

# MASKELIYA PLANTATIONS PLC

**ANNUAL REPORT 2016/ 2017**





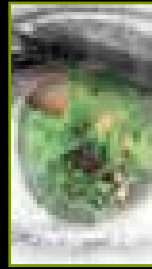
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# SO

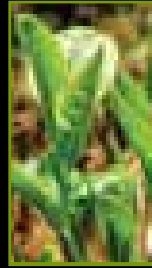
## Surmount Obstacles

*We at Maskeliya believe in team work and our potential to break barriers. We do this through our propositions as well as by promoting life standards of our Stakeholders. Our team is committed to cope with any challenge that come our way.*

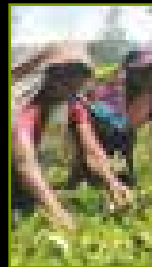
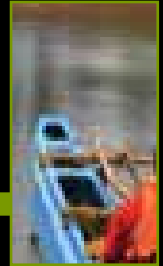
*Maskeliya Plantations PLC (MPPLC) serves local and global requirements, bridging the needs of our customers, society and other stakeholders with the tip to cup model. Drawing on the potential of our members and our supportive leadership, MPPLC combines core competencies and unique resources to deliver value to different kinds of capital invested in the Company for the benefit of our stakeholders.*



**S**ee  
ourselves

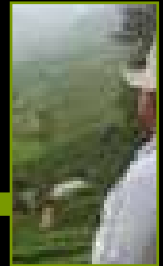


**S**ailing  
over



**S**uperiority  
origination

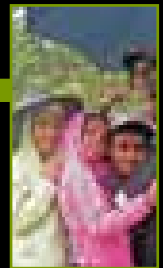
**S**ee  
over



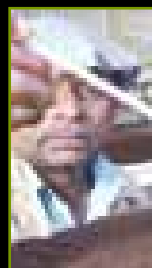
**S**ynergize  
operations



**S**ocial  
outfit

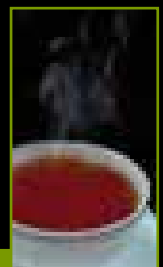


**S**ave  
zone



**S**ubtlety of  
operation

**S**well-out  
outcome



## MAKING THE PATH CLEAR FOR LONG TERM GROWTH

### Who Are We ??

At MPPLC, we are in a business to ensure our stakeholders accomplish what matters to them. We are focused on forming a winning culture for our shareholders, employees buyers and for our communities. A constant effort to generate more value for the stakeholders will in turn contribute to reaching our objectives to create best total returns to our business over the long term.

### Where Are We Going??

## OUR VISION

*“To be a result oriented innovative Tea Company, internationally reputed for quality”*

## OUR MISSION

**To Customers** – *Produce quality tea that meet customer needs*

**To Employees** – *Be an employer of choice in the Plantation Sector*

**To Community** – *Be socially and environmentally responsible*

**To Stakeholders** – *Increase the wealth of our stakeholders”*

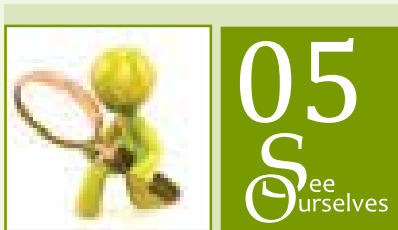
**To get there we have made our mission as follows...**

In an industry with a Conservative nature, we are committed to deliver constant values for broader range of our stakeholders. In doing this we have established following objectives in order to underpin our growth prospects.

## OUR OBJECTIVES

*“Provide a Return on Investment above the risk free investment rate to shareholders, Maintain market leadership, both in terms of quality and price, Optimise sustainable land productivity, Maximise worker productivity, Operate within the concept of a sustainable environment, Optimise the use of available resources”*

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# What Sets Us Apart ...

We apply our core principles of Good Agricultural Practices (GAP), Good Manufacturing Practices (GMP), Total Quality Management (TQM), and sustainability into our operations at estate level and perform them with the ambition of making Maskeliya Plantations PLC a great place of delivering value to its wider range of stakeholders. We have certain principles of unique nature and we are truly marching towards to be the ultimate benchmark Company in Sri Lankan plantation industry with our core ambition of "One Team One Dream".

## Our Key Differentiators

### Good Agricultural Practices (GAP's)

Agricultural practices adopted on estates are conformed to TRI (Tea Research Institute) guidelines/regulations & internationally certified standards such as Rain Forest Alliance, Ethical Tea Partnership & FLO.



### Good Manufacturing Practices (GMP's)

Tea being harvested from the field until its made a product, Good Manufacturing Practices are followed in our factories conforming to internationally accepted standards such as HACCP/ISO 22000.



