued operations

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

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.

Bearer plants

Bearer plants are living plants used in the production or supply of agricultural produce;are expected to bear produce for more than one period;and have a remote likelihood of being sold as agricultural produce,except for incidental scrap sales. Bearer plants mainly include mature and immature tea and oil palm plantations. Immature plantations are stated at acquisition cost which includes costs incurred for field preparation,planting,fertilising and maintenance.Capitalisation of borrowing costs incurred on loans used to finance the development of immature plantations and an allocation of other indirect costs based on planted hectares.Mature plantations are stated at acquisition cost less accumulated depreciation and impairment.Mature plantations are depreciated on a straight line basis over its estimated useful life,upon commencement of commercial production.

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

Infilling cost on bearer plants

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.

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.

Company

	Freehold assets (Years)	Leasehold assets (Years)
Right to use of 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
Bearer plants		
Tea	33	30
Rubber	20	20
Palm oil	20	20
Caliandra	10	-
Coconut	33	-

Group

Watawala Dairy Ltd

Freehold assets are depreciated using simillar rates as the parent entity. The right to use land and assets acquired from Watawala Plantations PLC are depreciated over the shorter of usefull life or the remaining period of the lease of 29 years.

Residual values of these assets 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.

3.4 Biological assets

Biological assets comprise forestry, livestock and growing agricultural produce on bearer plants.

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.

Proceeds from sale of consumable biological assets are credited to the profit and loss when the risk and rewards associated with the sale is transferred to the buyer. Standing timber is transferred to inventories at its fair value less cost to sell at the date of harvest.

Nursery cost includes the cost of direct materials,direct labour and an appropriate proporttion of directly attributable overheads,less provision for overgrown plants. Nurseries are measured at cost less accumulated impairment.

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 charged to the income statement. The cost of purchase of cattle plus transportation charges are capitalised as part of livestock.

Produce growing on bearer plants

Produce that grows on mature plantations are measured at fair value less estimated cost to sell.Cost to sell include all costs that would be necessary to sell the produce.

3.5 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).

3.6 Financial assets

3.6.1 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 (Note. 14). Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non current.

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.

3.6.2 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.

3.7 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.

3.8 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.

3.9 Inventories

(i) Produce stock

The Group has valued unsold produce stock (tea & palm 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.

These are Valued at actual cost on weighted average basis.

3.10 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.

3.11 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.

3.12 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.

3.13 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."

3.14 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.

3.15 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.

3.16 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.

3.17 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 operate and generate 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.

3.18 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.

3.19 Employee benefits Employee benefits

3.19.1 Defined contribution plans 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.

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

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

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

Past service costs are recognized immediately in 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 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.

3.20 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.

3.21 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.

3.22 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benifits will flow to the Group and the revenue can be reliably measured,regardless of when the payment is being made.Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer,usually on delivery of the goods.Revenue is recognised at invoice value net of brokerage,sale expenses and other levies related to revenue.

Exports revenue

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.

Gains or losses on disposal

Gain and losses 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.

Interest income

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

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.

3.23 Comparatives

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

3.24 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 No 38.

3.25 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 33.

Note 04 Segment information

Segmental information is provided for the different business segments of the Group. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses,including revenues and expenses that relate to transactions with any of the Group's other components. 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 Group comprises of the following major business segments;

(i) Tea
(ii) Palm oil
(iii) Exports
(iv) Dairy

Assets and liabilities that are directly attributable to each segments are allocated to the respective segments. Assets and liabilities which are not directly attributable to a segment are allocated on a reasonable basis wherever possible. Unallocated items comprise interest bearing loans,borrowings and expenses.Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one accounting period.

All operating segments' operating results are reviewed regularly to make decisions about resources to be allocated to the segment and assess its performance,and for which discrete financial information is available.

The segment information is given in Note 27 to the financial statements.

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.

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.

Pension benefits - Gratuity

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

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of government bonds, 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 22.

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.

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.

Impairment of trade receivables

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

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 Right to use of land - Group and Company

In LKR. '000s	Group 2017	Group 2016	Company 2017	Company 2016
Cost				
As at 1 April	**372,840**	372,840	**372,840**	372,840
Treansferred to WDL	**-**	-	**(12,588)**	-
	372,840	372,840	**360,252**	372,840
Accumulated amortisation				
As at 1 April	**167,332**	160,297	**167,332**	160,297
Treansferred to WDL	**-**	-	**(5,650)**	-
Charge for the year	**7,035**	7,035	**6,796**	7,035
As at March	**174,367**	167,332	**168,478**	167,332
Carrying value				
As at 31 March	**198,473**	205,508	**191,774**	205,508

"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."

During the year, the Company transferred the right to use of land at Lonach estate to Watawala Dairy Limited (WDL) for the remaining period of the lease in exchange of X class shares of WDL. It was transferred at the carrying value as at 31 March 2016.

Note 07 Immovable estate assets on finance lease (other than land) - Group

In LKR. '000s	Improvements to land	Other vested assets	Bearer plants	Roads and bridges	Water supply	Buildings	Mini-hydro power plant	Machinery	Total
Cost									
As at 31 March 2016	3,340	3,305	406,633	484	3,838	93,279	1,540	32,506	**544,925**
As at 31 March 2017	3,340	3,305	406,633	484	3,838	93,279	1,540	32,506	**544,925**
Accumulated amortization									
As at 1 April 2016	2,639	1,065	289,689	278	3,838	88,796	1,540	32,506	**420,351**
Amortisation for the year	111	43	13,271	11	-	3,664	-	-	**17,100**
As at 31 March 2017	2,750	1,108	302,960	289	3,838	92,460	1,540	32,506	**437,451**
Carrying value									
As at 31 March 2016	701	2,240	116,944	206	-	4,483	-	-	**124,574**
As at 31 March 2017	590	2,197	103,673	195	-	819	-	-	**107,474**

(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 Bearer plants.

Immovable estate assets on finance lease (other than land) - Company

In LKR. '000s	Improvements to land	Other vested assets	Bearer plants	Roads and bridges	Water supply	Buildings	Mini-hydro power plant	Machinery	Total
Cost									
As at 31 March 2016	3,340	3,305	406,633	484	3,838	93,279	1,540	32,506	**544,925**
Assets Tranferred to WDL		(113)	(12,203)	(5)		(2,702)	(1,042)	(45)	**(16,110)**
As at 31 March 2017	3,340	3,192	394,430	479	3,838	90,577	498	32,461	**528,815**
Accumulated amortization									
As at 1 April 2016	2,639	1,065	289,689	278	3,838	88,796	1,540	32,506	**420,351**
Transfered to WDL		(76)	(8,135)	(2)		(2,162)	(1,042)	(45)	**(11,462)**
Charge for the year	111	42	13,134	11	-	3,644	-	-	**16,942**
As at 31 March 2017	2,750	1,031	294,688	287	3,838	90,278	498	32,461	**425,831**
Carrying value									
As at 31 March 2016	701	2,240	116,944	206	-	4,483	-	-	**124,574**
As at 31 March 2017	590	2,161	99,742	192	-	299	-	-	**102,984**

(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 Bearer plants.

(c) During the year, the Company transferred the immovable estate assets on finance lease at Lonach estate to Watawala Dairy Limited (WDL) for the remaining period of the lease in exchange for X class shares of WDL. It was transferred at the carrying value as at 31 March 2016.

Note 08 Property, Plant and Equipment - Group

In LKR. '000s	Buildings	Capital work in progress	Motor vehicles	Plant and machinery	Equipment	Computer	Furniture and fittings	Others	Total
Cost									
As at 1 April 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**
Additions	40,274	435,180	144,549	106,389	24,577	2,051	1,569	858	**755,447**
Capitalised	7,122	(41,042)	-	8,859	-	25,061	-	.	**-**
Disposals / Adjustment	(7,318)	-	(13,266)	-	-	-	-	-	**(20,584)**
As at 31 March 2017	956,241	438,846	433,186	1,581,497	175,405	48,508	40,610	182,130	**3,856,423**
Accumulated depreciation									
As at 1 April 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**
Charge for the year	23,051	-	33,627	90,566	5,527	1,497	1,057	3,614	**158,939**
Disposals	-	-	(12,390)	-	-	-	-	-	**(12,390)**
As at 31 March 2017	194,502	-	223,576	789,144	123,028	17,348	33,056	52,001	**1,432,655**
Carrying value									
As at 31 March 2016	744,712	44,708	99,564	767,671	33,327	5,545	7,042	132,885	**1,835,454**
As at 31 March 2017	761,739	438,846	209,610	792,353	52,377	31,160	7,554	130,129	**2,423,768**

The capital work in progress mainly represents the construction of the dairy farm by Watawala Dairy Limited.

Property, Plant and Equipment - Company

In LKR. '000s	Buildings	Capital work in progress	Motor vehicles	Plant and machinery	Equipment	Computer	Furniture and fittings	Others	Total
Cost									
As at 1 April 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**
Additions	6,956	36,300	93,834	22,176	1,332	1,774	1,077	858	**164,307**
Capitalised	7,122	(41,042)	-	8,859	-	25,061	-	-	**-**
Transfered to WDL	(62,911)	-	(12,804)	(5,300)	(10,964)	(194)	(133)	(4,684)	**(96,990)**
Disposals / Adjustment	(7,318)		(13,266)	-	-	-	-	-	**(20,584)**
As at 31 March 2017	860,012	39,966	369,667	1,491,984	141,196	48,037	39,985	177,446	**3,168,293**
Accumulated depreciation									
As at 1 April 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**
Charge for the year	21,218	-	31,421	90,256	5,282	1,497	1,053	3,509	**154,236**
Transfered to WDL	(9,751)	-	(8,306)	(1,267)	(9,002)	(194)	(97)	(1,660)	**(30,277)**
Disposals	-	-	(12,390)	-	-	-	-	-	**(12,390)**
As at 31 March 2017	182,918	-	213,064	787,567	113,781	17,154	32,955	50,236	**1,397,675**
Carrying value									
As at 31 March 2016	744,712	44,708	99,564	767,671	33,327	5,545	7,042	132,885	**1,835,454**
As at 31 March 2017	677,094	39,966	369,659	704,417	27,415	30,883	7,030	127,210	**1,770,618**

(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 2017 amounts to LKR. 860,949,627 (2016 - LKR. 810,491,962).

(iii) Depreciation expense of LKR. 131,242,156 (2016- LKR. 138,903,941) has been charged in cost of goods sold and LKR. 22,994,152 (2016 - LKR. 21,363,210) in administrative expenses.

(iv) During the year, the Company transferred the Property, Plant and Equipment at Lonach estate to Watawala Dairy Limited (WDL) for the remaining period of the lease in exchange for X class shares of WDL. It was transferred at the carrying value as at 31 March 2016

Note 09 Bearer plants

Bearer plants - Group

In LKR.'000'	Nursaries	Immature plants	Mature plants	Total
Cost				
As at 1 April 2015	13,447	600,911	2,764,418	**3,378,776**
Additions		201,888	-	**201,888**
Transfers		(325,698)	325,698	**-**
As at 31 March 2016	13,447	477,101	3,090,116	**3,580,664**
Additions	14,147	302,886	-	**317,033**
Transfers immature to mature		(209,696)	209,696	**-**
Transfers		(3,168)	3,168	**-**
Disposal	-	-	(34,287)	**(34,287)**
As at 31 March 2017	27,594	567,123	3,268,693	**3,863,410**
Accumulated depreciation				
As at 1 April 2015	-	-	654,219	**654,219**
Charge for the year	-	-	131,820	**131,820**
As at 31 March 2016	-	-	786,039	**786,039**
Charge for the year	-	-	137,034	**137,034**
Disposal			(14,914)	**(14,914)**
As at 31 March 2017	-	-	908,159	**908,159**
Carrying value				
As at 31 March 2016	13,447	477,101	2,304,077	**2,794,625**
As at 31 March 2017	27,594	567,123	4,176,852	**2,955,251**

Bearer plants - Company

In LKR.'000'	Nursaries	Immature plants	Mature plants	Total
Cost				
As at 1 April 2015	31,920	600,911	2,764,418	**3,397,249**
Additions	1,580	181,835	-	**183,415**
Transfers				
From nurseries	(20,053)	20,053		**-**
From immature plants	-	(325,698)	325,698	**-**
As at 31 March 2016	13,447	477,101	3,090,116	**3,580,664**
Additions	14,049	270,253	-	**284,302**
Transfers immature to mature		(173,894)	173,894	**-**
Disposal	-	-	(34,287)	**(34,287)**
Transfered to WDL	(424)	(19,365)	(80,529)	**(100,318)**
As at 31 March 2017	27,072	554,095	3,149,194	**3,730,361**
Accumulated depreciation				
As at 1 April 2015	-	-	654,219	**654,219**
Charge for the year	-	-	131,820	**131,820**
As at 31 March 2016	-	-	786,039	**786,039**
Charge for the year	-	-	135,213	**135,213**
Disposal			(14,914)	**(14,914)**
Transfered to WDL			(26,459)	**(26,459)**
As at 31 March 2017	-	554,095	879,879	**879,879**
Carrying value				
As at 31 March 2016	13,447	477,101	2,304,077	**2,794,625**
As at 31 March 2017	27,072	1,108,190	2,269,315	**2,850,482**

(i) Investments in bearer plants since the formation of the Company have been classified as shown above and mainly includes tea and palm oil plantations. Bearer plants are stated at cost less accumulated depreciation and impairment in accordance with LKAS 16 Property plant and equipment

(ii) The immature plants are classified as mature plants when they are ready for commercial harvesting.

(iii) The disposal of mature plantation represents the sale of rubber.

(iv) During the year, the Company transferred the bearer plants at Lonach estate to Watawala Dairy Limited (WDL) for the remaining period of the lease in exchange of X class shares of WDL. They were transferred at the carrying value as at 31 March 2016.

