ELPITIYA PLANTATIONS PLC

Annual Report 2016/17

20 YEARS OF EXCELLENCE

Our Vision

"We will strive to be No. 01 Plantation Company.
A Model for Sri Lanka."

No. 1 in …

Profitability growth per hectare of Tea, Rubber & Oil Palm.
Growth in process productivity per unit of Tea & Rubber.
Number of approved projects for value addition per annum.

Our Credo

We will enhance continuously our shareholder value.
We are committed to continuous strategic H R D initiatives.
We will continuously explore opportunities for value addition to our resource base.
We are committed to enhancing employees quality of life.
We encourage positive and innovative initiatives to improve the competitive advantage of the company.
We strive to bring high quality in all aspects of our activities.
We will always pursue environmentally-friendly operations.

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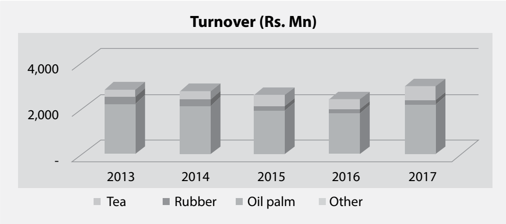
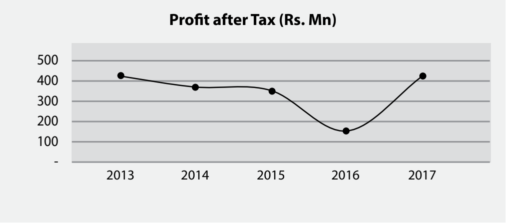
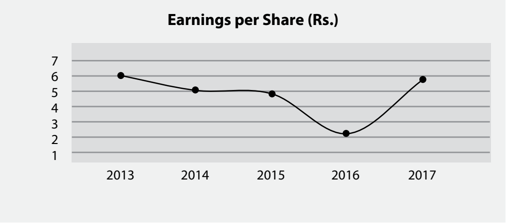
Financial Highlights

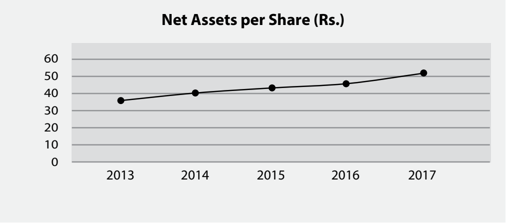
Group

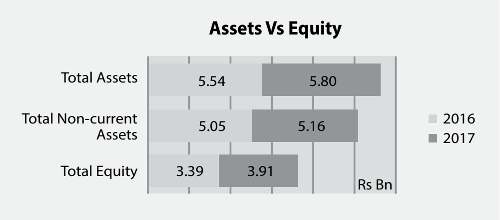
REVENUE	GROSS PROFIT	PROFIT AFTER TAX
3,010 LKR Millions	**607** LKR Millions	**420** LKR Millions
GROSS PROFIT MARGIN	**RETURN ON EQUITY**	**RETURN ON CAPITAL EMPLOYED**
20%	**15%**	**16%**
EARNING PER SHARE	**MARKET PRICE PER SHARE**	**NET ASSETS PER SHARE**
5.77	**19.00**	**53.70**
TOTAL ASSETS	**NON CURRENT ASSETS**	**TOTAL EQUITY**
5,802 LKR Millions	**5,163** LKR Millions	**3,909** LKR Millions

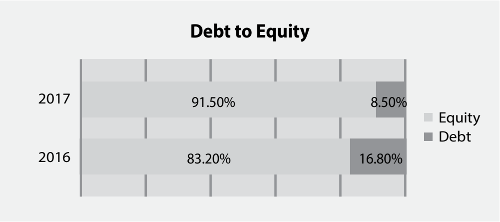












Year ended 31 March	2017 Rs.000	2016 Rs.000	Increase/ (Decrease) %
Turnover	3,009,791	2,444,426	23%
Gross profit	607,401	175,312	246%
Profit before tax	463,289	219,812	111%
Income tax expense	(43,452)	(24,270)	79%
Profit after tax	419,837	195,541	115%
Non-current assets	5,162,864	5,054,251	2%
Current assets	639,454	480,868	33%
Share holder's funds	3,912,787	3,393,732	15%
Capital expenditures	342,958	339,425	1%
Earning per share	5.77	2.69	114%
Dividend per share	1.00	0.50	100%
Dividend payout ratio	17%	19%	7%
Net assets per share	53.70	46.57	15%
Stated capital	694,236	694,236	0%
Net assets	3,912,787	3,393,732	15%
Return on equity	15.21	8.41	81%

Chairman's Statement

Overall Performance

The year under review turned out to be one of the best for Elpitiya Plantations PLC recording a profit of 501 Mn before management fees and emerging as the second highest in profitability amongst the Regional Plantation Companies (RPCs) in Sri Lanka. This performance is despite having to absorb a substantial wage increase which came into force during the financial year. The year's performance was once again a result of good management and strategic diversification which has sustained the company in the last several years.

Macro-Economic Environment

Sri Lanka's economy in the recent past has gone through a very uncertain period, coupled with the depreciation of the rupee, rising interest rates, and a challenging investment climate. Weather has also been negative for agriculture, with prolong droughts, floods and other environmental issues facing the country in general and also the plantations in particular. Global warming and climate change has currently emerged as one of the biggest threats to the plantation sector, and strategies will have to be developed to mitigate its impact to the sector.

According to the International Monetary Fund (IMF) reports, global growth has declined to 3.1% in 2016, affected by erratic commodity prices, the slowing down of major economies particularly China, and the issues of Brexit and other Geopolitical tensions across some of the developed countries and which has also had an impact in Sri Lanka. Oil prices also declined at the beginning of 2016 which has had an effect on several global economies, mainly Middle east and Russia. Fortunately, Russia appears to be coming out of its own crisis with the strengthening of the Ruble which has helped tea prices. Sri Lankas economy too recorded a growth of 4.4% affected by some of these global developments.

The government of Sri Lanka was also successful in requesting the European Union (EU) to restore the Generalized System of Preferences (GSP) plus concessions which will benefit mainly the apparel industry and other export products including tea. On the contrary the plantation sector has been badly affected by several issues one of which has been the Glyphosate issue which has placed plantations in a very challenging situation. At the same time there appears to be significant opportunities for tea amongst global beverages and which has been underlined at the recently concluded Colombo International Tea Convention 2017 that was held in Colombo. This convention underlined the enormous opportunities available for the future of Ceylon tea amongst global beverages.

At the same time, other plantation commodities such as rubber and palm oil that we are engaged in offer mixed opportunities. The international palm oil market has been attractive and Sri Lankan producers have been at a tremendous advantage by the import duties that the government has imposed for imported edible oils which has benefitted palm oil producers in Sri Lanka including ourselves. On the contrary rubber continues to be a loss-making industry, particularly for the producers who have been affected by both global rubber prices, inclement weather and a stagnant automobile industry. Amidst these challenges the slowing down of the Chinese economy has also affected this company in particular. However, China is an important economy and provides ample opportunities for tea and other products in the long term and we are confident that our efforts will be fruitful in the medium term.

Major Challenges

Controlling cost of production particularly in tea continues to be a major challenge. Productivity of lands and workers continues to be a major issue to all plantation companies and we are no exception. All stakeholders need to work on a sustainable model that will be a win-win for all parties, considering that commodity prices are cyclical and that producers have little or no control over this area. The tea industry in particular is still very fragmented unlike the apparel industry and the need of the hour is for all stakeholders to get together and speak in one voice with one objective in mind i.e. the sustainable development of Ceylon tea.

The Minister of Plantation Industries has had discussions with the RPC managements with a view to extending the land leases. This will without doubt give more confidence to companies like ours to invest further in the business and bring new investors and new technologies that will sustain the company and bring long term benefits. It is important that this decision be made without any further delay as we are on the brink of strategic investments that will take this company to new heights.

Estate achievements

One of the significant features of this season's performance was the profitability of the high grown estates and the continuing profitability of the mid grown tea estates. This was made possible mainly by an improvement in the global tea market towards the latter part of the financial year. However, the performance of the low country tea estates was disappointing and we are taking all possible steps to improve this trend. The palm oil estates continued to perform well whilst the losses in rubber was a big drain on the company's overall results.

Chairman's Statement (Contd.)

Joint Ventures & New Developments

The Joint Venture palm oil mill AEN Palm Oil Processing (Pvt) Ltd continues to perform extremely well and has been a major contributor to EPP profits. The palm oil mill maintains very high standards of quality and productivity and is continuously upgrading its technology. The Chinese Joint venture has seen stagnant growth at the moment due to the sluggish nature of the Chinese economy and we hope that we will see a change in their operations shortly. However, we are using this experience to make inroads into the Chinese markets. The investments in Hydro Power has been affected by the prolonged droughts and we hope to see greater results in the future. In our quest to expand our renewable energy foot print we are aggressively pursuing the installation of solar power to our factories.

Further in order to combat the effects of global warming the company is practicing an aggressive sustainability strategy covering rain water harvesting, energy management, employee engagement and mechanization that will assist the company to meet some of the environmental challenges and also exploit some of the opportunities available.

Sustainability as a core business strategy is being relentlessly pursued with a separate committee driving this entire initiative.

Stakeholder relations

We thank all our stakeholders for their support and assistance in this last financial year. Our primary aim has always been to maintain good relations with our stakeholders. We are thankful to the Ministry of Plantation Industries, Ministry of Hill Country New Villages Infrastructure and Community Development and other government Ministries that we constantly interact with for their support.

The Plantation Human Development Trust has continued to be a great support in all our activities and continues to render a great service to all our estates in all 3 regions. We also thank the Save The Children organization for their continuous support in undertaking development activities in our estates and always striving to improve the living standards particularly at Devitura estate. We are also grateful to the Merrill J Fernando Charitable Foundation for their continuous assistance to our workers and staff for the past several years. They have played an invaluable role through this foundation to our workers.

We are also thankful to the Sri Lanka Tea Board for the cooperation extended particularly in funding the estates through the soft loans and also the Tea Rubber and Coconut Research Institutes for their constant advice and services for our estates. A special thanks to the Plantation Management Monitoring Division of the Ministry of Plantation Industries for their continuous support and assistance to our company.

Employee Development

We have trained and developed our employees throughout several years through both local and international training. This has helped to raise productivity in our estates and also adopt innovative techniques practiced in other countries. We consider it one of our primary objectives to upgrade the skills of our workers staff and executives and will continue to do so.

Appreciation

Elpitiya Plantations PLC will celebrate 20 years of management excellence in August 2017, since Aitken Spence Plantation Managements PLC took over the management. This is an important milestone for this company, considering that this company was one of the last to be privatized and considered run down. It is to the credit of all concerned what EPP is today. I must thank all the workers, staff and the plantation executives for bringing this company to its current status and it is their dedication and hard work that has borne fruitful results. Their unstinted support has been invaluable. I also owe our heartfelt thanks to the plantation executives for their commitment and enthusiasm without which nothing would have been possible. They have always been at the forefront of every challenge and initiative. Their untiring efforts together with their staff and workers has been the back bone of this company and will continue to do so in the future.

I also take this opportunity to thank the senior management at the head office led by the Managing Director, the Executive Director, Chief Executive Officer and all other senior management including all the executives and staff at the head office for their hard work and dedication throughout the last financial year and in the past several years.

I would be failing in my duty if I don't place on record my sincere thanks and appreciation to our shareholders and Board of Directors including the Independent Non-Executive Directors and the board member representing the government for their advice and commitment extended to me in the discharge of my role as Chairman of the Company. I have always valued their contribution.

JMS Brito
Chairman
August 25, 2017.

Managing Director's Report

I am pleased to present you the Managing Director's report at a time when Elpitiya Plantations PLC (EPP) is progressing each year and has reached a milestone of 20 years of management by the Aitken Spence Plantation Managements PLC being celebrated in August 2017. For a company that was one of the last to be privatized and found to be in a rundown condition, presenting this report after another remarkable year of profitability gives me a great sense of pride. The accumulated reserves of EPP have now increased Rs.3.2Bn to end March 2017. This is from an accumulated loss of Rs.305Mn when Aitken Spence Plantation Managements PLC took over the company in August 1997. Similarly, the company's assets have also significantly increased to Rs.5.8 Bn from a low of Rs.1.2Bn in August 1997. It is also important to note that overall loans and borrowings have reduced to approximately Rs.350Mn as at March 2017.

The year ended 2016/2017 was a very challenging year and it is to the credit of the management team and the Board of Directors, workers and staff that EPP emerged as the second highest in terms of profitability amongst all the RPCs, during a year where a substantial wage increase was also absorbed into the cost structure. For the record, a profit of Rs. 501 million was realised during the year ended 2016/17.

Macro-Economic Environment

Sri Lanka's economy has gone through a very challenging period in the last two years where economic growth has not been very encouraging whilst interest rates are seen to be rising, coupled with the depreciation of the Sri Lankan rupee and an inconsistent investment climate. Despite these challenges Sri Lanka offers many opportunities for investments particularly in Plantation Agriculture and Technology as Sri Lanka is clearly one of the best destinations for investment in Asia which is strong and secure from several angles. It is to the credit of this government that they have been successful in enabling the European Union (EU) to restore the Generalized System of Preferences (GSP) plus concessions which will benefit exports to the EU including tea. At the same time, global growth has also declined, affected by inconsistent commodity prices, the slowing down of China and other geopolitical tensions spread across Middle East and Russia. The decline of oil prices that has affected the Middle East and Russia, has also had a negative impact particularly on the tea market although it was a salutary feature to see a sharp rise in the tea market from early 2017.

The strengthening of the Russian Ruble has also helped the tea industry and global business and these are positive features that we see. Closer home weather patterns have not been conducive for agriculture with intermittent droughts and floods that Sri Lanka has faced from time to time. Global warming and climate change appears to be a key factor that is challenging the plantation industry. It is important that Sri Lanka as a nation and this company in particular, develops a multi-pronged approach to mitigate the impacts of global warming and climate change which is bound to increase the cost of carrying out business. The more pragmatic companies are turning this challenge into an opportunity and I am pleased to state that EPP has already developed a cohesive sustainability strategy covering several areas including rain water harvesting and water retention, renewable energy, employee empowerment, mechanization and intelligent agriculture and built a differentiated strategy for the company.

The plantation industry has also been badly affected by several issues such as the problem with the use of glyphosate used for weeding on plantations. It's time the government found a solution to this problem in the best interest of all concerned. The recently concluded international tea convention provided a good signal to the tea industry on the opportunities for tea as a global beverage and the importance of marketing as a global business strategy that requires the attention of all stakeholders in the tea industry.

Under the new Chairman, the Sri Lanka Tea Board has been very dynamic and with pro stakeholder focus and it is time that an aggressive international promotion strategy is developed using the funds that are available to benefit all stakeholders and ensure a trickle-down effect for the growth of the industry. We should not lose any momentum from the positive responses that Sri Lanka received from the International Tea Convention.

Agricultural Condition

One of the major focuses of this company is to develop a sustainable business strategy at plantation level that will enhance the productivity of our lands and also improve its ecological capital. We have also taken steps to gradually shift to organic fertilizer and composting whilst we are inclined to believe that the strategies for rain water harvesting and water retention will also increase the moisture retention capacities of our lands. The good agricultural practices that we have maintained in all our plantations covering tea, rubber and palm oil have enabled us to improve our levels of productivity despite intermittent weather that has sometimes not been conducive for high levels of production and productivity. We have used the services of both local and international experts in building the agricultural condition of our estates, and improving cultural practices under their advice and I am pleased to state that these are baring fruitful results.

Diversification and Joint Ventures

The success of this company has been through diversification and joint ventures and this year is no exception. We are constantly examining the potential to diversify to both agriculture based diversification, and non-agriculture based diversification and you will see more detailed strategies emerging in the next financial year. The hydro power investments which we have already made is having mixed fortunes as a result of the erratic weather patterns that we are witnessing in the high grown areas. As a result, we are likely to move away from hydro power to expanding our footprint in solar energy where steps are already under way to build capacity around this area.

Managing Director's Report (Contd.)

AEN Palm Oil Processing (Pvt) Ltd, the JV company that processes the palm fruits produced on our estates continues to be a great success story and has been one of our key contributors to profitability. Highest levels of quality standards and productivity have been maintained in this factory making it a model in palm oil processing. The joint venture with the Chinese company has seen slow growth due to the down turn in the Chinese tea market and the Chinese economy. However, we are confident that our foray into China will recover from this period of sluggish growth and this Joint Venture will continue to deliver good results in the future. This experience has also opened other avenues for us for marketing tea in China with our Joint venture partners. I am pleased to state the company's ERP system (Plant ERM) has now been successfully rolled out and will be fully operational in all the estates and in the head office during the year 2017 despite the delays that we experienced some time back.

Future Challenges

The rubber plantations have been a big drain on this company. There does not appear to be a change in the rubber market as the macro factors that influenced rubber prices don't appear to be improving. The weather patterns in the rubber growing areas have also not helped our plantations and tapping is hampered by inclement weather. We have started innovative techniques of improving productivity which is showing results and we always hope to explore such strategies. In order to mitigate the effects of worker shortages we are actively pursuing mechanization as a business strategy on our palm oil and tea plantations. We have studied some of the practices in Kenya and Malaysia and are taking steps to implement more mechanization, automation and other technologies on all our plantations.

Another wage agreement was successfully concluded this last financial year and we thank the Negotiating Committee of the Employees Federation of Ceylon, the Employers Federation and the Trade Unions for their commitment and understanding in reaching agreement. However, it's important that we move towards a productivity based wage system in order to build a sustainable plantation industry in Sri Lanka as still many tea estates are operating at losses under this scenario. What is required a multi-stakeholder approach which we have reiterated several times earlier.

Stakeholder Relations

We have always strived hard to maintain good stakeholder relations and I must also reiterate the reciprocal goodwill that we have also had from all our stakeholders. We have regular interactions with the Ministry of Plantation Industries, the Ministry of Hill Country New Villages, Infrastructure and Community Development and all the other related government institutions who have supported us throughout the years. We thank them for their support and goodwill. We also thank the Plantation Human Development Trust who continues to play a vital role in enhancing the social development dimension of our estates. We are also very grateful to the Save the Children Fund for their continuous support on Devitura estate and their commitment towards the estates in this company. We continue to have several other donors supporting our own social development efforts and we thank all of them.

We also owe a debt of gratitude to the Merrill J Fernando Charitable Foundation for their dedication and commitment to all our estate workers throughout the last several years. We are also thankful to the Sri Lanka Tea Board for the financial assistance provided and for the excellent service provided and also the three research institutes namely The Tea, Rubber, and Coconut Research Institutes for all their support. A special word of thanks is required to The Plantation Management Monitoring Division of the Ministry of Plantation Industries who has continued to be a tower of strength to us and being helpful in sorting out several issues concerning the company.

Thanks and Appreciation

We would have never come to this current position if not for our dedicated work force, and staff, on all our estates. They have been our greatest assets and I thank them very sincerely for their hard work dedication and loyalty towards the company. I must also thank all the Plantation Executives in particular, the General Managers, Plantation Managers, Deputy Managers and Assistant Managers who have shoulders a lot of the responsibilities on the plantations. We place our sincere thanks and appreciation to all of them.

I am also grateful to the Executive Director Mr. Tony Goonewardena, the Chief Executive Officer Mr. Bhathiya Bulumulla and all the General Managers and Executives and Staff at the Head Office for their continuous support and giving off their best for the well-being of the plantations.

Before I conclude I sincerely thank the Chairman Mr. Brito and the Board of Directors, without whose guidance and advice and strategic direction our progress would not have been possible. Their advice to me and my team have been invaluable and been an integral part of our success. I must also specially thank the two independent Directors and the Board Member representing the government for their guidance and support to this company. Mr. Sharda Sosa who serves on the Management Committee has also played a very important role in Elpitiya Plantations PLC. I owe a debt of gratitude to every one of them.

Rohan M Fernando
Managing Director
August 25, 2017

Board of Directors

Mr. J M S Brito

Mr. Brito was appointed to the Board of Elpitiya Plantations PLC on December 1, 2002 and as Chairman on April 28, 2003. Mr. Brito has a LLB (University of London) and MBA (London City Business School) degrees and is a Fellow of Institutes of Chartered Accountants of Sri Lanka, England and Wales. Together with this multi-disciplined knowledge, he also brings with him a wealth of 35 years of international experience working with a number of international organizations. Presently Mr. Brito is the Managing & Finance Director of Aitken Spence PLC and currently serves on the Board of Sri Lankan Airlines. He is a former Chairman of DFCC Bank, Sri Lankan Airlines, The Employers' Federation of Ceylon and a former Director of Sri Lanka Insurance Corporation.

Dr. R M Fernando

Dr. Rohan Fernando was appointed to the Board of Elpitiya Plantations PLC on August 01, 1997 and as Managing Director on May 14, 2004. Dr R M Fernando, who is the head of the Plantations Sector and Business Development of Aitken Spence PLC, holds a PhD and a MBA from the University of Colombo and also a Chartered Marketer and a Fellow of the Chartered Institute of Marketing (CIM), UK.

He has extensive experience in the plantation industry both in the public and private sectors, corporate management, corporate strategy and played a key role in the plantations privatization programme.

He also leads the CSR and Sustainability initiatives of the Aitken Spence Group. He was awarded the Brand Leadership Award at the Asia Brand Congress 2008, held in Mumbai in September 2008.

He is the Chairman of United Nations Global Compact Network. Ceylon and the former President of the Chartered Institute of Marketing Sri Lanka region. He was recently appointed as a Member of the Advisory Board of the Faculty of Business of Sri Lanka Institute of Information Technology (SLIIT).

Mr. Malik Fernando

Mr. Malik Fernando was appointed to the Board of Elpitiya Plantations PLC in August 01, 1997 as a Director.

He is the Director Operations of the MJF Group, which comprises several tea growing and tea packing/exporting companies, supplying the 'Dilmah Tea" brand around the world.

Mr. Fernando holds a Bachelor of Science Degree in Management from Babson College, USA.

Mr. Merrill J. Fernando

Mr. Merrill Fernando is the Chairman of MJF Holdings Limited and one of Sri Lanka's first tea tasters in the then British-dominated trade. He is the Founder of "DILMAH TEA" brand name which re-launched, redefined and re-established the quality of Ceylon tea. DILMAH is a much respected global name, renowned for its quality, and its philosophy of caring and sharing with the community.

He was the pioneer in adding value to tea at origin, branding and marketing Ceylon tea quite successfully. Value addition at origin created significant services industries in printing, packaging, graphics and introducing packaging technology to Sri Lanka.

Mr. Fernando incorporated the MJF Charitable Foundation, to fulfill his pledge to make his business a matter of human service. His Foundation and Dilmah Conservation use a significant share of the earning from the sale of Dilmah tea and other companies in the Dilmah Group, towards creating better conditions for the underprivileged and the wider community, whilst implementing positive and sustainable environmental interventions.

Dr. S A B Ekanayake

Dr. Anura Ekanayake was appointed as a Director to the Board of Elpitiya Plantations PLC on January 09, 2009. He was the Chairman of the Ceylon Chamber of Commerce during the period August 2009 to July 2011 and the immediate past Chairman of the Industrial Association of Sri Lanka. He started his professional career in the public sector and served in a number of senior Sri Lankan Government positions before moving to the private sector. He has held several key positions in the Plantation Sector, first serving as the Director of Planning at the Ministry of Plantation Industries and thereafter as Director General (Development) of the Ministry of Public Administration, Home Affairs and Plantation Industries. He served on the Boards of J.E.D.B. and S.L.S.P.C. prior to their privatization and thereafter served on the Boards of all 23 RPC's for several years. During this period, he also served as a member of the Tea Research Board as well as the Board of the Post Graduate Institute of Agriculture of University of Peradeniya. During his public sector tenure, he also held a number of international positions including that of the Chairman of international Natural Rubber Organization based in Kuala Lumpur, Malaysia. He holds a PhD in Economics from Australia National University where he conducted research on 'Economics of human capital'. He has widely published in Sri Lanka and abroad on economics, human capital, agriculture and environment related areas. His current professional interests are supporting businesses on organizational transformation including culture change and coaching young professionals to realize their full potential.

Mr. S C Ratwatte

Mr.Sarath Ratwatte was appointed as a Director to the Board of Elpitiya Plantations PLC on April 10, 2013. Fellow of the Chartered Institute of Management Accountants, UK and has over 30 years work experience in the fields of financial and treasury management, project evaluation and development, investments, financing and risk management and joint ventures. Mr. Ratwatte has worked in several multinational organizations and conglomerates in Sri Lanka and overseas. Prior to 2009, he has worked at Aitken Spence Group of Companies for a period of 20 years in many capacities including that of Group Treasurer / Director – Aitken Spence Corporate Finance (Pvt) Ltd., Director – Ace Power Embilipitiya (Pvt) Ltd and Director – Aitken Spence (Garments) Ltd. He also serves on the board of directors of HNB Assurance PLC.

Mr. A L W Goonewardena

Mr A L W Goonewardena was appointed as a Director to the Board of Elpitiya Plantations PLC on 22nd May 2013. He has 41 years experience in public and private sector plantation management. He started his career in plantations as an Estate Assistant Manager, held the positions of Manager, Visiting Agent, General Manager, Deputy Chief Executive Officer, Chief Executive Officer and rose to the position of Executive Director of Elpitiya Plantations PLC. He is presently a Director of Aitken Spence Plantation Managements PLC, Tea Country Homes (Pvt) Ltd, Water Villas (Pvt) Ltd., EPP Hydro Power Company (Pvt) Ltd. and the Managing Director / CEO of Elpitiya Dianhong Jin Ya Tea Company (Pvt) Ltd. He holds the position of Deputy Chairman of the Planters' Association.

Mrs. B. W. G. C. S. Bogahawatta

Mrs.Sagarika Bogahawatta was appointed as a Director to the Board of Elpitiya Plantations PLC on March 17, 2015. She is the Director (Human Resources Sector) of the Department of Project Management and Monitoring of the Ministry of Finance and Planning. She is a Class I Officer of the Sri Lanka Planning Service who possesses 18 years' experience in the public sector, including 13 years' experience in the Planning Service. She obtained a B.Sc. General Degree from the University of Kelaniya, Sri Lanka and a Masters in Public Administration (Policy) from the Flinders University, Australia. She has wide experience at the national level, in the fields of project management, monitoring and evaluation. She has had training and gained experience in the practice of monitoring and evaluation in the countries such as Japan, Canada, Malaysia, Philippines, China, Singapore, South Korea and Thailand.

Annual Report of the Board of Directors

The details set out herein provide the pertinent information required by the Companies Act No.7 of 2007, Listing Rules of the Colombo Stock Exchange and the best accounting practices. The Directors are pleased to submit their Report together with the Audited Financial Statements for the year ended 31st March 2017.

1. Principal Activities of the Company

The principal activities of the Company are cultivation, manufacture and sale of black Tea, Rubber and Palm Oil and other crop.

2. Review of Performance

The Chairman's and the Managing Director's reviews contain a detailed account of the year's operations and developments of the Group.

3. Accounting policies and changes during the year

The Company and the group prepared the financial statements in accordance with the Sri Lanka Accounting Standards (SLFRS/LKAS). The significant accounting policies adopted in the preparation of the financial statements of the Company and the group are given in pages 47 to 68

The accounting policies adopted by the group are consistent with those adopted in the previous financial year except for the policy of recognizing produce growing on bearer plants which is revised with the amendments to LKAS 16 – Property Plant & Equipment and LKAS 41 – Agriculture.

4. Revenue and Profits

4.1 Revenue for the Year

The revenue of the Group for the year ended 31st March 2017 was 3,009,791,239 /-(2015/2016– Rs. 2,444,426,422/-) while the Company's revenue was 2,996,399,532 /-(2015/2016 –Rs. 2,419,783,764/-). An analysis of the income is given in note 13 to the Financial Statements.

4.2 Financial Results

The profit earned by the Group for the year ended 31st March 2017 amounted to Rs. 419,837,474/- (2015/2016– Rs. 195,541,325/-), whilst the Company recorded a profit amounted to Rs. 488,028,324/-(2015/2016– Rs. 215,376,419/-).

The Group's total comprehensive income for the year is Rs. 555,155,335/- (2015/2016– Rs. 275,318,230/-) while the Company recorded a total comprehensive income of Rs. 623,346,185/- (2015/2016– Rs. 295,153,324/-)

The Consolidated Income Statement along with the Company's Income Statement for the year are given on page 42 Details of transfers to/from reserves in respect of the Group and the Company are shown in the Statement of Changes in Equity on page 45.

4.3 Donations

During the year donations amounting to Rs. 52,020/- were made by the Company, while no donations made by the other Group entities during the year.

4.4 Taxation

A detailed statement of the income tax rates applicable is set out on page 70.

4.5 Dividend

The Directors recommended a First and Final Dividend of Rs 1/- per share for the year ended 31st March 2017.

The Directors are confident that the Company would meet the requirement of the Solvency test under Section 56 (2) of the Companies Act No.7 of 2007 immediately after the payment of the First and Final Dividend is made.

5. Statement of Financial Position of the Company and the Group

5.1 Stated Capital and Reserves

The Capital and the Reserves of the Company as at 31st March 2017 is given below

Details are as follows:

Stated Capital (In Rs.)	694,236,120
Timber Reserve (In Rs.)	778,722,358
Retained Earnings	2,396,473,706
Total Equity	3,869,432,183

5.2 Property Plant and Equipment

Details of the Property Plant and Equipment are given in note 15 to the Financial Statements.

5.3 Contingent Liabilities

Details of the contingent liabilities are disclosed in note 36 to the Financial Statements.

6. Events occurring after the reporting date

The events occurred after the reporting date have been disclosed in Note 37 to the Accounts.

7. Shareholder Information

Information relating to earnings, net assets, market price per share are given in the financial highlights and the shareholder and the investor information on pages 102 and 103 of the Annual Report.

8. Major Shareholders

The 20 largest shareholders of the Company as at 31st March 2017 are given in the share information page 103 together with an analysis of the shareholding.

9. Public Holding

The percentage of shares held by the public as at 31st March 2017 was 16.93% (31st March 2016–16.93%)

10. Corporate Governance

The Company's corporate governance practices are set out on pages 16 to 26.

11. Board of Directors and Sub-Committees

The names of the Directors of the Company as at the date of the Report are on page 07, 08 and 106.

11.1 Board Sub-Committees

Audit Committee
Dr. S A B Ekanayake (Chairman)
Mr. S C Ratwatte
Mr. Malik J Fernando/Ms. M D A Perera (Alternate Director to Mr. Malik J Fernando)

Remuneration Committee
Mr. Malik J Fernando (Chairman)
Dr. S A B Ekanayake
Mr. S C Ratwatte

Related Party Transactions Review Committee
Mr. S C Ratwatte (Chairman)
Dr. S A B Ekanayake
Mr. Malik J Fernando/Ms. M D A Perera (Alternate Director to Mr. Malik J Fernando)

11.2 Re-election of Directors

Mr. S C Ratwatte retires by rotation in terms of Article 92 of the Articles of Association of the Company and offers himself for re-election at the forthcoming Annual General Meeting.