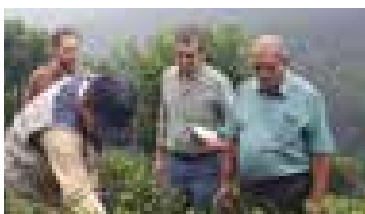
### Experienced Management Team

We are very proud to say that we have a pool of very experienced and skilled management executives at head office and estates to drive our Company towards the ultimate vision.



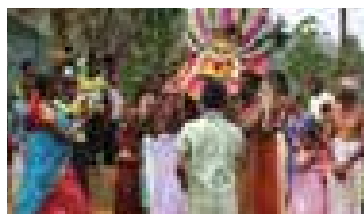
### Our Partnerships

We forge long-lasting partnerships that add real value with shareholders, government, industrial bodies, employee unions, brokering companies and our supply chain to yield best outcome of performances.



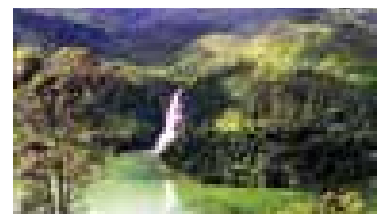
### Sustainability

We balance social, economic and environmental factors in our estate operations to create sustainable value for all our stakeholders and support vibrant communities, while minimizing all environmental impacts.



### Picturesque Landscape

We are flourished with a land bank which consists of many iconic sceneries in the western highlands of Sri Lanka. This has made us to be one of the favourite eco-tourism destinations in the Country with an increased demand over the years.



*The legacy of Maskeliya continues to be the greatest strength itself to enhance our performances. We believe in our potential and attempt to bring the old glory of Maskeliya back again. We have come across many obstacles in the past but the way forward towards the future with a strong desire to triumph the eventual vision of the Company. Just go ahead and see; we are Maskeliya!!!*

# Introduction to the Report

This MPPLC annual report is a reflection of the Company's financial and non-financial performance covering the period from 1 April 2016 to 31 March 2017 and we are pleased to present this report to wide range of our stakeholders on behalf of the Company's Management.

The Financial statements and other relevant disclosures have been prepared in accordance with the Sri Lanka Financial Reporting Standards (SLFRS), LKAS, Companies act No 7 of 2007, CSE listing rules and other relevant reporting requirements.

Further we adapted to the Global Reporting Initiatives (G4 Reporting Framework) under 'In Accordance-Core' option and some of the guidelines given by International Integrated Reporting Council's framework in the previous year. This year also we continue to follow the same framework in preparing the Company Annual Report. However these reports presented in a voluntary basis contents of sustainability report has not been externally assured.

The report is presented based on "SO Model" which is basically about Company's approach to surmount wide range of obstacles. Under this model we intend to disclose our financial and non-financial information in a more integrated manner with the aim of displaying overall value creation of the Company.

As you go through our Annual Report we hope that you will find our report valuable, transparent and inspiring. However you are welcome to comment and question on this report or its content. Please direct all your thoughts, comments and questions to.

[mpl.rpk@arpico.com](mailto:mpl.rpk@arpico.com), or in writing to:

No.310, High Level Road,

Nawinna,

Maharagama.

Tel : 011-4310500

## Journey So Far...

The Government of Sri Lanka as part of its restructuring plan for the Plantation Industry decided to privatize this sector and in June 1992 incorporated 22 Regional Plantation Companies and assigned to these Companies Estates that had been previously vested with the Government and managed by JEDB/SLSPC on a 53 year lease. Separate Managing Agents were also selected to manage each of these Companies and Maskeliya Plantations PLC is one of these companies.

The Managing Agent appointed by the Government in June 1992 was Uva Western Plantations (Pvt) Ltd. In January 1996, the Government offered 51% of the Issued Share Capital of Rs.200 million through the Colombo Stock Exchange to pre-qualified bidders. RPK Management Services (Pvt) Ltd (RPK), a 50:50 joint venture Company between Richard Pieris Company Ltd and John Keells Holdings Ltd being the successful bidder acquired the 51% stake at Rs.21/50 per share.

In September 1997, 20% of the Issued Share Capital consisting of 4,000,000 Ordinary Shares was offered to the public at a price of Rs.15/- per share. This offer was over subscribed many times over and on a pro-rata basis shares were allocated to more than 16,000 applicants. Subsequently, 19% of the Company's Share Capital amounting to 3,800,000 shares was sold through the Colombo Stock Exchange.

In December 1997, as the final step of the Government's privatization programme, the

remaining 10% stake consisting 2,000,000 shares were gifted to the employees. Over 17,000 eligible employees qualified for these shares.