Note 10 Biological assets

Consumable biological assets- Group

In LKR.'000'	Nurseries	Immature plantations	Mature plantations	Total
Cost				
As at 1 April 2015	2,467	84,450	480,050	**566,967**
Additions	13,982	26,583	-	**40,565**
Transfers	(14,955)	(22,405)	22,405	**(14,955)**
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**
Additions	410	33,265		**33,675**
Gain arising from changes in fair value less cost to sell	-	-	6,161	**6,161**
As at 31 March 2017	1,904	121,893	525,034	**648,831**

Consumable biological assets- Company

In LKR.'000'	Nurseries	Immature plantations	Mature plantations	Total
Cost				
As at 1 April 2015	2,467	84,450	480,050	**566,967**
Additions	13,982	11,628	-	**25,610**
Transfers				
From nurseries	(14,955)	14,955	-	**-**
From immature 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**
Additions	410	29,173	-	**29,583**
Transferred to WDL	(12)	(33,502)	(3,553)	**(37,067)**
Gain arising from changes in fair value less cost to sell	-	-	6,196	**6,196**
As at 31 March 2017	1,892	84,299	521,516	**607,707**

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% (2016 - 13.5%)
- Maturity for harvesting - 25 years (2016 - 25 years)
- Number of trees valued - 77,221

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

Sensitivity analysis -Group

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 LKR. '000's	10% Decrease	Value as stands	10% Increase
	466,199	525,034	577,538

Sensitivity variation sales price (using 1% estimated 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 LKR. '000's	1% Decrease	Value as stands	1% Increase
	546,782	525,034	508,283

Sensitivity analysis -Company

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 LKR. '000's	10% Decrease	Value as stands	10% Increase
	469,365	521,516	573,668

Sensitivity variation sales price (using 1% estimated 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 LKR. '000's	1% Decrease	Value as stands	1% Increase
	543,262	521,516	504,768

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 LKR. '000'	Group	
31 March	2017	2016
As at 1 April	**27,535**	40,256
Loss on fair value on transfer to WDL	**(6,574)**	-
Increase due to purchases	**-**	788
Increase due to birth	**-**	488
Decrease due to sales	**-**	(5,390)
Decrease due to deaths	**-**	(1,910)
Change in fair value less cost to sell	**3,983**	(6,697)
As at 31 March	**24,944**	27,535

As at 31 March 2017 livestock comprised 167 cattle (2016: 171 cattle).

In LKR.'000'	Company	
31 March	2017	2016
As at 1 April	**27,535**	40,256
Increase due to purchases	**-**	788
Increase due to birth	**-**	488
Decrease due to sales	**-**	(5,390)
Decrease due to deaths	**-**	(1,910)
Change in fair value less cost to sell	**-**	(6,697)
Tranfered to WDL	**(20,961)**	-
Loss on transfer to WDL	**(6,574)**	-
As at 31 March	**-**	27,535

Ammendment to-LKAS 41-Valuation of produce on Bearer plants

This ammendement became effective for the period beginning on or after 1 January 2016 which requires that the produce on bearer plants should be fairvalued and recognised in the financial statements.

The volume of produce growing on bearer plants are measured using the estimated crop of the last harvesting cycle of the year as follows,

Tea-Three days crop(50% of 6 days cycle), Oil palm-five days crop(50% of 10 days cycle) Rubber-One day's crop

Biological assets-Produce on bearer plants

In LKR.'000'	Group	
	2017	2016
As at 1 April	-	-
Fair value of growing crops	35,757	-
As at 31 March	35,757	-

In LKR.'000'	Company	
	2017	2016
As at 1 April	-	-
Fair value of growing crops	35,452	-
As at 31 March	35,452	-

Produce that grows on mature bearer plantations are mesured at fair value less cost to sell.Value of the unharvested green leaves is measured using the bought leaf formula recommended by the Tea Board and the value of unharvested fresh fruit bunches(FFB) of Oil Palm is measured using the actual price used to purchase FFB from out growers. Rubber crop is fair valued using RSS prices.

The Group has opted to apply the Amendment to LKAS 41 prospectively due to the impact of the amendment not being material for the group.The effect on the financial statements had the amendment been retrospectively applied is presented below

In LKR.'000'	Group & Company	
	2016	2015
Restatement of retained earnings	-	25,212
Restatement of Income statement	(3,219)	-
Restatement of Statement of financial position with unharvested crop as biological asset	21,993	25,212

Consequently LKR 35,727,000 & LKR 35,452,000 Group & Company respectively have been recognised as the value of growing crops on bearer plants in the income statement and the statement of finacial position effective in the current financial year.

Note 11 Gratuity investments

In LKR.'000'	Group and Company	
	2017	2016
As at 1 April	**234,369**	220,262
Reinvestment of income	**23,950**	14,107
As at 31 March	**258,319**	234,369

As at the date of the financial reporting, the Company has set-aside LKR. 258,319,000 in the form of an investment fund in order to partly cover up the retirement benefit obligations. The management of fund is assigned to Guardian Fund Management Limited.The average yield for the year was 10.22% (2016 -6.04%).

Note 12 Investments in subsidiaries

In LKR.'000'	Company	
	2017	2016
Watawala Tea Australia (Pvt) Ltd	**852**	852
Watawala Dairy Limited	**626,500**	-
Closing balance	**627,352**	852

Investment in Watawala Dairy

Watawala Dairy Limited (WDL) is a subsidiary of Watawala Plantations PLC (WPPLC) with a 68.2% stake in share capital.

WDL was incorporated on 1st December 2015 as a fully owned subsidiary of WPPLC. WPPLC entered into a JV agreement on 24th March 2016 with PADC Holdings of Zephyr House in Grand Cayman, Cayman, a subsidiary of Duxton Asset Management Singapore to set up a dairy farm business at Lonach estate at Ginigathhena through its subsidiary Watawala Dairy Ltd. WDL is an approved venture by Board Of Investment of Sri Lanka(BOI).

Consequently,WPPLC entered into two indentures of sub-lease with WDL to transfer the its right to use of land in respect of the Lonach Estate along with the net assets(Both assets and liabilities) of the Estate in exchange of X class shares of the Company.Both WPPLC and PADC Holdings have invested in the ordinary share capital of WDL.

The principal objectives of WDL are to operate dairy farm to produce fresh milk for local market.

Following assets and liabilities have been transferred to the WDL at carrying value and X class sheres have been received as consideration.

In LKR.'000'	Cost	Acc.Depn	Impairment	Book value
Right to use of land	12,588	(5,650)	-	6,938
Immovevable asset on lease	16,110	(11,462)	-	4,648
Property plant & equipment	96,990	(30,277)	-	66,713
Bearer Plants	100,318	(26,459)	-	73,859
Consumable biological assets	37,067	-	-	37,067
Livestock	27,535	-	(6,574)	20,961
Inventories	3,674	-	-	3,674
Trade receivables	1,735	-	-	1,735
Cash	235	-	-	235
				215,830
Retirement benifit obligations	-	-	-	(26,410)
Trade payables	-	-	-	(920)
Value of X class shares received as consideration				188,500
Investment in cash by WPPLC	-	-	-	438,000
Total investment by WPPLC in WDL	-	-	-	626,500

Note 13 Available for sale Investment

In LKR.'000'	Group and Company	
	2017	2016
Waltrim Hidropower (Private) Limited	**10,882**	10,882
Unit Energy Lanka (Pvt) Ltd	**10,763**	10,763
As at 31 March	**21,645**	21,645

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 LKR.'000' 31 March	Note	Group		Company	
		2017	**2016**	**2017**	**2016**
Financial assets					
Trade and other receivable excluding pre-payments	16	**232,424**	255,655	**206,963**	255,567
Amounts due from related parties		**279,735**	74,992	**279,735**	74,992
Cash and cash equivalents	18	**888,143**	130,178	**861,945**	113,730
Gratuity investment	11	**258,319**	234,369	**258,319**	234,369
Available-for-sale financial assets	13	**21,645**	21,645	**21,645**	21,645
Total financial assets		**1,680,266**	716,839	**1,628,607**	700,303

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

In LKR.'000' 31 March	Note	Group		Company	
		2017	**2016**	**2017**	**2016**
Financial Liabilities					
Borrowings (excluding finance lease liability)	20	**443,324**	537,492	**443,324**	537,492
Lease liability to SLPC/JEDB	21	**335,132**	342,756	**335,132**	342,756
Trade and other payables excluding non financial liabilities	25	**688,426**	610,617	**630,019**	594,618
Total financial liabilities		**1,466,882**	1,490,865	**1,408,475**	1,474,866

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 LKR.'000'		Group		Company	
31 March	Rating	2017	2016	2017	2016
Cash at bank					
MCB Bank	BBB-	**514**	3,717	**514**	3,717
Public Bank Berhad	AAA	**213**	216	**213**	216
Peoples Bank PLC	AA+	**15,289**	9,109	**15,289**	9,109
Sampath Bank PLC	AA-	**480**	480	**480**	480
ICICI Bank Limited	AAA	**1,424**	765	**1,424**	765
Hatton National Bank PLC	AA-	**54,033**	57,202	**51,217**	57,202
Citi Bank, N.A.	AAA	**1265**	2,138	**1,265**	2,138
Commercial Bank of Ceylon PLC	AA	**37,619**	5,635	**37,619**	5,635
Bank of Ceylon	AA+	**16**	137	**16**	137
Nation Trust Bank PLC	A	**4,688**	4,689	**4,688**	4,689
Standard Chartered Bank	AAA	**80**	82	**80**	82
Amana Bank	BB	**439**	439	**439**	439
Seylan Bank	A-	**300**	-	**300**	-
NDB	A+	**347**	-	**347**	-
Cargills Bank		**3,000**	-	**3,000**	-
		119,707	84,609	**116,891**	84,609
Counterparties without external credit rating and cash in hand		**12,239**	17,360	**841**	912
Short-term deposits / investments					
Investment in Unit Trust [Note 17]		**-**	562,804	**-**	562,804
Hatton National Bank PLC	AA-	**-**	27,103	**-**	27,103
Commercial Bank of Ceylon PLC	AA	**69,751**	2,899	**69,751**	2,899
Cargills Bank		**302,589**	-	**302,589**	-
Nation Trust Bank PLC	A	**369,648**	-	**369,648**	-
Seylan Bank	A-	**14,209**	-	**2,225**	-
		888,143	694,775	**861,945**	678,327

(ii) Trade receivable

In LKR.'000'	Note	Group		Company	
31 March		2017	2016	2017	2016
Existing customers with no default history	16	**99,836**	85,296	**81,047**	85,208
		99,836	85,296	**81,047**	85,208

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

In LKR.'000'	Group		Company	
31 March	2017	2016	2017	2016
Up to 3 months	**99,836**	85,296	**81,047**	85,208
	99,836	85,296	**81,047**	85,208

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.

In LKR.'000'	Level 1	Level 2	Level 3	Total
At 31 March 2017				
Biological assets - consumable	-	648,831	-	**648,831**
Biological assets - Livestock	-	24,944	-	**24,944**
Biological assets - Growing crops		35,757		**35,757**
	-	709,532	-	**709,532**
At 31 March 2016				
Biological assets - consumable	-	608,995		**608,995**
Biological assets - Livestock	-	27,535		**27,535**
	-	636,530	-	**636,530**

Fair value hierarchy - Group

In LKR.'000'	Level 1	Level 2	Level 3	Total
At 31 March 2017				
Biological assets - consumable	-	648,831	-	**648,831**
Biological assets - Livestock	-	24,944	-	**24,944**
Biological assets - Growing crops		35,757		**35,757**
	-	709,532	-	**709,532**
At 31 March 2016				
Biological assets - consumable	-	608,995		**608,995**
Biological assets - Livestock	-	27,535		**27,535**
	-	636,530	-	**636,530**

Fair value hierarchy - Company

In LKR.'000'	Level 1	Level 2	Level3	Total
At 31 March 2017				
Biological assets - consumable	-	607,707	-	**607,707**
Biological assets - Growing crops	-	35,452	-	**35,452**
		643,159	-	**643,159**
At 31 March 2016				
Biological assets - consumable	-	608,995	-	**608,995**
Biological assets - Livestock	-	27,535	-	**27,535**
		636,530		**636,530**

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

Note 15 Inventories

In LKR.'000'	Group	
31 March	2017	2016
Produce stock	**473,128**	388,775
Export general stocks	**81,115**	103,585
Raw materials, spares and consumables	**178,745**	145,413
	732,988	637,773

In LKR.'000'	Company	
31 March	2017	2016
Produce stock	**460,549**	388,775
Export general stocks	**81,115**	103,585
Raw materials, spares and consumables	**144,474**	145,413
	686,138	637,773

The cost of inventory included in the cost of sales for the year amounted to LKR.452,545,543 (2016 - LKR.388,775,000).

Note 16 Trade and other receivables

In LKR.'000'	Group		Company	
31 March	2017	2016	2017	2016
Trade receivables	**99,836**	85,296	**81,047**	85,208
Employee advances	**61,243**	77,406	**59,800**	77,406
Deposits	**9,235**	9,116	**8,526**	9,116
Other receivables	**62,110**	83,837	**57,590**	83,837
	232,424	255,655	**206,963**	255,567
Classified as financial assets,				
loans and receivables *(other than cash and cash equivalents)*	**232,424**	255,655	**206,963**	255,567
Taxes recoverable-net	**133,462**	111,945	**133,462**	111,945
Prepayments	**18,551**	11,327	**18,551**	11,327
Advances paid to suppliers	**61,985**	25,970	**57,207**	25,970
Advance paid on importation of goods	**90,777**	81,065	**22,197**	81,065
Non-financial assets	**304,775**	230,307	**231,417**	230,307
Total trade and other receivables	**537,199**	485,962	**438,380**	485,874

(i) Taxes receivable includes Advance Company Tax of LKR. 26,359,165 (2016 - LKR. 31,359,166), Value Added Tax of LKR. 102,379,082 (2016 - LKR. 77,900,563) and Economic Service Charge of LKR. 27,571,640 (2016 - LKR. 28,582,322).