Mr. Merrill J Fernando attained the age of 70 years on May 6, 2000 and in accordance with Section 210(2) of the Companies Act No.7 of 2007, he vacates office at the forthcoming Annual General Meeting. In terms of Section 211 of the Companies Act No. 7 of 2007, a shareholder has given notice of an Ordinary Resolution to the Company that the age limit of Mr. Merrill J Fernando in terms of Section 210(1) of the said Companies Act No. 7 of 2007, shall not apply to Mr. Merrill J Fernando who has attained the age of 87 and that he be re-elected as a Director at the Annual General Meeting.

Mr. J M S Brito attained the age of 70 years on August 21, 2016 and in accordance with Section 210(2) of the Companies Act No.7 of 2007, he vacates office at the forthcoming Annual General Meeting. In terms of Section 211 of the Companies Act No. 7 of 2007, a shareholder has given notice of an Ordinary Resolution to the Company that the age limit of Mr. J M S Brito in terms of Section 210(1) of the said Companies Act No. 7 of 2007, shall not apply to Mr. J M S Brito who has attained the age of 71 and that he be re-elected as a Director at the Annual General Meeting

11.3 Directors' Interest in Contracts

The Directors have disclosed their interest in contracts of the Company at meetings of the Directors. The details of which are set out in the notes to the financial statements (page 91)

11.4 Interest Register

The Interest Register is maintained as per the requirements of the Companies Act No. 7 of 2007 and is available for inspection.

11.5 Directors' fees

A sum of Rs. 21,528,351/- (2015/2016 – Rs. 38,785,000/-) was paid as directors' fees during the financial year 31st March 2017.

11.6 Directors' shareholdings

None of the Directors hold shares in the Company

12. Related Party Transactions

Related party transactions of the group are disclosed in note 33 to the Financial Statements. These interests have been duly declared by the Directors.

The Directors declare that the Company is in compliance with Rule 9 of the Listing Rules of Colombo Stock Exchange pertaining to Related Party Transactions during the financial year ended 31st March 2017.

13. Going Concern

The Directors are satisfied that the Company, its subsidiaries and joint ventures have adequate resources to continue in operational existence for the foreseeable future, to justify adopting the going concern basis in preparing these Financial Statements.

14. Risk Management

The Board confirms that there is an ongoing process of identifying, evaluating and managing any significant risks faced by the Group. Risks faced by the Group are identified, the significance they pose are evaluated and mitigating strategies are adopted by the Group. The Board reviews the risk management process through the Audit Committee. Risk Management Report of the Group is on pages 34 to 37 of this Report.

15. Annual General Meeting

The Twenty Fifth Annual General Meeting of your Company will be held on September 22, 2017 at 3.00p.m.

16. Auditors

The Financial Statements for the year have been audited by Messrs. Ernst & Young who offer themselves for re-appointment. The Report of the Auditors on the Financial Statements is given on page 41 of the Annual Report.

The audit fee payable by the Company to the Auditors' Messrs. Ernst & Young was Rs. 2,765,000/- (2015/2016 – Rs. 2,634,000/-). In addition to the above Rs. 169,258/- was payable by the Company for the permitted audit related and non-audit related services including tax advisory services.

Messrs. Ernst & Young the Auditors are also the auditors of subsidiary and joint ventures of the group. The amount payable by the Group to Messrs. Ernst & Young as audit fees was Rs. 3,182,000/- (2015/2016 – Rs. 3,277,000/-) while a further sum of Rs. 395,339/- as payable for permitted audit and non-audit related services including tax advisory services.

As far as the directors are aware, the auditors do not have any relationship with the Company that would have an impact on their independence.

By Order of the Board

Mr. J M S BRITO
CHAIRMAN

DR. R M FERNANDO
MANAGING DIRECTOR

AITKEN SPENCE CORPORATE FINANCE (PVT) LTD.,
Secretaries
COLOMBO
August 25, 2017

Audit Committee Report

Composition of the Audit Committee

Chairman	Dr. S A B Ekanayake	Independent Non-Executive
Members	Mr. Malik J Fernando/	Non-Executive
	Ms. Minette Perera (Alternate Director to Mr. Malik Fernando)	
	Mr. S C Ratwatte	Independent Non-Executive
Attendance by invitation	Dr. R M Fernando	Managing Director, Elpitiya Plantations PLC
	Mr. A L W Goonewardena	Executive Director, Elpitiya Plantations PLC
	Mr. B Bulumulla	Chief Executive Officer, Elpitiya Plantations PLC
	Mr. H K A Rathnaweera	Chief Internal Auditor, Aitken Spence PLC
	Mr. J A R Nissanka	GM- Finance, Elpitiya Plantations PLC

Composition of the Committee

The Audit Committee (AC) comprises of two Independent Non-Executive Directors – Dr. S A B Ekanayake and Mr S C Ratwatte and Non-Executive Director, Mr. Malik J Fernando. Their profiles are given on pages 07 and 08 of this report.

Attendance by invitation

Mr. H K A Rathnaweera, the Chief Internal Auditor of Aitken Spence PLC (AS) and Mr. A M Ranatunga, Manager Internal Audit, Plantations carry out regular internal audits on the estates and attend the meetings by invitation. Further, the Managing Director (MD), the Executive Director (ED), the Chief Executive Officer (CEO) and the General Manager - Finance (GMF) are also present at meetings. In addition, the estate General Managers and the estate Managers whose audit reports are reviewed and discussed are also present at these meetings.

Activities of the Audit Committee

The Committee met three times during the year under review and reviewed the process to assess the effectiveness of the internal control system to provide reasonable assurance that assets are safeguarded and financial reporting system can be relied upon.

Internal Audits

At each meeting, the Committee reviewed and discussed the reports arising from both field and factory operations of the respective estate. Based on the reviews of the estate reports, the Committee, wherever necessary, recommended controls, risk mitigation strategies and internal monitoring mechanisms to mitigate frauds, discrepancies and other financial risks and issues that could occur on the estates and in the Company.

Financial Statements

The Committee reviewed the Quarterly and Annual Financial Statements of the Company to ensure reliability and consistency of the accounting policies and methods adopted and compliance with the Sri Lanka Financial Reporting Standards (SLFRS) and Sri Lanka Accounting Standards (LKAS). The Committee also ensures the adoption of effective internal controls, and compliance with the prevailing laws of the country based on guidelines provided by the respective regulatory authorities in all aspects and in the preparation of financial statements. The Committee recommended the Financial Statements to the Board for signature and issuance.

External Audit

The Committee has assessed the performance of the external auditors M/s Ernst & Young and is of the opinion that the external auditors do not have any relationship with the Company that would have an impact on their independence.

Re-Appointment of External Auditors

The Audit Committee having evaluated the performance of the external auditors, recommended to the Board the re-appointment of Messrs Ernst & Young, Chartered Accountants as the auditors of the Company for the current year, subject to approval of the shareholders at the forthcoming Annual General Meeting.

Dr. Anura Ekanayake
Chairman
Audit Committee
August 25, 2017

Remuneration Committee Report

Composition of the Remuneration Committee

Chairman	Mr. Malik J Fernando	Non-Executive Director
Members	Dr. S A B Ekanayake	Independent Non-Executive Director
	Mr. S C Ratwatte	Independent Non-Executive Director
Attendance by Invitation	Dr. R M Fernando	Managing Director, Elpitiya Plantations PLC

Composition of the Committee

The Remuneration Committee (RC) is composed of Mr. Malik J Fernando, Non-Executive Director who serves as the Chairman of the Committee and two Non-Executive Independent Directors namely, Dr. Anura Ekanayake and Mr. Sarath Ratwatte.

Attendance by invitation

The Managing Director of Elpitiya Plantations PLC (EPP) attends the meeting by invitation. The Committee met once during the year under review prior to considering the revision of remuneration packages of the Directors, Senior Management and employees based on performance, cost of living and industry norms.

Independence of the Committee members

The Non-Executive Independent Directors are independent of management and are able to exercise independent judgment in the decisions of the Committee, as they do not have any business or other relationships with the Company or its employees.

Remuneration policy

The Group remuneration policy which was reviewed by the Committee remained unchanged during the year under review.

The remuneration policy is formulated based on competitive remuneration structures of other plantation companies and also with the objective of retaining the best professional and managerial talent and encouraging and motivating good performers to perform at a higher level. The Company has a formal performance appraisal system and regular evaluations are carried out to evaluate each employee's performance.

The remuneration policy adopted also takes into consideration, the cost of living and inflation and the basic needs of the employees particularly in the lower income groups. The performance of the Company and affordability together with economic conditions that prevail were also considered in recommending increases in remuneration.

The RC having deliberated the performance of all employees in the Company, approved revisions of individual remuneration packages based on individual performance, industry norms and the contribution of the individuals in the performance of the Company.

No Director was involved in deciding his/ her own remuneration package.

Mr. Malik J Fernando
Chairman
Remuneration Committee

Colombo
August 25, 2017

Related Party Transactions Review Committee Report

Composition of the Related Party Transactions Review Committee Report

Chairman	Mr. S. C. Ratwatte	Independent Non-Executive
Members	Dr. S. A. B. Ekanayake	Independent Non-Executive
	Mr. Malik J Fernando	Non-Executive
	Ms. Minette Perera	Alternate Director to Mr. Malik Fernando
Attendance by invitation	Dr. R. M. Fernando	Managing Director, Elpitiya Plantations PLC
	Mr. A. L. W. Goonewardena	Executive Director, Elpitiya Plantations PLC
	Mr. B. Bulumulla	CEO, Elpitiya Plantations PLC
	Mr. J. A. R. Nissanka	General Manager - Finance, Elpitiya Plantations PLC

Composition of the Committee

The Related Party Transactions Review Committee is composed of 03 Non-Executive Directors, of whom, 02 are Independent Non-Executive Directors. The Committee is chaired by Mr Sarath Ratwatte who is an Independent Non-Executive Director.

Attendance by Invitation

Managing Director, Executive Director, Chief Executive Officer and the General Manager - Finance of the Company attended the Committee meetings by invitation.

Summary of responsibilities of the Committee

The Committee's key focus is to review all Related Party Transactions according to the procedures laid down by the Section 9 of the Listing Rules of the Colombo Stock Exchange and its responsibilities are as follows;

- Evaluate any proposed related party transactions on a quarterly basis, where necessary.
- Review any post quarter confirmations on related party transactions,
- Determine whether the related party transactions require approval of the Board,
- Review the threshold for related party transactions which require either shareholders' approval or immediate market disclosures,
- Review the criteria of Key Management Personnel,
- Regularly report to the Board on the Committee's activities.

Key Management Personnel

Elpitiya Plantations PLC consider its Board of Directors as the Key Management Personnel (KMPs) of the Company. Declarations were obtained from each KMP of the Company and subsidiaries for the purpose of identifying related parties and for the purpose of annual disclosure.

Key functions performed during the year under review

Key Management Persons and the subsidiaries were called upon to disclose on a quarterly basis, the proposed related party transactions, if any, and a post quarter confirmation with regard to any related party transaction enter into. The disclosures so made were tabled before the Related Party Transactions Review Committee at its quarterly meetings and the Committee reviewed same. The activities of the Committee have been communicated to the Board by tabling the minutes of the meeting of the Committee at Board Meetings.

The management is responsible for reporting to the Committee, the information set out under Appendix 9A of the Listing Rules, in respect of related party transactions proposed to be entered into, except those under section 9.5 of the Listing rules. On a quarterly basis, the management is required to report to the Committee, the approved related party transactions actually entered into by the Company.

Mr S C Ratwatte

Chairman

Related Party Transactions Review Committee

August 25, 2017

The Board of Directors' Statement on Internal Controls

The Board of Directors is responsible for formulating and implementing a sound system of internal controls and for periodically reviewing its effectiveness and integrity in terms of mitigating any risks associated with such, safeguarding the Company assets and prevention of their misused or unauthorized disposal.

The Board is of the opinion that the system of internal controls is sound and adequate to provide reasonable assurance regarding the reliability of financial reporting, and the preparation of Financial Statements for external stakeholders and that they are in accordance with acceptable accounting principles and the applicable regulatory requirements.

Internal Audit

Any internal control system has its inherent limitations. However, the Board believes that adequate internal controls are in place to mitigate such limitations. We have a fully-equipped Internal Audit Team to assist the maintenance of our sound system of internal control for purposes of protecting all stakeholder interests and the company assets.

The Company's Internal Audit function is an independent function that reports directly to the Chairman and the Audit Committee. It undertakes regular reviews of the Company's operations and system of internal controls based on annual audit plans. The Internal Audit function carries out the reviews with impartiality, proficiency and due professional care. The Internal Audit findings are discussed at management level and actions are agreed in response to the Internal Auditors' recommendations. The progress of implementation of the agreed actions is reviewed and verified by the Internal Audit team through its follow-up reviews. The Audit Committee reviews all internal audit findings, management responses and the adequacy and effectiveness of the internal controls.

Review Adequacy and Effectiveness

The Board and the Audit committee have reviewed the effectiveness of the financial, operational and compliance controls, and internal control systems, including risk management for the period and have taken appropriate remedial steps where necessary.

In this connection, the Board and the Audit committee concludes that an effective system of risk management and internal control is in place to safeguard the shareholders' investment and the Company's assets.

Whistle Blowing Policy

The Company has implemented a whistle blowing policy which aims to provide an avenue for employees and the estate community to raise concerns about possible irregularities in financial reporting, internal controls or other matters within the Company. Proper arrangements have been put in place to facilitate fair and independent investigation for such matters (if any).

Code of Business Conduct and Ethics

The Company's Code of Ethics, which is articulated to Directors and all employees includes a strong set of corporate values and required conduct. The Board ensures that Directors and employees strictly comply with the Company's Code of Ethics at all levels in the performance of their official duties, communications, role modelling and in any other circumstances, so as to prevent the tarnishing of the Company's image in any manner. The violation of the Code of Ethics is an offence that is subject to disciplinary action.

Going Concern

The Statement of Going Concern is set out in the 'Annual Report of the Directors' on page 10.

Risk Management

An overview of the Company's framework for identifying and managing risk, both at an operational and strategic level, is set out on pages 34 to 37.

Annual Report

The Board of Directors is responsible for the preparation of the Annual Report and confirm that the quarterly reports, Annual Financial Statements and the annual review of operations of the Company and its subsidiary and joint venture companies that are incorporated in this Annual Report have been prepared and presented in a reliable manner, based on a balanced and comprehensive assessment of the financial performance of the entire Group.

Confirmation

All financial statements are prepared in accordance with the requirements of the Companies Act No. 7 of 2007, the Sri Lanka Accounting and Auditing Standards Act, the Listing Rules of the Colombo Stock Exchange and other regulatory bodies as applicable for the Group.

We have duly complied with all the requirements prescribed by the regulatory authorities including the Colombo Stock Exchange and the Registrar of Companies. The consolidated financial statements and the company financial statements for the year ended 31st March 2017 have been audited by Messrs. Ernst & Young, Chartered Accountants.

J M S Brito

Chairman

R M Fernando

Managing Director

S A B Ekanayake

Chairman - Audit Committee

Colombo

August 25, 2017.

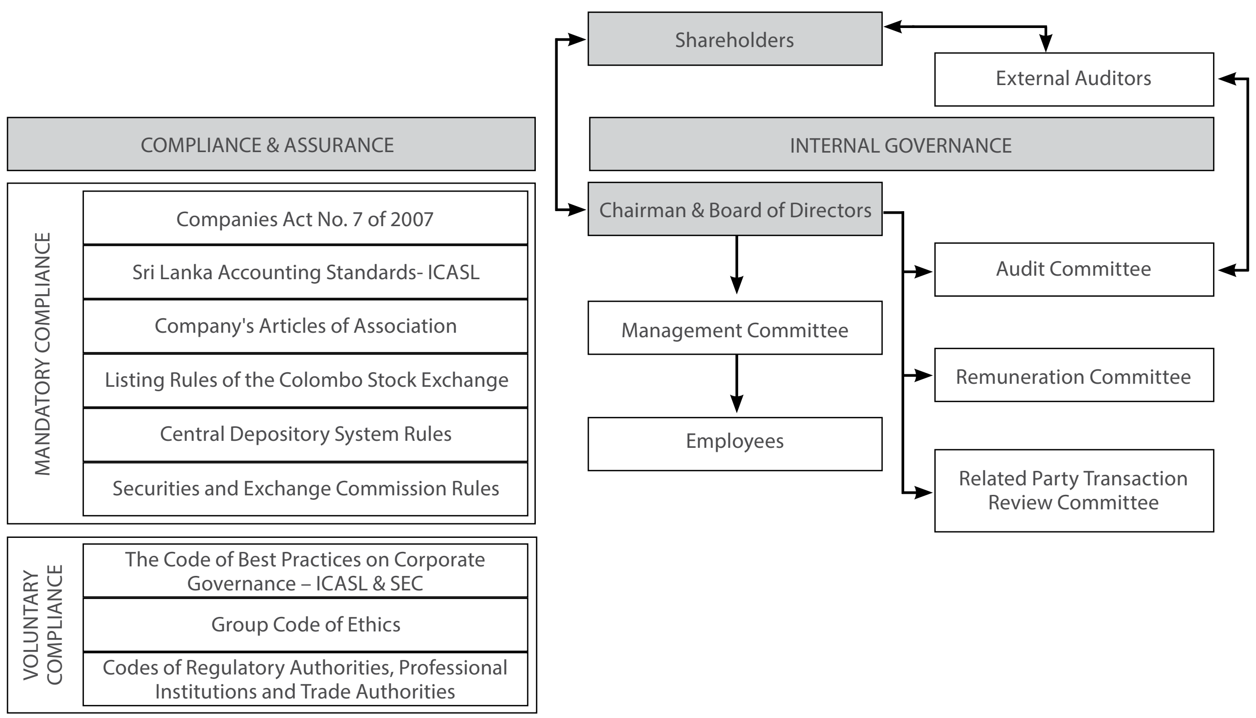
Corporate Governance

We at Elpitiya Plantations PLC are committed to business integrity, appropriately high ethical standards and professionalism in all our activities and operations. This includes a commitment to high standards in corporate governance relating in particular to appropriate systems and controls adopted at a senior level of management of the Company and operation of the Board. The bench-mark standards in this regard are set out in the Code of Best Practices on Corporate Governance ('the Code') jointly issued by the Colombo Stock Exchange (CSE) and The Institute of Chartered Accounts of Sri Lanka (ICASL).

We believe that Corporate governance is the system by which companies are directed and controlled and the purpose of corporate governance is to facilitate effective, entrepreneurial and prudent management that can deliver the long-term success of the Company.

The Board strives to ensure effective management and control of business while maintaining high level of business ethics optimizing the value for all our stakeholders. The Board is also responsible for setting the Company's strategic aims, providing leadership to put them into effect, supervising the management of the business and reporting to shareholders on their stewardship. The Board acts as trustees of its shareholders and thus plays a pivotal role in ensuring good governance in all areas concerned. The Board further ensures the compliance of the regulations set out in the Listing Rules of the Colombo Stock Exchange (CSE), the Code of Best Practices on Corporate Governance jointly issued by the Securities Exchange Commission of Sri Lanka (SEC) and the Institute of Chartered Accountants of Sri Lanka and the Companies Act No. 7 of 2007 and other Codes issued by Chambers of Commerce, Professional Institutions and Industry Associations.

This report on Corporate Governance indicates strict adherence to mandatory compliance of the Listing Rules of the CSE [Listing Rule 7.10(a)] and the voluntary compliance of the Code of Best Practices of Corporate Governance (The Code) jointly issued by ICASL and CSE.



Corporate Governance (Contd.)

Corporate Governance Code / CSE Listing Rule	Compliance	Details of Compliance

Governance Structure

SECTION 1. THE COMPANY

A. DIRECTORS

Principle A.1/ Listing Rule 7.10.3(c) - The Board

The Board consists of Chairman, Managing Director, one Executive Director and five Non-Executive Directors who represent a balanced mix of professionals with diverse knowledge and experience enabling them to discharge their duties effectively and efficiently.

As evident from the profiles of the Board Members', our Directors represent an optimal mix of professionalism, knowledge and experience which enable them to impart substantial value, knowledge and independent judgment towards decision making and providing effective leadership to the Company. The names and profiles of each Director are on pages 07and 08 of this Annual Report.

A.1.1 Board Meetings	Complied	The Board meetings are held quarterly to review the business performance of the Company. In addition to attending meetings, the Directors make decisions via circular resolutions. The meetings were convened four times during the year under review and the attendance of the Directors at the meetings were as follows:

Directors	22.09.2015	23.11.2016	07.04.2017	31.05.2017
Mr. J M S Brito	✓	✓	✓	•
Dr. R M Fernando	✓	✓	✓	✓
Mr. A L W Goonewardena	✓	✓	✓	✓
Mr. Malik J Fernando /Ms. M D A Perera (Alternate to Mr. Malik J Fernando)	✓	✓	✓	✓
Mr. Merrill J Fernando/ Mr. D T R Sosa (Alternate to Mr. Malik J Fernando)	•	•	•	✓
Dr. S A B Ekanayake	✓	✓	✓	✓
Mr. S C Ratwatte	✓	✓	✓	✓
Ms. B W G S Bogahawatte	✓	✓	•	✓

✓ Present • Excused

A.1.2 Role and Responsibility of the Board	Complied	The Board's role is to provide entrepreneurial leadership to the Company while working within the Company's framework of prudent and effective controls that enables the Company to effectively mitigate risks. In performing its duties, the Board is responsible for:

- Maximizing shareholder value.
- Formulating, communicating, implementing and monitoring the business goals, objectives, strategies and policies of the Company.
- Ensuring adherence to appropriate accounting policies and practices.
- Setting priorities and communicating values and ethical standards for Management
- Ensuring proper risk management and audit systems covering all aspects of the business are in place and implemented.
- Ensuring due compliance with applicable laws of the country and institute best practices on ethical, legal, health, environmental and safety standards for the Company.
- Reviewing and approving the Operational and Financial Budgets and monitoring performance against the Budgets.
- Reviewing and approving major investments and business proposals recommended by the Management Committee.
- Approving the annual and interim Financial Statements and recommending dividends for approval by the shareholders.
- The Board is responsible ultimately for the Company's financial performance.
- The Directors obtain independent professional advice, whenever required at the Company's expense in discharging their duties

Corporate Governance Code / CSE Listing Rule	Compliance	Details of Compliance
A.1.3 Compliance with laws of the Country and access to independent advice	Complied	The Board, in discharging its duties, seek independent professional advice from external parties where and when required at the Company's expense which enables the Directors to ensure that the Company complies with the laws and regulations of the country, as applicable, regulations of authorities, professional institutes and trade associations.
A. 1.4 Access to Information and advice from the Secretaries	Complied	All Directors have access to the Secretaries to the Company who ensure Board Procedures are followed, applicable rules and regulations are complied with and appropriate facilities are available for the proper conduct of meetings.
A. 1.5 Independent Judgement	Complied	All Directors exercise independent judgement in all matters relating to issues of strategy, performance, resources and standards of business conduct, considered by the Board and acts free from any bias and from any undue influence from other parties. Two of our Board Members Mr. Merrill J Fernando and Mr. Malik J Fernando are related to each other. However, they act in the best interest of the Company in their spirit, intention, purpose and attitude in their decision making.
A. 1.6 Board Commitment	Complied	The Board collectively and the Directors individually allocate adequate time to fulfil their duties as Directors of the Company. The Board has delegated its day to day operations of the Company to the Managing Director together with the Management Committee. Notices of Board Meetings along with the agenda and Board papers are circulated among the Directors well ahead of Board Meetings enabling the Directors to review the papers and obtain clarification needed to prepare for the meetings.
A. 1.7 Training of Directors		All Directors are encouraged to attend appropriate seminars and training programmes to enhance their business insight and professionalism in efficiently and effectively discharging their duties. The Directors are further encouraged to participate in workshops and/or seminars in the capacities as speakers, moderators or panellists in their respective areas of proficiency. The Directors are briefed on changes in laws and regulations as applicable from time to time.

Principle A. 2 Chairman and Chief Executive Officer

There is a clear distinction of responsibilities between the Chairman and the Managing Director. The functions performed by the Chairman and the Managing Director are distinct and separate, which ensures the balance of powers and authority within the Company, so that no one individual has unfettered powers for decision making.

The Chairman controls and maintains order at Board Meetings and provides the Board with strategic guidance while the Managing Director is responsible for the performance of the day-to-day operations of the Company with the support of the Management Team.

A.2.1 Clear division of responsibilities of the Chairman and the CEO	Complied	The functions of the Chairman and the Managing Director are distinct and separate which ensures the balance of power and authority within the Company so that no individual has unfettered powers of decision making.

Corporate Governance Code / CSE Listing Rule	Compliance	Details of Compliance

Principle A.3 Chairman's Role

A. 3 Chairman's Role	Complied	Our Chairman, Mr. J M S Brito is responsible for: • The effective discharge of the Board's functions. • Ensuring effective participation by the individual Directors to make their contribution on matters under consideration prior to taking decisions, • Ensuring the balance between the Executive and Non-Executive Directors is maintained and views considered and ascertained, • Ensuring that views of Directors are taken in to consideration and are ascertained, • Ensuring that the Board is in complete control of the Company's affairs and alert to its obligations to all shareholders and stakeholders.

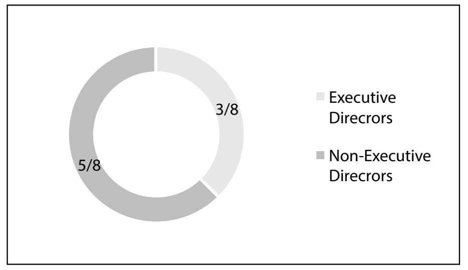
Principle A. 4Financial Acumen

A.4.1 Financial Acumen	Complied	The Chairman is a fellow member of the Institute of Chartered Accountants of London and Wales, and has a Degree in Law and a Masters Degree in Business Administration. The Board also includes another fellow member of Chartered Institute of Management Accountants, UK. Hence, the Board possesses the necessary knowledge and competence to provide guidance on matters of finance.

Principle A.5 Board Balance

As evident from the profiles of the Board Members', our Directors represent an optimal mix of professionalism, knowledge and experience which enable them to impart substantial value, knowledge and independent judgment towards decision making and providing effective leadership to the Company.

A. 5.1/ Listing Rule 7.10.1(a), 7.10.2(a), 7.10.3(a) Presence of Non-Executive Directors	Complied	The Board consists of Chairman, Managing Director, one Executive Director and five Non-Executive Directors of whom two are Independent Directors. The profiles of the Non-Executive Directors are provided on pages 07 and 08 of this Annual Report



A.5.2, A.5.3& A.5.5 / Listing Rule 7.10.2 (a-b) & 7.10.3 (a-b) Independence of Non-Executive Directors	Complied	The Board comprises of two Independent Non-Executive Directors namely, Dr. S. A. B. Ekanayake and Mr. S C Ratwatte. Our Independent Non-Executive Directors neither participate in day-to-day operations of the Company nor take part in any business dealings with the Company. This enables them to be free from any conflict of interest with the Company. The Board having considered the declarations made by the Non-Executive Directors and the criteria for independence determined that Dr. S A B Ekanayake and Mr. S C Ratwatte are Independent Directors as they conform to the relevant criterion for independence.

Corporate Governance Code / CSE Listing Rule	Compliance	Details of Compliance
A.5.4/ Listing Rule 7.10.2(b) Annual Declaration of Non-Executive Directors	Complied	Each Non-Executive Director submits a signed declaration of his independence/non-independence annually in accordance with the requirements of the relevant statutory regulations.
A.5.6 Alternate Director to a Non-Executive Director	Complied	The Alternate Directors of the Non-Executive Directors are not executives of the Company.
A.5.7/ 5.8 Requirement to appoint a "Senior Independent Director"	Not Applicable	This principle is not applicable to Elpitiya Plantations PLC as the roles of the Chairman and the CEO are distinct.
A.5.9 Chairman meeting with the Non-Executive Directors	Complied	The Chairman meets with the Non-Executive Directors as and when necessary
A.5.10 Recording of Concerns	Complied	Any concerns raised by the Directors which cannot be resolved unanimously are recorded in the Board minutes.
Principle A.6 Supply of Information		
A.6.1 Provision of appropriate and timely information	Complied	Directors are furnished with monthly reports of performance and are given appropriate information and board papers well in advance of Board Meetings to study the matters that would be discussed. This enables Board Members to actively participate at Board Meetings. Further, the Chairman ensures that all Directors are adequately briefed on issues arising at Meetings.
A.6.2 Timely circulation of Board documents	Complied	The Board is provided with appropriate information well ahead of each Board meeting providing the Directors sufficient time to review and obtain clarification if required enabling the active and effective participation of each Board member.
Principle A.7 Appointment to the Board		
A.7.3/ 7.10.3(d) Appointment of a new Director	Complied	The Articles of Association of the Company empowers the Board of Directors to either fill a casual vacancy to the directorate or appoint additional Directors. A formal and transparent procedure is adopted for the appointment of Directors to the Board. Upon the appointment of a Director, the Company discloses same to the Colombo Stock Exchange together with a brief resume of such a Director containing the nature of his expertise, other directorships held, memberships in Board Committees and the nature of the appointment.

Corporate Governance Code / CSE Listing Rule	Compliance	Details of Compliance
Principle A.8 Re-Election		
A.8.1 & A.8.2 Re-election of Directors including Chairman	Complied	All newly appointed Directors hold office until the next Annual General Meeting at which they are eligible for election. Further, the Articles require one-third of the Directors in office to retire at each Annual General Meeting. The Directors to retire each year are those who have been longest in office since their last re-appointment. Retiring Directors are eligible for re-election by the shareholders with the exception of the Managing Director and the Director nominated by the Secretary to the Treasury who do not retire by rotation.
Principle A.9 Appraisal of Board performance		
A.9.1, A.9.2, A.9.3 Appraisals of the Board and the sub-committees	Complied	Assessment of the performance of the Board, its sub-committees and individual Directors is an integral part and takes place annually on a self-appraisal basis.
Principle A.10 Disclosure of information in respect of Directors		
A.10.1/ 7.10.3 (c-d) Directors' disclosures	Complied	The names of the members of the Board and their profiles are disclosed on pages 07 and 08 of this Annual Report. Directors' interests in transactions are disclosed in Note 33 and the number of Board meetings attended by the Directors is given on page 17 of this Annual Report. The names of the Chairmen and the members of the Board Sub-Committees are provided in the respective reports and in the Corporate information on page 106 of this Annual Report.
Principle A.11 Appraisal of the Chief Executive Officer		
A.11.1& A.11.2 Setting of the annual targets and the appraisal of the CEO/MD	Complied	The Board in consultation with the Managing Director, reviews and approves the operational and financial budgets and monitors the performance at each Board meeting. The evaluation of performance is conducted bi-annually to ascertain if the targets set by the Board are been achieved. If such targets are not met, the Board ascertains whether the failure to meet such targets were reasonable under the provided circumstances.
B. DIRECTORS REMUNERATION		
Principle B.1/ 7.10.5 Remuneration Procedure		
B.1.1, B.1.2 & B.1.3. 7.10.5(a) 7.10.5(b) Establishment of a Remuneration Committee and its composition	Complied	The Remuneration Committee which is a sub-committee of the Board is entrusted with the responsibility of formulating and reviewing the remuneration packages of Executive Directors and Executive employees. The evaluation of performance is conducted annually and bi-annually. The names of the members of the Remuneration Committee are listed on page 13 of this Annual Report.
B.1.4 Determination of the remuneration of the Non-Executive Directors including the Remuneration Committee	Complied	The Board determines the fees and expenses payable to the Non-Executive Directors in accordance with the Articles of Association of the Company.