In February 1998, the Convertible Debentures held by Kegalle Plantations Ltd (KPL) were converted to 6,976,744 Ordinary Shares. As a result, the Share Capital of the Company increased to Rs.269,767,450 and KPL was allocated 28.6% of the Issued Share Capital

In September 2002, the shares held by Kegalle Plantations Ltd were sold to RPK Management Services (Pvt) Ltd. As a result RPK's holdings in Maskeliya Plantations PLC was increased to 17,176,744 ordinary shares or 63.67% holding of the Issued Share Capital.

On 31 March 2004, Richard Pieris & Co. PLC bought over the stake of John Keells Holdings PLC in RPK. Thereby RPK became a wholly owned subsidiary of Richard Pieris & Co. PLC and to reflect this change, the name of the Company too was changed as RPC Management Services (Pvt) Ltd.

Subsequently, RPC Management Services (Pvt) Ltd increased its Shareholding of Maskeliya Plantations PLC to 73.48%. Consequent upon a rights issue by Maskeliya Plantations PLC in November 2012 a further increase of its Shareholding up to 83.40% was made by RPC Management Services (Pvt) Ltd.

## We are Maskeliya

Barriers always make the journey of each business tougher and tougher. Yet MPPLC has managed to override competition simply because we identify opportunities from our threats.

Our operations are extended throughout 18 tea estates with 14 factories. Our total land base accounts for 10,560ha in 4 different geographical regions namely Upcot (2,568ha,) Maskeliya (2,548 ha), Talawakelle (1,519ha) and Bandarawela 3,925ha. Company possesses an annual production capacity of 9mn Kg with an overall workforce of 11,951 people. MPPLC is in the business of cultivating, manufacturing and selling of world famous black tea through tea broker companies to many reputed buyers around the globe.

We have come across 24 years of successful journey not with standing number of barriers for the industry. The 12 months period covered by this report is yet another challenging year for our Company

with the change of government policies, adverse weather, global economic factors, wage increase and many other industrial situations challenged the Company's performances. However continuous commitment of management has made this year an embarking one with lots of positive changes being originated towards the end of the year.

The story of Maskeliya is driven by strategic thinking and effective monitoring of the Company management with the aim of accomplishing the long term Company vision. All of our employees are enthusiastic and committed to create value for all our stakeholders by delivering their maximum potential to Company's success.

Therefore we are focusing on investing more and more in financial, natural, manufactured, human, intellectual and social capital of the Company which will ultimately drive us to the story of success.

# Financial Calender

Financial Year Ending 31 March 2017

## Quarterly Financial Reports

2016						2017					
Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
		● <b>1st Quarter</b> 11 August 2016									
				● <b>2nd Quarter</b> 09 November 2016							
						● <b>3rd Quarter</b> 13 February 2017					
										● <b>4th Quarter</b> 30 May 2017	

Date of most recent previous financial year 31 March 2016

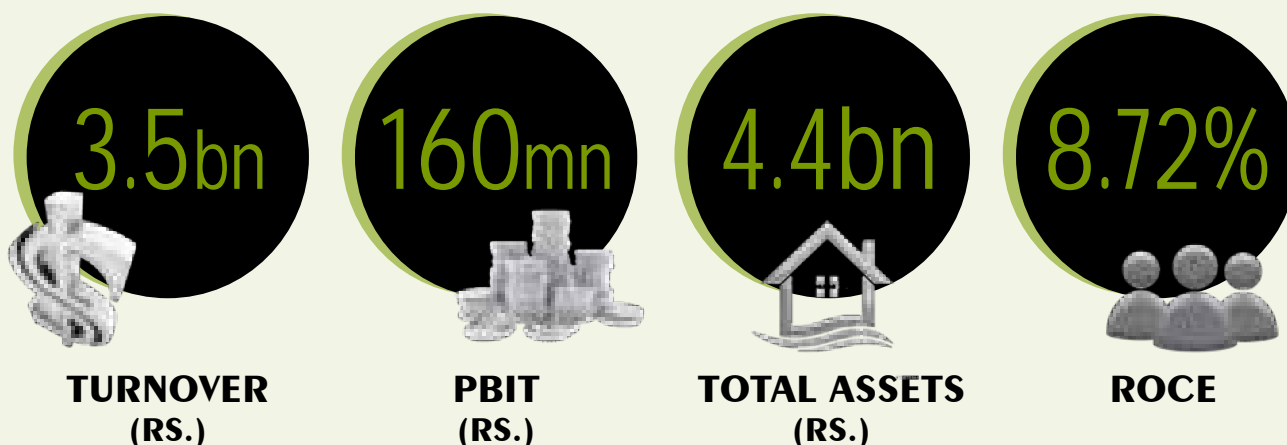
Date Published: 31 May 2016

## Annual General Meetings

2013/14	21 Annual General Meeting	30 June 2014
2014/15	22 Annual General Meeting	30 June 2015
2015/16	23 Annual General Meeting	30 June 2016
2016/17	24 Annual General Meeting	30 June 2017