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

Note 17 Amounts due from Related parties

In LKR.'000'	Group		Company	
31 March	2017	2016	2017	2016
Watawala Tea Ceylon Limited	**200,000**	-	**200,000**	-
Tata Global Beverages Limited	**79,735**	74,992	**79,735**	74,992
	279,735	74,992	**279,735**	74,992

LKR 200 Mn was disbursed to Watawala Tea Ceylon Limited as a short term loan for a period of six months at AWPLR plus 1%. This loan is secured by a promisory note.

Note 18 Cash and cash equivalents

In LKR.'000'	Group		Company	
31 March	2017	2016	2017	2016
Cash at bank - local currency	**73,517**	21,630	**59,396**	21,630
Cash at bank - foreign currency	**57,495**	61,186	**57,495**	61,186
Cash in hand - local currency	**765**	17,163	**672**	715
Cash in hand - foreign currency	**169**	197	**169**	197
Short term bank deposits	**756,197**	30,002	**744,213**	30,002
	888,143	130,178	**861,945**	113,730

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

In LKR.'000'	Note	Group		Company	
31 March		2017	2016	2017	2016
Bank overdrafts	20	**-**	(37,106)	**-**	(37,106)
Cash and bank balances		**888,143**	130,178	**861,945**	113,730
		888,143	93,072	**861,945**	76,624

The average interest yield on short term deposits was 10.5% (2016 - 6.4%).

Note 19 Stated capital

In LKR.'000'	Group and Company 2017	2016
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 20 Borrowings

20.1 Movement of borrowings during the Year

In LKR.'000'	Bank overdrafts	Tea Board	Term loan	Group and Company 31 March 2017 Total	Group and Company 31 March 2016 Total
As at 1 April	37,106	18,395	481,991	**537,492**	371,309
Obtained during the year	-	71,247	-	**71,247**	340,657
Repaid during the year	-	(35,018)	(93,291)	**(128,309)**	(77,529)
Bank overdrafts	(37,106)	-	-	**(37,106)**	(96,945)
	-	54,624	388,700	**443,324**	537,492

20.2 Analysis of borrowings by year of repayment

In LKR.'000' 31 March	Notes	Group and Company 2017	Group and Company 2016
Repayable within one year			
Term loans	20.3	**118,318**	93,250
Tea Board		**-**	18,395
Bank overdrafts		**-**	37,106
		118,318	148,751
Repayable after one year			
Term loans	20.3	**325,006**	388,741
		325,006	388,741
Total borrowings		**443,324**	537,492

Total borrowings at 31 March can be analysed as follows:

Analysis of borrowings based on the repayment schedule

Group and company In LKR. '000's	Notes	Within one year	2-3 years	4-5 years	More than 5 years	Total
Term loan	20.3	93,250	186,500	108,950	-	**388,700**
Tea board loan		25,068	25,333	4,223	-	**54,624**
As at 31 March 2017		118,318	211,833	113,173	-	**443,324**
As at 31 March 2016		148,791	186,580	186,580	15,541	**537,492**

20.3 Term loans - Group and Company

In LKR.'000'	Outstanding liability Repayable within one year	Repayable after one year	Balance as at 31 March 2017	Outstanding liability Repayable within one year	Repayable after one year	Balance as at 31 March 2016	Security
Hatton National Bank PLC	31,250	125,000	156,250	31,250	156,250	187,500	Unsecured
Tea board Loan	25,068	29,556	54,624	-	-	-	Unsecured
Seylan Bank PLC	62,000	170,450	232,450	62,000	232,491	294,491	Unsecured
	118,318	**325,006**	**443,324**	**93,250**	**388,741**	**481,991**	

20.3.1 Hatton National Bank PLC

Purpose - To finance replanting

In LKR.'000'				Outstanding liability 2016 / 2017			Outstanding liability 2015 / 2016			
Year	Loan number	Original amount	Interest rate % p.a.	Repayable within one year	Repayable after one year	Balance as at 31 March 2017	Repayable within one year	Repayable after one year	Balance as at 31 March 2016	Repayment terms
2014		250,000	AWPLR + 0.5%	**31,250**	**125,000**	**156,250**	31,250	156,250	187,500	96 equal monthly instalments commencing from April 2014
Sub total		250,000		**31,250**	**125,000**	**156,250**	31,250	156,250	187,500	

20.3. 2 Tea Board

Purpose - For replanting and working capital financing

In LKR.'000'				Outstanding liability 2016 / 2017			Outstanding liability 2015 / 2016			
Year	Loan number	Original amount	Interest rate % p.a.	Repayable within one year	Repayable after one year	Balance as at 31 March 2017	Repayable within one year	Repayable after one year	Balance as at 31 March 2016	Repayment terms
2016/17	1	38,000	0.41%	**8,444**	**29,556**	**38,000**	-	-	-	36 equal monthly instalments commencing from August 2017
2016/17	II	33,247	Zero	**16,624**	**-**	**16,624**	-	-	-	10 equal monthly instalments commencing from October 2016
Sub total		71,247		**25,068**	**29,556**	**54,624**	-	-	-	

20.3.3 Seylan Bank Plc

Purpose - Working capital/factory development

				2016 / 2017			2015 / 2016			
Year	Loan number	Original amount	Interest rate % p.a.	Repayable within one year	Repayable after one year	Balance as at 31 March 2017	Repayable within one year	Repayable after one year	Balance as at 31 March 2016	Repayment terms
2016		310,000	AWPLR - 0.5% (1-2 years)	**62,000**	**170,450**	**232,450**	62,000	232,491	294,491	60 equal monthly instalments commencing from Dec 2015
Sub total		310,000		**62,000**	**170,450**	**232,450**	62,000	232,491	294,491	

Note 21 Lease Liability to SLSPC and JEDB

In LKR.'000'	Group and Company			
As at 31 March	2017		2016	
	Current	Non-current	Current	Non-current
Gross liability	**20,320**	**548,640**	20,320	568,960
Less: Interest in suspense	**(13,600)**	**(220,228)**	(13,860)	(232,664)
Net liability to lessor	**6,720**	**328,412**	6,460	336,296

Leasehold rights can be analysed as follows:

	Total	1- 2 years	2 - 5 years	More than 5 years
Analysis of Lease liability				
As at 31 March 2017	**335,132**	6,720	21,820	306,592
As at 31 March 2016	**342,756**	6,460	20,980	315,316

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 22 Retirement benefit obligations

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

In LKR. '000's As at 31 March	Notes	Group		Company	
		2017	2016	2017	2016
Present value of obligation					
Backed by investments	11	**258,319**	234,369	**258,319**	234,369
Not backed by investments		**649,873**	742,270	**624,386**	742,270
Liability in the statement of financial position		**908,192**	976,639	**882,705**	976,639

The movement in the retirement benefit obligation for the year is as follows:

In LKR. '000's As at 31 March	Group		Company	
	2017	2016	2017	2016
As at 1 April	**976,639**	1,005,185	**976,639**	1,005,185
Current service cost	**56,725**	61,882	**55,101**	61,882
Interest cost	**107,430**	110,571	**104,524**	110,571
Actuarial gain	**(92,604)**	(102,714)	**(88,451)**	(102,714)
Benefits paid	**(139,998)**	(98,285)	**(138,698)**	(98,285)
Transfered to WDL	**-**	-	**(26,410)**	-
At 31 March	**908,192**	976,639	**882,705**	976,639

The charge to the income statement is as follows:

In LKR. '000's As at 31 March	Group		Company	
	2017	2016	2017	2016
Current service cost	**56,725**	65,160	**55,101**	65,160
Interest cost	**107,430**	104,469	**104,524**	104,469
Total included in the staff cost [Note 29.1]	**164,155**	169,629	**159,625**	169,629
Actuarial gain recognised in the statement of other comprehensive income	**(92,604)**	(19,854)	**(88,451)**	(19,854)

An actuarial valuation for defined benefit obligation was carried out as at 31 March 2017 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	11.5 % p.a. (2016 - 11%)
(ii)	Rate of salary increase	
	- tea 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)	
	- Company 9,758 (2016 - 10,678	
	- Group 10,072 (2016-10,678)	

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 2017, a sensitivity analysis was carried out for all employees assuming the following salary/wage escalation rate and discount rate.

Group

In LKR. '000's

Discount rate	Salary / wage escalation rate	Present value of defined benefit obligation	
		Staff - LKR.	Workers - LKR
One percentage point increase	As given above	107,332	728,785
One percentage point decrease	As given above	123,945	867,563
As given above	One percentage point increase	124,593	826,211
As given above	One percentage point decrease	106,653	761,753

Company

In LKR. '000's

Discount rate	Salary / wage escalation rate	Present value of defined benefit obligation	
		Staff - LKR.	Workers - LKR
One percentage point increase	As given above	106,130	706,477
One percentage point decrease	As given above	122,560	841,061
As given above	One percentage point increase	123,201	800,986
As given above	One percentage point decrease	105,459	738,524

Note 23 Deferred income and capital grants

In LKR. '000's	Group and Company	
	2017	**2016**
Capital grants		
As at 1 April	**203,569**	213,610
Less: Amortisation during the year	**(10,041)**	(10,041)
As at 31 March	**193,528**	203,569

Grants 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 24 Deferred income tax liability

In LKR. '000's	Note	Group		Company	
31 March		**2017**	**2016**	**2017**	**2016**
As at 1 April		**267,005**	206,954	267,040	207,040
Recognised in income statement	31	**55,332**	44,466	55,332	44,415
Recognised in other comprehensive income	31	**8,845**	15,585	8,845	15,585
As at 31 March		**331,182**	267,005	331,217	267,040

Deferred tax is calculated for the temporary differences between carrying value and tax written down value of non current assets and liabilities as analysed by each taxable activity.

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

Deferred income tax - Group

In LKR. '000's	2017			2016		
	Deferred tax assets	Deferred tax liability	Net tax liability	Deferred tax assets	Deferred tax liability	Net tax liability
Property plant and equipment		**(167,105)**	**(167,105)**	-	(149,075)	(149,075)
Biological assets - bearer		**(333,685)**	**(333,685)**	-	(347,710)	(347,710)
Biological assets - consumable		**(19,749)**	**(19,749)**	-	(3,067)	(3,067)
Retirement benefit obligations	**135,169**	**-**	**135,169**	148,382	-	148,382
Capital grants	**54,188**	**-**	**54,188**	56,638	-	56,638
Tax losses carried forward	**-**	**-**	**-**	27,827	-	27,827
Asset / (liability) as at 31 March	**189,357**	**(520,539)**	**(331,182)**	232,847	(499,852)	(267,005)

Deferred income tax - Company

In LKR. '000's	2017			2016		
	Deferred tax assets	Deferred tax liability	Net tax liability	Deferred tax assets	Deferred tax liability	Net tax liability
Property plant and equipment	**-**	**(167,140)**	**(167,140)**	-	(149,110)	(149,110)
Bearers biological assets	**-**	**(333,685)**	**(333,685)**	-	(347,710)	(347,710)
Consumable biological assets	**-**	**(19,749)**	**(19,749)**	-	(3,067)	(3,067)
Retirement benefit obligations	**135,169**	**-**	**135,169**	148,382	-	148,382
Capital grants	**54,188**	**-**	**54,188**	56,638	-	56,638
Tax losses carried forward		**-**	**-**	27,827	-	27,827
Asset / (liability) as at 31 March	**189,357**	**(520,574)**	**(331,217)**	232,847	(499,887)	(267,040)

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 25 Trade and other payables

In LKR. '000's	Notes	Group		Company	
31 March		2017	2016	2017	2016
Trade payables		**234,417**	150,559	**182,928**	134,562
Due to related parties		**-**	1,544	**302**	1,544
Employee related dues		**170,722**	141,228	**166,783**	141,228
Provisions and accruals		**218,457**	224,995	**215,535**	224,995
Other payables		**64,830**	92,291	**64,471**	92,289
		688,426	610,617	**630,019**	594,618

Note 26 Current income tax liabilities

In LKR. '000's	Note	Group		Company	
		2017	2016	2017	2016
As at 1 April		**28,079**	14,000	**28,000**	14,000
Setoff against Economic Service Charge		**(20,155)**	-	**(20,155)**	-
Setoff against Advance Company Tax		**(5,000)**	-	**(5,000)**	-
Reversal of over provision		**(2,845)**	-	**(2,845)**	-
Charge for the Year	31	**162,529**	28,020	**158,263**	28,000
Tax paid		**-**	(13,941)	**-**	(14,000)
As at 31 March		**162,608**	28,079	**158,263**	28,000

Note 27 Segmental analysis by principal activities

The analysis of the performance by the principal activities, is as follows:

In LKR. '000's Year ended 31 March	Group		Company	
	2017	2016	2017	2016
Revenue				
Tea	**3,908,955**	4,118,122	**3,878,062**	4,118,122
Palm oil & allied products	**2,162,347**	1,503,584	**2,162,347**	1,503,584
Exports	**428,796**	604,527	**352,547**	533,760
Dairy Farming	**32,560**	-	**-**	-
Rubber	**-**	72,536	**-**	72,536
Inter segment adjustments	**(30,893)**		**-**	
	6,501,765	6,298,769	**6,392,956**	6,228,002
Gross profit / (loss)				
Tea	**322,993**	(22,589)	**340,385**	(22,589)
Rubber	**-**	(24,083)	**-**	(24,083)
Palm oil	**1,304,400**	824,964	**1,304,400**	824,964
Exports	**62,337**	75,069	**58,730**	72,946
Dairy Farm	**(16,544)**	-	**-**	-
	1,673,186	853,361	**1,703,515**	851,238

Business segmentation has been determined with respect to the nature of different business operations of the Group. A segment is usually named after the end products produced and sold by the particular segment. The Permormance measurement by the corporate management and the board of directors is based on the revenue,expenditure,and the profitability of identified segments. Also the board of directors considers the resource allocation based on the segmental budgets and profitability.