Corporate Governance Code / CSE Listing Rule	Compliance	Details of Compliance
B.1.5 Consultation with the Chairman and the CEO	Complied	The Remuneration Committee consults the Chairman and the Managing Director pertaining to the remuneration proposals to the Executive Directors and the Management Committee. No Director is involved in determining his/her own remuneration.
Principle B.2 Level and Make up of Remuneration		
B.2.1, B.2.1 & B.2.3 Level and makeup of the remuneration of Directors and comparison of remuneration with other companies	Complied	The Board has entrusted the evaluation of the performance of the Managing Director, the Executive Director and the individual and collective performance of the Directors, to the Remuneration Committee. The Committee strives to structure remuneration packages to attract, motivate and retain Directors and the senior management and the remuneration packages are based on the cost of living, inflation rates, comparative industry norms and the contribution of each Director.
B.2.4 Performance based Remuneration	Complied	Bonus and salary increments of the Executive Directors and the senior management are based upon the achievement of the goals and targets set by the Company and the Board has vested its authority to evaluate performance of the Executive Directors and the senior management to the Remuneration Committee.
B.2.5 Executive Share Option Schemes	Not Applicable	During the year under review no share option schemes were made available to the employees.
B.2.6 Designing of performance-related Remuneration	Complied	The Remuneration policy of the Company is set out in the Remuneration Committee Report on Page 13 of this Annual Report
B.2.7 & B.2.8 Early Termination of Directors	Complied	The remuneration of Directors in the event of early termination is determined by the Remuneration Committee.
B.2.9 Remuneration of Non-Executive Directors	Complied	The Board determines the remuneration of the Non-Executive Directors in accordance with the Articles of Association of the company. Fees and reimbursable expenses of the Non-Executive Directors are based upon the contribution and service rendered by each Non-Executive Director at the Board and committee meetings. Further, Non-Executive Directors receive a fee for their participation in meetings.
Principle B.3/7.10.5(c) Disclosure of Remuneration		
B.3.1 Disclosure of remuneration	Complied	The Remuneration Committee Report is given on page 13 includes the names of the members of the Remuneration Committee. Note 09 to the financial statements provides details of remuneration paid to the Board of Directors and the Key Management Personnel.

Corporate Governance Code / CSE Listing Rule	Compliance	Details of Compliance
C. RELATIONS WITH SHAREHOLDERS		
C.1 Constructive use of the Annual General Meeting		
C.1.1 & C.1.5 Use of Proxy and procedures governing voting	Complied	A Form of Proxy with instructions for completion is forwarded to the shareholders with the Annual Report of the Company. Upon receiving the proxies from the shareholders, they are categorised according to instructions given by each shareholder, unless otherwise specified, the proxy holder is deemed to have been authorized by the shareholder to cast their votes for any resolution at the Annual General Meeting. Proxy summary is tabulated accordingly and are given to the Chairman and the Managing Director prior to the Annual General Meeting. In the event appropriate numbers of shareholders give their intimation in writing for a poll, procedure involved on voting is circulated. In the absence of a poll, all resolutions are passed by way of show of hands.
C.1.2 Separate resolution for substantially separate issues	Complied	Separate resolutions are proposed for all substantially separate issues to provide the shareholders to deal with each resolution separately. This promotes better stewardship while assuring transparency in all activities of the Company.
C.1.3 Chairmen of Sub-Committees to be present at the Annual General Meeting	Complied	The Chairmen of the Board Sub-Committees are present at the Annual General Meetings to answer any questions of Shareholders directed to them by the Chairman of the Company.
Principle C.2 Communication with shareholders		
C.2.1, C.2.2 & C.2.3 Effective Communication with shareholders	Complied	The Company encourages effective communication with the shareholders and responds to queries and concerns of shareholders through the Company Secretaries and the Registrars of the Company.
C.2.4 & C.2.6 Contact person in relation to shareholders' matters	Complied	Matters in relation to shareholders could be directed to the Company Secretaries and/or Registrars.
C.2.5 & c.2.7 Process to make Directors aware of the issues and concerns of Shareholders	Complied	The Company Secretaries maintain a record of all correspondence received and deliver such correspondence to the Board or to individual Directors as applicable. Upon receiving such correspondence, the Directors collectively or individually, as applicable, generate appropriate response to all validly received shareholder correspondence and will deliver such response through the Company Secretaries/ Registrars.
Principle C.3 Major and Material Transactions		
C.3.1 Disclosure of major Transactions	Complied	There were no major transactions during the year under review which materially altered the Company's net asset base or the consolidated Group's net asset base.

Corporate Governance Code / CSE Listing Rule	Compliance	Details of Compliance
D.1.1 Board responsibility to present the financial statements	Complied	The Board of Directors confirm that the financial statements of the Company and its subsidiaries have been prepared in accordance with the provisions of the Companies Act No. 7 of 2007, the Sri Lanka Financial Reporting Standards/ Sri Lanka Accounting Standards and the Listing Rules of the Colombo Stock Exchange. The Company has duly complied with all the relevant laws and reporting requirements of the regulatory authorities. Further, the consolidated financial statements statements and the financial statements of the Company were audited by Messrs Ernst and Young, Chartered Accountants.

D. ACCOUNTABILITY AND AUDIT

D.1 Financial Reporting

Corporate Governance Code / CSE Listing Rule	Compliance	Details of Compliance
D.1.2 Annual Report of the Board of Directors	Complied	The Annual Report of the Board of Directors is given on Pages 09 to 11 on this Annual Report
D.1.3 Statement by the directors and the Auditors	Complied	The Statement of Directors' Responsibilities for the Financial Statements is available on page 40 and the Independent Auditors' Report on the Financial Statements is presented on page 41 of this Annual Report.
D.1.4 Management Discussion and Analysis	Complied	The Management Discussion and Analysis is given on Chairman's and Manging Directors Report in this Annual Report.
D.1.5 Declaration by the Board as to whether the business is a going concern	Complied	The declaration pertaining as to whether the business is a going concern is given on page 10 of this Annual Report
D.1.6 Requirement for and Extraordinary General Meeting in a situation of serious loss of capital	Not Applicable	This is not applicable to the Company. However, if such situation arises, an Extraordinary General Meeting would be called upon and the shareholders would be notified accordingly.
D.1.7 Disclosure of related party transactions	Complied	The Directors disclose their interest in transactions in companies on an as and when basis. However, they make disclosures of their interest in transactions with the Company in compliance with the requirements of the Companies Act No. 7 of 2007, Section 9 of the Listing Rules and other relevant statutory requirements. The Company maintains an Interest Register as stipulated in the Companies Act. The Report of the Related Party Transactions Review Committee is given on page 14 of this Annual Report.

Corporate Governance Code / CSE Listing Rule	Compliance	Details of Compliance

Principle D.2 Internal Control

Corporate Governance Code / CSE Listing Rule	Compliance	Details of Compliance
D.2.1 & D.2.4 Directors to maintain and review a sound system of Internal Controls	Complied	The Board is responsible for formulating and implementing appropriate systems of internal controls and regularly assessing its effectiveness. The Board and the Audit Committee has entrusted the group internal audit division of Aitken Spence PLC to assist in carrying out the above task. The Board is aware that any internal control system has its inherent limitations and has taken appropriate steps to mitigate such limitations. The Directors' responsibility for maintaining a sound system of internal control is given in the Board of Directors' Statement of Internal Control on page 15 of this Annul Report
D.2.2 Internal Audit	Complied	Aitken Spence Group's internal audit division carries out the Company's internal audit function. The internal audit division carries out regular audits in the estates as well as the head office and submits quarterly reports to the Audit Committee on the findings.
D.2.3 Risk Management and Internal Controls	Complied	The internal audit division carries out regular reviews on the internal control system including internal control over financial reporting. The Audit Committee monitors, reviews and evaluates the effectiveness of the internal control system as well as the internal controls over financial reporting.

Principle D.3/ 7.10.6 Audit Committee

Corporate Governance Code / CSE Listing Rule	Compliance	Details of Compliance
D.3.1 & D.3.2/ 7.10.6 (a) & 7.10.3(b) Composition of the Audit Committee and the Duties	Complied	The Audit Committee is composed of three Non-Executive Directors of whom two are Independent. Dr. S. A. B. Ekanayake who chairs the Committee and Mr. S C Ratwatte who is a Fellow of the Chartered Institute of Management Accountants, UK are Independent Non-Executive Directors and Mr. Malik J Fernando is a Non-Executive Director. The main purpose of the Audit Committee is to assist the Board in the oversight of the effective discharge of its responsibilities on financial reporting, risk management and internal control. It assists the Board in monitoring compliance with applicable laws and regulations of the applicable statutory bodies. The Committee plays a pivotal role in reviewing the effectiveness of the internal control system and to ensure the balance among objectivity, independence and value for money of the service provided by the Company's Auditors with special attention for the provision of non-audit services by the Auditor.
D.3.3 / 7.10.6(b) Terms of Reference for Audit Committee	Complied	The Audit Committee assists the Board inter alia in discharging the financial reporting, ensuring the accuracy of the financial statements, evaluates the performance of the external Auditors and makes appropriate recommendations to the Board on their re-appointment or removal which is subjected to the approval of the shareholders at the Annual General Meeting.
D.3.4/ 7.10.6(B) Disclosure of the names of the members of the Audit Committee	Complied	The names of the members of the Audit Committee is disclosed in the Audit Committee Report on page 12 of this Annual Report
D.4.2 Affirmation of the code of conduct and ethics	Complied	The Chairman affirms that there has not been any violation of any of the provisions of the Code of Ethics. Please refer the Board of Directors' Statement on Internal controls on page 15 of this report.

Corporate Governance Code / CSE Listing Rule	Compliance	Details of Compliance
Principle D.5 Corporate Governance Disclosures		
D.5.1 Disclosures of Corporate Governance	Complied	The Company aims to achieve greater growth and value creation, improve stakeholder satisfaction and relationships in all business activities while adhering to the highest standards of corporate governance as evident in this report from pages 16 to 26.

SECTION 2. SHAREHOLDERS
E. INSTITUTIONAL INVESTORS

E.1 Shareholder Voting

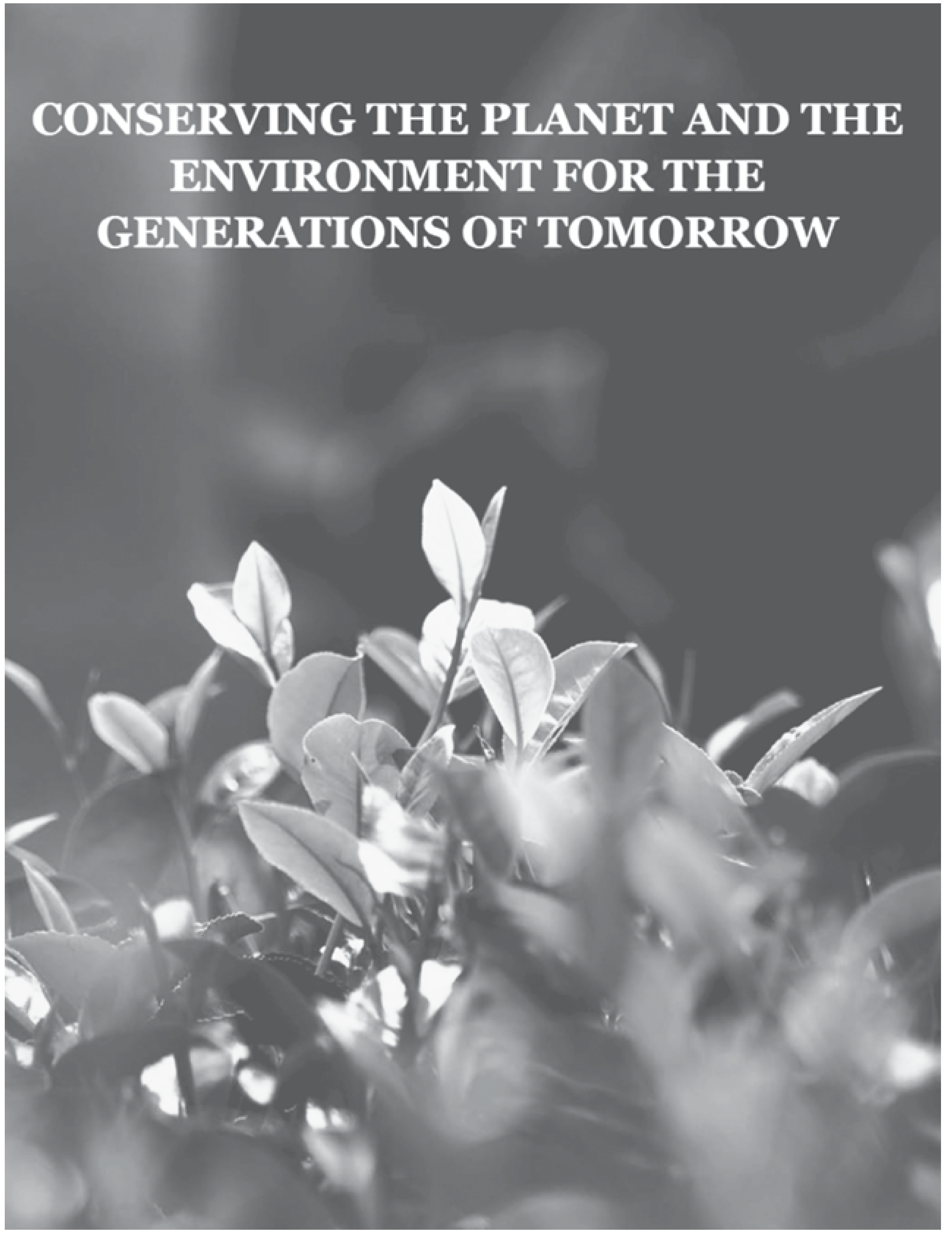
The institutional shareholders are provided with the opportunity to execute their responsibility to make considered use of their votes and are encouraged to cast their vote at the Annual General Meetings.

E.1.1 Holding regular structured dialogue with shareholders	Complied	The Institutional Shareholders are provided with the opportunity of holding discussions with the Company. The existing and prospective investors are provided with a balanced, comprehensive report that enable them to make well-informed decisions in their dealings with the Company. The shareholders are provided with and encouraged to discuss, raise questions, seek clarifications on relevant matters with the Chairman and the Board of Directors at the Annual General Meeting and they are free to informally meet the Directors at the conclusion of the general meetings.
Principle E.2 Evaluation of Governance Disclosures		
E.2.1 Encouraging investors to give due weight to all relevant factors	Complied	The Annual Report as well as the Interim Financial Statements which are readily available on the Colombo Stock Exchange website and the Company's website provide sufficient information so that the investors could make well-informed decisions and the Company encourages the investors to give due weight to all relevant factors drawn to them in evaluating Company's governance arrangements in respect of the Board structure and its composition.

F. OTHER INVESTORS

Principle F.1 Investing/ Divesting Decisions		
F.1 Investing and Divesting Decisions	Complied	The Company encourages individual shareholders to carry out adequate analysis or seek independent advice in making investing or divesting decisions.
Principle F.2 Shareholder Voting		
F.2 Shareholder voting	Complied	All individual shareholders are encouraged to actively participate and take part in their voting rights at general meetings. The Annual General Meetings provide the platform for shareholders to seek clarifications, voice their opinion, raise questions on the performance of the Company and to meet the Directors informally at the conclusion of the meeting.

Corporate Sustainability Report



Redefining the Mission of SustainabiliTEA

At Elpitiya Plantations PLC (EPP), it has been our constant commitment to work for upliftment of the plantation communities, whilst preserving the surrounding environment at its best. We have always attempted to achieve this by taking steps on improving the living standards of the estate community, enabling livelihood opportunities, continuous improvement of the environment and taking Energy Efficiency Measures [EEMs]. We believe that it is the blend of these endeavours that make our business becomes better and better.

Our Sustainability Policy is based on our commitment to integrate environmental, social, and ethical principles and values into our business. We aim to improve the quality of life of the communities, thereby enhancing long-term value for our stakeholders.

Our sustainability programmes are largely based on six pillars which are defined in line with Global SDGs; [SDG06] Clean Water and Sanitation - to irrigate 25% of the Tea and Oil Palm land area, [SDG07] Renewable Energy - to be self-sufficient on energy, [SDG08] Good Jobs and Economic Growth - reach 100% employment from locally, [SDG09] Innovation and Infrastructure - towards intelligent agriculture, [SDG15] Life on Land - use of GIS applications to ensure productive use of the entire land extent and [SDG17] Partnerships - gain the competitive advantage through Sustainable Strategic Partnerships. This is an apex policy that incorporates all relevant elements of strategic management, sustainability, good governance, corporate social responsibility and diversification.

EPP ranked No 01 among all the 22 regional plantation companies in Sri Lanka in FY 2014/2015 and ranked No 02 during the last two financial years i.e. FY (2015/2016) and FY 2016/2017 in terms of financial profitability. These achievements highlight the progress made towards the growth of the company. Over the past few years, we managed to partner with several government institutes, NGOs and with International Institutes. Ministry of Plantation Industries, Ministry of Power & Renewable Energy Sri Lanka, Plantation Human Development Trust (PHDT), Save the Children Organization, Asian Development Bank (ADB), United Nation Development Programme (UNDP), United Nations Global Compact (UNGC), International Institute of Development Training (IIDT) to name a few. The objective is to advance the sustainability initiatives and also to maintain good living standards among the plantation community.

We believe that "right to protect the environment we operate" is a fundamental part of our duties. Thus, a colossal amount of money and significant efforts have been put into action during the past years.

Sustainable Energy Generation

- ***First Ever Solar PV Roof System in the Plantation Sector in Sri Lanka - New Peacock Estate.***

In furthering the commitment towards sustainability initiatives in its operations, EPP commissioned the first ever Solar PV roof system in the plantation sector in Sri Lanka at New Peacock Tea Factory in Pussellawa region. The total project cost was Rs. 14.4 million, and 30% of this amount was funded by the Asian Development Bank as a grant under "Cleaner Energy & Networking Efficiency Improvement Project", to generate renewable solar energy and contribute to the national grid in the form of "NetPlus" scheme, introduced by the Ministry of Power & Renewable Energy Sri Lanka. EPP has engaged in power generation and has grown its alternative energy generation activities significantly over the last decade.

This solar PV roof system of 88kW was successfully commissioned on the 28th of April 2017, and it is expected to generate 123,000kWh units per annum of Green Energy to the National Grid of Sri Lanka.

Diverse into Technology

Factory and Process Development

- ***Nayapane to become a single origin blend in the future***

Among the many renowned and booming estates in EPP, Nayapane could be identified as one of the leading producers and the first ever tea factory in Sri Lanka to be certified for ISO 9001 in 1999. EPP has embarked on a large-scale factory development programme from 2013, investing over Rs. 65 Mn in new technology and machinery. It has helped Nayapane tea factory to increase the annual production of tea from 500,000Kgs to 740,000Kgs. The factory now caters to a large number of small holder's in the neighbouring community to improve their livelihood.

With the new technology in hand EPP has engaged into direct exports of tea to China and other countries with the aim of promoting Nayapane as a single origin blend in the future. The last phase of the programme is now in progress which includes a Solar PV roof system, monorail leaf handling system and some critical automation of process steps that will further improve the hygienic conditions of the products.

Information and Communication Technology [ICT] - 1st Online, Web Based Software Solution for Plantation Industry

plantERM

productivity gains thru' improved process efficiencies

During last few years, ICT has been given one of the key concerned areas of EPP in its business operations. Especially introducing an Enterprise Resource Planning (ERP) solution, cloud based e-Archiving, e-Marketing, effective use of BI Tools, CCTV operated critical business operation areas. Geographic Information System (GIS) based Land use Mapping tools etc. This continuous development in using technology helps significantly to improve its business operations in a competitive environment.

'PlantERM', the first online, web based software solution developed for the plantation industry in Sri Lanka, which had been implemented at EPP's estates successfully. This was developed by Aitken Spence Technologies, a subsidiary of Aitken Spence Group. Also, this product is linked with a full scaled, automated Business Intelligent (BI) tool to cater the Key Performance Indicator (KPI) requirement to take quick and accurate decisions on-time. Cloud data accessibility and availability has enabled faster access to data sources at any time and also helped a lot to be present at the level today we are in.

All possible efforts have been made to take the data entering point to the actual data capturing level i.e. field level. Number of barriers such as knowledge gaps, technical issues and acceptability were faced while achieving the task. These untiring efforts have allowed us to deliver right information to right hands at the right time on right device to take the correct decisions towards the success.

Rainwater Harvesting (RwH) & Waste Management efforts and results –

Rainwater Harvesting Initiatives

Estate name	Division	No of RwH Pits	Aprox. Capacity in Liters
Dunsinane	Factory	1	20,000
	North	2	2,500 / 2,000
Sheen	U. Sheen	2	15,000 / 8,000
Fernlands	Kaipoogala	2	7,000 / 9,000
Meddecombra	All 7 divisions	15	Total volume 25,000
	Top	Newly built tank	20,000,000
New Peacock	NP	Existing tank	10,000,000
	OP- Existing tank	1	10,000
Nayapane	Lower	2	15,000 / 2,000,000
	Lower	Existing tank	4,000,000
Talgaswella	North	1	20,000
	Gallinda	2	5,000 & 6,000
Gulugahakanda	Citrus	4	16,000
Lelwala	Upper	1	10,000
	Lower	1	6,000
	Panwila	1	5,000
	Gurubebila	1	5,000
Devitura	Igalkanda	1	30,000
	Kirimetiya	1	12,000
Bentota	Lenora	1	40,000
Elpitiya	Kithulvitigala	1	15,000
	Giragoda	1	7,000
	Nagahatenna	1	10,000

Waste Management Initiatives

Challenging tasks have been considered and mitigative actions are been implemented to manage the waste generation in plantations. As a result the preparation of compost in all 13 estates / provision of waste segregation bins/conduct of awareness and educational programmes for the estate community/ introduction of waste water tanks for estate employee's housings/ display of sign boards in public places with the view of creating more awareness/ construction of factory waste water treatment units with solid waste traps/ introduction of polythene free zones inside the estate/ provision of bio degradable shopping bags for the estate community daily use/ introduction of empty chemical cans policy (the empty chemical cans will not be issued for any reuse purpose among the estate community, it will be sold to Government authorized waste collectors to dissolve)/ construction of E-waste points and hazardous waste points were initiated across the plantations.

Build Better Before

– ***Tree Growing Campaign***

To mark "World Environment Day" 2017, Aitken Spence together with Elpitiya Plantations PLC, launched the 'Build Better Before' campaign with the combined intentions of adding to the forest cover to act as a carbon sink, and to prevent soil erosion and also to educate employees on the importance of adopting a proactive approach to climate change mitigation and adaptation.

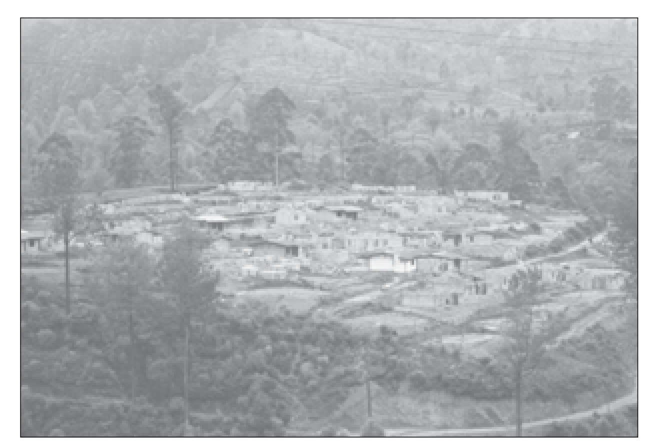
Hence, we launched a tree growing campaign to cultivate buffer zones in the estates at our Plantations. Buffer zones are areas created to enhance the protection of a specific conservation area or a vulnerable area, mostly peripheral to it, and is often associated with benefits such as protecting water quality and reducing soil erosion. What we hope to signify by including employees to sponsor at least a single sapling is that all it takes is one small effort to create a change that could benefit entire communities, and it is this thought that we want to drive in our campaign.

Our goal is to add a total of 6000 plants to the green cover by engaging in a tree sponsorship programme. The programme conducted from 05th June 2017 till the 20th of July 2017.

Environmental Certifications – Rainforest Alliance Certification was renewed for all the 06 estates in the up and mid country regions.

Corporate Social Responsibilities

The WASSIP project is funded by the World Bank in order to improve the sanitation and water for every worker house in the Dunsinane estate. The project has already commenced and 697 latrines are being constructed at the initial stage. Entire estate population and the neighboring villages are benefited.



404 units of worker housings funded by the Indian Government is already initiated and the land has been blocked out. Estimated cost for a single housing unit is Rs. 1.2Mn. (Project cost Rs. 484 Mn). 140 number of houses are at the completion stage in the factory division of the Dunsinane Estate.

PDHT along with Plantation Ministry and the Sri Lankan (SL) Government has funded 30 units of worker housings for Sheen Estate and the project is already completed and the opening ceremony took place on the 12th of February 2017. The cost of a housing unit was Rs. 650,000.00 and the total project cost is estimated for Rs. 19.5Mn.

89 units of worker latrines are approved by the World Bank for the Sheen Estate for the improvement of the living standards and the sanitation of the workers. The project is at its mobilization stage. An estimated sum of Rs. 40,000.00 allocated for a single latrine and the total project cost would be Rs. 3.5Mn.

Two water projects and 35 units of worker housing have been approved for the Sheen Estate and is in the construction stage. The two projects are funded by the Plantation Ministry and the PHDT at a cost of over Rs. 38 Mn.

Fernlands Estate has taken a unique approach in terms of the community engagement of the estate. The estate is jointly working with the "World Challenge" programme initiated in the United Kingdom and so far, five teams representing many countries have visited the estate and conducted several community engagement activities in the estate school and also for the workers' children.

Meddecombra estate was funded with a housing project of 23 units by the PHDT and the Sri Lanka Government. Each housing unit is estimated for a cost of Rs. 645,000.00 and the total project cost would be Rs. 14.8Mn. The project is already completed.

Apart from the housing project, Meddecombra estate is funded for a project to reconstruct and desilting of a lake to provide water and inland fisheries for the estate population and the neighbouring villages. The 1st phase of the project is already completed and the initial cost is estimated for a sum of Rs. 13Mn.

Meddecombra Estate has engaged in estate road development programmes and has constructed 1.25Km in total length at a cost of Rs. 3.85Mn.

Nayapane Estate has also been funded by the World Bank to renovate and develop the upper division child development center at a total cost of Rs. 6.5Mn. The project is already initiated and over 450 estate workers and their families benefited.

New Peacock estate has conducted a reroofing project for 22 Housings with the aid of PHDT at a cost of Rs. 1Mn.

Deviturai Estate in collaboration with the Save The Children organization has moved into the 2nd phase of the "safe environment for estate Mothers and Childs" project and constructed 15 new latrines for the estates community and renovated a child development center at a cost of Rs. 3Mn.

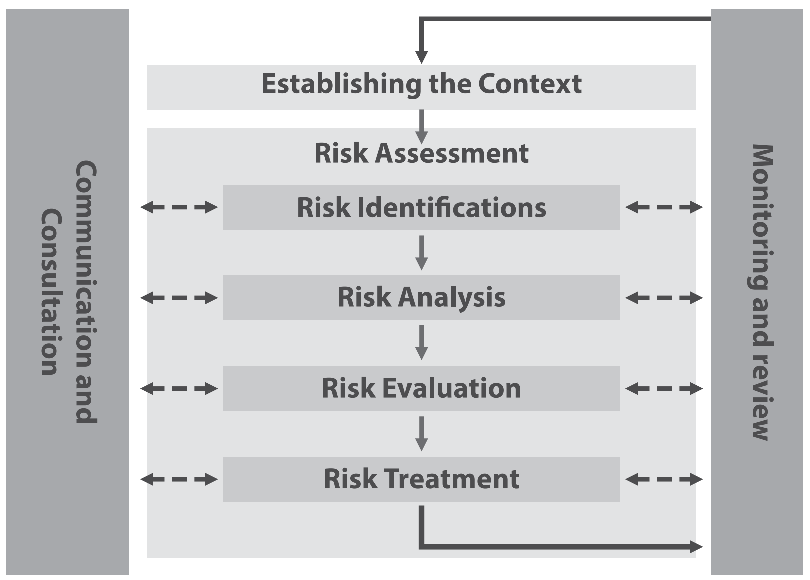
Talgaswella Estate is currently in process of introducing one of a kind project in the estate which will help the estate children and also the youth to improve their knowledge and reading capacities. The project is to develop a library using an unmotorable double decker bus. Currently the estate is looking for more book donations for the library and is expected to open it for the estate community in the very near future.

Risk Management

Risk management is a process designed in a manner to identify potential events that may affect the Company and manage such events to provide reasonable assurance on the achievement of Company's objectives.

Risk is an uncertain event that may have an impact on the objectives of the Company. Therefore, it is important to understand the objectives of the Company prior to attempting to analyses the risks.

The business risks of the Company are affected by number of factors, not all of which are within the Company's control. The externally driven challenges, together with general business risk exposures such as corporate reputation, security, environment, health and safety issues, and product quality and information technology are constantly reviewed as part of our Enterprise Risk Management Process.



The selection of key objectives within the business should be driven by an evaluation of the external and internal factors that may currently impact the Company. A review of both the external and internal contexts at the commencement of the risk assessment planning plays a vital role in developing an effective risk management process.

Risk Appetite

Risk appetite is the level of risk we are willing to take in order to execute a strategy. Following table describe the level of risk and respective treatment available in the risk management process.

Risk Level	Risk Treatment	Risk Response
Low	**Acceptable** Unlikely to require specific application of resources; Manage by routine procedures.	Monitor and review.
Moderate	**Acceptable** Unlikely to cause much damage and/or threaten the efficiency and effectiveness of the program/activity. Treatment plans to be developed and implemented by operational managers.	Manage by specific monitoring or response procedures.
High	**Generally not acceptable.** Likely to cause some damage, disruption or breach of controls.	Senior management attention needed and management responsibility specified. Treatment plans to be developed and reported.

Risk Management (Contd.)

Risk Treatment

Risk treatment involves developing a range of options for mitigating the risk, assessing those options, and then preparing and implementing action plans. The highest rated risks should be addressed as a matter of urgency.

Depending on the type and nature of the risk, the following options are available for the company.

- Accept the risk – Making an informed decision that the risk rating is at an acceptable level or that the cost of the treatment outweighs the benefit.
- Share - Implementing a strategy that shares or transfers the risk to another party or parties, such as outsourcing the management of physical assets, developing contracts with service providers or insuring against the risk.
- Control - Implementing a strategy that is designed to reduce the likelihood or consequence of the risk to an acceptable level.
- Mitigate and Control - Deciding not to proceed with the activity that introduced the unacceptable risk, choosing an alternative more acceptable activity that meets business objectives, or choosing an alternative less risky approach or process.

Risk Assessment

Strategic Risk - A possible source of loss that might arise from the pursuit of an unsuccessful business.

Business Risk → Moderate Risk → Control

➢ Risks that derive from the decisions that the board takes about the products or services that the organization supplies. They include risks associated with developing and marketing those products or services, economic risks affecting product sales and costs, and risks arising from changes.