Notice of Annual General Meeting - 31 May 2017

## Performance Highlights



# Financial Highlights

Performance - Year Ended 31 March 2017

Performance - Year Ended 31 March 2017		2017	2016	Variance %
Turnover	Rs'000	3,455,462	3,273,852	5.55
Profit / (Loss) before Interest and Tax	Rs'000	159,699	(264,115)	160.47
Profit/ (Loss) after Tax	Rs'000	(92,707)	(470,096)	80.28
Capital Expenditure	Rs'000	64,810	148,252	(56.28)
Financial Position as at 31 March 2017				
Fixed assets	Rs'000	3,622,369	3,650,558	(0.77)
Current Assets	Rs'000	820,059	755,820	8.50
Total Assets	Rs'000	4,442,427	4,406,377	0.82
Current Liabilities	Rs'000	(1,944,797)	(1,778,005)	9.38
Shareholders' Fund	Rs'000	882,710	924,250	(4.49)
Stated Share Capital	Rs'000	673,721	673,721	-
Capital employed	Rs'000	1,590	1,864	(14.71)
Key Indicators				
Earnings/(Loss) per share	Rs.	(1.72)	(8.71)	80.27
Net Asset per share	Rs	16.36	17.13	(4.49)
Market Price of a Share	Rs	7.70	7.70	-
Return on Capital Employed	%	8.72	(14.02)	162.18
Market Capitalisation	Rs'000	415,442	415,442	-
Return on Average Equity	%	(10.26)	(43.66)	76.50

## Turnover



## Total Assets

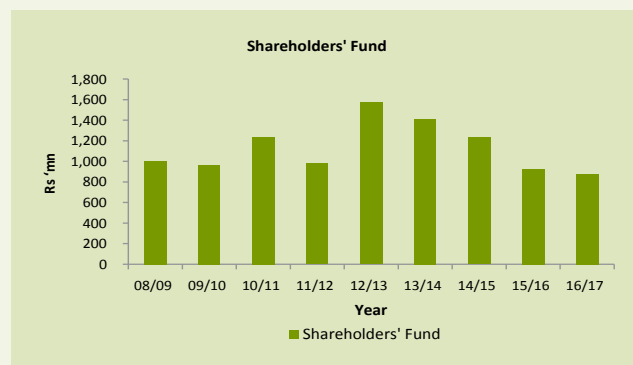
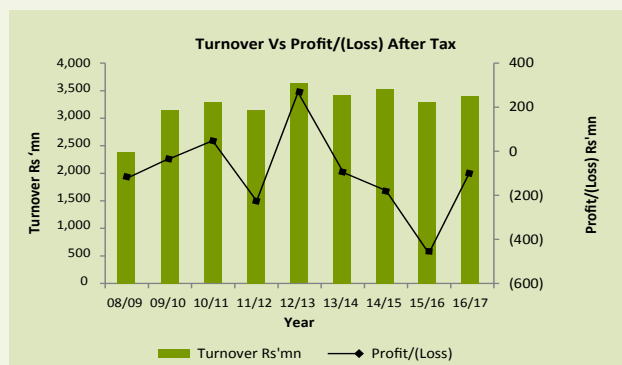


**Profit / (Loss)  
before Interest  
and Tax grew by**

**160 %  
to Rs. 160mn**

**Return on Capital  
Employed  
grew by**

**162 %  
to 8.72 %**

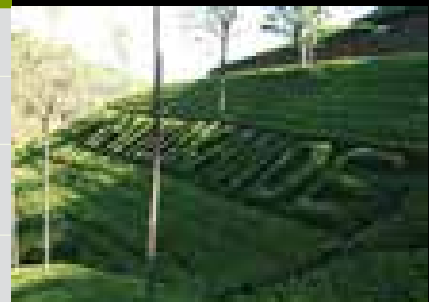
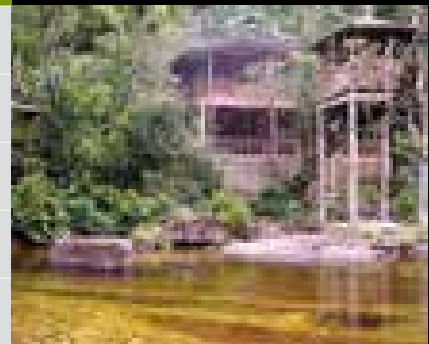


*It is the set of the sails, not the direction of the wind that determines which way we go. - Jim Rohn*