Notes to the consolidated financial statements

27.1 Segmental analysis by principal activities - Group

In LKR. '000's Year ended 31 March	Tea		Rubber		Palm Oil		Export		Dairy Farm		Other		Inter segment adjustments		Total Year ended 31 March	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Revenue	3,908,955	4,118,122	-	72,536	2,162,347	1,503,584	428,796	604,527	32,560	-	-	-	(30,893)	-	6,501,765	6,298,769
Gross (loss) / profit	322,993	(22,589)	-	(24,083)	1,304,400	824,964	62,337	75,069	(16,544)	-	-	-	-	-	1,673,186	853,361
Other operating income	0	-	-	-	-	-	-	-	3,982	-	142,869	134,192	-	-	146,851	134,192
Administrative expenses	(170,458)	(192,550)	-	(13,890)	(153,769)	(107,956)	(3,104)	(2,502)	(1,061)	-	-	-	2,056	(1,604)	(326,336)	(318,502)
Operating profit	152,535	(215,139)	-	(37,973)	1,150,631	717,008	59,233	72,567	(13,623)	-	142,869	134,192	2,056	(1,604)	1,493,701	669,051
Net finance (cost) / income	(55,008)	(55,847)	-	(8,772)	(21,271)	(14,215)	13	19	28,646	-	-	-	-	-	(47,620)	(78,815)
Profit before tax	97,527	(270,986)	-	(46,745)	1,129,360	702,793	59,246	72,586	15,023	-	142,869	134,192	2,056	(1,604)	1,446,081	590,236
Tax	(91,235)	(43,211)	-	(925)	(104,142)	(20,737)	(11,712)	(7,613)	(4,266)	-	(9,067)	-	-	-	(220,422)	(72,486)
Profit for the year	6,292	(314,197)	-	(47,670)	1,025,218	682,056	47,534	64,973	10,757	-	133,802	134,192	2,056	(1,604)	1,225,659	517,750
Other Comprehensive Income																
Available for sale investment	-	-	-	-	-	-	-	-	-	-	-	10,763	-	-	-	10,763
Actuarial gain on gratuity	71,531	98,706	-	659	16,920	3,349	-	-	4,153	-	-	-	-	-	92,604	102,714
Tax on actuarial gain on gratuity	(7,153)	(14,977)	-	(100)	(1,692)	(508)	-	-	-	-	-	-	-	-	(8,845)	(15,585)
Total other comprehensive (loss) / income	64,378	83,729	-	559	15,228	2,841	-	-	4,153	-	-	10,763	-	-	83,759	97,892
Total comprehensive income for the year	70,670	(230,468)	0	(47,111)	1,040,446	684,897	47,534	64,973	14,910	0	133,802	144,955	2,056	(1,604)	1,309,418	615,642
Segment assets	3,201,092	3,224,756	-	304,615	2,712,084	2,140,462	202,778	181,984	779,947	-	2,216,626	1,894,390	-	-	9,112,527	7,746,207
Segment liabilities	2,453,782	2,497,288	-	67,451	314,158	161,399	-	16,043	17,705	-	276,747	223,976	-	-	3,062,392	2,966,157
Other segment items																
Capital expenditure	325,170	118,391	-	9,424	253,579	127,362	-	-	445,243	-	82,163	34,210	-	-	1,106,155	289,387
Depreciation	127,252	126,914	-	15,159	134,275	119,116	-	-	3,428	-	48,118	48,358	-	-	313,073	309,547
Amortisation	4,894	4,894	-	1,337	2,141	804	-	-	-	-	-	-	-	-	7,035	7,035

Notes to the consolidated financial statements

27.2 Segmental analysis by principal activities - Company

In LKR. '000's Year ended 31 March	Tea		Rubber		Palm Oil		Export		Other		Total Year ended 31 March	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Revenue	3,878,062	4,118,122	-	72,536	2,162,347	1,503,584	352,547	533,760	-	-	6,392,956	6,228,002
Gross profit	340,385	(22,589)	-	(24,083)	1,304,400	824,964	58,730	72,946	-	-	1,703,515	851,238
Other operating income	-	-	-	-	-	-	-	-	142,808	134,192	142,808	134,192
Administrative expenses	(170,458)	(192,550)	-	(13,890)	(153,769)	(107,956)	-	(1,564)	-	-	(324,227)	(315,960)
Operating profit	169,927	(215,139)	-	(37,973)	1,150,631	717,008	58,730	71,382	142,808	134,192	1,522,096	669,470
Net finance (cost) / income	(55,008)	(55,847)	-	(8,772)	(21,271)	(14,215)	-	-	-	-	(76,279)	(78,834)
Profit before tax	114,919	(270,986)	-	(46,745)	1,129,360	702,793	58,730	71,382	142,808	134,192	1,445,817	590,636
Tax expense	(91,235)	(43,211)	-	(925)	(104,142)	(20,737)	(11,712)	(7,542)	(9,067)	-	(216,156)	(72,415)
Net profit	23,684	(314,197)	-	(47,670)	1,025,218	682,056	47,018	63,840	133,741	134,192	1,229,661	518,221
Other Comprehensive Income												
Available for sale investment									-	10,763	-	10,763
Actuarial gain on gratuity	71,531	98,706	-	659	16,920	3,349	-	-	-	-	88,451	102,714
Tax on actuarial gain on gratuity	(7,153)	(14,977)	-	(100)	(1,692)	(508)	-	-	-	-	(8,845)	(15,585)
Total other comprehensive income/ (loss)	64,378	83,729	-	559	15,228	2,841	-	-	-	10,763	79,606	97,892
Total comprehensive income for the year	88,062	(230,468)	-	(47,111)	1,040,446	684,897	47,018	63,840	133,741	144,955	1,309,267	616,113
Segment assets	3,015,283	3,224,756	-	304,615	2,712,084	2,140,462	160,851	166,300	2,844,313	1,894,390	8,732,531	7,730,523
Segment liabilities	2,421,715	2,497,288	-	67,451	314,158	161,399	-	-	238,315	223,976	2,974,188	2,950,114
Other segment items												
Capital expenditure	142,450	118,391	-	9,424	253,579	127,362	-	-	82,163	34,210	478,192	289,387
Depreciation	123,760	126,914	-	15,159	134,275	119,116	-	-	48,356	48,358	306,391	309,547
Amortisation	4,655	4,894	-	1,337	2,141	804	-	-	-	-	6,796	7,035

Note 28 Other income

In LKR. '000's Year ended 31 March	Notes	Group 2017	Group 2016	Company 2017	Company 2016
Profit on sale of property, plant and equipment		**9,650**	13,694	**9,650**	13,694
Amortisation of capital grants	23	**10,041**	10,041	**10,041**	10,041
Sale of Bearer plants		**20,320**	16,179	**20,320**	16,179
Fair value gains on Consumable biological assets	(a)	**6,161**	29,491	**6,196**	29,491
Changes in fair value in livestock	(b)	**3,983**	-	**-**	-
Hydro power income		**33,206**	47,960	**33,206**	47,960
Income from gratuity fund		**37,015**	-	**37,015**	-
Income on short term investments		**20,933**	-	**20,933**	-
Income from sundry operations		**5,542**	16,827	**5,447**	16,827
		146,851	134,192	**142,808**	134,192

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

b) The gain on fair value of Livestock represent the unrealised gain from valuation of cows at the date of financial position.

Note 29 Expenses by nature

Profit before income tax is stated after charging the following:

In LKR. '000's Year ended 31 March	Notes	Group 2017	Group 2016	Company 2017	Company 2016
Auditors' remuneration					
- Audit		**2,899**	2,627	**2,749**	2,627
- Non audit		**714**	567	**664**	567
Amortisation					
- Right to use of land	6	**7,035**	7,035	**6,796**	7,035
Depreciation					
- Immovable leased assets	7	**17,100**	17,459	**16,942**	17,459
- Property, plant and equipment	8	**158,939**	160,268	**154,236**	160,268
- Biological assets - bearer	9	**137,034**	131,820	**135,213**	131,820
Directors' emoluments		**5,676**	4,068	**5,476**	4,068
Staff costs	29.1	**3,107,065**	3,138,680	**3,035,644**	3,138,680
Cost of inventories sold other than expenses as staff costs		**1,598,949**	2,067,845	**1,553,841**	1,999,201
Transport cost		**27,340**	126,867	**26,379**	126,867
Other expenses		**92,164**	106,674	**20,379**	104,132
Total cost of sales and administrative expenses		**5,154,915**	5,763,910	**5,013,668**	5,692,724

29.1 Staff costs

In LKR. '000's Year ended 31 March	Notes	Group 2017	Group 2016	Company 2017	Company 2016
Wages and salaries		**2,675,707**	2,704,837	**2,619,173**	2,704,837
Defined contribution plan		**227,153**	231,840	**216,846**	231,840
Defined benefit plan	22	**160,925**	172,453	**159,625**	172,453
Workers' profit share bonus		**43,280**	29,550	**40,000**	29,550
		3,107,065	3,138,680	**3,035,644**	3,138,680
Average number of persons employed during the year Full time		**10,072**	10,679	**9,758**	10,678
Average cost per employee LKR .'000		**308**	294	**311**	294

Note 30 Finance cost and income

In LKR. '000's Year ended 31 March	Group 2017	Group 2016	Company 2017	Company 2016
(i) Finance costs				
Interest expense for borrowings at amortised cost				
- Interest on term loans	**50,300**	22,185	**50,300**	22,185
- Interest on bank overdrafts	**2,678**	5,934	**2,678**	5,934
	52,978	28,119	**52,978**	28,119
Contingent lease series of payments				
- Interest on lease liability to SLSPC/JEDB	**65,824**	67,640	**65,824**	67,640
Total finance costs	**118,802**	95,759	**118,802**	95,759
(ii) Finance income				
Interest income on short-term bank deposits	**71,182**	16,944	**42,523**	16,925
Total finance income	**71,182**	16,944	**42,523**	16,925
Net finance costs	**47,620**	78,815	**76,279**	78,834

Note 31 Income tax expense

In LKR. '000's Year ended 31 March	Note	Group 2017	Group 2016	Company 2017	Company 2016
Tax charge for the year	26	162,529	28,020	158,263	28,000
Excess provision of prior year written back		(2,846)	-	(2,846)	-
Unclaimable Economic Service Charge		5,407	-	5,407	-
Deferred tax recognised in the income statement	24	55,332	44,466	55,332	44,415
Taxes included in income for the period		220,422	72,486	216,156	72,415
Deferred tax recognised in other comprehensive income	24	8,845	15,585	8,845	15,585
Taxes included in total comprehensive income		229,267	88,071	225,001	88,000

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.

Watawala Dairy Limited enjoys a tax exemption period of five years from the year in which the enterprise commences to make profits or any year of assessment not later than two years reckoned from the date of commencement of commercial operations whichever is earlier, under Section 17 (2) of the Board of Investment of Sri Lanka Law No. 4 of 1978 and in accordance with the provisions of the Inland Revenue Act No. 10 of 2006.

After the expiration of the tax exemption period, the profit and income of the Company shall be charged at the rate of Twenty percent (20%) for any year of assessment immediately succeeding the last date of the tax exemption period during which the profit and income of the entity is exempted from income tax.

Reconciliation between current tax expenses and the accounting profit:

In LKR. '000's Year ended 31 March	Notes	Group 2017	Group 2016	Company 2017	Company 2016
Accounting profit before tax		1,446,081	590,236	1,445,817	590,636
Expenses not deductible for tax purposes		475,743	426,187	475,743	426,187
Expenses deductible for tax purposes		(776,970)	(688,997)	(776,970)	(688,997)
Profit from trade or business		1,144,854	327,426	1,144,590	327,826
Interest income		41,357		41,357	
Utilisation of previously unrecognised tax losses		(75,525)	(40,631)	(75,525)	(40,631)
Total taxable profit		1,110,686	286,795	1,110,422	287,195
Income Tax at effective rates		162,529	28,020	158,263	28,000
Deferred income tax	24	64,177	60,051	64,177	60,000
Excess provision of prior year written back		(2,846)	-	(2,846)	-
Unclaimable Economic Service Charge		5,407	-	5,407	-
		229,267	88,071	225,001	88,000

The advance company tax carried forward as at the reporting date amounted to LKR. 26,359,166 (2016 - LKR.31,359,166).

The unutilised tax loss carried forward as at the reporting date amounted to LKR. nil (2016 -LKR. 111,747,753).

Note 32 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	Group		Company	
Year ended 31 March	2017	2016	2017	2016
Net profit attributable to shareholders	1,227,779	517,750	1,229,661	518,221
Weighted average number of ordinary shares in issue (thousands)	236,667	236,667	236,667	236,667
Basic earnings per share (LKR.)	5.18	2.19	5.20	2.19

Note 33 Dividends paid

Calculation of dividend per share		Group and Company	
Year ended 31 March	Dividend per share	2017	2016
		(LKR.)	(LKR.)
Final dividend - 2014/2015	0.50	-	118,333
Final dividend - 2015/2016	0.75	177,500	-
Interim dividend - 2016/2017	0.65	153,833	-
		331,333	118,333
Number of ordinary shares		236,667	236,667
Dividend per share		1.40	0.50

The Board of Directors of the Company has proposed the payment of a final dividend of LKR. 0.85 cents per share for the year ended 31 March 2017.(2015/2016 final dividend of LKR. 0.75 cents per share). 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 2017.

Note 34 Commitments

a) Operating leases

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 LKR.. 53,047,387

b) Capital commitments

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

In LKR. '000's	Group		Company	
Year ended 31 March	**2017**	**2016**	**2017**	**2016**
Approved and contracted for	-	318,612	-	318,612
Approved and not contracted for	1,339,543	130,208	514,583	130,208
Total	1,339,543	448,820	514,583	448,820

Note 35 Contingent liability

Bank guarantees amounting to LKR. 13,585,000 was issued in favour of the Sri Lanka Customs to facilitate the Company to import green tea. Also bank guarantees amounting to LKR. 8,565,000 was issued for other operations at the date of financial position the company is in compliance with the terms and conditions of the imports. There are no litigations against the Group which would have a material impact on the financial position of the Group.