❖ Risk of formulating and implementing fundamental corporate strategies which is defective or inappropriate to the company's business.

• Board of directors continuously obtain and evaluate all the information on how the business is performing and relevant aspects of the economical, technological environments.

Non Business Risk → Moderate Risk → Control

➢ Risks that do not derive from the products or services supplied. For example, risks associated with the long-term sources of finance used.

❖ In appropriate capital investments financing decisions would dilute the earnings available to shareholders.

• All corporate planning strategies, such as acquisitions, business diversifications, going into markets, capital investments, are strongly evaluate by the board of directors with reference to the financial viability and long-term objectives set by the company.

➢ Risk Identification ❖ Risk Assessment • Risk Management

Risk Management (Contd.)

Operational Risk - Operational risk is defined as the risk of loss resulting from inadequate or failed processes, people and systems or from external events.

Risk of Adverse Climatic Change → High Risk → Mitigate and Control

- ➢ Adverse weather conditions may affect the productivity of crops.
- ❖ Lower yield from harvesting areas and lower quality of the harvested products which will affect the product price and profitability of the company.
- • The Company adopts best agricultural practices, planting of selected cultivars in order to mitigate loss of crop due to unfavorable climatic changes. In addition, various research programs on soil & foliar analysis for fertilizer recommendations, shade-planting, fuel wood planting, pest & disease control, etc. are carried out together with the Tea and Rubber Research Institutes.

Product Quality Risk → Moderate Risk → Share

- ➢ Risk of inability to maintain consistency in quality of the product which causes low prices and poor demand.
- ❖ Lower quality products will reduce the bargaining power of the company and will cause demand losses.
- • Nayapane, New Peacock , Dunsinane Tea Factories located in Up & Mid Country Regions and Deviturai , Talgaswella Tea Factories located in Low Country Region have obtained ISO 22000 Food Safety Certification.
- • The Marketing Division is in close contact with all Estate Managers ensuring that product quality is maintained at the highest levels on a consistent basis and maintains a regular dialogue with the buyers and brokers
- • The HR Division is providing ongoing training to all sectors such as Field Workers, Factory Workers and Executives on the aspects of the quality and adopting TQM procedures.

Human Capital and Labour Risk → High Risk → Mitigate and Control

- ➢ Risks arising from the inability to attract, motivate and retain skilled and experienced staff.
- ➢ Risk of increased production costs due wage increases which does not lead to productivity increase.
- ❖ As the industry is highly labour intensive and unionized low productivity, work stoppages, go slows, strikes, etc. would adversely affect the overall performance of the Company.
- • A Collective Agreement has been signed between the Trade Unions and the Employer's Federation of which the Company is a member. This ensures industrial peace between the Managements and Trade Unions.
- • Effective training and motivations programs, incentive schemes, close evaluations of employee performance to retain skilled human capital within the company.

➢ Risk Identification ❖ Risk Assessment • Risk Management

Risk Management (Contd.)

Risk of Assets Misappropriation → Moderate Risk → Control

- ➢ Risk of being stealing or misuse of company's assets.
- ❖ Company's assets can be used for purposes other than the purposes for which those are intended to be used.
- • Establishment and maintenance of strong and effective internal control system to safeguard company's assets and shareholder's funds.

Compliance Risk → High Risk → Mitigate and Control

- ➢ Risk of non-compliance with the laws and other regulations established in respective industries.
- ❖ Non-compliance with laws and regulations would lead to cause of operations, loss of reputations and Brand names, huge fines and penalties.
- • Close relationship with regulatory authorities and in-house legal consultants and strong evaluation of dealing with elements of external environment.

Financial Risk - The probability of loss inherent in financing methods which may impair the ability to provide adequate return.

Liquidity Risk → Low Risk → Accept

- ➢ Liquidity risk arises where the company is unable to meet its debts when they fall due.
- ❖ Insufficient liquidity levels would cause interruptions to company's day to day operations and would affect the reputation maintains with Company's short-term fund providers.
- • Finance division of the Company strives to ensure sufficient funds are available to meet the debt commitments and working capital requirements. Adequate short-term financing options have been arranged with the banks.

Interest Rate Risk → Moderate Risk → Control

- ➢ Risk arises from actual interest rate fluctuations or deviations from the expected interest rates.
- ❖ Higher interest rates would affect the profits available for shareholders, and will increase risk associated with their investments.
- • Maximum utilization of concessionary loans facilities available to plantation companies.
- • Maintain balanced loan portfolio which ensure an adequate level of mixing of variable rates and fixed rates loans with different maturity periods.

➢ Risk Identification ❖ Risk Assessment • Risk Management

Management Team

Head Office

Left to right (Sitting) - Mr A Segarajasingam (General Manager – Marketing), Mr B Bulumulla (Chief Executive Officer), Mr A L W Goonewardena (Executive Director) & Mr M I Izzadeen (General Manager)

Left to right (Standing) - Mr K J J B Olagama (Manager – Finance), Mr J A R Nissanka (General Manager – Finance), Mr L D N G Nanayakkara (Deputy General Manager – Legal & Admn.), Mr M D Jayashantha (Manager – Core Business Projects), Mr P S Dissanayake (General Manager – Engineering & Projects/BSD) & Mr K W B T Pradeep (Manager – Engineering & Projects)

Estates

Up Country – Cluster I

Left to right – Mr U A E Gunasena, Manager – Dunsinane Estate, Mr R K Gunasekera, Deputy General Manager – Fernlands Estate, Mr L M C P Liyadipita, Manager – Meddecombra Estate & D A U A Baddevithana, Manager – Sheen Estate

Management Team (Contd.)

Up Country – Cluster II

Left to right – Mr K R Mathavan, Senior Manager – Nayapane Estate
Mr S K S B Pahathkumbura, Senior General Manager – New Peacock Estate.

Low Country

Left to right – Mr W R S Weerasinghe, Manager – Lelwala Estate, Mr R B S Douglas, Senior Manager – Elpitiya Estate, Mr R R Vanderputt, Deputy Manager – Gulugahakande Estate, Mr A G Geethkumara, Senior General Manager – Low Country, Mr U A Karunanayake, Manager – Deviturai Estate, Mr P D W Vithanage, Senior Manager – Bentota Estate & Mr N T Dandeniya, Manager – Ketandola Estate

Statement of Directors' Responsibilities

The Companies Act No.7 of 2007 requires the Directors of the Company to be responsible for the preparation and presentation of the Financial Statements and other statutory reports. The responsibilities of the Directors, in relation to the Financial Statements of Elpitiya Plantations PLC and the Consolidated Financial Statements of the Group are set out in this report.

The Directors confirm that the Financial Statements and other statutory reports of the Company and its subsidiaries for the year ended 31st March 2017 incorporated in this report have been prepared in accordance with the Companies Act No. 7 of 2007, the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and the Listing Rules of the Colombo Stock Exchange.

The Directors have taken appropriate steps to ensure that the companies within the Group maintain adequate and accurate records which reflect the true financial position of each such company and hence the Group. The Directors have taken appropriate and reasonable steps to safeguard the assets of the Company and the Group. The Directors have instituted appropriate systems of internal control in order to minimise and detect fraud, errors and other irregularities. The Directors in maintaining a sound system of internal control and in protecting the assets of the Company, have further adopted risk management strategies to identify and evaluate the risks which the Company could be exposed and its impact to the Company.

The Directors having considered the Group's business plans, and a review of its current and future operations, are of the view that the Company and the Group have adequate resources to continue in operation. The Directors have adopted the going concern basis in preparing the Financial Statements.

The Financial Statements presented in this Annual Report for the year ended 31st March 2017, have been prepared based on the Sri Lanka Accounting Standards (SLFRS/LKASs) which came into effect from 1st January 2012. The Directors have selected the appropriate accounting policies and such policies adopted by the Group are disclosed and explained in the Financial Statements.

The Board of Directors confirm that the Company and the Group's Consolidated Statements of Financial Position as at 31st March 2017 and the Comprehensive Income Statements for the Company and the Group for the financial year ended 31st March 2017 reflect a true and fair view of the Company and the Group.

The Directors have provided the Auditors with every opportunity to carry out any reviews and tests that they consider appropriate and necessary for the performance of their duties. The responsibility of the Independent Auditors in relation to the Financial Statements is set out in the Independent Auditors Report.

The Directors confirm that to the best of their knowledge all payments to employees, regulatory and statutory authorities due and payable by the Company and its subsidiaries have been either duly paid or adequately provided for in the Financial Statements. The Directors further confirm that they promote the highest ethical, environmental and safety standards within the Group. The Directors also ensure that the relevant national laws, international laws and codes of regulatory authorities, professional institutes and trade associations have been complied with by the Group.

By order of the Board,

ELPITIYA PLANTATIONS PLC

Aitken Spence Corporate Finance (Private) Limited.
Company Secretaries

Colombo
August 25, 2017.

Auditors' Report

Building a better working world

Ernst & Young
Chartered Accountants
201 De Saram Place
P.O. Box 101
Colombo 10
Sri Lanka

Tel : +94 11 2463500
Fax Gen : +94 11 2697369
Tax : +94 11 5578180
eysl@lk.ey.com
ey.com

MPDC/NKMS/SJJC

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF ELPITIYA PLANTATIONS PLC

Report on the Financial Statements

We have audited the accompanying Financial Statements of Elpitiya Plantations PLC, ("the Company"), and the Consolidated Financial Statements of the Company and its subsidiaries (Group"), which comprise the Statement of Financial Position as at March 31, 2017, and the Statement of profit or loss, Statement of Comprehensive Income, Statement of Changes in Equity and, Statement of Cash Flows for the year then ended, and a summary of significant Accounting Policies and other explanatory information.

Board's Responsibility for the Financial Statements

The Board of Directors ("Board") is responsible for the preparation of these financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as Board 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

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 about whether the financial statements are free from material misstatement.

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 the 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 Board, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at March 31, 2017, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we state the following:

a) The basis of opinion, scope and limitations of the audit are as stated above.

b) In our opinion:
   - we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company,
   - the financial statements of the Company give a true and fair view of its financial position as at March 31, 2017, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards, and
   - the financial statements of the Company and the Group comply with the requirements of sections 151 and 153 of the Companies Act No.07 of 2007.

25 May 2017
Colombo

Statements of Profit or Loss

Year Ended 31st March 2017

	Notes	Group 2017 Rs.	Group 2016 Rs.	Company 2017 Rs	Company 2016 Rs.
Revenue	6	3,009,791,239	2,444,426,422	2,996,399,532	2,419,783,764
Cost of sales		(2,402,390,668)	(2,269,114,268)	(2,387,923,726)	(2,253,166,136)
Gross profit		607,400,571	175,312,154	608,475,806	166,617,628
Gains on change in fair value of biological assets	19.2	35,909,966	43,150,800	35,909,966	43,150,800
Other income and gains	7	158,525,878	309,428,265	279,064,881	414,405,323
Administrative expenses		(221,869,017)	(285,213,668)	(223,765,189)	(278,888,365)
Management fee and workers profit share		(98,336,798)	(35,890,498)	(98,336,798)	(35,890,498)
Finance expenses	8.1	(80,762,974)	(76,935,196)	(72,400,094)	(70,015,022)
Finance income	8.2	1,580,228	505,055	1,443,291	174,349
Share of profit from joint ventures	18	60,841,414	89,454,807	-	-
Profit before taxation	9	463,289,269	219,811,719	530,391,864	239,554,215
Income tax expense	10.1.1	(43,451,795)	(24,270,394)	(42,363,540)	(24,177,796)
Net profit for the year		419,837,474	195,541,325	488,028,324	215,376,419
Attributable to:					
Equity holders of the parent		420,170,265	195,898,808	488,028,324	215,376,419
Non-controlling interest		(332,791)	(357,484)	-	-
Profit for the year		419,837,474	195,541,324	488,028,324	215,376,419
Earnings per share	11	5.77	2.69	6.70	2.96
Dividend per share	12	-	-	-	0.50

Figures in brackets indicate deductions.

Notes to the Financial Statements from pages 47 to 98 form an integral part of these Financial Statements.

Statements of Comprehensive Income

Year Ended 31st March 2017

	Notes	Group 2017 Rs.	Group 2016 Rs.	Company 2017 Rs.	Company 2016 Rs.
Profit for the year		419,837,474	195,541,325	488,028,324	215,376,419
Other comprehensive income					
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods (net of tax)					
Actuarial gain/(loss) on defined benefit plans	28	160,633,739	94,701,929	160,633,739	94,701,929
Tax effect	10.1.2	(25,315,877)	(14,925,024)	(25,315,877)	(14,925,024)
Net other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods (net of tax)		135,317,861	79,776,905	135,317,861	79,776,905
Total other comprehensive income for the year, net of tax		135,317,861	79,776,905	135,317,861	79,776,905
Total comprehensive income for the year net of tax		555,155,335	275,318,230	623,346,185	295,153,324
Attributable to:					
Equity holders of the parent		555,488,126	276,375,098	623,346,185	295,153,324
Non-controlling interest		(332,791)	(357,484)	-	-
Total comprehensive income for the year (net of tax)		555,155,335	275,318,230	623,346,185	295,153,324

Figures in brackets indicate deductions.

Notes to the Financial Statements from pages 47 to 98 form an integral part of these Financial Statements.

Statements of Financial Position

Year Ended 31st March 2017

ASSETS	Notes	Group 2017 Rs.	Group 2016 Restated Rs.	Group 2015 Restated Rs.	Company 2017 Rs.	Company 2016 Restated Rs.	Company 2015 Restated Rs.
Non-current assets							
Leasehold property, plant and equipment	14	253,759,082	274,573,062	299,563,126	253,759,082	274,573,062	299,563,126
Freehold property, plant and equipment	15	767,780,821	776,559,834	724,963,811	555,839,885	558,331,879	494,884,489
Bearer biological assets	16.1	2,968,013,371	2,796,547,560	2,656,945,682	2,968,013,371	2,796,547,560	2,656,945,682
Consumable biological assets	16.2	981,450,125	949,013,074	912,493,222	981,450,125	949,013,074	912,493,222
Other non current asset	17	38,689,228	37,500,000	-	38,689,228	37,500,000	-
Investments	18	153,171,556	220,057,076	158,347,452	137,990,300	144,128,330	66,341,830
Total non-current assets		5,162,864,184	5,054,250,608	4,752,313,293	4,935,741,992	4,760,093,905	4,430,228,349
Current assets							
Produce on Bearer Bialogical Assets	19	12,785,661	7,837,478	8,536,862	12,785,661	7,837,478	8,536,862
Inventories	20	317,831,674	217,568,542	290,008,984	317,799,464	217,536,871	290,008,984
Trade and other receivables	21	210,374,636	204,984,570	189,141,550	208,457,451	202,575,971	183,538,462
Amounts due from related parties	22	46,111,199	17,930,023	15,334,088	175,990,587	135,479,459	135,872,743
Cash and cash equivalents	23	52,350,778	32,547,853	35,078,542	51,501,978	24,041,013	21,366,131
Total current assets		639,453,948	480,868,466	538,100,026	766,535,141	587,470,792	639,323,183
Total assets		5,802,318,132	5,535,119,074	5,290,413,319	5,702,277,133	5,347,564,697	5,069,551,532
EQUITY AND LIABILITIES							
Equity							
Stated capital	24	694,236,120	694,236,120	694,236,120	694,236,120	694,236,120	694,236,120
Timber reserve	25	778,722,358	756,835,621	725,732,606	778,722,358	756,835,621	725,732,606
Retained earnings		2,439,828,684	1,942,660,510	1,752,737,685	2,396,473,706	1,831,447,473	1,622,047,037
Total equity attributable to equity holders of the parent		3,912,787,162	3,393,732,251	3,172,706,411	3,869,432,183	3,282,519,215	3,042,015,762
Non-controlling interest		(4,186,306)	(3,853,515)	(3,496,031)	-	-	-
Total equity		3,908,600,856	3,389,878,736	3,169,210,380	3,869,432,183	3,282,519,215	3,042,015,762
Non-current liabilities and deferred income							
Interest bearing borrowings	26	233,948,925	331,054,771	259,098,657	194,112,617	271,300,179	185,765,362
Liability to make lease payment	27	168,718,047	172,254,107	175,528,235	168,718,047	172,254,107	175,528,235
Retirement benefit obligations	28	451,819,903	583,689,869	623,058,701	451,792,363	583,689,869	623,058,701
Deferred income	29	248,591,650	263,800,518	164,795,860	248,591,650	263,800,518	164,795,860
Deferred tax liability	30	183,631,244	125,918,344	90,815,525	183,631,244	125,918,344	90,815,525
Total non-current liabilities		1,286,709,769	1,476,717,609	1,313,296,978	1,246,845,921	1,416,963,017	1,239,963,683
Current liabilities							
Interest bearing borrowings	26	129,092,739	353,325,231	399,563,421	109,174,455	333,406,947	381,230,088
Liability to make lease payments	27	3,405,094	3,274,128	3,148,200	3,405,094	3,274,128	3,148,200
Trade and other payables	31	362,103,701	264,764,227	275,981,330	361,038,153	264,301,771	273,997,005
Amounts due to related parties	32	101,855,923	44,252,955	126,151,155	101,855,923	44,252,955	126,151,155
Income tax liabilities		10,550,052	2,906,188	3,061,855	10,525,405	2,846,664	3,045,639
Total current liabilities		607,007,507	668,522,729	807,905,961	585,999,029	648,082,465	787,572,086
Total liabilities		1,893,717,276	2,145,240,338	2,121,202,939	1,832,844,950	2,065,045,482	2,027,535,769
Total equity and liabilities		5,802,318,132	5,535,119,074	5,290,413,319	5,702,277,133	5,347,564,697	5,069,551,532

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

Chief Financial Officer

The Board of Directors is responsible for the preparation and presentation of these Financial Statements. Signed for and on behalf of the Board by.

Director

1

2

Managing Agent

1

2

Notes to the Financial Statements from pages 47 to 98 form an integral part of these Financial Statements.
25 May 2017
Colombo

Statements of Changes in Equity

Year Ended 31st March 2017

Group	Stated capital Rs.	Timber reserve Rs.	Retained earnings Rs.	Total Rs.	Non-controlling interest Rs.	Total equity Rs.
	Attributable to equity holders of the parent					
Balance as at 31 March 2015						
(as previouly reported)	694,236,120	725,732,606	1,744,200,823	3,164,169,549	(3,496,031)	3,160,673,518
Impact of the amendments of						
LKAS 16 & LKAS 41 (Refer Note No 39)	-	-	8,536,862	8,536,862	-	8,536,862
Balance as at 31 March 2015 - Restated	**694,236,120**	**725,732,606**	**1,752,737,685**	**3,172,706,411**	**(3,496,031)**	**3,169,210,380**
Profit for the year	-	-	195,898,808	195,898,808	(357,484)	195,541,324
Other comprehensive income for the year	-	-	79,776,905	79,776,905	-	79,776,905
Total comprehensive income for the year	-	-	275,675,713	275,675,713	(357,484)	275,318,229
Gains/(loss) on change in fair value of						
Consumable biological assets						
Transferred to the timber reserve	-	43,850,184	(43,850,184)	-	-	-
Realised gain on harvested timber trees	-	(12,747,169)	12,747,169	-	-	-
Final dividend 2014/2015	-	-	(54,649,873)	(54,649,873)	-	(54,649,873)
Balance as at 31 March 2016	**694,236,120**	**756,835,621**	**1,942,660,510**	**3,393,732,251**	**(3,853,515)**	**3,389,878,736**
Profit for the year	-	-	420,170,265	420,170,265	(332,791)	419,837,474
Other comprehensive income for the year	-	-	135,317,861	135,317,861	-	135,317,861
Total comprehensive income for the year	-	-	555,488,126	555,488,126	(332,791)	555,155,335
Gains/(loss) on change in fair value of						
Consumable biological assets						
Transferred to the timber reserve	-	30,961,783	(30,961,783)	-	-	-
Realised gain on harvested timber trees	-	(9,075,046)	9,075,046	-	-	-
Final dividend 2015/2016	-	-	(36,433,215)	(36,433,215)	-	(36,433,215)
Balance as at 31 March 2017	**694,236,120**	**778,722,358**	**2,439,828,684**	**3,912,787,162**	**(4,186,306)**	**3,908,600,856**

Company	Stated capital Rs.	Timber reserve Rs.	Retained earnings Rs.	Total Equity Rs.
Balance as at 31 March 2015 (as previouly reported)	694,236,120	725,732,606	1,613,510,175	3,033,478,901
Impact of the amendments of LKAS 16 & LKAS 41 (Refer Note No 39)	-	-	8,536,862	8,536,862
Balance as at 31 March 2015 - Restated	**694,236,120**	**725,732,606**	**1,622,047,037**	**3,042,015,763**
Profit for the year	-	-	215,376,419	215,376,419
Other comprehensive income for the year	-	-	79,776,905	79,776,905
Total comprehensive income for the year	-	-	295,153,324	295,153,324
Gains/(loss) on change in fair value of				
Consumable biological assets				
Transferred to the timber reserve	-	43,850,184	(43,850,184)	-
Realised gain on harvested timber trees	-	(12,747,169)	12,747,169	-
Final dividend 2014/2015	-	-	(54,649,873)	(54,649,873)
Balance as at 31 March 2016	**694,236,120**	**756,835,621**	**1,831,447,473**	**3,282,519,215**
Profit for the year	-	-	488,028,324	488,028,324
Other comprehensive income for the year	-	-	135,317,861	135,317,861
Total comprehensive income for the year	-	-	623,346,185	623,346,185
Gains/(loss) on change in fair value of Consumable biological assets				
Transferred to the timber reserve	-	30,961,783	(30,961,783)	-
Realised gain on harvested timber trees		(9,075,046)	9,075,046	
Final dividend 2015/2016	-	-	(36,433,215)	(36,433,215)
Balance as at 31 March 2017	**694,236,120**	**778,722,358**	**2,396,473,706**	**3,869,432,183**

Figures in brackets indicate deductions.
Notes to the Financial Statements from pages 47 to 98 form an integral part of these Financial Statements.

Statements of Cash Flows

Year Ended 31st March 2017

	Notes	Group 2017 Rs	Group 2016 Rs	Company 2017 Rs	Company 2016 Rs
Cash flows from operating activities					
Profit before tax		463,289,269	219,811,719	530,391,864	239,554,215
Adjustments for;					
Depreciation and amortization	**9**	190,545,636	163,624,523	179,359,374	152,443,386
Provision for defined benefit plans	**28**	96,027,291	94,889,818	95,999,751	94,889,818
Items written off		7,963,774	1,057,269	7,963,774	1,057,269
Items written back		(1,266,151)	(1,604,660)	(1,266,151)	(1,604,660)
Amortization of grants	**29**	(12,477,532)	(11,544,875)	(12,477,532)	(11,544,875)
Finance cost	**8.1**	80,762,974	76,935,196	72,400,094	70,015,022
Finance income	**8.2**	(1,580,228)	(505,055)	(1,443,291)	(174,349)
Gain on biological assets	**19.2**	(35,909,966)	(43,150,800)	(35,909,966)	(43,150,800)
Profit from sale of timber trees	**7**	(3,056,614)	(6,266,230)	(3,056,614)	(6,266,230)
Profit on sale of other trees	**7**	(45,226,208)	(164,196,497)	(45,226,208)	(164,196,497)
Amortization of deferred income from sub lease	**29**	(5,327,975)	(6,437,985)	(5,327,975)	(6,437,985)
Amortisation of Leasehold right to use of Land	**29**	(5,479,310)	-	(5,479,310)	-
Provision for doubtful debtors		-	1,217,135	-	1,217,135
Share of profit of joint venture	**18**	(60,841,414)	(89,454,807)	-	-
Gain on assets transferred to Joint Venture		-	(40,411,957)	-	-
Dividend income		-	-	(62,099,225)	(80,823,914)
Income from Share Repurchases	**7**	-	-	(58,439,778)	(45,000,000)
Gain on PPE disposal	**7**	-	-	-	(20,119,724)
Balances Written off of subsidiaries		(6,495,089)	251,020	-	-
Operating profit before working capital changes		660,928,457	194,213,814	655,388,807	179,857,811
(Increase)/decrease in inventories	**20**	(100,263,132)	72,440,442	(100,262,593)	72,472,113
(Increase)/decrease in trade and other receivables	**21**	(2,901,662)	(17,900,138)	(10,421,640)	(21,094,626)
(Increase)/decrease in amounts due from related parties	**22**	(21,686,087)	(13,064,242)	(33,409,338)	(9,824,003)
Increase/(decrease) in trade and other payables	**31**	98,605,625	(9,612,443)	98,002,534	(8,090,575)
Increase/ (decrease) in amount due to related parties	**32**	57,602,968	(17,898,200)	57,602,968	(17,898,200)
Cash generated from operating activities		692,286,168	208,179,233	666,900,738	195,422,520
Cash received from sublease of land		1,120,400	2,602,070	1,120,400	2,602,070
Cash received from sale of trees		57,357,868	183,209,897	57,357,868	183,209,897
Finance cost paid		(46,666,434)	(42,612,082)	(38,303,554)	(35,691,905)
Finance income received		391,000	505,055	254,063	174,349
Retirement benefit obligations paid	**28**	(67,263,519)	(39,556,721)	(67,263,519)	(39,556,721)
Tax paid		(12,813,184)	(4,248,265)	(12,813,184)	(4,198,976)
Grants received	**29**	6,955,549	26,885,448	6,955,549	26,885,448
Net cash flow from operating activities		631,367,848	334,964,634	614,208,361	328,846,682
Cash flows from investing activities					
Field development expenditure	**16**	(285,855,479)	(227,474,683)	(285,855,479)	(227,474,683)
Purchase of property, plant and equipment		(57,113,290)	(111,950,600)	(52,214,046)	(112,620,830)
Dividend received		62,099,225	45,000,000	62,099,225	45,000,000
Proceeds from sale of shares		64,577,808	23,333,224	64,577,808	23,333,224
Net cash used in investing activities		(216,291,736)	(271,092,059)	(211,392,493)	(271,762,289)
Net cash Inflow before financing activities		415,076,112	63,872,575	402,815,868	57,084,393
Cash flows from financing activities					
Payment of government lease rentals		(37,289,168)	(36,522,200)	(37,289,168)	(36,522,200)
Proceeds from loans		32,021,200	272,935,040	32,021,200	265,935,040
Settlement of loans		(161,752,789)	(227,155,238)	(141,834,505)	(208,161,491)
Dividend paid		(36,433,215)	(54,649,873)	(36,433,215)	(54,649,873)
Other lease rentals paid		(1,021,871)	(7,357,912)	(1,021,871)	(7,357,912)
Net cash used in financing activities		(204,475,843)	(52,750,183)	(184,557,559)	(40,756,436)
Net increase in cash and cash equivalents		210,600,269	11,122,392	218,258,309	16,327,957
Cash and cash equivalents at the beginning of the year	**A**	(158,249,491)	(169,371,883)	(166,756,331)	(183,084,288)
Cash and cash equivalents at the end of the year	**B**	52,350,778	(158,249,491)	51,501,978	(166,756,331)
NOTE: A					
Cash and cash equivalents at the beginning of the year					
Cash and bank balances		32,547,853	35,078,536	24,041,013	21,366,131
Bank overdrafts (Note 22.2)		(190,797,344)	(204,450,419)	(190,797,344)	(204,450,419)
		(158,249,491)	(169,371,883)	(166,756,331)	(183,084,288)
NOTE: B					
Cash and cash equivalents at the end of the year					
Cash and bank balances		52,350,778	32,547,853	51,501,978	24,041,013
Bank overdrafts (Note 22.2)		-	(190,797,344)	-	(190,797,344
		52,350,778	(158,249,491)	51,501,978	(166,756,331)

Figures in brackets indicate deductions.

Notes to the Financial Statements from pages 47 to 98 form an integral part of these Financial Statements.

Notes to the Financial Statements

Year Ended 31st March 2017

1. REPORTING ENTITY

1.1 Domicile and legal form

Elpitiya Plantations PLC (the Company) was incorporated on 22 June 1992 under the Companies Act. No. 17 of 1982. (The Company was re-registered under the Companies Act No. 07 of 2007) in terms of the provisions of the Conversion of Public Corporation and Government Owned Business Undertakings into Public Companies Act No. 23 of 1987.

The registered office of the Company is located at No. 315, Vauxhall Street, Colombo 02, and Plantations are situated in the planting districts of Nuwara Eliya and Galle.

The Consolidated Financial Statements of Elpitiya Plantations PLC as at and for the year ended 31 March 2017 comprise the Company and its Subsidiaries namely, EPP Hydro Power Company (Pvt) Ltd., Tea Country Homes (Pvt) Ltd., Water Villas (Pvt) Ltd., and Joint Venture Companies namely, Elpitiya Lifestyle Solutions (Pvt) Ltd, AEN Palm Oil Processing (Pvt) Ltd, Elpitiya Dianhong Jin Ya Tea Company (Pvt) Ltd and Venture Valley (Pvt) Ltd. (together referred to as the 'Group').

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

The Financial Statements of all companies in the Group are prepared for a common financial year, which ends on 31 March.

All companies in the Group are limited liability companies incorporated and domiciled in Sri Lanka.

The ordinary shares of the Company are listed on the Colombo Stock Exchange of Sri Lanka.

1.2 Principal activities and nature of operations

During the year, the principal activities of the Company were cultivation, manufacture and sale of Black Tea, Rubber, Oil Palm and other crops.

Principal activities of the other companies in the Group are as follows;

Company	Nature of the Business	Principle Place of Business
EPP Hydro Power Company (Pvt) Ltd.	Generating Hydro Power	Dunsinane Estate
Tea Country Homes (Pvt) Ltd	Intended Hotel Operator (Under the liquidation process)	Talgaswella Estate
Water Villas (Pvt) Ltd	Intended Hotel Operator	Talgaswella Estate
Elpitiya Lifestyle Solutions (Pvt) Ltd	Manufacture of all types of wooden materials	Devitura Estate
AEN Palm Oil Processing (Pvt) Ltd	Processing crude palm oil	Baduraliya
Elpitiya Dianhong Jin Ya Tea Company (Pvt) Ltd	Manufacturing & Exporting of speciality Tea	Fernland Estate- Harrow Factory
Venture Valley (Pvt) Ltd	Designing, developing & operating an adventure park & its associated activities	Devitura Estate

1.3 Parent enterprise

The Company's parent undertaking is Aitken Spence Plantation Managements PLC.

1.4 Date of authorization for issues

The Financial Statements of Elpitiya Plantations PLC for the year ended 31 March 2017 were authorized for issue in accordance with a resolution of the Board of Directors on 25 May 2017.

1.5 Responsibility for Financial Statements

The responsibility of the directors in relation to the Financial Statements is set out in the Statement of Directors' responsibility report in the Annual Report.

2 BASIS OF PREPARATION

2.1 Statement of compliance

The Financial Statements of the Company and the Group have been prepared in accordance with Sri Lanka Accounting and Auditing Standards Act. No. 15 of 1995 which requires compliance with Sri Lanka Accounting Standards promulgated by The Institute of Chartered Accountants of Sri Lanka (CASL), and with the requirements of the Companies Act. No. 07 of 2007.