*The Board of Directors and Management Team set the tone for Maskeliya and direct the Company towards the ultimate desired destination.....*

# Presence by Area of Operations

Estate Name	Extent (Hectares)	Capacity Kg. ' 000	No of Workers	Elevation (Meters)	Distance from Colombo
<b>Upcot Region/ Western High</b>					
<b>Brunswick Estate</b> Maskeliya/ 22070	676.26	1,900	1,151	1,250	153 (Km)
<b>Glentilt</b> Maskeliya / 22070	456.85	828	728	1,320	139 (Km)
<b>Glenugie Estate</b> Upcot/ 22075	309.15	759	587	1,325	154 (Km)
<b>Mocha Estate</b> Maskeliya / 22070	422.25	820	824	1,335	140 (Km)
<b>Strathspey Estate</b> Upcot/ 22075	703.62	1,656	1,002	1,327	156 (Km)
<b>Maskeliya Region/ Western High</b>					
<b>Brownlow Estate</b> Maskeliya / 22070	245.75	Silent	259	1,200	137 (Km)
<b>Hapugastenne Estate</b> Maskeliya /22070	323.77	300	228	1,189	138 (Km)
<b>Laxapana Estate</b> Maskeliya / 22070	737.05	1,311	1,006	1,160	166 (Km)
<b>Moray Estate</b> Maskeliya / 22070	682.85	1,200	875	1,185	153 (Km)
<b>Mousakelle Estate</b> Maskeliya /22070	558.75	1,200	485	1,372	140 (Km)
<b>Talawakelle Region / Western High</b>					
<b>Ferham Estate</b> Talawakelle / 22100	313.21	Silent	397	1,345	164 (Km)
<b>St. Clair Estate</b> Talawakelle / 22100	519.69	800	511	1,200	156 (Km)
<b>Talawakelle Estate</b> Talawakelle / 22100	399.23	1,300	496	1,219	159 (Km)
<b>Troup Estate</b> Talawakelle / 22100	287.75	500	387	1,379	144 (Km)
<b>Bandarawella Region/ Uva High</b>					
<b>Ampittiakande</b> Poonagala SPO / 90100	1,594.72	800	730	1,295	224 (Km)
<b>Craig Estate</b> Bandarawella/ 90104	418.48	950	460	1,402	212 (Km)
<b>Leangawela Estate</b> Leangahawella SPO / 90106	460.79	Silent	180	1,167	217 (Km)
<b>Poonagalla Estate</b> Poonagala SPO / 90100	1,451.17	2,100	863	1,402	225 (Km)



Total Usage of Company Building is Sq. Ft. 7,112,890



## Chairman's Review

I take great pleasure welcoming you for the 24<sup>th</sup> Annual General meeting of Maskeliya Plantations PLC and presenting you the Annual Report and Audited Financial Statements for the financial year ended 31 March 2017.

The financial year 2016/17 was yet another challenging year for your Company with the plantation industry as a whole been victimized due to incriminate weather patterns. The heavy rainfalls during the first half of the financial year coupled up with enduring drought conditions prevailed during second half of the financial year had a significant influence on the Company's fertilizer application and ultimately resulted in harvesting a lesser crop

which in turn led to an increase in the Cost of Production (COP) of the Company. These hostile weather patterns eventually caused to record the lowest tea production of the Company for the last five years reporting a crop of 6.7mn kg speaking to a downfall of 18% than the crop reported in the previous year. However the second half of the year deemed more favorable to the plantations sector in general as the global commodity prices indicated an increase so as the tea prices.

The twist in global weather patterns, had an adverse effect on the plantation sector with all crops been affected due to the changes in weather. The Company's NSA for the year under review was

Rs. 504 which is significantly higher than the prior year of Rs. 389. On a positive note, it is expected that these improved tea prices will continue well into the ensuing financial year, with the demand for Ceylon Tea in global tea market on the rise.

Furthermore, the increase in the daily labour wage from Rs.620 to Rs.730 in the middle of the financial year, the removal of government subsidy on fertilizer and the band of weedicides, together with a sharp decline in production is attributable to the relatively higher COP during the year.