Note 36 Related party transactions

The Company is a subsidiary of Estate Management Services (Private) Limited which owns 75.65% of ordinary shares (2016 - 75.65%) of the Company. 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. G Sathasivam, V Govindasamy and B A Hulangamuwa who are directors of the Company are also directors of Sunshine Healthcare Lanka Limited, Waltrim Hydropower (Private) Limited and Sunshine Holdings PLC.

(iii) Mr G Sathasivam and Mr B A Hulangamuwa who are directors of the Company are also directors of Sunshine Tea (Private) Limited.

(iv) 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.

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

(vi) Mr. A Misra who is directors of the Company is also directors of Tata Global Beverages Limited..

(vii) Mr. V Govindasamy, M S Mawzoon and S.G Wijesingha , who are directors of the Company are also directors of Watawala Dairy Limited.

(viii) Mr. M S Mawzoon who is director of the Company he is also director of Pyramid Lanka (Private) Limited.

(ix) Mr. G Sathasivam, V Govindasamy and N B Weerasekera who are directors of the Company are also directors of Health Guard Pharmacy Limited

(x) Mr. N B Weerasekera who is a director of the company is also directors of Sunshine Holdings PLC and Health Guard Pharmacy Limited.

In LKR. '000's	Group		Company	
Year ended 31 March	2017	2016	2017	2016
(i) Included in the revenue and other sources of income				
Sunshine Tea (Private) Limited	-	3,663	-	3,663
Tata Global Beverages Limited	352,547	604,527	352,547	604,527
Secretaries and Financial Service (Private) Limited	-	740	-	740
Watawala Tea Ceylon Limited	35,658	76,815	35,658	76,815
Sunshine Holdings PLC	-	9,441	-	9,441
Watawala Dairy Limited	30,893		7,618	
Sunshine Healthcare Lanka Limited	-	1,160	-	1,160
Waltrim Hydropower (Private) Limited	5,213	24,724	5,213	24,724
Pyramid Lanka (Private) Limited	1,881,098	1,236,901	1,881,098	1,236,901
(ii) Included in the cost of sales and other expenses				
Sunshine Tea (Private) Limited	25,016	23,534	25,016	23,534
Secretaries and Financial Services (Private) Limited	-	1,456	-	1,456
Health Guard Pharmacy Limited	13	421	13	421
Watawala Dairy Limited	7,618	-	30,893	-
Sunshine Healthcare Lanka Limited	18	303	18	303
Sunshine Holdings PLC	77,586	55,089	77,586	55,089

Outstanding balances arising from purchase of goods and services

In LKR. '000's	Group		Company	
Year ended 31 March	2017	2016	2017	2016
(iii) Amounts due from related companies				
Tata Global Beverages Limited	**79,735**	74,992	**79,735**	74,992
Watawala Tea Ceylon Limited	**200,000**	-	**200,000**	-
	279,735	74,992	**279,735**	74,992
(iv) Amounts due to related companies				
Pyramid Lanka (Private) Limited	-	1,544	**-**	1,544
Watawala Dairy Limited	-		**302**	-
	-	1,544	**302**	1,544

Transactions with related parties have been carried out on an arms length basis.
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 LKR. '000's	Group		Company	
Year ended 31 March	2017	2016	2017	2016
Salaries and other short term employee benefits	**38,536**	34,888	**38,536**	34,888

Note 37 Financial risk management Objectives & Policies - Group

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.

Market risks

(i) Foreign exchange risk

The Group is exposed to foreign exchange risk due to its imports and exports 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	
	2017	2016
Rate of exchange LKR. per 1 USD	150.00	143.00

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 2017, if the USD had strengthened/weakened 1% against the financial year with all other variables held constant, profit before tax would have been LKR. 1,330,512 higher/lower, mainly as a result of foreign exchange gain/loss on transaction of US dollar-denominated sales and bank balances.

(ii) Interest rate risk

Interest rate is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. 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 and palm oil. The Group monitors commodity price on a dynamic basis and manages inventory levels to minimize the impact.

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.

Liquidity risk

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

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

Financial Liabilities

In LKR. '000's At 31 March 2017	Note	Within one year	2-3 years	4-5 years	More than 5 years	Total
Lease Liability to - SLSPC and JEDB	21	6,720	14,260	15,440	298,712	335,132
Borrowings	20	118,318	211,833	113,173		443,324
Trade and other payables *(excluding statutory liabilities)*		660,666	-	-		660,666
		785,704	226,093	128,613	298,712	1,439,122

Financial Assets

In LKR. '000's At 31 March 2017	Note	Within one year	2-3 years	4-5 years	More than 5 years	Total
Trade and other receivables	16	232,424	-	-		232,424
Available for sale investments	13	-	-	21,645		21,645
Cash and cash equivalents	18	888,143	-	-		888,143
Gratuity investments	11	-	-	-	258,319	258,319
		1,120,567	-	21,645	258,319	1,400,531

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.

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

	Group		Company	
As at 31 March	**2017**	**2016**	**2017**	**2016**
Total borrowings [Note 20 and 21]	778,456	880,248	778,456	880,248
Less: cash and cash equivalents [Note 18]	(888,143)	(130,178)	(861,945)	(113,730)
Net debt	(109,687)	750,070	(83,489)	766,518
Total equity	6,050,135	4,780,050	5,758,343	4,780,409
Total capital	5,940,448	5,530,120	5,674,854	5,546,927
Gearing ratio	-1.8%	13.6%	-1.5%	13.8%

Note 38 Events after the reporting date

No events have occurred after the reporting date, which would require adjustments to or disclosure in the financial statements except disclosed above and note 33.

Supplementary Information

Number of permanent buildings available on estates as at 31/03/2017

Buildings	KNL	CAR	WIG	LON	SHN	ABB	DIC	VEL	STD	Total	HEN	WAL	TAN	AGK	OUV	Total	UPC
No. of Factories	1	1	-	-	1	1	2	1	1	8	1	1	1	1	2	6	14
No. of Bungalows	4	3	2	4	2	3	5	6	5	34	3	4	2	2	3	14	48
No. of Senior Staff Bungalows	9	11	2	1	9	7	11	10	8	68	10	11	9	4	10	44	112
No. of Junior Staff Bungalows	14	17	12	16	16	27	46	30	27	205	30	33	21	15	25	124	329
No. of JEDB Quarters							23			23						-	23
No. of Double Barrack Lines	22	8	18	10	6	10	30	8	17	129	11	10	10	12	17	60	189
No. of Single Barrack lines	15	43	16	18	11	25	48	79	48	303	16	52	42	11	23	144	447
No. of Twin Cottages	48	77	24	26	79	21	88	66	54	483	-	17	36	24	45	122	605
No. of Single Cottages	123	38		48	115	59	153	60	125	721	49	149	79	6	-	283	1,004
No. of Upstair Houses										-	197					197	197
No. of Single Houses								60	133	193				71	119	190	383
No. of Creches	6	6	5	3	3	4	6	7	7	47	5	7	5	2	6	25	72
No. of Dispensary	2	1	1	1	1	1	2	1	1	11	1	2	1	1	2	7	18
No. of Maternity Ward (Not functioning)	-	1	1	-	1	1		1	1	6	1	1	-	-	1	3	9
No. of Minor Buildings	11	10	7	10	11	21	25	9		104	8	24	22	7	13	74	178
No. of Training Centres	-	-	1	-	1	-	1	1	1	5	-	2	1	-	-	3	8
EWHCS		1						1	1	3							3
Any Other Buildings (Ple. Specify)										-							-
Temples			7			5			6	18							18
Church						1			2	3							3
Muster sheds			4		3					7							7
Field Rest Rooms					3					3							3
GS Office Room					1					1							1
Elders Club	1									1							1
VTC	1									1							1
Dormitory	1									1							1
Library	1									1							1
Dairy Farm				10						10							10
Pre School									1	1							1
Water Bottling Factory/Bulk Tea Sales Centre									1	1							1
Vehicle Garage (only GI Roof)									1	1							1
Manure Store - SD (Next to CDC)									1	1							1
Staff Club		1								1							1
Total	259	218	100	147	263	186	440	340	441	2,394	332	313	229	156	266	1,296	3,690

Udugama region

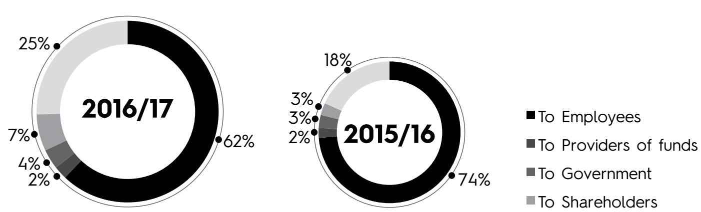
NO. OF BUILDINGS OF ESTATE

	NO. OF BUILDINGS					
Buildings	**NKDOP**	**NKDR**	**TLG**	**HMD**	**OPM**	**Region**
No. of Factories	Nil	1	1	3	1	6
No. of Bungalows	4	4	4	33	2	47
No. of Senior Staff Bungalows	6	9	6	9	3	33
No. of Junior Staff Bungalows	5	10	12	18	1	46
No. of Double Barrack Lines	15	110	132	9	-	266
No. of Single Barrack lines	36	64	154	31	-	285
No. of Twin Cottages	40	100	158	51	-	349
No. of Single Cottages	3	122	25	245	-	395
No. of Creches	1	1	4	6	-	12
No. of Dispensary	Nil	2	1	1	-	4
No. of Maternity Ward	Nil	-	-	-	-	-
No. of Minor Buildings	8	20	12	14	1	55
No. of Training Centres	Nil	-	1	1	-	2
No. of Self Help Housing	-	-	64	-	-	64
						-
Any Other Buildings (Ple. Specify) - EWHC	1	1	1	1	-	4
** TLG Tea Factory Leased out						

Value Added Statement

LKR '000	Group				Company			
	2016/2017	%	2015/2016	%	2016/2017	%	2015/2016	%
Revenue	**6,501,765**		6,298,769		**6,392,956**		6,228,002	
Other income	**146,851**		134,192		**142,808**		134,192	
	6,648,616		6,432,961		**6,535,764**		6,362,194	
Cost of materials and services obtained	**(1,642,064)**		(2,177,371)		**(1,600,653)**		(2,106,125)	
Value Addition	**5,006,552**		4,255,590		**4,935,111**		4,256,069	
Value allocated to:								
To Employees								
Salaries,wages and other benefits	**3,107,065**	62	3,138,680	74	**3,035,644**	62	3,138,680	74
To Providers of funds								
Interest to money lenders	**118,802**	2	95,759	2	**118,802**	2	95,759	2
To Government								
JEDB/SLSPC Lease rental	**73,493**		71,981		**73,493**		71,981	
Value Added Tax	**-**		-		**-**		-	
Nation Bulding Tax	**51,022**		40,226		**51,022**		40,226	
Economics Service Charges	**24,000**		323		**24,000**		323	
Stamp Duty	**327**		297		**327**		297	
Income Tax	**28,020**		13,941		**28,000**		14,000	
	176,862	4	126,768	3	**176,842**	4	126,827	3
To providers of capital								
Dividend paid to shareholders	**331,333**	7	118,333	3	**331,333**	7	118,333	3
To Expansion and growth								
Profit retained	**895,126**		399,417		**895,126**		399,888	
Depreciation & ammotization	**313,187**		316,582		**313,187**		316,582	
Deferred Taxation	**64,177**		60,051		**64,177**		60,000	
	1,272,490	25	776,050	18	**1,272,490**	26	776,470	18
	5,006,552	100	4,255,590	100	**4,935,111**	100	4,256,069	100

	GROUP		GROUP	
	2016/2017	%	2015/2016	%
To Employees	**3,107,065**	62%	3,138,680	74%
To Providers of funds	**118,802**	2%	95,759	2%
To Government	**176,862**	4%	126,768	3%
To Shareholders	**331,333**	7%	118,333	3%
To Expansion and growth	**1,272,490**	25%	776,050	18%
	5,006,552	100%	4,255,590	100%

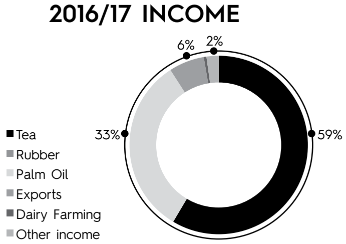


Sources and Utilisation of Income

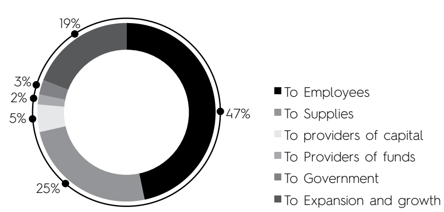
Rs.'000	Group 2016/2017	%	Group 2015/2016	%	Group 2014/2015	%	Group 2013/2014		Group 2012/2013	
Sources Of Income										
Tea	**3,908,955**	59%	4,118,122	64%	4,716,540	68%	4,164,561	66%	3,655,744	66%
Rubber	**-**	0%	72,536	1%	89,280	1%	168,721	3%	183,787	3%
Palm Oil	**2,162,347**	33%	1,503,584	23%	1,555,064	22%	1,392,375	22%	1,323,444	24%
Exports	**428,796**	6%	604,527	9%	487,607	7%	520,614	8%	271,804	5%
Dairy Farming	**32,560**	0%	-		-		-		-	
Other income	**146,851**	2%	134,192	2%	119,151	2%	89,656	1%	139,585	2%
Inter segment adjustments	**(30,893)**	0%								
	6,648,616	100%	6,432,961	100%	6,967,642	100%	6,335,927	100%	5,574,364	100%
Utilisation Of Income										
To Employees										
Salaries,wages and other benefits	**3,107,065**	47%	3,138,680	49%	3,309,409	59%	3,722,312	50%	2,771,499	58%
To Providers of funds										
Interest paid to money lenders	**118,802**	2%	95,759	1%	100,475	2%	103,794	1%	78,522	2%
To Supplies & Service Providers	**1,642,064**	25%	2,177,371	34%	2,650,464	25%	1,576,813	28%	1,563,195	20%
To Providers of capital										
Dividend paid to shareholders	**331,333**	5%	118,333	2%	343,166	1%	59,167	4%	201,167	4%
To Government										
Lease Rent,VAT,NBT,BTT,SRL	**176,862**	3%	126,768	2%	166,595	2%	143,946	4%	232,660	4%
To Expansion & growth										
Retained Profits,depreciation	**1,272,490**	19%	776,050	12%	397,533	11%	729,895	13%	727,321	12%
	6,648,616	100%	6,432,961	100%	6,967,642	100%	6,335,927	100%	5,574,364	100%