2.2 Basis of measurement

These Financial Statements have been prepared in accordance with the historical cost convention other than consumable biological assets and produce on bearer biological assets that have been measured at fair value and where appropriate specific policies are explained in the succeeding notes.

No adjustments have been made for inflationary factors in the Financial Statements.

2.3 Functional and presentation currency

The Financial Statements are presented in Sri Lankan Rupees (Rs.) which is the Group's functional and presentation currency. All financial information presented in Sri Lankan Rupees has been given to the nearest rupee, unless stated otherwise.

2.4 Materiality and aggregation

Each material class of similar items is presented separately in the Consolidated Financial Statements. Items of a dissimilar nature or function are presented separately unless they are immaterial.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Comparative information

The presentation and classification of the financial statements of the current year are comparable with those of the previous year.

3.2 Changes to the Accounting Policies & estimates

Initial application of Amendments to LKAS 16 & 41 – Produce growing on bearer plants

Amendments to LKAS 16 - Property, Plant & Equipment and LKAS 41 – Agriculture, require entity to recognise agricultural produce growing on Bearer Plants at fair value less cost to sell separately from its bearer plants prior to harvest. After initial recognition, changes in the fair value of such agricultural produce growing on Bearer Plants, recognised in profit or loss at the end of each reporting period.
Accordingly, the Group has applied these amendments retrospectively in the Financials Statements. For the details refer note 39.

3.3 Going concern

The financial statements have been prepared on the assumption that the company is a going concern. The Directors have made an assessment of the Group's ability to continue as a going concern in the foreseeable future with the availability of undrown borrowing facilities with the financial institutions, and they do not foresee a need for liquidation or cessation of trading, to justify adopting the going concern basis in preparing these financial statements.

3.4 Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 March 2017. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

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

Profit or loss and each component of Other Comprehensive Income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

3.4.1 Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any Non-Controlling Interest in the acquiree. For each business combination, the Group elects whether it measures the Non-Controlling Interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of LKAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in profit or loss or as a change to OCI. If the contingent consideration is not within the scope of LKAS 39, it is measured in accordance with the appropriate SLFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

3.4.2 Investment in joint ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its joint venture are accounted for using the equity method.

Under the equity method, the investment in a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is not tested for impairment individually.

The statement of profit or loss reflects the Group's share of the results of operations of the joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

The aggregate of the Group's share of profit or loss of a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the joint venture.

The financial statements of the joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, and then recognises the loss as 'Share of profit of a joint venture' in the statement of profit or loss.

Upon loss of significant influence over the joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Based on the contractual terms (Joint Venture agreements), the Group assessed that Elpitiya Dianhong Jin Ya Tea Company (Pvt) Ltd , AEN Palm Oil Processing (Pvt) Ltd and Venture Valley (Pvt) Ltd are joint ventures.

3.5 Current versus non-current classification

The Group presents assets and liabilities in statement of financial position based on current/non -current classification. An asset as current when it is:

- Expected to be realised or intended to sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period

Or

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period

Or

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

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

3.6 Fair Value Measurement

The Group measures financial instruments and non-financial assets at fair value at each statement of financial position date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in the following notes:

- Consumable biological assets Note 16.2

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability

Or

- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External valuers are involved for valuation of significant assets, such as Consumable biological assets, and significant liabilities, such as retirement benefit obligation. Involvement of external valuers is decided upon annually by the Management Committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Management Committee decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

3.7 Foreign currency transactions

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

3.8 Cash dividend and non-cash distribution to equity holders of the parent

The Company recognises a liability to make cash or non-cash distributions to equity holders of the parent when the distribution is authorised and the distribution is no longer at the discretion of the Company. A distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value remeasurement recognised directly in equity.

Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in the statement of profit or loss.

3.9 Property, plant and equipment

3.9.1 Recognition and measurement

Property Plant and Equipment is recognised if it is probable that future economic benefit associated with the assets will flow to the Group and cost of the asset can be reliably measured.

Items of property, plant and equipment are measured at cost (or at fair value in the case of consumable biological asset), less accumulated depreciation and accumulated impairment losses, if any.

3.9.2 Owned assets

The cost of property, plant and equipment includes expenditures that are directly attributable to the acquisition of the asset. Such costs include the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. The cost of self-constructed assets includes the cost of materials and direct labour, any other cost 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. Purchased software that is integral to the functionality of the related equipment is capitalized as a part of that equipment.

When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is preformed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the statement of profit or loss as incurred. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

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

3.9.3 Leased assets

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Group as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

3.9.4 De-recognition

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss statement when the asset is derecognized and gains are not classified as revenue.

3.9.5 Land improvement cost

Permanent land improvement costs are those costs incurred in making major infrastructure development and building new access roads on leasehold lands.

These costs have been capitalized and amortised over the remaining lease period. Permanent impairments to land development costs are charged to the Statement of Profit or Loss in full or reduced to the net carrying amounts of such assets in the year of occurrence after ascertaining the loss.

3.9.6 Biological Assets

Biological assets are classified in to mature biological assets and immature biological assets. Mature biological assets are those that have attained harvestable specifications or are able to sustain regular harvests. Immature biological assets are those that have not yet attained harvestable specifications. Tea, rubber, other plantations and nurseries are classified as biological assets.

Biological assets are further classified as bearer biological assets and consumable biological assets. Bearer biological asset includes tea and rubber trees, those that are not intended to be sold or harvested, however used to grow for harvesting agricultural produce from such biological assets. Consumable biological assets includes managed timber trees those that are to be harvested as agricultural produce or sold as biological assets.

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

3.9.6.1 Bearer Biological Asset

The bearer biological assets are measured at cost less accumulated depreciation and accumulated impairment losses, if any, in terms of LKAS 16 – Property Plant & Equipment.

The cost of land preparation, rehabilitation, new planting, replanting, crop diversification, inter planting and fertilising, etc., incurred between the time of planting and harvesting (when the planted area attains maturity), are classified as immature plantations. These immature plantations are shown at direct costs plus attributable overheads. The expenditure incurred on bearer biological assets (Tea, Rubber and Oil Palm) which comes into bearing during the year, is transferred to mature plantations.

3.9.6.2 Infilling Cost on Bearer Biological Assets

The land development costs incurred in the form of infilling have been capitalized where infilling results in an increase in the economic life of the relevant field beyond its previously assessed standard of performance. Infilling costs so capitalized are depreciated over the newly assessed remaining economic useful life of the relevant nature plantation or the unexpired lease period, whichever is lower.

Infilling costs that are not capitalised have been charged to the Profit or Loss Statement in the year in which they are incurred.

3.9.6.3 Borrowing Cost

Borrowing costs that are directly attributable to acquisition, construction or production of a qualifying asset, which takes a substantial period of time to get ready for its intended use or sale are capitalised as a part of the asset.

Borrowing costs that are not capitalised are recognised as expenses in the period in which they are incurred and charged to the Profit or Loss Statement.

The amounts of the borrowing costs which are eligible for capitalisation are determined in accordance with the in LKAS 23 - Borrowing Costs'. The Borrowing Cost Capitalization rate for the year 2016/2017 is 14.32%.

The amount so capitalised is disclosed in Notes to the Financial Statements.

3.9.6.4 Consumable Biological Asset

Consumable biological assets includes managed timber trees those that are to be harvested as agricultural produce or sold as biological assets. Expenditure incurred on consumable biological assets (managed timber trees) is measured on initial recognition and at the end of each reporting period at its fair value less cost to sell in terms of LKAS 41. The cost is treated as approximation to fair value of young plants as the impact on biological transformation of such plants to price during this period is immaterial. The fair value of timber trees are measured using DCF method taking in to consideration the current market prices of timber, applied to expected timber content of a tree at the maturity by an independent professional valuer. All other assumptions and sensitivity analysis are given in Note 16.2.

The gain or loss arising on initial recognition of consumable biological assets at fair value less cost to sell and from a change in fair value less cost to sell of consumable biological assets are included in profit or loss for the period in which it arises.

Permanent impairments to Biological Asset are charged to the Profit or Loss Statement in full and reduced to the net carrying amounts of such asset in the year of occurrence after ascertaining the loss.

Consumable biological assets initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss statement when the asset is derecognized and gains are not classified as revenue.

3.9.6.5 Nursery Plants

Nursery cost includes the cost of direct materials, direct labour and an appropriate proportion of directly attributable overheads, less provision for overgrown plants.

3.9.6.6 Produce on Bearer Biological Assets

In accordance with LKAS 41, company recognise agricultural produce growing on bearer plants at fair value less cost to sell. Change in the fair value of such agricultural produce recognized in profit or loss at the end of each reporting period.

For this purpose, quantities of harvestable agricultural produce ascertained based on harvesting cycle of each crop category by limiting to one harvesting cycle based on last day of the harvest in the immediately preceding cycle. Further, 50% of the crop in that harvesting cycle considered for the valuation.

For the valuation of the harvestable agricultural produce, the company uses the following price formulas.

Tea	–	Bought Leaf rate (current month) less cost of harvesting & transport
Rubber	–	latex Price (95% of current RSS1 Price) less cost of tapping & transport
Oil Palm	–	Bought Mill NSA less cost of harvesting & transport

3.9.7 Depreciation and amortisation

(a) Depreciation

Depreciation is recognized in Statement of Profit or Loss on a straight-line basis over the estimated useful economic lives of each part of an item of Property, Plant & Equipment. Assets held under finance leases are depreciated over the shorter of the lease term and the useful lives of equivalent owned assets unless it is reasonably certain that the Group will have ownership by the end of the lease term. Lease period of land acquired from JEDB/SLSPC will be expired in year 2045. The estimated useful lives for the current and comparative periods are as follows:

	No. of years	Rate (%)
Building	40	2.50
Electronic machinery	10	10.00
Plant and other machinery	20	5.00
Motor vehicles – Supervisory and motorbikes	8	12.50
Motor vehicles – Others	10	10.00
Equipment – Tools	4	25.00
Equipment – Computer and other equipment	5	20.00
Furniture and fittings	10	10.00
Water sanitation	20	5.00
Civil construction and other	40	2.50

Mature plantations (Replanting and new planting)	**No. of years**	**Rate (%)**
Tea	33 1/3	3.00
Rubber	20	5.00
Oil Palm	20	5.00
Coconut	50	2.00
Cinnamon	20	5.00

Depreciation of an asset begins when it is available for use and ceases at the earlier of the date on which the asset classified as held for sale or is derecognized. Depreciation methods, useful lives and residual values are reassessed at the reporting date and adjusted prospectively, if appropriate. Mature plantations are depreciated over their useful lives or unexpired lease period, whichever is lower.

No depreciation is provided for immature plantations.

(b) Amortisation

The leasehold rights of assets taken over from JEDB/SLSPC are amortised in equal amounts over the shorter of the remaining lease periods and the useful lives as follows:

	No. of years	Rate (%)
Bare land	53	1.89
Mature plantations	30	3.33
Buildings	25	4.00
Machinery	20	5.00
Improvements to land/ Other vested assets/ Unimproved lands	53	1.89

3.10 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

3.10.1. Financial assets

3.10.1.1 Initial Recognition and Measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, AFS financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash, trade and other receivables, loans and other receivables.

3.10.1.2 Subsequent Measurement

The subsequent measurement of financial assets depends on their classification as described below:

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in finance income or finance costs in the Profit or Loss Statement.

The Group has not designated any financial assets as at fair value through profit or loss.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method (EIR), less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the Profit or Loss Statement. The losses arising from impairment are recognised in the Profit or Loss Statement in finance costs for loans and in cost of sales or other operating expenses for receivables.

Loans and receivables comprise of trade receivables, amounts due from related parties, deposits, advances and other receivables and cash and cash equivalents.

(c) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the Profit or Loss Statement. The losses arising from impairment are recognised in the Profit or Loss Statement in finance costs.

The group does not have held to maturity investments in year 2017 (2016- Nil)

(d) Available for sale financial investments

AFS financial assets include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealised gains or losses recognised in OCI and credited in the AFS reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the statement of profit or loss in finance costs. Interest earned whilst holding AFS financial assets is reported as interest income using the EIR method.

Notes to the Financial Statements
Year Ended 31st March 2017

The Group evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if the management has the ability and intention to hold the assets for foreseeable future or until maturity.

For a financial asset reclassified from the AFS category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

The group does not have Available for Sale investments in year 2017 (2016- Nil)

3.10.1.3 Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

3.10.1.4 Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired and if such has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and when 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.

3.10.1.4.1 Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income (recorded as finance income in the statement of profit or loss) continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the statement of profit or loss.

3.10.1.4.2 Available for sale financial Assets

For AFS financial assets, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from OCI and recognised in the statement of profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognised in OCI.

The determination of what is 'significant' or 'prolonged' requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss, the impairment loss is reversed through the statement of profit or loss.

3.10.2 Financial liabilities

3.10.2.1 Initial recognition and measurement

Financial liabilities are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

Notes to the Financial Statements
Year Ended 31st March 2017

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

The Group's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings.

3.10.2.2 Subsequent measurement

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

(a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by LKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in LKAS 39 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

(b) Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognised in the Profit or Loss Statement when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortization process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

3.10.2.3 Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Profit or Loss Statement.

3.10.3 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Consolidated Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously

Financial risk management objectives and policies have been disclosed under Note 40.

3.11 Inventories

Finish goods manufactured from agricultural produce of biological assets

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

Input materials, Spares and consumables

At actual cost on weighted average basis.

Agricultural produce harvested from biological assets

Agricultural produce harvested from its biological assets are measured at their fair value less cost to sell at the point of harvest. The finished and semi-finished inventories from agriculture produce are valued by adding the cost of conversion to the fair value of the agricultural produce.

3.12 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand form and integral part of the Group's cash management and those are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

3.13 Impairment of Non-Financial Assets

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually as at 31 March and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually as at 31 March at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

3.14 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Profit or Loss Statement net of any reimbursement.

3.15 Employees' benefits

(a) Defined contribution plans – Employees' Provident Fund and Employees' Trust Fund

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to Provident and Trust Funds covering all employees are recognized as an expense in profit and loss in the periods during which services are rendered by employees.

The Company contributes 12% on consolidated salary of the employees to Ceylon Planters' Provident Society (CPPS) / Estate Staff Provident Society (ESPS) / Employees' Provident Fund (EPF)

All the employees of the Company are members of the Employees Trust Fund to which the Company contributes 3% on the consolidated salary of such employees.

(b) Defined benefit plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The liability recognised in the Financial Statements in respect of defined benefit plan is the present value of the defined benefit obligation at the Reporting date. The defined benefit obligation is calculated annually using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using the interest rates 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 liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in Other Comprehensive Income in the period in which they arise. Actuarial gains & losses recognised in other comprehensive income are recognised immediately in retained earnings and are not reclassified to profit or loss. Past service costs are recognised immediately in the Statement of Profit or Loss.

The provision has been made for retirement gratuities from the first year of service for all employees, in conformity with LKAS 19 , "Employee Benefits". However, under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service.

The Liability is not externally funded.

The key assumptions used in determining the retirement benefit obligations are given in Note 28.

3.16 Capital commitments and contingencies

Capital commitments and contingent liabilities of the Group have been disclosed in the respective Notes to the Financial Statements.

3.17 Events occurring after the reporting period

All material events after the Statement of Financial Position date have been considered where appropriate; either adjustments have been made or adequately disclosed in the Financial Statements.

3.18 Earnings per share

The Group presents basic earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Parent by the weighted average number or ordinary shares outstanding during the period.

3.19 Deferred income - Grants and subsidies

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it is recognized as deferred income and released to income in equal amounts over the expected useful life of the related asset.

Where the Group receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to the Statement of Profit or Loss over the expected useful life and pattern of consumption of the benefit of the underlying asset by equal annual installments. Where loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favorable interest is regarded as additional Government grant.

Grants related to Property, Plant & Equipment other than grants received for forestry are initially deferred and allocated to income on a systematic basis over the useful life of the related Property, Plant & Equipment as follows: Assets are amortised over their useful lives or unexpired lease period, whichever is less.

Sanitation & water supply	20 years

Grants received for forestry are initially deferred and credited to income once when the related blocks of trees are harvested.

3.20 Statement of Profit or Loss

For the purpose of presentation of Statement of Profit or Loss, the function of expenses method is adopted as it represents fairly the elements of the Group's performance.

3.20.1 Revenue

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

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

(b) Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the net sales proceeds with the carrying amounts of property, plant and equipment and are recognized within other operating income in the Statement of Profit or Loss.

(c) Interest income is recognized on accrual basis.

(d) Dividend is recognised when the Group's right to receive the payment is established, which is generally when shareholders approve the dividend.

(e) Rental income arising from operating leases on investment properties is accounted for on a straight line basis over the lease terms

3.20.2 Expenses

All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency is charged to revenue in arriving at the profit for the year.

3.20.3 Financing income and expenses

Finance income comprises interest income on funds invested. Interest income is recognized in the Statement of Profit or Loss as it accrues.

Finance expenses comprise interest payable on borrowing. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

The interest expense component of finance lease payment is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Foreign currency gains and losses are reported on a net basis.

3.20.4 Taxes

3.20.4.1 Current Income Tax

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

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Company is liable for income tax at the rate of 28%, 12% & 10% on its profit from manufacturing, Hydro Power Project and agriculture undertakings respectively.

EPP Hydro Power Company (Pvt) Ltd.

As per the section 17 of the BOI Law No.4 of 1978 and regulations there to, EPP Hydro Power Company (Pvt) Ltd. is exempted from income tax for 5 years from the year of assessment in which the Company commences to make the profit or any year of assessment not later than 2 years reckoned from the date of commencement of commercial operations whichever is earlier as may be specified in a certificate issued by the Board. Accordingly this exemption is commenced from the year of Assessment 2014/2015.

3.20.4.2 Deferred Tax

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

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

3.21 Statement of cash flow

The Statement of Cash Flow has been prepared using the "Indirect Method". Interest paid is classified as operating cash flows; dividends received are classified as investing cash flows while dividends paid are classified as financing cash flows, for the purpose of presenting the Statement Cash Flows.

3.22 Segment reporting

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.

Since the individual segments are located close to each other and operate in the same industrial environment, the need for geographical segmentation has no material impact.

The activities of the segments are described on Note 13 in the Notes to the Financial Statements. The group transfers products from one industry segment for use in another. Inter-segment transfers are based on fair market prices.

Revenue and expenses directly attributable to each segment are allocated to the respective segments. Revenue and expenses not directly attributable to a segment are allocated on the basis of their resource utilisation, wherever possible.

Assets and liabilities directly attributable to each segment 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 mainly 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.

4. USE OF ESTIMATES AND JUDGMENTS

The preparation of Financial Statements in conformity with SLFRS requires management to make judgments, estimates and assumptions that influence the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Judgments and estimates are based on historical experience and other factors, including expectations that are believed to be reasonable under the circumstance. Hence, actual experience and results may differ from these judgments and estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period and any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the Financial Statements is included in the following notes.

4.1 Taxation

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. Unused tax losses as of 31 March 2017 are given in Note 30.

4.2 Retirement benefit obligations

The present value of the retirement benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Key assumptions used in determining the retirement benefit obligations are given in Note 28. Any changes in these assumptions will impact the carrying amount of retirement benefit obligations.

4.3 Fair Valuation of Consumable Biological Assets

The fair value of managed timber depends on number of factors that are determined on a discounted cash flow method using various different financial and non-financial assumptions. The growth of the trees is determined by various biological factors that are highly unpredictable. Any change to the assumptions will impact the fair value of biological assets. Key assumptions and sensitivity analysis of the biological assets are given in Note 16.2.

4.4 Impairment of non-financial assets.

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognised by the Group.

5 STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective up to the date of issuance of the company's financial statements are listed below. This listing of standards and interpretations issued are those that the company reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The company intends to adopt these standards when they become effective.

Impending Accountings standards / Standards issued not yet effective

Certain new accounting standards and amendments / improvements to existing standards have been published, that are not mandatory for 31 March 2017 reporting periods. None of those have been early adopted by the Group.

SLFRS 9 Financial Instruments: Classification and Measurement

SLFRS 9, as issued reflects the first phase of work on measurement of LKAS 39 and applies to classification and measurement of financial assets and liabilities. This standard is effective for the annual periods beginning on or after 01 January 2018.

SLFRS 15 Revenue from Contracts with Customers

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including LKAS 18 Revenue, LKAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programs. This standard is effective for the annual periods beginning on or after 01 January 2018.

SLFRS 16 –Leases

SLFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on balance sheet model similar to the accounting for finance leases, under LKAS 17 except for few exemptions for leases for "low value" assets and short term leases with a lease term of 12 months or less. This standard is effective for the annual periods beginning on or after 01 January 2019.

6 REVENUE

	Group		Company	
	2017	2016	2017	2016
	Rs	Rs	Rs	Rs
Tea	2,142,894,884	1,795,316,977	2,142,894,884	1,795,316,977
Rubber	224,671,218	212,166,281	224,671,218	212,166,281
Oil Palm	619,633,860	408,163,590	619,633,860	408,163,590
Others	22,591,277	28,779,575	9,199,570	4,136,918
	3,009,791,239	2,444,426,422	2,996,399,532	2,419,783,764

7 OTHER INCOME

	Group		Company	
	2017	2016	2017	2016
	Rs	Rs	Rs	Rs
Profit on sale of other trees *	45,226,208	164,196,497	45,226,208	164,196,497
Profit from refuse tea project	46,992,811	28,779,905	46,992,811	28,779,905
Revenue on Sheen mini hydro power project	19,681,576	31,604,266	19,681,576	31,604,266
Revenue on dunsinane mini hydro power project	5,045,258	6,911,429	5,045,258	6,911,429
Amortisation of capital grants	12,477,532	11,544,875	12,477,532	11,544,875
Profit from sale of Timber Trees	3,056,614	6,266,230	3,056,614	6,266,230
Income from sub lease	3,804,779	7,406,871	3,804,779	7,406,871
Amortization of deferred income from sub lease	5,327,975	6,437,985	5,327,975	6,437,985
Gain on assets tranfered to Joint Venture	-	40,411,957	-	80,823,914
Dividend income	-	-	62,099,225	45,000,000
Gain on disposal of share investments	-	-	58,439,778	20,119,724
Gain on PPE disposal	2,486,009	-	2,486,009	-
Amortisation of Leasehold right to use of Land (Note 29.3)	5,479,310	-	5,479,310	-
Item written back	1,266,151	-	1,266,151	-
Sundry income	7,681,655	5,868,251	7,681,655	5,313,628
	158,525,878	309,428,265	279,064,881	414,405,323

* The amount of Rs 80,945,524, included under administration expenses being the royalty payment made for the forestry Department which incurred in relation to the sale of other trees in the year 2015/2016(i.e. for sale of Pinus trees).

8 FINANCE INCOME AND FINANCE EXPENSES

8.1 Finance expenses

	Group		Company	
	2017	2016	2017	2016
	Rs	Rs	Rs	Rs
Overdraft interest	17,370,605	24,268,039	17,370,605	24,268,039
Term loan interest	55,969,155	35,785,388	47,606,275	28,865,214
Interest on government lease	6,904,906	7,161,800	6,904,906	7,161,800
Variable lease rentals	26,979,168	26,212,200	26,979,168	26,212,200
Other lease interest	223,300	949,114	223,300	949,114
Exchange loss	228,387	358,655	228,387	358,655
	107,675,521	94,735,196	99,312,641	87,815,022
Amount capitalised	(26,912,547)	(17,800,000)	(26,912,547)	(17,800,000)
	80,762,974	76,935,196	72,400,094	70,015,022
8.2 FINANCE INCOME				
Interest income	391,000	505,055	254,063	174,349
Interest Income on finance lease	1,189,228	-	1,189,228	-
	1,580,228	505,055	1,443,291	174,349
8.3 NET FINANCE EXPENSE	80,371,974	76,430,141	72,146,031	69,840,673

9 PROFIT BEFORE TAXATION IS STATED AFTER CHARGING

	Group		Company	
	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.
Auditors fees	3,182,000	3,277,000	2,765,000	2,634,000
Depreciation and amotisation	190,545,636	163,624,523	179,359,374	152,443,386
Define benefit plan costs	96,027,291	94,889,818	95,999,751	94,889,818
Defined contributions plan cost - EPF and ETF	149,279,854	139,799,032	149,173,510	139,799,032
Staff costs	1,210,817,319	1,276,773,113	1,209,509,057	1,276,607,971
Director fees & other emoluments	21,528,351	38,785,000	21,528,351	38,785,000
Donations	52,020	192,500	52,020	192,500

10 INCOME TAX

10.1 Income tax expense

	Group 2017 Rs	Group 2016 Rs	Company 2017 Rs	Company 2016 Rs
10.1.1 Statement of Profit or Loss				
Tax on current year profits	14,538,342	4,092,598	14,500,000	4,000,000
Over provision in respect of previous years	(4,563,611)	-	(4,563,611)	-
Tax on dividends paid by group companies	1,049,913	-	-	-
Unrecoverable ESC	30,129	-	30,129	-
Deferred tax expense	32,397,022	20,177,796	32,397,022	20,177,796
	43,451,795	24,270,394	42,363,540	24,177,796
10.1.2 Statement of Comprehensive Income				
Deferred tax expense / (Reversal)	25,315,877	14,925,024	25,315,877	14,925,024
	25,315,877	14,925,024	25,315,877	14,925,024

10.2 Reconciliation of the accounting profit and tax on current year

	Group 2017 Rs.	Group 2016 Rs.	Company 2017 Rs.	Company 2016 Rs.
Profit before tax	463,289,269	219,811,719	530,391,864	239,554,215
Loss / (Income) not liable for income tax	13,299,349	2,475,719	(120,611,106)	(65,119,724)
Profit from equity accounted investees	(60,841,414)	(89,454,807)	-	-
Adjusted accounting profit chargeable to income taxes	415,747,203	132,832,631	409,780,758	174,434,491
Aggregate disallowed items	346,255,232	454,248,214	346,255,232	413,030,614
Aggregate allowed items	(535,234,448)	(531,082,450)	(535,097,511)	(530,751,744)
Business profit	226,767,988	55,998,395	220,938,479	56,713,361
Interest income	318,897	505,055	181,960	174,349
Tax loss brought forward and utilized	(77,381,608)	(20,155,483)	(77,381,608)	(20,155,483)
Current year Losses not utilised - Subsidiaries	665,581	1,269,591	-	-
Taxable income	150,370,858	37,617,558	143,738,831	36,732,227
Income Tax @ 10%	13,982,872	2,466,451	13,982,872	2,466,451
Income Tax @ 12%	451,405	1,532,052	451,405	1,532,052
Income Tax @ 28%	89,291	92,598	50,949	-
Income tax expense charged to Statement of Profit or Loss	14,538,342	4,092,598	14,500,000	4,000,000

The Company is liable for income tax at the rate of 28% on its profit from manufacture, 12% on its Hydro Power Project Income and 10% on its profit from agriculture undertakings. The carried forward tax loss of the Company as at 31 March 2017, amounts to Rs. 1,129,743,479/- (Provisional) (2015/2016 - Rs 1,207,125,087/-).

10.3 Deferred tax expense

	Group 2017 Rs.	Group 2016 Rs.	Company 2017 Rs.	Company 2016 Rs.
10.3.1 Statement of Profit or Loss				
Accelerated depreciation for tax purposes				
Property plant and equipment	(7,764,843)	(8,330,885)	(7,764,843)	(8,330,885)
Biological Assets	(21,668,851)	(17,612,173)	(21,668,851)	(17,612,173)
Tax effect of provision for obsolete items	-	(316,173)	-	(316,173)
Tax effect of provisions for doubtful debts	-	507,992	-	507,992
Tax effect of retirement benefit obligations	4,528,830	8,720,496	4,528,830	8,720,496
Tax losses available for offsetting future taxable income	(7,492,158)	(3,147,053)	(7,492,158)	(3,147,053)
	(32,397,022)	(20,177,796)	(32,397,022)	(20,177,796)
10.3.2 Statement of Comprehensive Income				
Tax effect of retirement benefit obligations	(25,315,877)	(14,925,024)	(25,315,877)	(14,925,024)
	(25,315,877)	(14,925,024)	(25,315,877)	(14,925,024)
Deferred tax expense	(57,712,899)	(35,102,820)	(57,712,899)	(35,102,820)

11 EARNINGS PER SHARE

	Group 2017 Rs.	Group 2016 Rs.	Company 2017 Rs.	Company 2016 Rs.
Profit attributable to ordinary shareholders of the parent (Rs.)	420,170,265	195,898,808	488,028,324	215,376,419
Weighted average number of ordinary shares	72,866,430	72,866,430	72,866,430	72,866,430
Earnings per share (Rs.)	5.77	2.69	6.70	2.96

The computation of the basic earnings per share is based on profit attributable to ordinary shareholders for the year divided by weighted average number of ordinary shares outstanding during the year and calculated as follows.