## The Economic Environment

Unfavorable weather conditions and sluggish global economic climate caused the economy to grow at a slower rate of 4.4 per cent in 2016 in real terms, in comparison to 4.8 per cent in the previous year. While Inflation, which remained low in the first four months of the year, increased thereafter to record an annual average of 4 per cent during 2016. The Government's revenue based fiscal consolidation process, helped to contain the overall budget deficit at the targeted level of 5.4 per cent of GDP in 2016 in comparison to the deficit of 7.6 per cent in the previous year while the trade deficit as a percentage of GDP expanded to 11.2 per cent in 2016 compared to 10.4 per cent in the previous year. The overall balance of BOP recorded a deficit in 2016 reflecting the widening of the current account deficit and relatively low level of inflows to the financial account. The overall deficit amounted to US dollars 500 million in 2016 compared to the deficit of US dollars 1,489 million recorded in 2015. Meanwhile, Sri Lanka's gross reserve asset position declined to US dollars 6.0 billion, as at end 2016, equivalent to 3.7 months of imports of goods and 3.1 months of imports of goods and services. The rupee depreciated against all major currencies except the pound sterling.

## Industry Overview

The value addition in Agriculture, Forestry and Fishing related activities recorded an overall decline of 4.2 per cent in 2016 compared to the growth of 4.8 per cent which was seen in the previous year. As a result, the GDP share of this sector reduced to 7.1 per cent in 2016 from 7.8 per cent in 2015. The contraction is attributable to the incriminate weather patterns which prevailed during the year under review.

Tea production in 2016 witnessed a substantial decline which triggered due to factors arising from both supply side as well as from demand side. The adverse rain patterns followed by prolonged drought in tea growing areas together with the reduction in the application of fertilizer and weedicides all were contributing factors to this decline. Total tea production in 2016 declined by 11 per cent to 292.6 million kilograms from 328.8 million kilograms in 2015. High grown tea recorded a decline of 14.6 per cent, to 64.4 million kilograms.

The prices of high, medium and low grown teas at the Colombo Tea Auction (CTA) throughout the year stood above the corresponding prices recorded in the previous year. Accordingly, the average price of tea at the CTA increased by 17.8 per cent to Rs.473.15 per kilogramme in 2016, from Rs.401.46 per kilogramme recorded in the previous year. The highest year-on-year increase in average tea prices at CTA was recorded for medium grown tea (17.6 per cent), followed by low grown tea (17.4 per cent) and high grown tea (16.5 per cent). Furthermore, Local tea exporters benefitted from the depreciation of the Sri Lankan Rupee against the US Dollar by 3.8 per cent during 2016, whereby the export price in Rupees registered an increase of 7.9 per cent, from Rs.593.08 per kilogramme in 2015 to Rs.639.88 per kilogramme in 2016.

## Future Outlook

According to the World Economic Outlook of the IMF, the global economy gained momentum in the second half of 2016 with advanced economies registering a stronger than expected pick-up, while slackened economic activity persisted in emerging market and developing economies. This momentum in the global economy is expected to persist in 2017 and 2018 with the ongoing cyclical recovery in investment, manufacturing and trade. While the Sri Lankan economy is projected to grow at a moderate rate of around 5.0 per cent in 2017 amidst the adverse impact of unfavorable weather conditions, and is expected to improve gradually thereafter to record an annual growth rate of 7 per cent by 2020.

The private sector is expected to play a key role in achieving this higher growth momentum by exploiting potential growth opportunities in the economy and external markets. Domestic investment activities are also expected to continue with emphasis on improving productivity through the adoption of new technology including mechanization initiatives in the Agriculture and Industry sectors together with the adoption of information technology (IT) related improvements. While the external current account deficit is expected to improve steadily with the projected developments in the external sector, exports are projected to increase at a higher rate than imports, resulting in a narrowing of the trade deficit in the medium term. The government has displayed its commitment by adopting several policy measures to enhance revenue collection and rationalize expenditure. Accordingly, the budget deficit is expected to be around 3.5 per cent of GDP by 2020.

There is a pressing need to consider the sustainability of the industry during the process of wage negotiation

which should be linked to the productivity, as failure to do so will reflect adversely on the viability of the industry. As I have emphasized for plantations repeatedly, productivity base incentive payment was introduced with the last wage increase. In future, a strategic approach which is similar to the revenue sharing model between employee and employer towards wage negotiations will determine the survival of the plantations industry.

## Capital Expenditure

Despite the adverse developments constraining the plantation industry, your Company continued to invest long term incurring capital expenditure of Rs.65mn so far. The Company spent for the field development including tea, cinnamon, and fruit cultivation and replanting of forestry which speaks to Rs. 51mn which is part of the reported capital expenditure for the period.

The rest of the capital expenditure was spent in purchasing property plant and equipment speaking to Rs.14mn.

## Welfare

Despite the extreme conditions prevailed in the industry, your Company continued to invest in its work force. Significant share of total expenditure of the Company were allocated for worker welfare activities. Total expenditure incurred on behalf of employee welfare activities during the year was Rs.182mn. Mainly welfare cost consist of welfare, Creches, medical expenditure, worker Housing expenditure etc.

Since most of our employees are living inside or very much nearer to our estates, treating them with fair facilities will enable them to stay loyal towards achieving Company objectives.