	GROUP 2016/2017	%	GROUP 2015/2016	%
To Employees	**3,107,065**	47%	3,138,680	49%
To Supplies	**1,642,064**	25%	2,177,371	34%
To providers of capital	**331,333**	5%	118,333	2%
To Providers of funds	**118,802**	2%	95,759	1%
To Government	**176,862**	3%	126,768	2%
To Expansion and growth	**1,272,490**	19%	776,050	12%
-	**6,648,616**	100%	6,432,961	100%

2016/17 INCOME



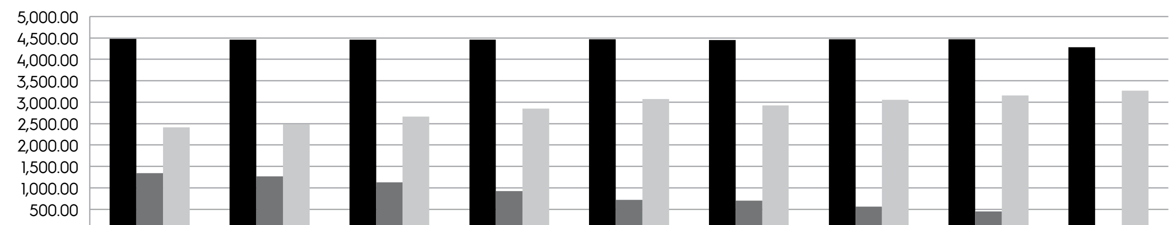
2016/17 INCOME UTILISATION



Estate Hectarage Statement

Area (Ha)	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017
Tea Mature	4,345.94	4,330.14	4,334.04	4,346.78	4,356.79	4,373.35	4,369.24	4,363.98	4,223.50
Tea Immature	133.71	133.43	126.61	113.87	115.61	77.30	100.40	101.44	61.04
Tea	4,479.65	4,463.57	4,460.65	4,460.65	4,472.40	4,450.65	4,469.64	4,465.42	4,284.54
Rubber Mature	1,140.90	1,088.79	1,045.52	860.52	687.33	651.62	520.73	426.16	370.95
Rubber Immature	201.02	175.84	82.47	66.47	34.74	49.86	38.50	24.00	24.00
Rubber	1,341.92	1,264.63	1,127.99	926.99	722.07	701.48	559.23	450.16	394.95
OP Mature	1,878.93	1,845.93	1,874.52	1,871.41	1,909.51	1,935.69	2,152.63	2,401.34	2,547.46
OP Immature	537.99	628.37	787.41	975.20	1,161.60	985.59	904.04	755.67	723.70
Oil Palm	2,416.92	2,474.30	2,661.93	2,846.61	3,071.11	2,921.28	3,056.67	3,157.01	3,271.16
Fuelwood	1,187.71	861.13	997.13	1,332.00	1,392.00	1,495.31	1,388.41	1,069.09	1,058.14
Nursery	29.71	29.60	31.94	33.69	42.40	28.40	28.40	25.90	23.25
Minor Crop	219.89	213.87	208.82	211.37	174.12	177.49	186.08	174.32	173.59
Other Area	2,764.21	3,132.91	2,951.55	2,628.70	2,565.91	2,665.40	2,751.58	3,098.11	2,812.80
Ginigathena development	-	-	-	-	-	-	(1.25)	(1.60)	-
Other	4,201.52	4,237.51	4,189.44	4,205.76	4,174.43	4,366.60	4,353.22	4,365.82	4,067.78
Company	12,440.01	12,440.01	12,440.01	12,440.01	12,440.01	12,440.01	12,438.76	12,438.41	12,018.43

Cultivated Extent



	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017
Tea	4,479.65	4,463.57	4,460.65	4,460.65	4,472.40	4,450.65	4,469.64	4,465.42	4,284.54
Rubber	1,341.92	1,264.63	1,127.99	926.99	722.07	701.48	559.23	450.16	-
Oil Palm	2,416.92	2,474.30	2,661.93	2,846.61	3,071.11	2,921.28	3,056.67	3,157.01	3,271.16

Crops and yields

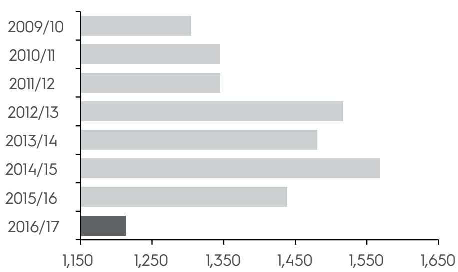
Production (Kg'000) | **15 Months**

Region	2016/17	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
Tea														
Watawala	**1,893**	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
Hatton	**3,459**	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
Lindula	**1,835**	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
Udugama	**235**	303	274	294	285	886	1,081	963	723	1,104	1,189	1,581	1,654	1,755
Tea	**7,422**	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
Rubber	**-**	268	325	490	535	648	674	658	766	884	854	1,001	874	1,027
Palm oil	**10,622**	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

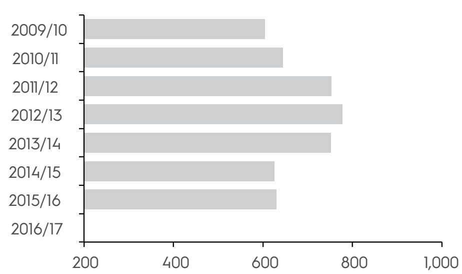
Yield per hectarage (kg) | **15 Months**

Region	2016/17	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
Tea														
Watawala	**1,269**	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
Hatton	**1,224**	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
Lindula	**1,152**	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
Udugama	**1,475**	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
Tea	**1,213**	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
Rubber	**-**	629	625	752	778	753	645	604	671	755	671	779	652	816
Palm oil	**3,786**	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

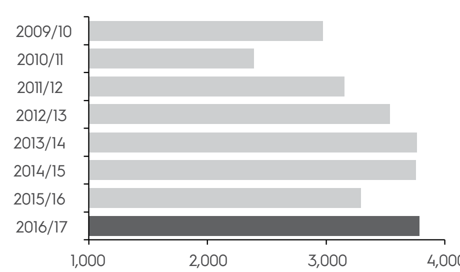
TEA - YPH



RUBBER - YPH



OP - YPH



Historical Financial Information

LKR.'000	2007/08	Group 2008/09	Company 2008/09	Group 2009/10	Company 2009/10	Group 2010/11	Company 2010/11
INCOME STATEMENT							
Revenue	4,313,604	4,124,503	4,121,976	5,615,167	5,611,731	6,158,246	4,663,744
Cost of sales	(3,502,284)	(3,637,310)	(3,632,481)	(4,763,928)	(4,750,844)	(4,958,450)	(3,980,740)
Gross profit	811,320	487,193	489,495	851,239	860,887	1,199,796	683,004
Other Operating income	84,563	43,523	45,223	130,603	132,303	124,369	239,309
Administrative expenses	(128,637)	(138,479)	(137,225)	(164,099)	(178,687)	(342,364)	(220,759)
Distribution expenses	(148,084)	(201,360)	(200,981)	(231,657)	(231,375)	(167,142)	-
Management fees	(75,427)	(35,112)	(35,112)	(75,798)	(75,798)	(90,033)	(90,033)
Operating profit	543,735	155,765	161,400	510,288	507,330	724,626	611,521
Net finance cost	(87,902)	(71,057)	(71,415)	(79,669)	(79,711)	(85,984)	(84,951)
Amortisation of negative goodwill	-	-	-	-	-	-	-
Profit /(loss) before Tax	455,833	84,708	89,985	430,619	427,619	638,642	526,570
Tax expense	(51,879)	(10,000)	(10,000)	(4,000)	(4,000)	3,830	5,830
Profit /(loss) for the year	403,954	74,708	79,985	426,619	423,619	642,472	532,400
Profit from discontinued operations	-	-	-	-	-	-	-
Profit for the year	403,954	74,708	79,985	426,619	423,619	642,472	532,400
Other Comprehensive Income	-	-	-	-	-	-	-
Available for sale investment	-	-	-	-	-	-	-
Actuarial gain/(loss) on gratuity	-	-	-	-	-	-	-
Tax on acturail gain/(loss) on gratuity	-	-	-	-	-	-	-
Total other comprehensive income for the year (net of tax)	-	-	-	-	-	-	-
Total comprehensive income for the year	403,954	74,708	79,985	426,619	423,619	642,472	532,400
Attributable to:							
Equity holders of the Company	404,438	76,026	-	429,900	-	642,468	-
Minority interests	484	1,318	-	3,281	-	-	-
Total Comprehensive income for the year	403,954	74,708	-	426,619	-	642,472	532,400
BALANCE SHEET							
Non Current Assets	-	-	-	-	-	-	-
Leasedhold right to bare land of JEDB/SLPC estates	261,788	254,753	254,753	247,718	247,718	240,683	240,683
Immovable estate assets on finance lease	265,062	247,415	247,415	229,768	229,768	212,121	212,121
Property, Plant and equipment	885,477	1,068,101	1,062,527	1,486,213	1,478,604	1,750,413	1,632,149
Biological assets-bearer	1,168,364	1,376,476	1,376,476	1,603,713	1,603,713	1,825,149	1,825,149
Biological assets-consumables	-	-	-	-	-	615,816	615,816
Biological assets-Live stock	-	-	-	-	-	19,355	19,355
Investment in Gratuity Fund	-	-	-	-	-	-	-
Investment in subsidiaries	-	-	16,125	-	-	-	355,852
Available for sale financial Assets	-	-	-	-	-	-	-
Total Non Current Assets	2,580,691	2,946,745	2,957,296	3,567,412	3,559,803	4,663,537	4,901,125
Current Assets							
Inventories	540,488	351,370	342,092	540,583	540,583	760,125	531,484
Biological assets-growing crops on bearer plants	-	-	-	-	-	-	-
Trade and other receivables	439,337	525,966	530,740	464,611	471,112	487,347	311,213
Amounts due from Related parties	-	-	-	-	-	-	-
Investments in Unit Trusts	-	-	-	-	-	-	-
Cash and cash equivalents	90,434	73,615	67,920	53,442	52,369	40,697	15,061
Total Current Assets	1,070,259	950,951	940,752	1,058,636	1,064,064	1,288,169	857,758
Total Assets	3,650,950	3,897,696	3,898,048	4,626,048	4,623,867	5,951,706	5,758,883

	Group	Company	Group	Company	Group	Company	Group	Company	Group	Company	Group	Company
	2011/12	2011/12	2012/13	2012/13	2013/14	2013/14	2014/15	2014/15	2015/16	2015/16	2016/17	2016/17
	4,175,431	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	6,501,765	6,392,956
	(3,777,264)	(3,777,264)	(4,383,731)	(4,292,729)	(5,300,696)	(5,200,158)	(6,048,447)	(5,975,837)	(5,445,408)	(5,376,764)	(4,828,579)	(4,689,441)
	398,167	394,950	1,051,048	1,048,233	945,575	942,466	800,044	797,798	853,361	851,238	1,673,186	1,703,515
	348,716	621,206	139,585	140,575	89,656	89,555	119,151	119,151	134,192	134,192	146,851	142,808
	(211,331)	(203,235)	(246,238)	(242,464)	(264,586)	(261,270)	(369,572)	(367,487)	(318,502)	(315,960)	(326,336)	(324,227)
	-	-	-	-	-	-	-	-	-	-	-	-
	(49,331)	(49,331)	(137,510)	(137,510)	(92,264)	(92,264)	-	-	-	-	-	-
	486,221	763,590	806,885	808,834	678,381	678,487	549,623	549,462	669,051	669,470	1,493,701	1,522,096
	(111,103)	(111,103)	(77,530)	(77,919)	(97,600)	(97,600)	(85,874)	(85,919)	(78,815)	(78,834)	(47,620)	(76,279)
	-	-	-	-	-	-	-	-	-	-	-	-
	375,118	652,487	729,355	730,915	580,781	580,887	463,749	463,543	590,236	590,636	1,446,081	1,445,817
	(89,837)	(89,196)	(49,111)	(49,041)	(83,587)	(83,435)	(73,002)	(72,978)	(72,486)	(72,415)	(220,422)	(216,156)
	285,281	563,291	680,244	681,874	497,194	497,452	390,747	390,565	517,750	518,221	1,225,659	1,229,661
	169,756	-		-		-		-	-	-	-	-
	455,037	563,291	680,244	681,874	497,194	497,452	390,747	390,565	517,750	518,221	1,225,659	1,229,661
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	10,763	10,763	-	-
	(148,035)	(148,035)	80,430	80,430	(89,302)	(89,302)	19,854	19,854	102,714	102,714	92,604	88,451
	32,418	32,418	(35,462)	(35,462)	26,155	26,155	(3,022)	(3,022)	(15,585)	(15,585)	(8,845)	(8,845)
	(115,617)	(115,617)	44,968	44,968	(63,147)	(63,147)	16,832	16,832	97,892	97,892	83,759	79,606
	339,420	447,674	725,212	726,842	434,047	434,305	407,579	407,397	615,642	616,113	1,309,418	1,309,267
	339,420	447,674	725,212	726,842	434,047	434,305	407,579	407,397	615,642	616,113	1,310,218	1,309,267
	-	-	-	-	-	-	-	-	-	-	(800)	-
	339,420	447,674	725,212	726,842	434,047	434,305	407,579	407,397	615,642	616,113	1,309,418	1,309,267
	-	-	-	-	-	-	-	-	-	-	-	-
	233,648	233,648	226,613	226,613	219,578	219,578	212,543	212,543	205,508	205,508	198,473	191,774
	194,474	194,474	176,827	176,827	159,492	159,492	142,033	142,033	124,574	124,574	107,474	102,984
	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	2,423,768	1,770,618
	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	2,955,251	2,850,482
	630,566	630,566	531,190	531,190	575,944	575,944	566,967	566,967	608,995	608,995	648,831	607,707
	20,037	20,037	32,231	32,231	45,061	45,061	40,256	40,256	27,535	27,535	24,944	-
	42,641	42,641	127,267	127,267	200,000	200,000	220,262	220,262	234,369	234,369	258,319	258,319
	-	852	-	852	-	852	-	852	-	852	-	627,352
	-	-	-	-	-	-	10,882	10,882	21,645	21,645	21,645	21,645
	4,927,424	4,928,276	5,108,441	5,109,293	5,559,264	5,560,116	5,857,718	5,858,570	5,852,705	5,853,557	6,638,705	6,430,881
	465,980	465,980	635,951	635,951	939,982	939,982	693,086	693,086	637,773	637,773	732,988	686,138
	-	-	-	-	-	-	-	-	-	-	35,757	35,452
	324,290	342,374	444,289	435,631	447,044	440,506	491,241	488,148	560,954	560,866	537,199	438,380
	-	-	-	-	-	-	-	-	-	-	279,735	279,735
	-	-	-	-	-	-	-	-	564,597	564,597	-	-
	470,231	447,716	443,333	431,799	114,660	111,851	72,031	67,832	130,178	113,730	888,143	861,945
	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	2,473,822	2,301,650
	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	9,112,527	8,732,531