12 DIVIDEND PER SHARE

	Company 2017 Rs.	Company 2016 Rs.
Proposed dividend for 2016/17 Rs. Nil/- per share (2015/16 - Rs.0.50 per share)	-	36,433,215
Number of ordinary shares	72,866,430	72,866,430
Dividend per share (Rs.)	-	0.50

13 SEGMENT INFORMATION

		Tea		Rubber		Oil Palm		Others		Total	
13.1.a	**Segment results**										
	Group	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
		Rs.	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**
	Revenue	2,142,894,884	1,795,316,977	224,671,218	212,166,281	619,633,860	408,163,590	22,591,277	28,779,575	3,009,791,239	2,444,426,422
	Operating expenses										
	Revenue expenditure	(1,744,071,776)	(1,674,631,943)	(213,995,282)	(188,369,591)	(149,480,818)	(141,648,055)	(8,297,413)	(17,319,361)	(2,115,845,289)	(2,021,968,950)
	Depreciation / amortisation	(88,781,514)	(76,031,767)	(41,238,665)	(35,494,690)	(48,265,393)	(39,643,800)	(12,260,055)	(1,273,131)	(190,545,627)	(152,443,388)
	Other non cash expenses - gratuity	(47,519,142)	(47,232,977)	(22,072,455)	(22,050,256)	(25,833,419)	(24,627,794)	(574,735)	(790,903)	(95,999,752)	(94,701,930)
	Segmental results	262,522,452	(2,579,711)	(52,635,184)	(33,748,256)	396,054,230	202,243,941	1,459,074	9,396,180	607,400,571	175,312,154
	Gain on fair value of biological assets									35,909,966	43,150,800
	Other income									158,525,878	309,428,265
	Unallocated expenses									(221,869,017)	(285,213,668)
	Management fees & workers profit share									(98,336,798)	(35,890,498)
	Profit from investments in joint ventures									60,841,414	89,454,807
	Profit from operating activities									542,472,015	296,241,859
	Finance income									1,580,228	505,055
	Finance cost									(80,762,974)	(76,935,196)
	Profit from ordinary activities before taxation									463,289,269	219,811,718
	Income tax									(43,451,795)	(24,270,393)
	Profit from ordinary activities after taxation									**419,837,474**	**195,541,324**
13.1.b	**Segment Assets**										
	Group										
	Non current assets										
	Cost	2,424,801,679	2,333,839,579	2,035,939,177	1,965,457,203	1,869,136,453	1,652,653,170	15,546,303	33,546,558	6,345,423,612	5,985,496,510
	Accumulated depreciation and amortisation	(715,801,187)	(658,234,402)	(495,589,376)	(437,855,343)	(460,227,636)	(399,569,264)	(5,285,250)	(6,816,792)	(1,676,903,449)	(1,502,475,802)
		1,709,000,492	1,675,605,177	1,540,349,801	1,527,601,860	1,408,908,817	1,253,083,906	10,261,053	26,729,766	4,668,520,163	4,483,020,708
	Unallocated non current assets										
	Cost									387,748,108	382,819,707
	Accumulated depreciation and amortisation									(85,264,871)	(69,146,884)
										4,971,003,400	4,796,693,531
	Investments									153,171,556	220,057,076
	Other non current asset									38,689,228	37,500,000
	Total non current assets									5,162,864,184	5,054,250,607
	Current assets	273,493,346	160,323,508	31,364,275	45,119,396	25,167,583	19,311,279	559,921	620,166	330,585,125	225,374,349
		273,493,346	160,323,508	31,364,275	45,119,396	25,167,583	19,311,279	559,921	620,166	330,585,125	225,374,349
	Unallocated current assets									308,868,823	255,494,117
	Total current assets									639,453,948	480,868,466
	Total assets									**5,802,318,132**	**5,535,119,073**
13.1.c	**Segment Liabilities**										
	Group										
	Non current liabilities	223,633,762	291,117,721	103,877,006	135,905,474	121,576,790	151,791,985	2,732,343	4,874,689	451,819,901	583,689,869
	Current liabilities	290,065,034	323,233,818	134,734,072	150,898,540	157,691,645	168,537,648	24,516,757	25,852,723	607,007,508	668,522,729
		513,698,796	614,351,539	238,611,078	286,804,014	279,268,435	320,329,633	27,249,100	30,727,412	1,058,827,409	1,252,212,598
	Unallocated non current liabilities									834,889,867	893,027,740
	Total liabilities									1,893,717,276	2,145,240,338
	Capital and resources									3,908,600,856	3,389,878,736
	Total equity and liabilities									**5,802,318,132**	**5,535,119,073**
13.1.d	**Segment capital expenditure**										
	Cost	101,695,014	79,634,122	55,445,882	74,297,307	165,408,690	84,566,313	20,409,181	100,927,541	342,958,767	339,425,283

Notes to the Financial Statements
Year Ended 31st March 2017

13 SEGMENT INFORMATION - CONTD

		Tea		Rubber		Oil Palm		Others		Total	
13.2.a	**Segment results**										
	Company	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
		Rs.	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**
	Revenue	2,142,894,884	1,795,316,977	224,671,218	212,166,281	619,633,860	408,163,590	9,199,570	4,136,918	2,996,399,532	2,419,783,764
	Operating expenses										
	Revenue expenditure	(1,744,071,776)	(1,674,631,943)	(213,995,282)	(188,369,591)	(149,480,818)	(141,648,055)	(5,016,733)	(1,371,230)	(2,112,564,609)	(2,006,020,819)
	Depreciation / amortisation	(88,781,514)	(76,031,767)	(41,238,665)	(35,494,690)	(48,265,393)	(39,643,800)	(1,073,794)	(1,273,131)	(179,359,366)	(152,443,388)
	Other non cash expenses - gratuity	(47,519,142)	(47,232,977)	(22,072,455)	(22,050,256)	(25,833,419)	(24,627,794)	(574,735)	(790,903)	(95,999,751)	(94,701,930)
13.2.a	**Segmental results**	262,522,452	(2,579,711)	(52,635,184)	(33,748,256)	396,054,230	202,243,941	2,534,308	701,654	608,475,806	166,617,628
	Gain on fair value of biological assets									35,909,966	43,150,800
	Other income									279,064,881	414,405,323
	Unallocated expenses									(223,765,189)	(278,888,365)
	Management fees & workers profit share									(98,336,798)	(35,890,498)
	Profit from operating activities									601,348,667	309,394,888
	Finance cost									(72,400,094)	(70,015,022)
	Finance income									1,443,291	174,349
	Profit from ordinary activities before taxation									530,391,864	239,554,215
	Income tax									(42,363,540)	(24,177,796)
	Profit from ordinary activities after taxation									**488,028,324**	**215,376,419**
13.2.b	**Segment Assets**										
	Company										
	Non current assets										
	Cost	2,424,801,679	2,333,839,579	2,035,939,177	1,965,457,203	1,869,136,453	1,652,653,170	15,546,303	33,546,558	6,345,423,612	5,985,496,510
	Accumulated depreciation and amortisation	(715,801,187)	(658,234,402)	(495,589,376)	(437,855,343)	(460,227,636)	(399,569,264)	(5,285,250)	(6,816,792)	(1,676,903,449)	(1,502,475,801)
		1,709,000,492	1,675,605,177	1,540,349,801	1,527,601,860	1,408,908,817	1,253,083,906	10,261,053	26,729,766	4,668,520,163	4,483,020,709
	Unallocated non current assets										
	Cost									143,401,254	143,372,101
	Accumulated depreciation and amortisation									(52,858,953)	(47,927,235)
										90,542,301	95,444,866
	Investments									137,990,300	144,128,330
	Other non current asset									38,689,228	37,500,000
	Total non current assets									4,935,741,992	4,760,093,905
	Current assets	273,493,346	160,323,508	31,364,275	45,119,396	25,167,583	19,311,279	559,921	620,166	330,585,125	225,374,349
		273,493,346	160,323,508	31,364,275	45,119,396	25,167,583	19,311,279	559,921	620,166	330,585,125	225,374,349
	Unallocated current assets									435,950,016	362,096,443
	Total current assets									766,535,141	587,470,792
	Total assets									**5,702,277,133**	**5,347,564,697**
13.2.c	**Segment Liabilities**										
	Company										
	Non current liabilities	223,633,762	291,117,721	103,877,006	135,905,474	121,576,790	151,791,985	2,704,804	4,874,689	451,792,362	583,689,869
	Current liabilities	290,065,034	323,233,818	134,734,072	150,898,540	157,691,645	168,537,648	3,508,277	5,412,459	585,999,029	648,082,465
		513,698,796	614,351,539	238,611,078	286,804,014	279,268,435	320,329,633	6,213,081	10,287,148	1,037,791,391	1,231,772,334
	Unallocated non current liabilities									795,053,559	833,273,148
	Total liabilities									1,832,844,950	2,065,045,482
	Capital and resources									3,869,432,183	3,282,519,215
	Total equity and liabilities									**5,702,277,133**	**5,347,564,697**
13.2.d	**Segment capital expenditure**										
	Company										
	Cost	101,695,014	79,634,122	55,445,882	74,297,307	165,408,690	84,566,313	15,519,937	101,597,771	338,069,523	340,095,513

14 LEASEHOLD PROPERTY, PLANT AND EQUIPMENT

		Group		Group / Company	
		2017	2016	2017	2016
	Notes	Rs.	Rs.	Rs.	Rs.
Right-of-use-land	14.1	148,587,980	153,854,404	148,587,980	153,854,404
Immovable bearer biological assets	14.2.1	100,097,652	112,675,692	100,097,652	112,675,692
Other leased property plant and equipments	14.2.2	5,073,451	8,042,966	5,073,451	8,042,966
		253,759,082	274,573,062	253,759,082	274,573,062

14.1 Right-to-use-of land

“Right-To-Use of Land on Lease” as above was previously titled "Leasehold Right to Bare Land". The change is in order to comply with Statement of Recommended Practice (SoRP) issued by the Institute of Chartered Accountants of Sri Lanka dated 19 December 2012. Such leases have been executed for all estates for a period of 53 years.

This right-to-use land is amortized over the remaining lease term or useful life of the right whichever is shorter and is disclosed under non-current assets. The Statement of Recommended Practice (SoRP) for right-to-use of land does not permit further revaluation of right-to-use land. The values taken into the Statement of Financial Position as at 18 June 1992 and amortization of the right to use land up to 31 March 2017 are as follows.

	Group		Company	
	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.
Revalued amount capitalised	279,120,479	279,120,479	279,120,479	279,120,479
	279,120,479	279,120,479	279,120,479	279,120,479
Amortisation				
At the beginning of the year	125,266,075	119,999,651	125,266,075	119,999,651
Amortisation for the year	5,266,424	5,266,424	5,266,424	5,266,424
At the end of the year	130,532,499	125,266,075	130,532,499	125,266,075
Carrying amount	148,587,980	153,854,404	148,587,980	153,854,404

14.2 Immovable estate assets on finance lease other than right to use of land

In terms of the ruling of the UITF of the Institute of Chartered Accountants of Sri Lanka prevailed at the time of privatisation of plantation estates, all immovable assets in these estates under finance leases have been taken into the books of the Company retroactive to 22nd June 1992. For this purpose, the Board decided at its meeting on 8th March 1995, that these assets be restated at their book values as they appear in the books of the JEDB/SLSPC, on the day immediately preceding the date of formation of the Company. These assets are taken into the Statement of Financial Position as at 22nd June, 1992 and amortisation of immovable leased assets to 31 March 2017 are as follows.

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Year Ended 31st March 2017

14.2.1 Immovable leased bearer biological assets

	Group			Company		
	Immature Plantations	Mature Plantations	Total	Immature Plantations	Mature Plantations	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Revaluation as at 22.06.1992	283,368,199	95,362,391	378,730,590	283,368,199	95,362,391	378,730,590
Transferred to Mature Plantations	(283,368,199)	283,368,199	-	(283,368,199)	283,368,199	-
Acquired by government 2002/2003	-	(1,389,400)	(1,389,400)	-	(1,389,400)	(1,389,400)
Transferred to Joint Venture	-	(19,773,222)	(19,773,222)	-	(19,773,222)	(19,773,222)
Balance as at 31.03.2017	-	357,567,968	357,567,968	-	357,567,968	357,567,968
Accumulated amortization as at 01.04.2016	-	244,892,276	244,892,276	-	244,892,276	244,892,276
Amortization during the year	-	12,578,040	12,578,040	-	12,578,040	12,578,040
Transferred Accumulated amortization	-	-	-	-		
Accumulated amortization as at 31.03.2017	-	257,470,316	257,470,316	-	257,470,316	257,470,316
Written down value as at 31.03.2017	-	100,097,652	100,097,652	-	100,097,652	100,097,652
Written down value as at 31.03.2016	-	112,675,692	112,675,692	-	112,675,692	112,675,692

14.2.2 Other leased property plant and equipments

	Group					
	Improvements to land	Other vested assets	Unimproved lands	Buildings	Plant and machinery	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Revaluation as at 22.06.1992	4,214,618	4,028,217	1,564,267	73,002,143	47,785,047	130,594,292
Acquired by government 2002/2003	-	-	-	(3,390,250)	-	(3,390,250)
Transferred to Joint Venture	-	-	-	(5,536,000)	-	(5,536,000)
Balance as at 31.03.2017	4,214,618	4,028,217	1,564,267	64,075,893	47,785,047	121,668,042
Accumulated amortization as at 01.04.2016	2,276,145	1,809,668	568,154	61,186,062	47,785,047	113,625,076
Amortization during the year	79,521	76,004	29,514	2,784,476	-	2,969,515
Transferred Accumulated amortization	-	-	-	-	-	-
Accumulated amortization as at 31.03.2017	2,355,666	1,885,672	597,668	63,970,538	47,785,047	116,594,591
Written down value as at 31.03.2017	1,858,952	2,142,545	966,599	105,355	-	5,073,451
Written down value as at 31.03.2016	1,938,473	2,218,549	996,113	2,889,831	-	8,042,966

14.2.2 Other leased property plant and equipments (Contd)

	Company					
	Improvements to land	Other vested assets	Unimproved lands	Buildings	Plant and machinery	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Revaluation as at 22.06.1992	4,214,618	4,028,217	1,564,267	73,002,143	47,785,047	130,594,292
Acquired by government 2002/2003	-	-	-	(3,390,250)	-	(3,390,250)
Disposal	-	-	-	(5,536,000)	-	(5,536,000)
Balance as at 31.03.2017	4,214,618	4,028,217	1,564,267	64,075,893	47,785,047	121,668,042
Accumulated amortization as at 01.04.2016	2,276,145	1,809,668	568,154	61,186,062	47,785,047	113,625,076
Amortization during the year	79,521	76,004	29,514	2,784,476	-	2,969,515
Transferred Accumulated amortization	-	-	-	-	-	-
Accumulated amortization as at 31.03.2017	2,355,666	1,885,672	597,668	63,970,538	47,785,047	116,594,591
Written down value as at 31.03.2017	1,858,952	2,142,545	966,599	105,355	-	5,073,451
Written down value as at 31.03.2016	1,938,473	2,218,549	996,113	2,889,831	-	8,042,966

15. FREEHOLD PROPERTY, PLANT AND EQUIPMENT

	Group				Company			
	As at 1 April 2016 Rs.	Additions/ Transfers Rs.	Disposals/ Transfers Rs.	As at 31 March 2017 Rs.	As at 1 April 2016 Rs.	Additions/ Transfers Rs.	Disposals/ Transfers Rs.	As at 31 March 2017 Rs.
At Cost								
Buildings	42,118,278	2,655,121	-	44,773,399	42,118,278	2,655,121	-	44,773,399
Motor vehicles	159,471,407	12,867,731	-	172,339,138	159,471,407	12,867,731	-	172,339,138
Plant and machinery	222,034,668	47,913,913	-	269,948,581	222,034,668	47,913,913	-	269,948,581
Furniture and fittings	11,830,907	166,416	-	11,997,323	11,830,907	166,416	-	11,997,323
Equipment	89,681,542	17,547,117	-	107,228,659	89,681,542	17,547,117	-	107,228,659
Water sanitation	246,865,594	2,286,588	-	249,152,182	246,865,594	2,286,588	-	249,152,182
	772,002,396	83,436,886	-	855,439,282	772,002,396	83,436,886	-	855,439,282
Assets on Mini Hydro Power Projects								
Plant and machinery	150,811,101	-	-	150,811,101	57,744,429	-	-	57,744,429
Equipment	12,314,557	4,650	-	12,319,207	4,147,454	4,650	-	4,152,104
Motor vehicles	263,089	-	-	263,089	99,889	-	-	99,889
Furniture and fittings	-	24,500		24,500	-	24,500	-	24,500
Civil constructions	215,502,891	-	-	215,502,891	81,380,332	-	-	81,380,332
	378,891,638	29,150	-	378,920,788	143,372,104	29,150	-	143,401,254
Assets Acquired on Finance Lease								
Motor vehicles	40,398,204	-	-	40,398,204	40,398,204	-	-	40,398,204
Plant and machinery	73,280,594	-	-	73,280,594	73,280,594	-	-	73,280,594
	113,678,798	-	-	113,678,798	113,678,798	-	-	113,678,798
Total cost	1,264,572,832	83,466,036	-	1,348,038,868	1,029,053,298	83,466,036	-	1,112,519,334

	As at 1 April 2016 Rs.	Charge for the year Rs.	Disposals/ Transfers Rs.	As at 31 March 2017 Rs.	As at 1 April 2016 Rs.	Charge for the year Rs.	Disposals/ Transfers Rs.	As at 31 March 2017 Rs.
Depreciation								
Buildings	7,166,430	1,068,530	-	8,234,960	7,166,430	1,068,530	-	8,234,960
Motor vehicles	75,717,757	12,796,560	-	88,514,317	75,717,757	12,796,560	-	88,514,317
Plant and machinery	112,301,611	4,457,969	-	116,759,580	112,301,611	4,457,969	-	116,759,580
Furniture and fittings	9,616,588	675,197	-	10,291,785	9,616,588	675,197	-	10,291,785
Equipment	71,315,019	9,292,474	-	80,607,493	71,315,019	9,292,474	-	80,607,493
Water sanitation	115,000,770	11,996,447	-	126,997,217	115,000,770	11,996,447	-	126,997,217
	391,118,174	40,287,177	-	431,405,351	391,118,175	40,287,177	-	431,405,352
Assets on Mini Hydro Power Projects								
Plant and machinery	32,178,062	7,540,555	-	39,718,617	21,320,283	2,887,221	-	24,207,504
Equipment	8,890,318	2,041,776	-	10,932,094	4,147,454	-		4,147,454
Motor vehicles	117,308	30,397	-	147,705	79,908	9,997	-	89,905
Civil constructions	27,961,196	6,505,260	-	34,466,456	22,379,589	2,034,508	-	24,414,097
	69,146,884	16,117,988	-	85,264,872	47,927,234	4,931,726	-	52,858,960
Assets Acquired on Finance Lease								
Motor vehicles	24,064,324	3,662,137	-	27,726,461	24,064,324	3,662,137		27,726,461
Plant and machinery	42,756,639	5,825,000	-	48,581,639	42,756,639	5,825,000		48,581,639
	66,820,963	9,487,137	-	76,308,100	66,820,963	9,487,137	-	76,308,100
Total depreciation	527,086,021	65,892,302	-	592,978,323	505,866,372	54,706,040	-	560,572,412
Written down value	737,486,811			755,060,545	523,186,925			551,946,922

Capital work in progress	Group				Company			
	As at 1 April 2016 Rs.	Additions Rs.	Transfers Rs.	As at 31 March 2017 Rs.	As at 1 April 2016 Rs.	Additions Rs.	Transfers Rs.	As at 31 March 2017 Rs.
Capital work - in - progress	39,073,023	7,425,171	(33,777,917)	12,720,277	35,144,954	2,525,927	(33,777,917)	3,892,964
	39,073,023	7,425,171	(33,777,917)	12,720,277	35,144,954	2,525,927	(33,777,917)	3,892,964
Total carrying value	776,559,834			767,780,821	558,331,879			555,839,885

Notes to the Financial Statements
Year Ended 31st March 2017

16 BIOLOGICAL ASSETS

	Group 2017 Rs.	Group 2016 Rs.	Company 2017 Rs.	Company 2016 Rs.
16.1 IMPROVEMENTS TO BEARER BIOLOGICAL ASSETS				
Cost				
At the beginning of the year	3,357,300,794	3,135,242,949	3,357,300,794	3,135,242,949
Additions during the year	275,305,165	222,057,845	275,305,165	222,057,845
At the end of the year	3,632,605,959	3,357,300,794	3,632,605,959	3,357,300,794
Depreciation				
At the beginning of the year	560,753,234	478,297,267	560,753,234	478,297,267
Charge for the year	103,839,354	82,455,967	103,839,354	82,455,967
At the end of the year	664,592,588	560,753,234	664,592,588	560,753,234
Carrying amount	2,968,013,371	2,796, 547,560	2,968,013,371	2,796,547,560

Immature Plantations

	Tea Rs.	Rubber Rs.	Oil Palm Rs.	Other Rs.	Total Rs.
At Cost					
At the beginning of the year	199,857,843	470,407,907	284,246,975	9,033,705	963,546,430
Additions during the year	47,811,838	53,350,827	165,408,690	8,733,810	275,305,165
Transfers to	(33,801,196)	(127,931,698)	(110,656,559)	(7,600,279)	(279,989,732)
At the end of the year	213,868,485	395,827,036	338,999,106	10,167,236	958,861,863

Mature Plantations

	Tea Rs.	Rubber Rs.	Oil Palm Rs.	Other Rs.	Total Rs.
At Cost					
At the beginning of the year	810,654,208	858,165,970	680,291,521	44,642,665	2,393,754,364
Transfers from	33,801,196	127,931,698	110,656,559	7,600,279	279,989,732
At the end of the year	844,455,404	986,097,668	790,948,080	52,242,944	2,673,744,096
Depreciation					
At the beginning of the year	197,292,080	200,693,259	154,141,327	8,626,568	560,753,234
Charge for the year	24,319,626	42,908,299	34,014,576	2,596,853	103,839,354
At the end of the year	221,611,706	243,601,558	188,155,903	11,223,421	664,592,588
Carrying amount of Mature Plantations	622,843,698	742,496,111	602,792,177	41,019,523	2,009,151,508

These are investments in Mature/Immature Plantations since the formation of the Company. The assets (including plantation assets) taken over by way of estate leases are set out in Note 14 to the Financial Statements. Further investments in Immature Plantations taken over by way of leases are shown in this note. When such Plantations become mature, the additional investments since taken over to bring them to maturity are transferred from Immature to Mature.

During the year Company has capitalised Borrowing Cost amounting to Rs. 26,912,547/- (2016- Rs 17,800,000/-) as part of the immature plantations.

16.2 CONSUMABLE BIOLOGICAL ASSETS

Managed timber plantation

	Group		Company	
	2017	**2016**	**2017**	**2016**
	Rs.	**Rs.**	**Rs.**	**Rs.**
At the beginning of the year	949,013,074	912,493,222	949,013,074	912,493,222
Increase due to development	10,550,314	5,416,838	10,550,314	5,416,838
Cost of harvested timber trees	(9,075,046)	(12,747,169)	(9,075,046)	(12,747,169)
Gain arising from changes in fair value less cost to sell due to physical changes	30,961,783	43,850,184	30,961,783	43,850,184
At the end of the year	981,450,125	949,013,074	981,450,125	949,013,074

Managed trees include commercial timber plantations cultivated on estates. The cost of immature trees is treated as approximate fair value particularly on the ground of little biological transformation has taken place and impact of the biological transformation on price is not material.

The fair value of managed trees was ascertained since the LKAS 41 is only applicable for managed agricultural activities in terms of the ruling issued by The Institute of Chartered Accountants of Sri Lanka. The valuation was carried by Mr K.T.D.Tissera, Chartered Valuation Surveyor, using Discounted Cash Flow (DCF) method. In ascertaining the fair value of timber, physical verification was carried out covering all the estates.

16.3 CONSUMABLE BIOLOGICAL ASSETS - Continued

INFORMATION ABOUT FAIR VALUE MEASUREMENTS USING SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)

Non Financial Asset	Valuation Technique	Unobservable Inputs	Range of Unobservable Inputs (Probability weighted average.)	Relationship of Unobservable Inputs to Fair Value
Consumable Biological Assets	Discounted Cash Flow Method (DCF)	Discount Rate	14%	The higher the discount rate, the lesser the fair value
		Optimum rotation (Maturity)	20-26 Years	Lower the rotation period, the higher the fair value
		Volume at rotation	16-281 cu.ft	The higher the volume, the higher the fair value
		Price per Cubic feet	Rs.150/= to Rs.650/=	The higher the price per cu. ft., the higher the fair value

Other key assumptions used for valuation are as follows.

1 The harvesting is approved by the PMMD and Forest Department based on the forestry development plan.

2 When considering the market price of the estimated output of standing timber, average value of the market price was taken after deducting costs of harvesting , transportation and administrative costs.

Notes to the Financial Statements
Year Ended 31st March 2017

16.3.1 Sensitivity Analysis

Values as appearing in the Statement of Financial Position are very sensitive to changes of the discount rate applied. Simulations made for timber trees show that a rise or decrease by 1% of the estimated future discount rate has the following effect on the net present value of biological assets:

	Impact on Consumable Biological Assets (In Rs. Mn)	
Percentage increase/decrease in discount rate	+ 1%	- 1%
As at 31 March 2017	(14.98)	17.06
As at 31 March 2016	(39.05)	44.98

The carrying amount of biological assets pledged as securities for liabilities are nil for year 2017 (2016 - nil).

There are no commitments for the development or acquisition of biological assets.

17 OTHER NON CURRENT ASSETS

	Group		Company	
	2017	**2016**	**2017**	**2016**
	Rs.	**Rs.**	**Rs.**	**Rs.**
Gross lease receivable	71,400,000	71,400,000	71,400,000	71,400,000
Less: Finance income allocated to future periods	(32,710,772)	(33,900,000)	(32,710,772)	(33,900,000)
Net lease receivable	38,689,228	37,500,000	38,689,228	37,500,000

During the year 2016, Elpitiya Plantations PLC had transferred its some of the assets (i.e. JEDB/SLSPC Leasehold Land, Mature Plantation – Tea & Factory Building) to its joint Venture company namely, Elpitiya Dianhong Jin Ya Tea Company (Pvt) Ltd, by setting up a lease arrangement through finance lease and operating lease (Refer Note 29.3). As a result of that, above balance represents, Finance lease rental receivables from ELpitiya Dianhong Jin Ya Tea Company (pvt) Ltd.

18 INVESTMENTS

	Group		Company	
	2017	**2016**	**2017**	**2016**
	Rs.	**Rs.**	**Rs.**	**Rs.**
Investments in subsidiaries (Note 18.1)	-	-	50,000,010	50,000,020
Investments in joint ventures (Note 18.2)	153,171,556	220,057,076	87,990,290	94,128,310
	153,171,556	220,057,076	137,990,300	144,128,330

18.1 Investments in subsidiaries

Unquoted

	Percentage of holding		Group		Company	
	2017	**2016**	**2017 Rs.**	**2016 Rs.**	**2017 Rs.**	**2016 Rs.**
EPP Hydro Power Company (Pvt) Ltd	100%	100%	-	-	50,000,000	50,000,000
Tea Country Homes (Pvt) Ltd	50%	50%	-	-	-	10
Water Villas (Pvt) Ltd	50%	50%	-	-	10	10
			-	-	50,000,010	50,000,020

18.2 Investments in joint ventures

Unquoted

	Percentage of holding		Group		Company	
	2017	**2016**	**2017 Rs.**	**2016 Rs.**	**2017 Rs.**	**2016 Rs.**
AEN Palm Oil Processing (Pvt) Ltd	33.33%	33.33%	102,355,435	107,432,004	6,990,270	13,128,300
Elpitiya Dianhong Jin Ya Tea Company (Pvt) Ltd	50%	50%	51,064,080	112,625,072	81,000,010	81,000,010
Venture Valley (Pvt) Ltd	50%	0%	(247,960)	-	10	-
			153,171,556	220,057,076	87,990,290	94,128,310

18.2 INVESTMENTS IN JOINT VENTURES

Summarised Information of joint venture investments

18.2.1 AEN Palm Oil Processing (Pvt) Ltd

The Group has a 33.33% interest in AEN Palm Oil Processing (Pvt) Ltd, a joint venture involved in the business of processing crude Palm Oil. The Group's interest in AEN Palm Oil Processing (Pvt) Ltd is accounted for using the equity method in the consolidated financial statements. Summarised financial information of this joint venture are set out below.

	Group	
	2017	**2016**
	Rs.	**Rs.**
Current assets, including cash and cash equivalents Rs. 79,884,603 /= (2016- Rs. 52,559,452/=)	133,084,108	111,876,493
Non current assets	297,852,586	297,108,202
Current liabilities, including tax payable Rs. 29,275,178 /=(2016- 3,825,691)	(84,542,918)	(49,817,311)
Non current liabilities, including deferred tax liabilities Rs. 29,275,178/= (2016- Rs.28,172,753)	(39,327,470)	(36,871,373)
Total Equity	307,066,306	322,296,011
Group's carrying amount of the investment	102,355,435	107,432,004

Summarised statement of profit or loss of AEN Palm Oil Processing (Pvt) Ltd.

	Group	
	2017	**2016**
	Rs.	**Rs.**
Revenue	2,476,614,584	1,589,283,487
Cost of sales	(2,166,743,404)	(1,426,077,415)
Other income	4,210,106	1,034,121
Administration expenses including depreciation Rs. 4,018,040/= (2016- Rs.3,788,081/=)	(64,017,156)	(55,978,771)
Finance cost	(955,131)	(417,263)
Profit Before Tax	**249,108,999**	**107,844,160**
Income tax expense	(39,107,889)	(14,124,077)
Profit for the year	**210,001,110**	**93,720,083**
Total comprehensive income for the year	210,001,110	93,720,083
Group's share of profit for the year	**70,000,370**	**31,240,028**
Group's share of profit before tax	83,036,333	35,948,053
Group's share of profit after tax	70,000,370	31,240,028

	Group	
	2017	**2016**
	Rs.	**Rs.**
Number of shares invested	699,027	1,312,830
Dividend received	9,449,218	-

Notes to the Financial Statements
Year Ended 31st March 2017

18.2.2 Elpitiya Dianhong Jin Ya Tea Company (Pvt) Ltd.

The Group has a 50% interest in Elpitiya Dianhong Jin Ya Tea Company (Pvt) Ltd, a joint venture involved in the business of manufacturing & exporting of speciality tea. The Group's interest in Elpitiya Dianhong Jin Ya Tea Company (Pvt) Ltd is accounted for using the equity method in the consolidated financial statements. Summarised financial information of this joint venture are set out below.

	Group	
	2017	**2016**
	Rs.	**Rs.**
Current assets, including cash and cash equivalents Rs. 1,053,550/= (2016- Rs. 962,995/=)	57,667,035	147,601,175
Non current assets	195,035,621	206,137,283
Current liabilities, including tax payable Rs. Nil (2016-Nil)	(30,933,103)	(10,018,600)
Non current liabilities	(38,817,478)	(37,645,800)
Total Equity	**182,952,075**	**306,074,059**
Group's carrying amount of the investment	**91,476,037**	**153,037,029**
Unrealized gain on assets transferred to Joint Venture	(40,411,957)	(40,411,957)
Total Group's carrying amount of the investment	**51,064,080**	**112,625,072**

Summarised statement of profit or loss of Elpitiya Dianhong Jin Ya Tea Company (Pvt) Ltd.

	Group	
	2017	**2016**
	Rs.	**Rs.**
Revenue	20,068,339	184,787,331
Cost of sales including depreciation Rs. 3,402,016 /= (2016- Rs. 3,394,970/=)	(50,215,682)	(86,584,749)
Other income	20,945,248	27,059,738
Administration expenses	(6,979,976)	(8,295,220)
Finance cost	(1,217,245)	(23,230)
Profit Before Tax	**(17,399,315)**	**116,943,871**
Income tax expense	(446,441)	(514,314)
Profit for the year	**(17,845,756)**	**116,429,558**
Total comprehensive income for the year	(17,845,756)	116,429,558
Group's share of profit for the year	**(8,922,878)**	**58,214,779**
Group's share of profit/(loss) before tax	(8,699,658)	58,471,936
Group's share of profit/(loss) after tax	(8,922,878)	58,214,779

	Group	
	2017	**2016**
	Rs.	**Rs.**
Number of shares invested	8,100,001	1
Dividend received	52,650,007	45,000,000

18.2.3 Elpitiya Lifestyle Solutions (Pvt) Ltd.

The Company has another 50% joint venture interest in Elpitiya Lifestyle Solutions (Pvt) Ltd established by Elpitiya Plantations PLC and Life Style Sri Lanka (Pvt) Ltd at a cost of Rs. 5,000,000/- which was fully impaired as at 31 March 2017.