## Sustainability

Furthermore, the Company has allocated substantial amount of funds for replanting tea. Our sustainable approach to plantations was further rewarded with Brunswick Estate been awarded with the Rain Forest Alliance certification during the financial year 16/17. With this, all 14 estates in the Western High Grown Region have become Rain Forest Alliance certified estates.


The Company also looked into the manufacture of its own organic fertilizer through a compost project. This will ensure that the fertilizer in deed reduces the expenses incurred in obtaining organic fertilizer and steps have already been taken to improve soil carbon levels through good agricultural practices and crop cover.

Plans are underway to expand the mini hydro projects which are part of the Brunswick, Talawakelle and Moray estates during the coming year.

As part of the Company's strategic plan, we are planning to enhance mechanized plucking and pruning operations with the intention of improving productivity. The initial steps to this process have already been taken by the Company.

## Acknowledgements

I would like to thank the Board Members & CEO for their guidance and all our employees for their hard work, dedication and commitment and our suppliers and customers for their support and faith in our Company. I take this opportunity to warmly welcome Dr. S Samaraweera who recently joined us as a Director. I would also like to thank Mr. Mangala Boyagoda who served as – Non Executive Director on our board for his valuable contributions during the tenure on the board. I am also grateful to you, our shareholders, for your trust and confidence have shown year after year in us.



Dr.Sena Yaddehige  
Chairman

31 May 2017  
Colombo

## Our Board Profiles

**DR. SENA YADDEHIGE** is a Sri Lankan born British Scientist/Engineer and a Swiss based industrialist. Dr. Yaddehige is the Chairman of the Richard Pieris Group of Companies comprising seven Listed Companies, including three Plantation Companies, and over 50 companies wholly or majority owned by Richard Pieris and Company PLC. He served as a Director in the Board of Directors of National Development Bank PLC during the period between 2007 and 2010.

Dr. Yaddehige is a brilliant scientist and a high energy radiation specialist who innovated and developed contactless sensor technology, drive by wire systems and made numerous inventions in radiation processing for which he holds worldwide patents. In addition he also holds the patent for slow release fertilizer in Sri Lanka.

He is a Founder, Chairman and Director of numerous companies in Sri Lanka, USA, Japan, UK, Germany, Switzerland and Singapore. He is also the founding Managing Director of a European Company, which manufactures and exports automotive components and systems, developed based on his own innovations, to Europe, Japan, China and the United States.

Dr. Yaddehige was conferred with Doctor of Science (D.Sc.) in consideration of his original research work in the fields of Radiation, Radiation processing, Electromechanical Sensor technology, non-contact sensor technology and automotive pedal systems along with numerous patents in the above fields.

**MR. SUNIL POHOLIYADDE** currently holds the position of Managing Director of the Plantations Sector of the Richard Pieris Group and is a Director of Kegalle Plantations PLC, Namunukula Plantations PLC and Maskeliya Plantations PLC. He has over three decades of experience in the Plantation Industry, having commenced his career as an Assistant Superintendent and thereafter served as Superintendent up to the time he joined the corporate management of Kegalle Plantations PLC in 1998.

He is the current Chairman of the Planters' Association of Ceylon and the Colombo Rubber Traders' Association. He is also a Director of Richard Pieris Natural Foams Ltd., Exotic Horticulture (Pvt) Ltd., AEN Oil Palm Processing (Pvt) Ltd., and a member of the Boards of Directors of the Sri Lanka Tea Board and Rubber Research Board. He also serves as a Council Member of the Ceylon Chamber of Commerce, the Advisory Committee on Rubber & Plastics Sector of the Export Development Board and the Executive Committee of The Sri Lanka Society of Rubber Industry. He also serves on the Wages Boards for the Rubber Growing and Manufacturing Trade, Coconut Growing Trade, Cocoa, Cardamom & Pepper Growing & Manufacturing Trade.



**Dr. Sena Yaddehige**  
Chairman



**Sunil Poholiyadde**  
Director



**Dr Saman Hettiarachchi**  
Director

**DR L SAMAN K HETTIARACHCHI** obtained PhD degree from the University of Aberdeen, UK carrying out research on liming acid tea soils, after graduating from University of Peradeniya with a BSc Special honours degree majoring chemistry. Professionally, he is an Agricultural Chemist, having specialized in soil science and plant nutrition, and involved in technological and policy interventions for the promotion of rational fertiliser use in tea and other crop sectors in Sri Lanka. Also, he has been a Chartered Chemist, authorized by the Institute of Chemistry, Ceylon; a section of Royal Society of Chemistry in the UK.