Historical Financial Information

LKR.'000	2007/08	Group 2008/09	Company 2008/09	Group 2009/10	Company 2009/10	Group 2010/11	Company 2010/11
Capital and reseves							
Stated capital	310,000	310,000	310,000	310,000	310,000	310,000	310,000
General reserve	150,000	150,000	150,000	150,000	150,000	150,000	150,000
Negative goodwill	-	-	-	-	-	-	-
Investment reserve	-	-	-	-	-	-	-
Retained earnings	1,137,408	1,154,267	1,159,678	1,584,167	1,583,297	2,721,150	2,611,078
Total equity attributable to equity holders of the company	1,597,408	1,614,267	1,619,678	2,044,167	2,043,297	3,181,150	3,071,078
Minority interests	3,110	3,571	-	290	-	-	-
Total equity	-	-	-	-	-	-	-
Non-current liablilites							
Long term borrowings	303,168	246,811	246,811	412,824	412,824	304,730	304,730
Obligations under finance lease obtained from SLPC/JEDB	380,896	375,983	375,983	370,870	370,870	365,560	365,560
Retirement benefit obligation	420,624	439,939	439,939	643,388	643,388	643,872	638,008
Deferred income and capital grants	156,618	177,421	177,421	228,732	228,732	255,798	255,798
Net Deferred tax liability	10,000	20,000	20,000	-	-	27,129	26,161
Total Non-current liablilites	1,271,306	1,260,154	1,260,154	1,655,814	1,655,814	1,597,089	1,590,257
Current liablilites							
Short-term borrowings	287,444	503,704	503,704	262,895	262,895	437,029	437,029
Obligations under finance lease obtained from SLPC/JEDB	4,720	4,910	4,910	5,113	5,113	5,313	5,313
Trade and other payables	453,985	466,621	465,133	589,297	588,277	717,122	642,236
Current tax payable	32,977	44,469	44,469	68,472	68,471	14,003	12,970
Total Current liablilites	779,126	1,019,704	1,018,216	925,777	924,756	1,173,467	1,097,548
Total Liabilities	2,050,432	2,279,858	2,278,370	2,581,591	2,580,570	2,770,556	2,687,805
Total Equity & Liabilities	3,650,950	3,897,696	3,898,048	4,626,048	4,623,867	5,951,706	5,758,883
CASH FLOW							
Cash generated/(used in) from/to operations	529,981	520,845	526,931	891,758	893,936	856,487	981,602
Net cash inflow/(outflow) from operating activities	404,297	375,135	380,863	752,710	754,846	686,166	813,026
Net cash inflow/(outflow) from investing activities	(364,299)	(512,966)	(520,091)	(727,659)	(725,173)	(694,755)	(846,182)
Net cash inflow/(outflow) from financing activities	(44,107)	(20,451)	(20,451)	120,393	120,393	(123,925)	(123,921)
Increase/(decrease) in cash and cash equivalents	(4,109)	(158,282)	(159,679)	145,444	150,066	(132,514)	(157,077)
OPERATING RATIOS							
Annual turnover growth %	36	(4)	(4)	36	36	10	(17)
Profit Growth %	82	(82)	(80)	471	430	51	26
Turnover per employee (Rs.'000)	302	309	309	431	430	472	358
FINANCIAL RATIOS							
Return on equity %	25.29	4.63	4.94	20.87	20.73	20.20	17.34
Current ratio (Times)	1.37	0.93	0.92	1.14	1.15	1.10	0.78
Debt equity ratio (Times)	0.37	0.46	0.46	0.33	0.33	0.23	0.24
Interest cover (Times)	6.19	2.19	2.26	6.41	6.36	8.43	7.20
Total assets to current liabilities %	21%	26%	26%	20%	20%	20%	19%
Dividend payout ratio	146%	0%	0%	153%	154%	31%	38%
INVESTOR RATIOS							
Annualised earning per share (Rs.)	1.71	0.32	0.34	1.80	1.79	2.71	2.25
Price earning share (Times)	5.04	18.53	17.31	9.76	9.83	4.20	1.11
Dividend per share (Rs.)	2.50	-	-	2.75	2.75	0.85	0.85
Dividend cover (Times)	6.83	-	-	6.55	6.51	3.19	2.65
Market Capitalization (Rs.'000)	2,035,333	1,384,500	1,384,500	4,165,333	4,165,333	5,916,675	5,916,675
Net assets value per share (Rs.)	6.75	6.82	6.84	8.64	8.63	13.44	12.98

Group 2011/12	Company 2011/12	Group 2012/13	Company 2012/13	Group 2013/14	Company 2013/14	Group 2014/15	Company 2014/15	Group 2015/16	Company 2015/16	Group 2016/17	Company 2016/17
310,000	310,000	310,000	310,000	310,000	310,000	310,000	310,000	310,000	310,000	310,000	310,000
150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
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	5,298,935	5,298,343
3,319,403	3,317,585	3,843,448	3,843,260	4,218,328	4,218,398	4,282,741	4,282,629	4,780,050	4,780,409	5,758,935	5,758,343
-	-	-	-	-	-	-	-	-	-	291,200	-
-	-	-	-	-	-	-	-	-	-	6,050,135	5,758,343
210,727	210,727	100,568	100,568	270,242	270,242	187,500	187,500	388,741	388,741	325,006	325,006
360,253	360,253	354,293	354,293	348,506	348,506	342,526	342,526	336,296	336,296	328,412	328,412
815,851	815,851	801,767	801,767	949,697	949,697	1,005,185	1,005,185	976,639	976,639	908,192	882,705
244,935	244,935	234,585	234,585	223,803	223,803	213,610	213,610	203,569	203,569	193,528	193,528
82,792	82,939	118,462	118,751	144,930	145,040	206,954	207,040	267,005	267,040	331,182	331,217
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	2,086,320	2,060,868
546,145	546,145	470,152	470,152	304,574	304,574	183,809	183,809	148,751	148,751	118,318	118,318
5,310	5,310	5,750	5,750	5,980	5,980	6,210	6,210	6,460	6,460	6,720	6,720
588,677	587,631	654,087	634,858	540,940	532,265	671,541	665,127	610,617	594,618	688,426	630,019
13,832	12,970	48,902	48,690	53,950	53,950	14,000	14,000	28,079	28,000	162,608	158,263
1,153,964	1,152,056	1,178,891	1,159,450	905,444	896,769	875,560	869,146	793,907	777,829	976,072	913,320
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	3,062,392	2,974,188
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	9,112,527	8,732,531
1,020,651	604,155	1,049,724	1,059,071	636,767	645,308	1,352,709	1,351,364	1,012,402	1,000,231	1,594,718	1,720,938
815,083	399,399	883,607	893,598	414,214	422,940	1,118,598	1,117,208	835,038	822,789	1,376,538	1,475,399
(194,182)	224,623	(517,667)	(516,677)	(682,262)	(682,262)	(608,804)	(608,804)	(254,164)	(254,164)	(185,448)	(294,059)
(308,782)	(308,782)	(395,581)	(395,581)	251,230	251,230	(592,568)	(592,568)	138,815	138,815	(396,019)	(396,019)
312,119	315,240	(29,641)	(18,660)	(16,818)	(8,092)	(82,774)	(84,164)	719,689	707,440	795,071	785,321
(32)	(11)	30	28	15	15	10	10	(8)	(8)	3	3
(47)	(16)	114	62	(40)	(40)	(6)	(6)	51	51	113	113
342	342	445	438	541	532	628	621	590	583	646	655
10.23	13.49	18.87	18.91	10.29	10.30	9.52	9.51	12.88	12.89	21.64	22.74
1.09	1.09	1.29	1.30	1.66	1.66	1.43	1.44	2.39	2.41	2.53	2.52
0.23	0.23	0.15	0.15	0.14	0.14	0.09	0.09	0.11	0.11	0.07	0.08
4.38	6.87	10.41	10.38	6.95	6.95	6.40	6.40	8.49	8.49	31.37	19.95
19%	19%	18%	18%	13%	13%	12%	12%	10%	10%	11%	10%
24%	19%	8%	8%	27%	27%	29%	29%	2%	19%	27%	27%
1.43	1.89	3.06	3.07	1.83	1.84	1.72	1.72	2.60	2.60	5.18	5.20
5.20	4.20	3.90	3.89	4.66	4.66	12.11	12.12	8.82	8.81	4.71	4.70
0.35	0.35	0.25	0.25	0.50	0.50	0.50	0.50	0.75	0.75	1.40	1.40
4.10	5.40	12.26	12.28	3.67	3.67	3.44	3.44	3.47	3.47	3.70	3.71
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	5,774,675	5,774,675
14.03	14.02	16.24	16.24	17.82	17.82	18.10	18.10	20.20	20.20	25.56	24.33

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 2017 and the Audited Consolidated Statement of financial postion at that date have been submitted to the Colombo Stock Exchange within three months of the Statement of financial postion date.

Shareholders information

Total No of Shareholders as at 31st March 2017: 16,056
(as at 31st March 2016: 16,239)

Public share holding

The Percentage of shares held by the public : 24.35%
(2016-24.35%)

A). Distibution of Shareholding

Shareholdings	Residents				Non Residents				Total			
	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	8,389	52.25	3,909,343	1.65	10	0.06	4,196	0.00	**8,399**	**52.31**	**3,913,539**	**1.65**
1,001 to 5,000	7,319	45.58	13,705,972	5.79	9	0.06	22,500	0.01	**7,328**	**45.64**	**13,728,472**	**5.80**
5,001 to 10,000	187	1.16	1,414,479	0.60	4	0.02	23,600	0.01	**191**	**1.19**	**1,438,079**	**0.61**
10,001 to 50,000	90	0.56	2,028,636	0.86	2	0.01	60,793	0.03	**92**	**0.57**	**2,089,429**	**0.88**
50,001 to 1,000,000	27	0.17	6,741,171	2.85	8	0.05	1,055,714	0.45	**35**	**0.22**	**7,796,885**	**3.29**
Over 1,000,000	10	0.06	205,900,267	87.00	1	0.01	1,800,000	0.76	**11**	**0.07**	**207,700,267**	**87.76**
Total	16,022	99.79	233,699,868	98.75	34	0.21	2,966,803	1.25	**16,056**	**100**	**236,666,671**	**100**

B). Categories of Shareholders

Shareholdings	Institutional				Non Institutional				Total			
	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	35	0.22	17,538	0.01	8,364	52.09	3,896,001	1.65	**8,399**	**52.31**	**3,913,539**	**1.65**
1,001 to 5,000	36	0.22	120,200	0.05	7,292	45.42	13,608,272	5.75	**7,328**	**45.64**	**13,728,472**	**5.80**
5,001 to 10,000	16	0.10	123,240	0.05	175	1.09	1,314,839	0.56	**191**	**1.19**	**1,438,079**	**0.61**
10,001 to 50,000	14	0.09	329,447	0.14	78	0.49	1,759,982	0.74	**92**	**0.57**	**2,089,429**	**0.88**
50,001 to 1,000,000	15	0.09	4,751,373	2.01	20	0.12	3,045,512	1.29	**35**	**0.22**	**7,796,885**	**3.29**
Over 1,000,000	9	0.06	204,501,611	86.41	2	0.01	3,198,656	1.35	**11**	**0.07**	**207,700,267**	**87.76**
Total	125	0.78	209,843,409	88.67	15,931	99.22	26,823,262	11.33	**16,056**	**100.00**	**236,666,671**	**100.00**

SHARE TRADING INFORMATION FROM 1ST APRIL TO 31ST MARCH

	2017	2016
Highest during the period	24.50	25.50
Lowest during the period	17.70	17.00
Closing price	24.40	19.30
No. of Transactions	2,482	2,771
No. of Shares Traded	9,597,690	4,802,621
Value of Shares Traded (Rs)	201,817,371.60	110,934,319.20