19 PRODUCE ON BEARER BIOLOGICAL ASSETS

	Group 2017 Rs.	Group 2016 Rs.	Company 2017 Rs.	Company 2016 Rs.
As at 1st April - as previously reported	7,837,478	-	7,837,478	-
Impact of the amendments of LKAS 16 and LKAS 41	-	8,536,862	-	8,536,862
As at 1st April - restated	7,837,478	8,536,862	7,837,478	8,536,862
Change in fair value less cost to sell	4,948,183	(699,384)	4,948,183	(699,384)
As at 31st March	12,785,661	7,837,478	12,785,661	7,837,478

19.1 Fair Value Hierarchy for Non Financial Assets as at 31 March 2017 - Group/Company

Non Financial Asset Type	Date of Valuation	Level 1 (Quoted prices in active markets) inputs) Rs.	Level 2 (Significant observable inputs) Rs.	Level 3 (Significant unobservable Rs.
Produce on Bearer Biological Assets	31-Mar-16	-	7,837,478	-
	31-Mar-17	-	12,785,661	-

19.2 GAIN/(LOSS) ON FAIR VALUE OF BIOLOGICAL ASSETS

	Group 2017 Rs.	Group 2016 Rs.	Company 2017 Rs.	Company 2016 Rs.
Consumable Biological Assets - Gain/(loss) arising from changes in fair value less cost to sell - **Note No 16.2**	30,961,783	43,850,184	30,961,783	43,850,184
Produce on Bearer Biological Assets - Gain/(Loss) arising from changes in fair value less cost to sell - **Note No 19**	4,948,183	(699,384)	4,948,183	(699,384)
Total Change in Fair Value of Biological Assets	35,909,966	43,150,800	35,909,966	43,150,800

20 INVENTORIES

	Group 2017 Rs.	Group 2016 Rs.	Company 2017 Rs.	Company 2016 Rs.
Biological assets - Nurseries	32,147,128	24,477,343	32,147,128	24,477,343
Biological assets - Harvested crop	226,280,201	143,457,791	226,280,201	143,457,791
Spares and consumables	59,404,345	49,633,408	59,372,135	49,601,737
	317,831,674	217,568,542	317,799,464	217,536,871

Notes to the Financial Statements
Year Ended 31st March 2017

21 TRADE AND OTHER RECEIVABLES

	Group 2017 Rs.	Group 2016 Rs.	Company 2017 Rs.	Company 2016 Rs.
Produce debtors	97,828,612	52,462,703	96,815,176	50,054,103
Advance and prepayments	44,498,144	41,100,210	43,594,394	41,100,210
Employee related debtors	24,132,769	29,545,437	24,132,769	29,545,437
Other debtors	48,015,669	85,976,778	48,015,670	85,976,778
	214,475,194	209,085,128	212,558,009	206,676,529
Provision for impairment of doubtful debtors	(4,100,558)	(4,100,558)	(4,100,558)	(4,100,558)
	210,374,636	204,984,570	208,457,451	202,575,971

21.1 MOVEMENT IN THE PROVISION FOR IMPAIRMENT

	Group 2017 Rs.	Group 2016 Rs.	Company 2017 Rs.	Company 2016 Rs.
At the beginning of the year	4,100,558	2,883,423	4,100,558	2,883,423
Charge for the year	-	1,217,135	-	1,217,135
At the end of the year	4,100,558	4,100,558	4,100,558	4,100,558

21.2 As at 31 March , the ageing analysis of trade and other receivables is, as follows:

	Total Rs.	Neither Past due nor impaired Rs.	Past due but not impaired < 30 days Rs.	30-60 days Rs.	61-90 days Rs.	91-120 days Rs.	>120 days Rs.
2017	208,457,451	89,233,481	72,160,726	1,470,254	1,575,210	16,723,165	27,113,328
2016	202,575,971	42,472,408	107,260,805	11,485,222	9,271,340	22,286,194	9,582,715

22 AMOUNTS DUE FROM RELATED COMPANIES

		Group 2017	2016	Company 2017	2016	
	Relationship	**Note**	**Rs**	**Rs**	**Rs**	**Rs**
Aitken Spence Plantation Managements PLC	Parent Company		-	20	-	-
New Peacock Cottages (Pvt)Ltd	Subsidiary		-	-	-	168,006
Water Villas (Pvt) Ltd	Subsidiary		-	-	5,685,292	4,428,673
Meddecombra Power Company (Pvt) Ltd	Subsidiary		-	-	-	637,597
EPP Hydro Power Company (Pvt) Ltd	Subsidiary		-	-	124,194,096	106,018,993
Tea Country Homes (Pvt) Ltd	Subsidiary		-	-	-	7,101,790
Elpitiya Lifestyle Solutions (Pvt) Ltd	Joint Venture	22.1	40,497,181	34,434,080	40,497,181	34,434,080
AEN Palm Oil Processing (Pvt) Ltd	Joint Venture		6,868,878	9,275,019	6,868,878	9,275,019
Elpitiya Dianghong Jin Ya Tea Company (Pvt) Ltd	Joint Venture		26,345,846	4,787,439	26,345,846	4,787,439
Venture Valley (Pvt) Ltd	Joint Venture		3,010,354	-	3,010,354	-
Aitken Spence Agriculture (Pvt) Ltd	Related Company		16,335	60,860	16,335	60,860
			76,738,594	48,557,418	206,617,982	166,912,457
Provision for doubtful receivables			(30,627,395)	(30,627,395)	(30,627,395)	(31,432,998)
			46,111,199	17,930,023	175,990,587	135,479,459

* All the above related party transactions have been conducted on relevant commercial terms with the respective parties.

22.1 Elpitiya Lifestyle Solutions (Pvt) Ltd

	Group 2017	Group 2016	Company 2017	Company 2016
	Rs.	Rs.	Rs.	Rs.
Long term loans	57,289,226	57,289,226	57,289,226	57,289,226
Current account balance	49,869,786	43,806,685	49,869,786	43,806,685
	107,159,012	101,095,911	107,159,012	101,095,911
Impairment	(66,661,831)	(66,661,831)	(66,661,831)	(66,661,831)
	40,497,181	34,434,080	40,497,181	34,434,080

23 CASH AND CASH EQUIVALENTS

23.1 Favorable cash and bank balances

	Group 2017	Group 2016	Company 2017	Company 2016
	Rs.	Rs.	Rs.	Rs.
Cash at bank	52,350,778	32,547,853	51,501,978	24,041,013
	52,350,778	32,547,853	51,501,978	24,041,013

23.2 Unfavorable bank balances

	Group 2017	Group 2016	Company 2017	Company 2016
Bank overdraft	-	190,797,344	-	190,797,344
	-	190,797,344	-	190,797,344

24 STATED CAPITAL

24.1 Stated Capital

	Group 2017	Group 2016	Company 2017	Company 2016
	Number	Number	Rs.	Rs.
Issued and Fully Paid Number of Ordinary Shares	72,866,430	72,866,430	694,236,120	694,236,120
	72,866,430	72,866,430	694,236,120	694,236,120

Stated capital includes one golden share held by Secretary to the Treasury which has special rights.

25 Reserves

Timber Reserve

Timber reserve represent the fair value change in the carrying value of manage timber plantations. Managed trees include commercial timber plantations cultivated on estates. The fair value of managed trees was ascertained since the LKAS 41 is only applicable for managed agricultural activities in terms of the ruling issued by The Institute of Chartered Accountants of Sri Lanka.

26 INTEREST BEARING LOANS AND BORROWINGS

	2017 Payable within 1 year	2017 Payable after 1 year less than 5 years	2017 Total payable	2016 Payable within one year	2016 Payable after 1 year less than 5 years	2016 Total payable
26.1.1 Group	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Term loan facilities (Note 26.2.1 and Note 26.2.3)	129,092,739	233,948,925	363,041,664	161,718,482	331,054,771	492,773,253
Finance lease facilities (Note 26.1.2)	-	-	-	809,405	-	809,405
Overdraft facilities	-	-	-	190,797,344	-	190,797,344
	129,092,739	233,948,925	363,041,664	353,325,231	331,054,771	684,380,002
26.1.2 Company						
Term loan facilities (Note 26.2.1)	109,174,455	194,112,617	303,287,072	141,800,198	271,300,179	413,100,377
Finance lease facilities (Note 26.2.2)	-	-	-	809,405	-	809,405
Overdraft facilities	-	-	-	190,797,344	-	190,797,344
	109,174,455	194,112,617	303,287,072	333,406,947	271,300,179	604,707,126

26.2.1 Term loan facilities

Company	Repayable within 1 year	Repayable after 1 year less than 5 years	Repayable after 5 years	Total As at 31.03.2017	Total As at 31.03.2016	Facility details
	Rs.	Rs.	Rs.	Rs.	Rs.	
Tea securitising loans						
National Development Bank PLC- Facility 4	44,900,000		-	44,900,000	124,300,000	I
Central Finance Company Limited	10,050,183	9,827,666	-	19,877,849	29,117,338	II
Sri Lanka Tea Board	6,666,667	23,333,333	-	30,000,000	-	III
	61,616,850	33,160,999	-	94,777,849	153,417,338	
Other long term loan facilities						
Sampath Bank PLC	-	2,021,200	-	2,021,200	-	IV
Nations Trust Bank PLC	25,008,000	68,732,000	-	93,740,000	118,748,000	V
Bank of Ceylon	22,549,605	90,198,418	-	112,748,023	140,935,039	VI
	47,557,605	160,951,618	-	208,509,223	259,683,039	
Total term loan facilities	109,174,455	194,112,617		303,287,072 -	413,100,377	

26.2.2 Finance lease facilities

Company	Repayable within 1 year	Repayable after 1 year less than 5 years	Repayable after 5 years	Total As at 31.03.2017	Total As at 31.03.2016
	Rs.	Rs.	Rs.	Rs.	Rs.
Gross Liability	-	-	-	-	1,021,871
Less: Finance charges allocated to future periods	-	-	-	-	(212,466)
Net liability	-	-	-	-	809,405

26.2.3 Other term loan facilities

Group	Repayable within 1 year Rs.	Repayable after 1 year less than 5 years Rs.	Repayable after 5 years Rs.	Total As at 31.03.2017 Rs.	Total As at 31.03.2016 Rs.	Facility details
DFCC Vardhana Bank PLC	19,918,284	39,836,308	-	59,754,592	79,672,876	VII
	19,918,284	39,836,308	-	59,754,592	79,672,876	

26 INTEREST BEARING LOANS AND BORROWINGS (CONTD)

26.3 Details of the interest bearing loans and borrowing facilities

Group

Facility details	Rate of interest	Terms of repayment
I	Lower of AWPLR + 1.9% or 13.75% per annum.	42 monthly installments
II	AWPLR + 2.0% per annum, fixed at the time of disbursement.	60 monthly installments
III	Six month AWPLR+ 1%	Capital to be paid after an initial grace period of 12 months period, by 36 equal monthly installments commencing from August 2017.
IV	6.0% p.a. payable monthly together with statutory taxes at prevailing rates, if any (AWPLR +3% (floor 13.0% p.a.) will be charged until refinance is received).(AWPLR and floor rate to be reviewed monthly).	47 equal monthly installments of Rs. 150,800/- and final installment of Rs. 152,400/- together with the interest.
V	AWPLR-0.5% per annum.	59 equal monthly capital installments of Rs. 2,084,000/- and a final capital installment of Rs. 2,044,000/-
VI	First two years: AWPLR (monthly) + 1.5% per annum. Out of which 2% will be subsidized by Central Bank of Sri Lanka only for this period. Third to fifth years: AWPLR (Monthly) +1.5% per annum. (No interest subsidy)	60 monthly installments of Rs. 2,348,918/- commencing from April 11.04.2016
VII	Higher of AWPLR or 91 days Treasury Bill rate (rounded upwards to nearest 0.5% + 4.5 % margin and 4% reduction on timely payments.	72 equal installments commencing from April 2014

27 LIABILITY TO MAKE LEASE PAYMENT

	Group 2017 Rs.	Group 2016 Rs.	Company 2017 Rs.	Company 2016 Rs.
Gross liability	291,872,594	302,182,594	291,872,594	302,182,594
Less: Finance cost allocated to future periods	(119,749,453)	(126,654,359)	(119,749,453)	(126,654,359)
Net liability	172,123,141	175,528,235	172,123,141	175,528,235

The lease of the estates have been amended, with effect from 22nd June 1996 to an amount substantially higher than the previous lease rental of Rs. 500/= per estate per annum. The first rental payable under the revised basis is Rs. 10.3 million from 22nd June 1996. This amount is to be inflated annually by the Gross Domestic Product (GDP) deflator, and is in the form of a contingent rental.

The Statement of Recommended Practice (SoRP) for Right-to-use of Land on Lease was approved by the Council of the Institute of Chartered Accountants of Sri Lanka on 19th December 2012. Subsequently, the amendments to the SoRP along

Notes to the Financial Statements
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with the modification to the title as Statement of Alternative Treatment (SoAT) were approved by the Council on 21st August 2013. The Company has not reassessed the Right-to-use of Land because this is not a mandatory requirement. However, if the liability is reassessed according to the alternative treatment (SoAT) on the assumption that the lease rent is increased constantly by GDP deflator of 4% and discounted at a rate of 13% , liability would be as follows.

	Rs
Gross Liability	1,975,068,748
Finance Charges	(1,317,450,658)
Net Liability	657,618,090

The above reassessed liability is not reflected in these Financial Statements.

27.1 Maturity analysis

Group/Company	Repayable within 1 year Rs.	Repayable after 1 year less than 5 years Rs.	Repayable after 05 years Rs.	Repayable After 1 year (Non Current) Rs.	Total Rs.
As at 31 March 2017					
Gross liability	10,310,000	41,240,000	240,322,594	281,562,594	291,872,594
Less: Finance cost allocated to future periods	(6,904,906)	(26,202,009)	(86,642,538)	(112,844,547)	(119,749,453)
Net liability	3,405,094	15,037,991	153,680,056	168,718,047	172,123,141
As at 31 March 2016					
Gross liability	10,310,000	41,240,000	250,632,594	291,872,594	302,182,594
Less: Finance cost allocated to future periods	(7,035,872)	(26,780,393)	(92,838,095)	(119,618,488)	(126,654,359)
Net liability	3,274,128	14,459,607	157,794,500	172,254,107	175,528,235

28 RETIREMENT BENEFIT OBLIGATIONS

	Group 2017 Rs.	Group 2016 Rs.	Company 2017 Rs.	Company 2016 Rs.
At the beginning of the year	583,689,869	623,058,701	583,689,869	623,058,701
Current service cost	35,539,966	37,298,045	35,512,426	37,298,045
Interest cost	60,487,325	57,591,773	60,487,325	57,591,773
Liability experience loss/ (gain) arising during the year	(125,675,590)	(32,282,207)	(125,675,590)	(32,282,207)
Liability loss/ (gain) due to changes in assumptions during the year	(34,958,149)	(62,419,722)	(34,958,149)	(62,419,722)
Benefit paid by the plan	(67,263,519)	(39,556,721)	(67,263,519)	(39,556,721)
At the end of the year	451,819,903	583,689,869	451,792,363	583,689,869

28 RETIREMENT BENEFIT OBLIGATIONS (CONTD)

LKAS 19 requires the use of actuarial techniques to make a reliable estimate of the amount of retirement benefit that employees have earned in return for their service in the current and prior periods using the Projected Unit Credit Method and discount that benefit in order to determine the present value of the retirement benefit obligation and the current service cost. This require an entity to determine how much benefit is attributable to the current and prior periods and to make estimates about demographic variables and financial variables that will influence the cost of the benefit.

Actuarial gain on defined benefit plan has been recognized in Statement of Other Comprehensive Income in terms of provisions in LKAS 19.

According to the actuarial valuation report issued by the actuarial valuer as at 31 March 2017, the actuarial present value of promised retirement benefits obligation amounted to Rs. 451,792,363/=. If the company had provided for gratuity on the basis of 14 days wages and half months salary for each completed year of service, the liability would have been Rs. 601,827,189/=. Hence, there is a contingent Liability of Rs.150,034,826/= , which would crystallise only if the company ceases to be a going concern.

28.1 Maturity analysis

	Repayable within 1 year Rs.	Repayable after 1 year less than 5 years Rs.	Repayable after 5 years Rs	Total As At 31.03.2017 Rs.
Retirement benefit obligations	57,242,617	249,043,189	145,506,557	451,792,363
	57,242,617	249,043,189	145,506,557	451,792,363

The weighted average duration of the Defined Benefit plan obligation at the end of the reporting period is 9.6 years for staff and workers.

28.2 Key assumptions

The key assumptions used by Messers Piyal S Gunathilake Associate include the following.

	Salary increment rate	Retirement age	Daily wage rate	Discount rate
2016/2017				
Workers	18% (every two years)	55 years	500/-	12%
Staff	10% (per annum)	55 years	500/-	12%
2015/2016				
Workers	18% (every two years)	55 years	450/-	11%
Staff	10% (per annum)	55 years	450/-	11%

28.3 Sensitivity Analysis

Values appearing in the financial statements are very sensitive to the changes of financial and non-financial assumptions used. The sensitivity was carried for both the rate of wage increment and discount rate as key contributors to the entire obligation. Simulations made for retirement benefit obligation show that a rise or decrease by 1% of the rate of wage and discount rate has the following effect on the retirement benefit obligation:

	Impact on Retirement benefit obligations (In Rs. Mn)	
Percentage increase/decrease in discount rate	+ 1%	-1%
As at 31 March 2017	(30.40)	34.96
As at 31 March 2016	(42.35)	48.98
Percentage increase/decrease in salary / wage increment rate.	+ 1%	-1%
As at 31 March 2017	33.03	(29.25)
As at 31 March 2016	45.90	(40.46)

29 DEFERRED INCOME

	Group 2017 Rs.	Group 2016 Rs.	Company 2017 Rs.	Company 2016 Rs.
Deferred grants and subsidies (Note 29.1)	123,510,869	129,032,852	123,510,869	129,032,852
Sub lease income (Note 29.2)	43,060,091	47,267,666	43,060,091	47,267,666
Deferred income - Operating Lease (Note 29.3)	82,020,690	87,500,000	82,020,690	87,500,000
	248,591,650	263,800,518	248,591,650	263,800,518

29.1 Deferred grants and subsidies

	Group 2017 Rs.	Group 2016 Rs.	Company 2017 Rs.	Company 2016 Rs.
At the beginning of the year	129,032,852	113,692,279	129,032,852	113,692,279
Add: Grants received during the year	6,955,549	26,885,448	6,955,549	26,885,448
Less: Amortisation for the year	(12,477,532)	(11,544,875)	(12,477,532)	(11,544,875)
At the end of the year	123,510,869	129,032,852	123,510,869	129,032,852

The company has received funding from the Plantation Housing and Social Welfare Trust and Asian Development Bank for the development of workers facilities such as re-roofing of lines, latrines, water supply and sanitation etc. The amount spent are included under the relevant classification of Property, Plant & Equipment and the grant component is reflected under Deferred Grants and Subsidies. Further this includes the C.T.C Machinery subsidy which represents the funds received from Sri Lanka Tea Board in relation to C.T.C project.

29.2 Sub lease income

	Group 2017 Rs.	Group 2016 Rs.	Company 2017 Rs.	Company 2016 Rs.
At the beginning of the year	47,267,666	51,103,581	47,267,666	51,103,581
Add: Cash received for the year	1,120,400	2,602,070	1,120,400	2,602,070
Less: Amortisation for the year	(5,327,975)	(6,437,985)	(5,327,975)	(6,437,985)
At the end of the year	43,060,091	47,267,666	43,060,091	47,267,666

29.3 Deferred income - Operating Lease

	Group 2017 Rs.	Group 2016 Rs.	Company 2017 Rs.	Company 2016 Rs.
At the beginning of the year	87,500,000	-	87,500,000	-
Deferred income received during the year	-	87,500,000	-	87,500,000
Less: Amortisation for the year	(5,479,310)	-	(5,479,310)	-
At the end of the year	82,020,690	87,500,000	82,020,690	87,500,000

This represents the lease rental received in advance on leasehold right to use of land which was subleased to Elpitiya Dianhong Jin Ya Tea Company (Pvt) Ltd. This lease rental received in advance on land lease would be amortized on straight line basis commencing from 1st April 2016.

30 DEFERRED TAX LIABILITY

	Group 2017 Rs.	Group 2016 Rs.	Company 2017 Rs.	Company 2016 Rs.
At the beginning of the year	125,918,344	90,815,525	125,918,344	90,815,525
Origination of temporary differences transferred to Income Statement	32,397,023	20,177,795	32,397,023	20,177,795
Origination of temporary differences transferred to Other Comprehensive Income	25,315,877	14,925,024	25,315,877	14,925,024
At the end of the year	183,631,244	125,918,344	183,631,244	125,918,344

Composition of deferred tax liabilities

	Group 2017 Rs.	Group 2016 Rs.	Company 2017 Rs.	Company 2016 Rs.
Tax effect on temporary difference of Property, plant and equipment	53,078,543	45,313,700	53,078,543	45,313,700
Tax effect on temporary difference of biological assets	396,224,914	374,556,063	396,224,914	374,556,063
	449,303,457	419,869,763	449,303,457	419,869,763
Deferred tax assets				
Tax effect on temporary difference of provisions for obsolete items	(315,200)	(315,200)	(315,200)	(315,200)
Tax effect on temporary difference of provisions for doubtful debts	(16,106,965)	(16,106,965)	(16,106,965)	(16,106,965)
Tax effect on temporary difference of retirement benefit obligation	(71,202,476)	(91,989,523)	(71,202,476)	(91,989,523)
Tax effect on tax losses available for off setting future taxable income	(178,047,572)	(185,539,730)	(178,047,572)	(185,539,730)
	(265,672,213)	(293,951,418)	(265,672,213)	(293,951,418)
	183,631,244	125,918,344	183,631,244	125,918,344

The effective tax rate used to calculate deferred tax liability for all the Temporary Differences other than Biological Assets and Hydro Power Project assets as at 31 March, 2017 is 15.76% (2016-15.76%) for the company.

The effective tax rate used to calculate deferred tax liability for Biological Assets and Hydro Power Project assets as at 31 March 2017 are 10% and 12% respectively for the company.

31 TRADE AND OTHER PAYABLES

	Group 2017 Rs.	Group 2016 Rs.	Company 2017 Rs.	Company 2016 Rs.
Trade creditors	116,112,884	53,422,301	116,112,884	53,422,301
Employee related creditors	128,871,105	84,339,255	128,871,105	84,339,255
Other payables and accruals	117,119,711	127,002,671	116,054,164	126,540,215
	362,103,701	264,764,227	361,038,153	264,301,771

32 AMOUNTS DUE TO RELATED COMPANIES

	Relationship	Group 2017 Rs.	Group 2016 Rs.	Company 2017 Rs.	Company 2016 Rs.
Aitken Spence Plantation Managements PLC	Parent Company	101,219,145	40,489,682	101,219,145	40,489,682
Aitken Spence PLC	Related Company	636,778	3,763,273	636,778	3,763,273
		101,855,923	44,252,955	101,855,923	44,252,955

* All the above related party transactions have been conducted on relevant commercial terms with the respective parties.

33 RELATED PARTY DISCLOSURES

33.1 Transactions with the parent and related entities.

Company name	Relationship	Nature of transactions	Value of the transactions 2017 Rs.	2016 Rs.
Aitken Spence Plantation Managements PLC	Parent company	Management fees	81,548,503	32,889,557
		Executive staff salaries and other expenses	39,037,532	39,005,985
		Net settlements	(59,856,573)	(89,348,697)
EPP Hydro Power Company (Pvt) Ltd	Subsidiary company	Expenditure incurred	18,175,103	10,570,946
Tea Country Homes (Pvt) Ltd	Subsidiary company	Expenditure incurred	-	529,857
Water Villas (Pvt) Ltd	Subsidiary company	Expenditure incurred	1,256,619	109,961
AEN Palm Oil Processing (Pvt) Ltd	Joint venture company	Expenditure incurred	552,000	552,000
		Sales of FFB and transport charges	644,303,391	411,016,526
		Net settlements	(647,261,532)	(407,442,262)
Elpitiya Lifestyle Solutions (Pvt) Ltd	Joint venture company	Expenditure incurred	6,063,101	1,326,826
Elpitiya Dianhong Jin Ya Tea Company (Pvt) Ltd	Joint venture company	Tea leaves transactions	16,933,494	77,749,549
		Factory and Other expenses	31,356,674	12,026,717
		Net settlements	(26,731,759)	(92,422,038)
		Proceed from transfer of free hold assets	1,361,506	11,019,107
		Proceeds from transfer of lease hold assets on Operating lease	-	87,500,000
		Transfer of lease hold assets on Finance lease	-	37,500,000
		Issue of ordinary Shares	-	80,000,000
Venture Valley (Pvt) Ltd	Joint venture company	Expenditure incurred	3,010,354	-
Aitken Spence PLC	Related company	Services, sundries and allocations of common expenses	37,073,639	34,889,102
		Net settlements	(40,200,134)	(35,334,147)
Aitken Spence Technologies (Pvt) Ltd	Related company	Software maintain charges	-	4,367,600
Aitken Spence agriculture (Pvt) Ltd	Related company	Expenditure incurred / Settlements	(44,525)	60,860
Forbes and Walkers (Pvt) Ltd	Common Directors	Tea Sales	930,978,039	698,937,335
		Net settlements	(905,389,531)	(715,487,050)

33.2 Transactions with the key management personnel of the Company and Parent

There are no transactions with the key management personnel of the company and its parent other than those disclosed in Note 9.

33.3 Management Fee

The managing agent shall be paid at the contractual price for each financial year as 10% of EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) subject to a maximum limit of Rs. 75 Mn per annum excluding taxes.

33.4 Terms and conditions of Transactions with Related Parties

All related party transactions are carried out in the normal course of business and transacted at normal business terms .The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions and comparable with those that would have been charged from un-related companies. All related party outstanding balances at the year-end are unsecured and are to be settled in cash. The Group does not have any material commitments to related parties.

33.5 Other related party transactions

Guarantees given by Aitken Spence Plantation Managements PLC on behalf of the company.

* Corporate guarantee of Rs.175 Mn for Bank of Ceylon Overdraft Facility
* Corporate guarantee of Rs.50 Mn for Hatton National Bank permanent Overdraft Facility

34. ASSETS PLEDGE

Company

Facility obtained from	Security	Facility amount RS.	Outstanding Balance as at 31.03.2017 RS.	Carrying amount pledged 2017 RS.	Carrying amount pledged 2016 RS.
Bank of Ceylon -		175,000,000	-	44,364,855	45,936,894
Bank overdraft	Primary mortgage over estate produce consisting of Tea, Rubber, Oil Palm, Coffee, Coconuts, Clove and Paddy on estate.				
	Primary floating mortgage bond for Rs. 25 Mn. over stock of estate produce consisting of Tea, Rubber, Oil Palm and Coconut stored at Dunsinane, Sheen, Fernlands and Meddecombra estates at Pundaluoya.				
Hatton National Bank PLC-	Primary floating mortgage bond for Rs. 10 Mn. over leasehold property at "Talgaswella Estate" in Galle.	50,000,000	-	12,666,337	13,115,161
Bank overdraft	Corporate guarantee of Aitken Spence Plantation Managements PLC.				
Money market loan	Primary floating mortgage bond for Rs. 75 Mn. over leasehold property at "Fernlands Estate" and "Harrow Estate" Pundaluoya, Nuwara Eliya.	75,000,000		9,856,470	10,205,728
National Development Bank PLC					
Tea securitizing loan 4	Securitization of future tea sales	300,000,000	44,900,000	Securitization of future tea sales	
Central Finance PLC -					
Term loan	Primary mortgage over machineries, Drier and Heater, Colour Separator machine (with IR technology), 3 units 8" Rotorvane machines - 36"x13", 4 cuts Jumbo Spectra CTC Machine with a spare set of rollers, Milling and chasing machine & 300 kva open type Generator 600 Amp.	66,022,098	19,877,849	19,877,849	29,117,338
Group					
DFCC Bank PLC-					
Term loan	Primary mortgage over Shares of EPP Hydro Power Company (Pvt) Ltd held by Elpitiya Plantations PLC. Primary mortgage over all project documents granted in favour of the company. Primary mortgage over leasehold rights of the project land and immovable project assets inclusive of a hydro power plant.	117,000,000	59,754,592	50,000,000	50,000,000

35 CAPITAL COMMITMENTS

	2017 Rs. Mn	2016 Rs. Mn
Followings are the capital commitments as at the Statement of Financial Position date.		
Approved by Board and Contracted for	34.32	32.34
Approved by Board and Not contracted for	427.04	455.07

36 CONTINGENCIES

* Contingent liabilities that may result, depending on the timing of the taxability of certain fair value adjustments is amounts to approximately Rs.3Mn (2016 - Rs. 4Mn).
* The company was issued a Value Added Tax (VAT) assessment under the Value Added Tax Act No. 14 of 2002 and its amendments thereto in relation to the taxable period from 1st April 2008 to 31st March 2011. The Tax Appeals Commission hearing the appeal, has determined the VAT assessment in favour of the Department of Inland Revenue. Pursuant to the determination of the Tax Appeals Commission, the company has appealed against the determination to the Court of Appeal. The contingent liability to the company is estimated to be Rs. 14.3 Mn. inclusive of any penalties for the said period. Based on expert advice, the Directors are confident that the ultimate resolution of the case will not have an adverse impact on financial statements of the company.

37 EVENTS AFTER THE REPORTING PERIOD

There have been no material events occurring after the statement of financial position date that require adjustments or disclosure in the Financial Statements.

38 RELATED PARTY TRANSACTIONS

There are no related party transactions other than those disclosed in Notes 7, 9, 17, 18, 22, 29.3 ,32,33 and 34 to the Financial Statements.

39 IMPACT OF AMENDMENTS TO LKAS 16 AND LKAS 41

Amendment to LKAS 16 and LKAS 41, on bearer plants, harvestable biological assets growing on the bearer plants are measured at their fair value less cost to sell and accounted retrospectively.

The Company applied above amendment for the first time, which is effective for annual periods beginning on or after 1 January 2016. The nature and the effect of the changes are disclosed below.

	Company / Group		
	2016 Previously Reported Amount Rs	2016 Adjustment Amount Rs	2016 Restated Amount Rs
STATEMENT OF PROFIT OR LOSS			
Change in Fair Value of Biological Assets	43,850,184	(699,384)	43,150,800
STATEMENT OF FINANCIAL POSITION			
Produce on Bearer Bialogical Assets (Note No 19)			
As at the beginning of the year	-	8,536,862	8,536,862
As at the end of the year	-	7,837,478	7,837,478

	Company / Group		
	2016 Previously Reported Amount Rs	2016 Adjustment Amount Rs	2016 Restated Amount Rs
Accumulated Profit / (Loss)			
As at the beginning of the year	1,613,510,175	8,536,862	1,622,047,037
As at the end of the year	1,823,609,996	7,837,478	1,831,447,474

	Company / Group		
	2016 Previously Reported Amount	2016 Adjustment Amount	2016 Restated Amount
	Rs	Rs	Rs
Accumulated Profit / (Loss)			
As at the beginning of the year	1,744,200,823	8,536,862	1,752,737,685
As at the end of the year	1,934,823,032	7,837,478	1,942,660,510

40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities comprise loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group has loan and other receivables, trade and other receivables, and cash and short-term deposits that arrive directly from its operations. Accordingly the Group has exposure to namely Credit Risk, Liquidity Risk, Currency Risk and Interest Rate Risk from its use of financial instruments.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk.

Credit risk

This is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arise principally from the Group's receivable from customers.

Liquidity risk

Liquidity risk arises when the Group is unable to meet its financial obligations due to insufficient cash flow situations. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Currency risk

The Group is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currency of the Group. The currency in which these transactions primarily denominated is in USD.

Interest rate risk

Interest Rate Risk is the potential for losses that may arise due to adverse movement of interest rates, mainly on floating interest rates. The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. The Group has not engaged in any interest rate swap agreements.

40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT…)

40.1 FINANCIAL RISK MANAGEMENT FRAMEWORK

The Board of Directors has the overall responsibility for the establishment and oversight of the group's financial risk management framework which includes developing and monitoring the Group's financial risk management policies.

The Group financial risk management policies are established to identify, quantify and analyze the financial risks faced by the Group, to set appropriate risk limits and controls and to monitor financial risks and adherence to limits. Financial risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Audit Committee of the Company oversees how management monitors compliance with the Group's financial risk management policies and procedures and reviews the adequacy of the financial risk management framework in relation to the risks faced by the Group.

40.2 CREDIT RISK

Credit Risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arise principally from the Group's receivable from customers and from its financing activities including deposits with banks and financial institutions foreign exchange transactions and other financial instruments.

40.2.1 Trade and Other Receivables

The Group's exposure to credit risk is influenced by the individual characteristics of each customer. The Group's credit policy is monitored at the Board level. The new customers are analysed individually for credit worthiness before Group's standard payment and delivery terms and conditions are offered. Group review includes external ratings, when available and in some cases, bank references, purchases limit etc. which also subject to under review on quarterly basis. The past experience of the Management is considered when revisions are made to terms and conditions.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables.

The maximum exposure to credit risk for trade receivables of the Group at the reporting date is Rs. 98 Mn (2016 – Rs. 52 Mn).

The Company has a minimal credit risk of its trade receivables as the repayment is guaranteed within seven days by the Tea and Rubber auction systems.

40.2.2 Investments

Credit risks from invested balance with the financial institutions are managed by the Board of Directors. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to them. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through potential counterparty's failure.

The Group does not held short term investments with the financial institutions.

40.2.3 Cash and Cash Equivalents

The Group held cash and Cash Equivalents of R. 52 MN as at 31st March 2017 (2016 – R. 32 MN) which represents its maximum credit exposure on these assets.

- Hatton National Bank PLC –AA – (lake)
- Bank of Ceylon – AA+ (lake)
- National Development Bank –AA – (lake)
- Deutsche Bank –A+
- DFCC Vardhana Bank PLC–AA – (lake)
- Seylan Bank PLC –A – (lake)
- Nations Trust Bank PLC –A (lake)

40.3 LIQUIDITY RISK

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group does not concentrate on a single financial institution, thereby minimizing the exposure to liquidity risk through diversification of funding sources. The Group aims to fund investment activities of the individual and Group level by funding the long-term investment with long term financial sources and short term investment with short term financing. Where necessary the Group consults the Treasury Department and Strategic Business Development Unit in Parent Company for scrutinizing the funding decisions.

The Table below summarizes the maturity profile of the Groups financial liabilities based on contractual undiscounted payments.

As at 31st March 2017	On Demand Rs.	Less than 3 months Rs.	3 to 12 months Rs.	2 to 5 years Rs.	>5 years Rs.	Total Rs.
Group						
Interest bearing loans & borrowing	-	40,793,841	89,281,531	203,261,351	-	333,336,723
Trade & other payables	1,065,547	287,145,128	73,893,025	-	-	362,103,700
	1,065,547	327,938,969	163,174,556	203,261,351	-	695,440,423
Company						
Interest bearing loans & borrowing	-	35,814,270	74,342,818	163,425,043	-	273,582,131
Trade & other payables	-	287,145,128	73,893,025	-	-	361,038,153
	-	322,959,398	148,235,843	163,425,043	-	634,620,284

As at 31st March 2016	On Demand Rs.	Less than 3 months Rs.	3 to 12 months Rs.	2 to 5 years Rs.	>5 years Rs.	Total Rs.
Group						
Interest bearing loans & borrowing	190,797,346	41,393,841	124,203,394	333,371,024	-	689,765,605
Trade & other payables	462,456	172,305,288	91,996,483	-	-	264,764,227
	191,259,802	213,699,129	216,199,877	333,371,024	-	954,529,832
Company						
Interest bearing loans & borrowing	190,797,346	36,414,270	109,264,681	273,616,432	-	610,092,729
Trade & other payables	-	172,305,288	91,996,483	-	-	264,301,771
	190,797,346	208,719,558	201,261,164	273,616,432	-	874,394,500

40.4 MARKET RISK

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, currency risk & other price risk such as equity price risk. Financial instrument affected by market risk include loans & borrowings, deposits & derivative financial instruments.

40.4.1 Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates. The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. The Group has not engaged in any interest rate swap agreements.

The Group held long term borrowings with floating interest rates of Rs. 341 Mn (2016 – Rs. 464 Mn) which represents its maximum credit exposure on these liabilities.

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected. With all other variables held constant, the group's Profit Before Tax is affected through the impact on floating rate borrowings as follows:

	Increase/decrease in Interest rate	Effect on profit before tax Rs.
Group		
2017	+1%	(1,930,810)
	-1%	1,930,810
2016	+1%	(1,241,972)
	-1%	1,241,972
Company		
2017	+1%	(1,058,828)
	-1%	1,058,828
2016	+1%	(854,871)
	-1%	854,871

40.4.2 Foreign Currency Risk

The Group is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currency of the Group. The Group is exposed to currency risk on sales, purchases and borrowings. These currency primarily is USD.

The Group hedges its exposure to fluctuation on the transaction of its foreign operations mainly by forward contracts.

Foreign currency Sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in the USD exchange rates, with all other variables held constant. The impact on the Group's Profit Before Tax is due to changes in fair value of monetary assets and liabilities.

	Increase/ decrease in basis points	Effect on profit before tax Rs.
Group		
2017		
USD	5%	1,995,370
USD	-5%	(1,995,370)
2016		
USD	5%	6,729,642
USD	-5%	(6,729,642)

40.4.3 Equity Price Risk

The Group's listed & unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments. Management of the Group monitors the mix of debt & equity securities in its investment portfolio based on market indices. Material investment within the portfolio are Managed on an individual basis and all buy and sell decision are approved by the Board. Equity price risk is not material to the financial statements. However, company does not hold any quoted shares as at reporting date.

Notes to the Financial Statements

Year Ended 31st March 2017

40.4.4 Capital Management

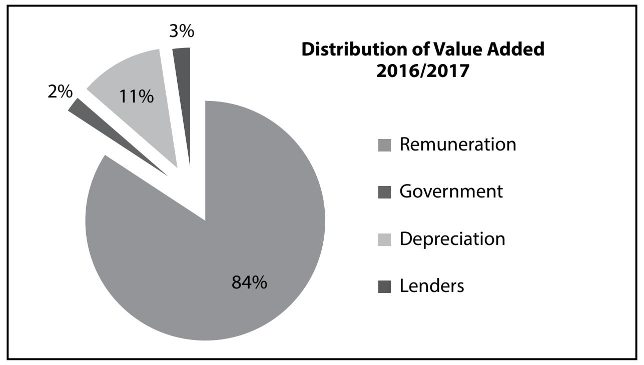
The Group's policy is to retain a strong capital base so as to maintain investor, creditor & market confidence and to sustain future development of the business. Capital consists of share capital, reserves, retain earning & non-controlling interest of the Group. The Board of Directors monitors the return on capital, interest covering ratio, dividend to ordinary shareholders.

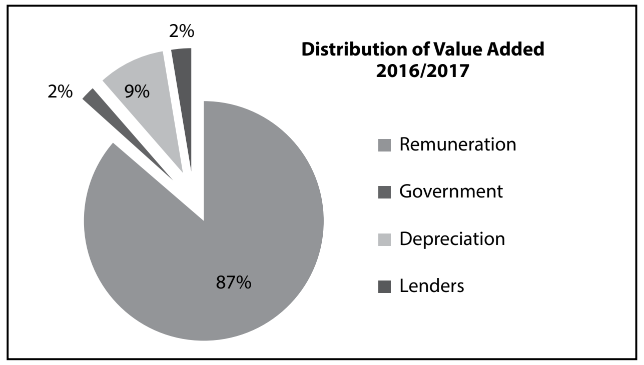
The gearing ratio at the reporting date is as follows.

	Group		Company	
	As at 31.03.2017 Rs.'000	As at 31.03.2016 Rs.'000	As at 31.03.2017 Rs.'000	As at 31.03.2016 Rs.'000
Interest bearing borrowing				
Current portion of long term interest bearing borrowings	129,093	353,325	109,174	333,407
Payable after one year	233,949	331,055	194,113	271,300
	363,042	684,380	303,287	604,707
Equity	3,908,601	3,389,879	3,869,432	3,282,519
Equity & debts	4,271,643	4,074,259	4,172,719	3,887,226
Gearing ratio	8%	17%	7%	16%

Value Added Statement

Figures in Rs.000'	**Year ended 31.03.2017**	**As a %**	**Year ended 31.03.2016**	**As a %**
Value Added				
Turnover	2,996,400		2,419,784	
Other Income	280,508		414,579	
	3,276,908	100	2,834,363	100
Purchase of goods and Services	(1,666,466)	(51)	(1,195,498)	(42)
Total Value Added	1,610,442	49	1,638,865	58
Distributed as follows				
To Employee,				
as remuneration	1,358,683	84.37	1,416,407	86.42
To Government,				
as lease rental	33,884	2.10	33,374	2.04
To Lenders,nt,				
as Interest on short & long term borrowings	38,516	2.40	36,641	2.24
Retained for re-investment and future growth	179,359	11.13	152,443	9.30
Depreciation	179,359	11.13	152,443	9.30
Reserves	-	-	-	-
	1,610,442	100	1,638,865	100





Information on Estates

Year Ended 31st March 2017

Estate	Cultivated Area (ha.) Tea	Rubber	Oil Palm	Other Projects - Tea -	Others	Total	Total Area (ha.)	Annual Production Kg'000 Tea	Rubber	Oil Palm	Factory Details Crop Manfd.	No.of Workers
NUWARAELIYA DISTRICT												
Dunsinane	449.54	-	-	67.46	101.75	618.75	790.00	886	-	-	Tea	893
Sheen	226.50	-	-	69.17	90.75	386.42	503.75	659	-	-	Tea	586
Fernlands	317.74	-	-	52.23	41.00	410.97	484.25	551	-	-	Tea	654
Meddecombra	413.36	-	-	61.14	263.04	737.54	890.00	687	-	-	Tea	758
KANDY DISTRICT												
New Peacock	271.49	-	-	-	182.29	453.78	535.73	700	-	-	Tea	436
Nayapane	252.65	-	-	-	201.15	453.80	576.50	578	-	-	Tea	403
GALLE DISTRICT												
Devitura	75.21	209.84	263.57	-	69.34	617.96	896.22	123	94	3,057	Tea Rubber	347
Talgaswella	38.41	165.70	577.88	-	19.99	801.98	1,033.85	170	116	5,934	Tea Rubber	417
Gulugahakande	34.92	64.85	84.02	-	5.96	189.75	418.18	20	26	841	-	132
Lelwala	38.79	51.11	46.57	-	3.50	139.97	240.35	62	39	273	Tea	144
Ketandola	31.38	74.17	235.96	-	25.22	366.73	832.69	23	29	1,119	Tea	158
Bentota	-	343.05	102.84	-	21.76	467.65	726.14	4	218	317	Rubber	235
Elpitiya	-	335.00	267.21	-	6.16	608.37	910.36	2	214	2,816	Rubber	328
TOTAL	**2,149.99**	**1,243.72**	**1,578.05**	**250.00**	**1,031.91**	**6,253.67**	**8,838.02**	**4,465**	**736**	**14,357**		**5,491**

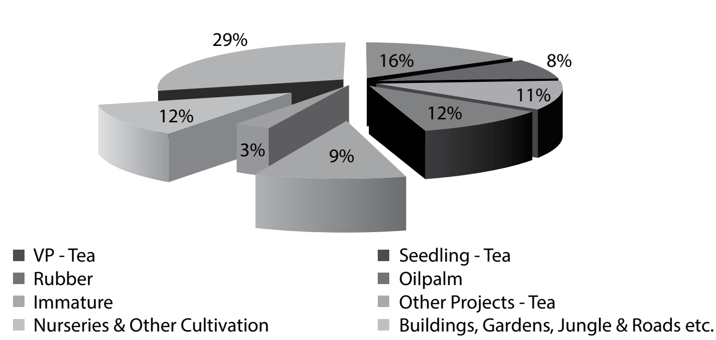
2016/2017

	Tea	Rubber	Oil Palm
Total Crop (Kg.000's)	4,465	736	14,357
Total NSA (Rs/Kg)	494.38	281.31	43.16
Y P H	**1,602**	**774**	**12,963**

2015/2016

	Tea	Rubber	Oil Palm
Total Crop (Kg.000's)	4,530	666	11,996
Total NSA (Rs/Kg)	374.50	345.13	34.01
Y P H	**1,669**	**682**	**11,074**

Land Utilisation - In Hectares (%)



Ten Year Summary

COMPANY

Year ended 31st March	2017 Rs.' 000	2016 Rs.' 000	2015 Rs.' 000	2014 Rs.' 000	2013 Rs.' 000	2012 Rs.' 000	2011 Rs.' 000	2010 Rs.' 000	2009 Rs.' 000	2008 Rs.' 000
TRADING RESULTS										
Revenue	2,996,400	2,419,784	2,579,265	2,782,392	2,833,456	2,512,971	2,601,501	2,215,126	1,556,182	1,883,109
Other income	279,065	414,405	237,040	213,560	193,976	106,623	99,056	81,098	53,795	44,757
Gross profit	608,476	166,618	389,264	505,055	619,791	326,933	594,432	241,211	89,528	362,925
Finance cost	(72,400)	(70,015)	(75,456)	(132,394)	(138,992)	(137,669)	(144,584)	(144,075)	(114,548)	(120,717)
Profit/(loss) before tax	530,392	239,554	368,370	379,381	477,372	148,201	384,233	63,817	(61,705)	166,317
Income tax (expense)/income	(42,364)	(24,178)	(28,251)	(37,547)	(41,311)	1,883	(20,729)	-	-	3,919
Profit/(loss) after tax	488,028	215,376	340,119	341,833	436,061	150,084	363,504	63,817	(61,705)	170,237
BALANCE SHEET										
Funds Employed										
Stated Capital	694,236	694,236	694,236	694,236	694,236	694,236	694,236	694,236	350,000	350,000
Timber reserve	778,722	756,836	725,733	685,902	716,366	714,268	688,965	-	-	-
Retained profits/(loss)	2,396,474	1,831,447	1,622,047	1,417,207	1,030,852	581,538	482,990	323,761	259,944	321,649
Total equity	3,869,432	3,282,519	3,042,015	2,797,345	2,441,454	1,990,042	1,866,191	1,017,997	609,944	671,649
Non-Current Liabilities										
Redeemable Debentures	-	-	-	-	-	-	-	75,000	75,000	75,000
Interest Bearing Borrowings	194,113	271,300	185,765	376,218	385,661	561,431	831,279	878,672	415,789	394,491
Retirement Benefit Obligations	451,792	583,690	623,059	542,459	573,472	554,800	464,155	448,410	326,728	305,449
Deferred Income	248,592	263,801	164,796	178,519	183,139	195,782	206,712	186,517	149,176	138,306
Deferred Tax Liability	183,631	125,918	90,816	76,866	42,873	11,001	12,884	-	-	-
Net Liability to Lesser	168,718	172,254	175,528	178,676	181,704	184,614	187,413	190,104	192,692	195,180
Total non-current liabilities	1,246,846	1,416,963	1,239,964	1,352,738	1,366,849	1,507,628	1,702,442	1,778,703	1,159,384	1,108,426
Assets Employed										
Non-Current Assets	4,935,742	4,760,094	4,430,228	4,208,644	4,043,195	3,894,822	3,680,388	2,910,616	2,699,843	2,485,862
Current Assets	766,535	587,471	639,323	592,253	602,248	449,446	502,187	774,102	271,273	416,094
Current Liabilities	(585,999)	(648,082)	(787,572)	(650,814)	(837,140)	(846,596)	(613,941)	(888,019)	(1,201,788)	(1,121,882)
	5,116,278	4,699,483	4,273,442	4,150,083	3,808,303	3,497,672	3,568,634	2,796,700	1,769,328	1,780,074
Key Indicators										
EPS (Basic)	6.70	2.97	4.67	4.69	5.98	2.54	4.99	1.23	(1.24)	3.41
Dividend Per Share	1.00	0.50	0.75	0.75	0.50	-	0.36	0.25	-	-
Dividend Payout Ratio	15%	17%	16%	16%	8%	-	7%	20%	-	-
Net Assets Per Share	53.10	44.94	41.63	38.39	33.51	28.59	26.41	13.97	12.22	13.46
Market Price Per Share	19.00	19.20	20.00	16.60	17.20	18.50	33.50	34.00	39.00	80.50
Price Earnings Ratio	3	6	4	4	3	7	7	28	(32)	24
Current Ratio	1.31	0.89	0.80	0.91	0.72	0.53	0.82	0.87	0.23	0.37
Equity to Total Assets	67.86	61.33	59.94	58.27	52.56	45.81	44.62	27.63	20.53	23.14
Return on Shareholder's Funds	16.11	9.37	9.59	14.02	18.49	7.54	19.48	6.27	(10.12)	25.35

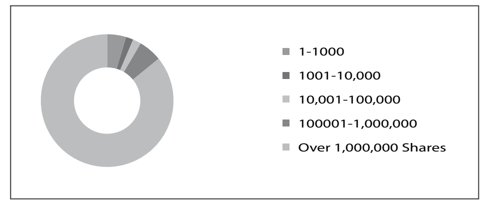
- 2012 and 2011 comparative year figures have been restated when the Group first time adopting the new Sri Lanka Accounting Standards (SLFRSs and LKASs).

- Company has commenced to prepare consolidated financial statements from 31 March 2013, accordingly last reported comparative figures have also been restated.

Shareholders and Investor Information

1) Distribution of Shareholding

Category	No. of shareholders	No. of shares	%
1-1000	10,428	3,347,024	4.59
1001-10,000	347	1,208,104	1.66
10,001-100,000	53	1,407,212	1.93
100001-1,000,000	7	3,147,852	4.32
Over 1,000,000 Shares	4	63,756,238	87.5
	10,839	72,866,430	100.00

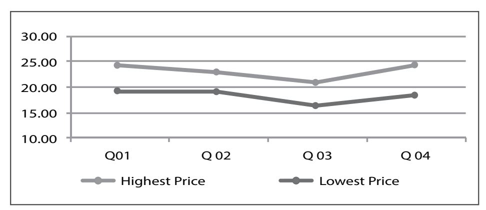


2) Composition of Shareholders

Category	No. of shareholders	No. of shares	%
Residents	10,828	69,710,931	95.68
Non Residents	11	3,155,499	4.32
Individuals	10,775	6,126,344	8.41
Institutions	64	66,740,086	91.59

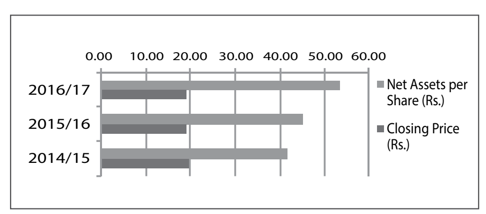
3) Share Trading During The Year

	2016/17	2015/16
Highest Price Traded (Rs)	24.40	27.00
Lowest Price Traded (Rs)	16.00	16.10
Last Traded Price (Rs)	19.00	19.20
Number of share transactions	701.00	1,477.00
Number of shares traded	920,044.00	4,585,261.00
Value of shares traded	19,304,174.30	99,340,079.90



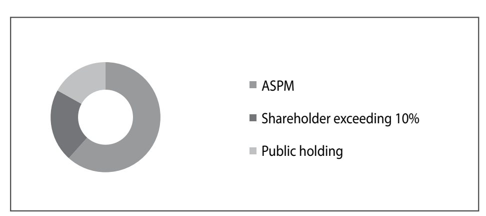
4) Net Assets and closing price per share

	2016/17	2015/16	2014/15
Net Assets per share (Rs.)	53.10	45.05	41.75
Closing Price (Rs.)	19.00	19.20	20.00



5) Public Holding:

	No. of shares	%
Total no of shares	72,866,430	
Less: Holding by the parent company (ASPM)	44,917,354	61.64
Less: Shareholder exceeding 10%(S & T)	15,613,092	21.43
Public holding	12,335,984	16.93



Public Holding:

Excludes:

1) parent, subsidiary or associate companies .
2) subsidiaries or associates of the parent company
3) Directors, CEO, their spouses & children under 18 & their nominees.
4) Co. in which a director's holding exceeds 50% of the equity or where the Director controls the composition of the Board.
5) shareholders whose holding exceeds 10% of the issued capital.

Shareholders and Investor Information (Contd.)

20 Major ShareHolders Holding As At

31st March 2017

	Name of the Shareholder	Shareholding	%
1	Aitken Spence Plantation Managements Plc	44,917,354	61.64
2	Secretary to the Treasury	15,613,092	21.43
3	Gulf East Finance Ltd	2,061,980	2.83
4	Seylan Bank PLC/Thiruganasambandara Senihilverl	1,163,812	1.60
5	Sampath Bank PLC/Dr T.Senthilverl	1,000,000	1.37
6	Amina Investments Ltd	759,400	1.04
7	J.B Cocoshell (Pvt) Ltd	545,000	0.75
8	Tranz Dominion, L.L.C	315,000	0.43
9	Dr R D Bandaranaike	210,696	0.29
10	Mr K C Vignarajah	197,756	0.27
11	Dr D L N Wickramaratne	120,000	0.16
12	Mrs S Viveganandana	100,000	0.14
13	Mrs E M Perera	75,000	0.10
14	Mr. N A U Wijesekara	65,000	0.09
15	Asha Financial Services Ltd/ Mr C N Pakianathan	63,680	0.09
16	Mr Y H Abdulhussein	61,642	0.08
17	Mr P Somadasa	55,038	0.08
18	Mr Abdulhussein/S E Lokhandwalla	49,000	0.07
19	Mr.B Prithiviraj/ Mrs P M Prithiviraj	48,389	0.07
20	Mrs U L C N De Silva	45,873	0.06
	Total No. of Shares	**67,467,712**	**92.59**

Golden Shareholder

The Golden Share has been allotted to the Secretary to the Treasury for and on behalf of the State of Democratic Socialist Republic of Sri Lanka. The rights attached to the Golden Share are set out in the Articles of Association which are as follows:

1) The Golden Share shall only be held by the Secretary to the Treasury in his official capacity

2) The Golden Shareholder 's prior written concurrence is required

(a) To amend the definition of the words Golden Share or Golden Shareholder and the Articles setting out specific rights attached to such share

(b) To sub-lease, cede or assign the rights in part or all of the lands assigned to the Company

3) The Golden Shareholder is entitled to

(a) Call upon the Directors once in every three months if desired to meet with him or his nominees to discuss matters of the Company of interest to the State

(b) Inspect the books of accounts of the Company either by himself or by his nominees with due notice

(c) Receive within 60 days of the end of every quarter, a quarterly report relating to the performance of the Company

(d) Receive within 90 days from the end of each financial year, information relating to the Company in a pre-specified format.

Definitions

FINANCIAL TERMS

Accounting policies
Specific principles, bases, conventions, rules and practices adopted by an enterprise in preparing and presenting financial statements.

Borrowings
All interest bearing liabilities.

Capital employed
Total assets less interest free liabilities and provisions.

Cash equivalents
Liquid investments with original maturities of three months or less.

Contingent Liabilities
Conditions or situations at the Balance Sheet date, the financial effect of which are to be determined by future events which may or may not occur.

Current ratio
Current assets divided by current liabilities.

Earnings Per Share
Profits attributable to ordinary shareholders divided by the number of ordinary shares in issue.

Effective Tax Rate
Income tax expenses divided by profit from ordinary activities before tax.

Equity
Shareholders' funds, i.e. share capital and reserves.

Net Assets Per Share
Shareholders' funds divided by the number of ordinary shares.

Price Earnings Ratio
Market price of a share divided by earnings per share.

Related parties
Parties who could control or significantly influence the financial and operating policies of the business.

Return on Shareholder's Funds
Attributable profits (Including other Comprehensive Income) to the shareholders divided by average shareholders funds.

Segment
Constituent business units grouped in terms of nature and similarity of operations.

SLAS
Sri Lanka Accounting Standards.

UITF
Urgent Issues Tasks Force of The Institute of Chartered Accountants of Sri Lanka.

Working capital
Capital required to finance the day - to -day operations (current assets minus current liabilities).

LKAS/SLFRS
Sri Lanka Accounting Standards.(New)

NON - FINANCIAL TERMS

COP
The Cost of Production. This generally refers to the Cost of producing a Kilo of produce. (Tea / Rubber / Oil Palm).

Crop
The total produce harvested over a given period of time (usually during a financial year).

Extent in bearing
The extent of land from which crop is being harvested. Also see "Immature Plantation".

Field
An unit extent of land. Estates are divided in to fields in order to facilitate management.

Immature plantation
The extent of plantation that is under development and is not being harvested.

Infilling
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.

Mature plantation
The extent of plantation from which crop is being harvested. Also see "Extent in Bearing".

NSA
The Net Sales Average. This is the average sale price obtained (over a period of time) after deducting Brokerage fees and cost of Gratis teas.

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
The average crop per unit extent of land over a given period of time (usually kgs.per hectare per year).

Financial Calendar 2016/ 2017

12.08.2016	-	Interim Financial Statement for the 3 months ended June 30, 2016.
22.09.2016	-	24th Annual General Meeting
11.11.2016	-	Interim Financial Statement for the 6 months ended September 30, 2016.
13.02.2017	-	Interim Financial Statement for the 9 months ended December 31, 2017.
31.05.2017	-	Interim Financial Statement for the year ended March 31, 2017.
22.09.2017	-	25th Annual General Meeting

Corporate Information

NAME
ELPITIYA PLANTATIONS PLC

LEGAL FORM
A Public Quoted Company with Limited Liability,
incorporated in Sri Lanka on 22 June 1992.

COMPANY REGISTRATION NO
PQ 171

REGISTERED OFFICE
315, Vauxhall Street, Colombo 2,

BUSINESS ADDRESS
No. 305, Vauxhall Street, Colombo 2.

DIRECTORS

Mr. J M S Brito	-	Chairman
Dr. R M Fernando	-	Managing Director
Mr. Merrill J Fernando		
Mr. Malik J Fernando		
Mr. D C Fernando		
(Resigned w.e.f. 05.04.2017)	-	Alternate Director to Mr. Merrill J Fernando
Ms. M D A Perera	-	Alternate Director to Mr. Malik J Fernando
Dr. S A B Ekanayake		
Mr. S C Ratwatte		
Mr. A L W Goonewardena		
Mrs. B W G C S Bogahawatta		
Mr. A T S Sosa		
(appointed w.e.f. 05.04.2017)	-	Alternate Director to Mr. Merrill J Fernando

CHIEF EXECUTIVE OFFICER
Mr. B Bulumulla

MANAGING AGENT
Aitken Spence Plantation Managements PLC

SECRETARIES
Aitken Spence Corporate Finance (Private) Limited

REGISTRARS
SSP Corporate Services (Pvt) Ltd.,
101, Inner Flower Road,
Colombo 3.

AUDITORS
Messrs. Ernst & Young
201, De Saram Place, Colombo 10.

LAWYERS
Julius & Creasy
Attorneys – at – Law

BANKERS

Bank of Ceylon	–	Corporate Branch
Sampath Bank PLC	–	Nawam Mawatha Branch
Hatton National Bank PLC	–	Panchikawatta Branch
Cargills Bank PLC	–	Head Office Branch

GROUP COMPANIES
Tea Country Homes (Private) Limited
Water Villas (Private) Limited
E P P Power Company (Private) Limited

JOINT VENTURE COMPANIES
Elpitiya Lifestyle Solutions (Private) Limited
A E N Palm Oil Processing (Private) Limited
Elpitiya Dianhong Jin Ya Tea Company (Private) Limited
Venture Valley (Private) Limited

Notice of Meeting

Notice is hereby given that the Twenty Fifth Annual General Meeting of Elpitiya Plantations PLC will be held at the Institute of Chartered Accountants of Sri Lanka, 30A, Malalasekera Mawatha, Colombo 7, at 3.00 p.m. on Friday September 22, 2017, for the following purposes: -

- To receive and consider the Annual Report of the Board of Directors together with the Financial Statements of the Company for the year ended 31st March 2017 and the Report of the Auditors' thereon
- To declare a Dividend as recommended by the Directors
- To re-appoint Mr. S C Ratwatte who retires in terms of Article 92 of the Articles of Association, as a Director.
- To re-appoint Mr. Merrill J Fernando who is over 70 years, as a Director by passing the following resolution: "That the age limit stipulated in Section 210 of the Companies Act No. 7 of 2007 shall not apply to Mr. Merrill J Fernando who has attained the age of 87 and that he be re-elected a Director of the Company."
- To re-appoint Mr. J M S Brito who is 70 years, as a Director by passing the following resolution: "That the age limit stipulated in Section 210 of the Companies Act No. 7 of 2007 shall not apply to Mr. J M S Brito who has attained the age of 71 and that he be re-elected a Director of the Company."
- To authorise Directors to determine contributions to charities
- To re-appoint the retiring Auditors Messrs. Ernst & Young and authorise the Directors to determine their remuneration.

BY ORDER OF THE BOARD

AITKEN SPENCE CORPORATE FINANCE (PVT) LTD
Secretaries
Colombo
25 August 2017

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend, speak and vote in his/her stead and a Form of Proxy is enclosed for this purpose. A Proxy need not be a member of the Company.
2. The completed Form of Proxy must be deposited at the Office of the Registrars, SSP Corporate Services (Pvt) Ltd., No. 101, Inner Flower Road, Colombo 3, not less than forty-eight hours before the time fixed for the meeting.
3. Any member or proxy holder attending the meeting is kindly requested to bring this report.

Notes

Form of Proxy

I/We …………………………………………………………………………………… of …………………………………

…………………………………………………………………………… being a member/members of Elpitiya Plantations PLC

hereby appoint ………

………… of ……………………………………………………………………………………………… (whom

failing)

Joseph Michael Suresh Brito of Colombo	(whom failing)
Rohan Marshall Fernando of Colombo	(whom failing)
Merrill Joseph Fernando of Colombo	(whom failing)
Malik Joseph Fernando of Colombo	(whom failing)
Sumith Anura Bandara Ekanayake of Colombo	(whom failing)
Sarath Carlyle Ratwatte of Colombo	(whom failing)
Anthony Linton Wijewickrema Goonewardena of Colombo	(whom failing)
Bogaha Watte Gedara Chandani Sagarika Bogahawatte of Colombo.	

as my/our Proxy to represent me/us, to speak and to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on the September 22, 2017, and at any adjournment thereof and at every poll which may be taken in consequence thereof.

Signed this………………………………..day of .... Two Thousand Seventeen.

……………………………………………

Signature

Note : Instructions as to completion are noted on the reverse hereof.

Instructions as to Completion

Kindly perfect the form of proxy by filling in legibly your full name and address, signing in the space provided and filling in the date of signature.

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

In the case of a Company/Corporation, the proxy must be under its Common Seal (if required), which should be affixed and attested in the manner prescribed by its Articles of Association.

The completed form of proxy should be deposited at the Office of the Registrar, SSP Corporate Services (Pvt) Ltd No. 101, Inner Flower Road, Colombo 3 before 3.00 p.m. on September 20, 2017, being 48 hours before the time appointed for the holding of the meeting.

ELPITIYA PLANTATIONS PLC
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