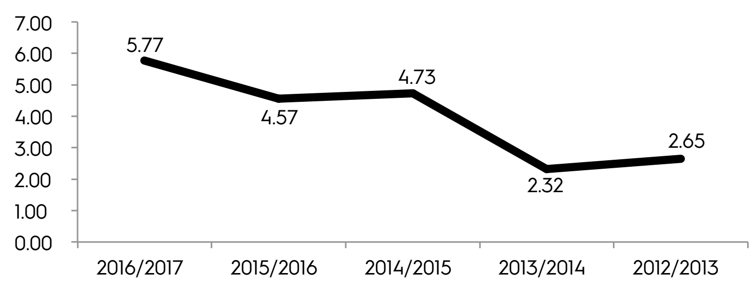
TWENTY (20) LARGEST SHAREHOLDERS AS AT

Name	31st March 2017 No of Shares held	31st March 2017 % of the holding	31st March 2016 No of Shares held	31st March 2016 % 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	**20,670,414**	**8.73**	25,869,224	10.93
K.C.Vignarajah	**2,164,280**	**0.91**	2,118,883	0.90
HSBC International Nominees Ltd-SSBT-Deustche Bank	**1,800,000**	**0.76**	1,800,000	0.76
J.B.Cocoshell (Pvt) Ltd	**1,707,485**	**0.72**	-	-
Deutsche Bank AG AS Trustee to Candor Opportunities Fund	**1,289,342**	**0.54**	-	-
R.B.Thambiayah	**1,034,376**	**0.44**	-	-
Vyjayanthi & Company Limited	**1,000,000**	**0.42**	1,000,000	0.42
Deutsche Bank AG AS Trustee to Amana Candor Sharia	**750,000**	**0.32**	-	-
Deutsche Bank AG AS Trustee to Candor Growth Fund	**600,000**	**0.25**	-	-
N.Muljie	**552,900**	**0.23**	552,900	0.23
Cocoshell Activated Carbon Company Limited	**362,451**	**0.15**	201,002	0.08
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	**331,082**	**0.14**	300,900	0.13
S.Vignarajah	**262,539**	**0.11**	262,539	0.11
Union investments private Ltd	**262,000**	**0.11**	-	-
National Industries Group (Holdings) (S.A.K)	**250,000**	**0.11**	-	-
Commercial Bank of Ceylon Plc/S.A.Gulamhusein	**236,500**	**0.10**	237,500	0.10
Harnam Holdings SDN BHD	**201,344**	**0.09**	201,344	0.09
Sub Total	**213,209,183**	**90.09**	212,278,762	89.70
Others	**23,457,488**	**9.91**	24,387,909	10.30
Grand Total	**236,666,671**	**100.00**	236,666,671	100.00

Share trading information-last five years

LKR.	2016/17	2015/16	2014/15	2013/14	2012/13
Highest during the year	24.50	25.50	21.00	13.70	14.00
Lowest during the year	17.70	17.00	9.90	9.20	6.40
As at 31st March	24.40	19.30	20.00	9.80	11.20
No.of shares	236,666,671	236,666,671	236,666,671	236,666,671	236,666,671

Year	LKR. Bn
2016/2017	5.77
2015/2016	4.57
2014/2015	4.73
2013/2014	2.32
2012/2013	2.65



GRI Content Index

GENERAL STANDARD DISCLOSURES

GENERAL STANDARD DISCLOSURES		Report Section
STRATEGY AND ANALYSIS		
G4-1	Statement from the most senior decision-maker of the organization	Chairman's Statement
ORGANIZATIONAL PROFILE		
G4-3	Name of the organization.	Corporate Information
G4-4	Primary brands, products, and services.	About Us
G4-5	Location of the organization's headquarters.	Corporate Information
G4-6	Number of Countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report.	Corporate Information
G4-7	Nature of ownership and legal form.	Corporate Information
G4-8	Markets served	About Us
G4-9	Scale of the organization	About Us
G4-10	Workforce Profile	Human Capital
G4-11	Percentage of total employees covered by collective bargaining agreements.	Human Capital / decent work
G4-12	Description of organization's supply chain.	social and relationship capital
G4-13	Significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain	No Significant changes
G4-14	Whether and how the precautionary approach or principle is addressed by the organization.	Our Integrated Annual Report
G4-15	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses.	Our Integrated Annual Report
G4-16	Memberships of associations (such as industry associations) and national or international advocacy organizations	intellectual capital
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES		
G4-18	Process for defining the report content and the Aspect Boundaries.	Determining Materiality
G4-19	Material Aspects identified in the process for defining report content.	Determining Materiality
G4-20	Aspect Boundary within the organization for identified material aspects	Determining Materiality
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G4-22	Effect of any restatements of information provided in previous reports, and the reasons for such restatements.	N/A

GENERAL STANDARD DISCLOSURES		Report Section
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries.	N/A
STAKEHOLDER ENGAGEMENT		
G4-24	List of stakeholder groups engaged by the organization.	Stakeholder Identification
G4-25	Basis for identification and selection of stakeholders with whom to engage.	Stakeholder Identification
G4-26	Organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group	Stakeholder Identification
G4-27	Key topics and concerns that have been raised through stakeholder engagement	Stakeholder Identification
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G4-28	Reporting period for information provided.	Our Integrated Annual Report
G4-29	Date of most recent previous report	Our Integrated Annual Report
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G4-31	Contact point for questions regarding the report or its contents.	Our Integrated Annual Report
G4-32	Report the 'in accordance' option the organization has chosen.	Our Integrated Annual Report
G4-33	Organization's policy and current practice with regard to seeking external assurance for the report.	Our Integrated Annual Report
GOVERNANCE		
G4-34	Governance structure of the organization, including committees of the highest governance body.	governance structure
G4-38	Composition of the highest governance body and its committee	Board Composition/board balance
G4-39	Indicate whether the Chair of the highest governance body is also an Executive Of cer	Board profiles
G4-40	Process and criteria used for nomination and selection of members to the highest governance	Appointments to the Board
G4-41	Processes in place for the highest governing body to ensure con icts of interests are avoided and managed	Code of Business Conduct & Ethics and Corporate Governance Report
G4-42	a. Report the highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals	Responsibilties of the board
G4-43	a. Report the measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics.	Training for Directors
G4-45	a. Report the highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities.	governance structure/ responsibilities of the board
G4-47	a. Report the frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities.	Frequency of Board Meetings

GENERAL STANDARD DISCLOSURES		Report Section
G4-51	a. Report the remuneration policies for the highest governance body and senior executives b. Report how performance criteria in the remuneration policy relate to the highest governance body's and senior executives' economic, environmental and social objectives.	Directors' Remuneration committee/ level of makeup of remuneration
G4-52	a. Report the process for determining remuneration.	Directors' Remuneration committee/ level of makeup of remuneration
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G4-EC1	Direct economic value generated and distributed	Value added Statement
G4-EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	operating env- tea segment / segment analysis
G4-EC3	Coverage of the organization's defined benefit plan obligations	Financial statements
G4-EC4	Financial assistance received from government	financial review/ financial statements
ASPECT: INDIRECT ECONOMIC IMPACTS		
G4-DMA	Generic Disclosures on Management Approach	Human and social capital
G4-EC7	Development and impact of infrastructure investments and services supported	Human and social capital
G4-EC8	Significant indirect economic impacts, including the extent of impacts	Human and social capital
ASPECT: PROCUREMENT PRACTICES		
G4-DMA	Generic Disclosures on Management Approach	social and relationship capital
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ASPECT: MATERIALS		
G4-DMA	Generic Disclosures on Management Approach	Raw Materials
G4-EN1	Materials used by weight or volume	Raw Materials
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G4-DMA	Generic Disclosures on Management Approach	Energy
G4-EN3	Energy consumption within the organization	Energy
G4-EN5	Energy intensity	Energy
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GENERAL STANDARD DISCLOSURES		Report Section
ASPECT: WATER		
G4-DMA	Generic Disclosures on Management Approach	Water
G4-EN9	Water sources significantly affected by withdrawal of water	n/a
ASPECT: BIODIVERSITY		
G4-DMA	Generic Disclosures on Management Approach	Bio diversity
G4-EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Bio diversity
G4-EN14	Total number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	Bio diversity
ASPECT: EMISSIONS		
G4-DMA	Generic Disclosures on Management Approach	emissions
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	emissions
G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	emissions
G4-EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3)	emissions
G4-EN18	Greenhouse gas (GHG) emissions intensity	emissions
G4-EN19	Reduction of greenhouse gas (GHG) emissions	emissions
ASPECT: EFFLUENTS AND WASTE		
G4-DMA	Generic Disclosures on Management Approach	Effuents and waste
G4-EN22	Total water discharge by quality and destination	Effuents and waste
G4-EN24	Total number and volume of significant spills	Effuents and waste
ASPECT: COMPLIANCE		
G4-DMA	Generic Disclosures on Management Approach	compliance - natural capital, product responsibility - social and relationship capital
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	compliance - natural capital, product responsibility - social and relationship capital
ASPECT: OVERALL		
G4-DMA	Generic Disclosures on Management Approach	
G4-EN30	Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce	natural capital - emissions
ASPECT: SUPPLIER ENVIRONMENTAL ASSESSMENT		
G4-DMA	Generic Disclosures on Management Approach	social and relationship capital - suppliers

GENERAL STANDARD DISCLOSURES		Report Section
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ASPECT: EMPLOYMENT		
G4-DMA	Generic Disclosures on Management Approach	Human Capital
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	new recruits
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	fair remuneration
G4-LA3	Return to work and retention rates after parental leave, by gender	gender equality
ASPECT: LABOR/MANAGEMENT RELATIONS		
G4-DMA	Generic Disclosures on Management Approach	fair remuneration
ASPECT: OCCUPATIONAL HEALTH AND SAFETY		
G4-DMA	Generic Disclosures on Management Approach	Health, safety and well being
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	Health, safety and well being
G4-LA7		
ASPECT: TRAINING AND EDUCATION		
G4-DMA	Generic Disclosures on Management Approach	employee training and Development
G4-LA9	Average hours of training per year per employee by gender, and by employee category	employee training and Development
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	employee training and Development
ASPECT: DIVERSITY AND EQUAL OPPORTUNITY		
G4-DMA	Generic Disclosures on Management Approach	gender equality
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	human capital / governance
ASPECT: LABOR PRACTICES GRIEVANCE MECHANISMS		
G4-DMA	Generic Disclosures on Management Approach	decent work/code of conduct
SUB-CATEGORY: HUMAN RIGHTS		
ASPECT: NON-DISCRIMINATION		
G4-DMA	Generic Disclosures on Management Approach	gender equality
ASPECT: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING		
G4-DMA	Generic Disclosures on Management Approach	decent work/ code of conduct

GENERAL STANDARD DISCLOSURES		Report Section
ASPECT: CHILD LABOR		
G4-DMA	Generic Disclosures on Management Approach	decent work/ code of conduct
ASPECT: FORCED OR COMPULSORY LABOR		
G4-DMA	Generic Disclosures on Management Approach	decent work/ code of conduct
SUB-CATEGORY: SOCIETY		
ASPECT: LOCAL COMMUNITIES		
G4-DMA	Generic Disclosures on Management Approach	human capital
G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	human capital
G4-SO2	Operations with significant actual and potential negative impacts on local communities	human capital
ASPECT: ANTI-CORRUPTION		
G4-DMA	Generic Disclosures on Management Approach	Anti-corruption
G4-SO4	Communication and training on anti-corruption policies and procedures	Anti-corruption
SUB-CATEGORY: PRODUCT RESPONSIBILITY		
ASPECT: CUSTOMER HEALTH AND SAFETY		
G4-DMA	Generic Disclosures on Management Approach	product responsibility
G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	product responsibility

Notice of Meeting

Notice is hereby given that the Twenty Fourth (24th) Annual General Meeting of Watawala Plantations PLC will be held at 'Committee Room B, Bandaranaike Memorial International Conference Hall (BMICH), Bauddhaloka Mawatha, Colombo 07 on Thursday, the 29th of June 2017 at 9.00 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 2017 with the report of the Auditors thereon.

2. To declare a final Dividend of Rs.0.85 (Cents eighty five) per share as recommended by the Directors.

3. To propose the following resolution as an ordinary resolution for the reappointment of Mr.A.N.Fernando who has reached the age of 70 years.

Ordinary Resolution

"IT IS HEREBY RESOLVED THAT the age limit referred to in Section 210 of the Companies Act No 07 of 2007 shall not apply to Mr.A.N.Fernando who has reached the age of 70 years prior to this Annual General Meeting and that he be reappointed".

4. To re-elect Mr.C.P.Thomas 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.B.A.Hulangamuwa 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. G.Sathasivam 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
24/05/2017

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 fourth (24th) Annual General Meeting of the Company to be held on Thursday the 29th June 2017 at 9.00 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 2017 with the report of the Auditors thereon.		
2. To declare a final Dividend of Rs.0.85 (Cents eighty five) per share as recommended by the Directors.		
3. To reappoint Mr.A.N.Fernando who retires having attained the age of 70 years, a director by passing the ordinary resolution set out in the notice.		
4. To re-elect Mr.C.P.Thomas who retires by rotation at the Annual General Meeting, a Director.		
5. To re-elect Mr.B.A.Hulangamuwa who retires by rotation at the Annual General Meeting, a Director.		
6. To re-elect Mr.G.Sathasivam who retires by rotation at the Annual General Meeting, a Director.		
7. To re-appoint Messrs. PricewaterhouseCoopers (Chartered Accountants) as Auditors of the company authorize the Directors to determine their remuneration.		
8. To authorize the Directors to determine contributions to Charities.		

Dated this ....day of 2017

....
Signature of Shareholder

(a) A proxy need not be a member of the Company
(b) 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
A. K. Misra
K. Venkataramanan
A. N. Fernando
M. S. Mawzoon
D. Ramanayake
C. P. Thomas
B. A. Hulangamuwa
N. B. Weerasekare

Secretaries
Corporate Advisory Services (Pvt) Limited
47, Alexandra Place
Colombo -07

Registrars
Secretaries and Financial Services (Pvt) Ltd
61 A, Railway Avenue
Nugegoda.

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
Seylan Bank
Cargills Bank Limited

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