At the Tea Research Institute of Sri Lanka (TRISL), he holds the Additional Director position, next to the CEO of the Institution. His responsibilities are to coordinate, monitor and evaluate research and development programs on tea cultivation and processing; and disseminate and deliver technical guidance collectively to address emerging challenges of local tea industry.

Serving the tea industry over 30 years whilst working at TRISL, he is exposed to all the disciplines of Research and Development projects and their outputs and outcomes. Thus he is aware of necessary technological interventions for the adoption. Involving in consultative committees of the Sri Lanka Tea Research Board, national committees of the Departments, Organizations and Institutions, and interacting with both government and private sector organizations along with the stakeholders, he is quite aware about decision making and policy development processes in local environments. Besides, having to interact with global, regional and local organizations and entrepreneurs, he is acquainted with the global tea industry issues as well.



**Ananda Fernando**  
Director

**MR. ANANDA FERNANDO** is a Fellow Member of the National Institute of Plantation Management and holds Diplomas in Plantation Management, Human Rights, Diplomacy & International Relations, Conflict Resolutions and Negotiation Skills. He also served as a Member of the Sri Lanka Tea Board Panel for monitoring of Tea Auctions, Direct Sales and Imported Tea.

Mr. Fernando counts over 41 years experience in the Management of Plantations having begun his planting career in 1976. He served as Superintendent of Mahagastote, Holyrood, Welimada and Somerset estates before he took charge as General Manager of Horana Plantations in 1993. He joined RPK Plantations in 2000 and also functioned as Director-Operations of Kegalle Plantations, Maskeliya Plantations and in 2007 joined Watawala Plantations as Director-Operations. He was the Director/ Chief Executive Officer of New Vithanakande Tea Factory Ltd for 5 years from 2008 and presently serves as the Executive Director of Eastern Brokers and Director of Maskeliya Tea Gardens Ceylon Ltd.

He is an auditor of Japanese 5S & Kaizen and an Ex-committee member of Japan Sri Lanka Technical and Cultural Association (JASTECA). Mr. Fernando possesses international exposure in Plantation Management and Tea Manufacturing with participation in training and development programmes and conferences in Japan, China, USA and Germany and also has the exposure in to International Tea Markets participating at Trade Fairs and Exhibitions in Germany, USA and UAE

**MR. SHAMINDA YADDEHIGE** has been appointed to the Directorates of Maskeliya Plantations PLC, Kegalle Plantations PLC and Namunukula Plantations PLC. with effect from 1 March 2016 as a Non-Executive Director.

Mr. Yaddehige was educated at Charter House, United Kingdom and graduated in Chemical Engineering from University College London. After establishing himself in business in Europe and USA, he further graduated in Master of Business Administration at IE Business School, a global top 10 ranked business school.

He worked as a Management Consultant at Price Waterhouse Coopers, United Kingdom and also at world renowned International Ultra High Net Worth banking giant, Credit Suisse of Switzerland. He has an extensive experience in International Marketing and has built a very strong marketing network in Europe.

Mr. Yaddehige is in the Directorate of Richard Pieris & Company PLC as an Executive Director/Chief Operating Officer of the Company and also in the Directorates of Richard Pieris Exports PLC and Subsidiary Companies of the Richard Pieris Group.



**Shaminda Yaddehige**  
Director

**DR. SARATH SAMARAWEERA** is an Honours graduate in Mechanical Engineering with 46 years involvement in Tea Industry in Sri Lanka. As the Development Engineer he was responsible for the development of first ever Fluidized Bed Dryer for Tea. He holds a Doctorate from the University of London, imperial collage of Science and Technology.

He was the Technologist and Assistant Director at the Tea Research Institute in Sri Lanka till 1990. He then joined the private sector, first in South Africa and then with Tea Smallholder Factories Limited, a subsidiary of John Keells Holding PLC as the Head of Operations before retiring in 2011.

He was a commissioner of the "Presidential Commission of Inquiry into problems facing the Tea Industry and Trade", famously known as the "Kelegama Commission", Over the decades, he has provided consultancy services to many state and Industry institutions leading to improvement of processing sector in Sri Lanka.

He is a member of the Tea Research Board since 2004 and serves many of its consultative committees. He is an Honorary Member of the Colombo Tea Traders Association and functions the Committee as an Industry Expert. He is also an honorary member of Sri Lanka Tea Factory Owners Association.



**Dr. Sarath Samaraweera**  
Director

# Key Personnel

## Key Personnel - Head-office

Mr. S S Poholiyadde <b>Managing Director - Plantations</b>
Mr. M P S Pathiraja <b>Chief Executive Officer</b>
Mr. V Pusselle <b>Director Operations</b>
Mr. S. Epitakumbura <b>Sector Financial Controller</b>
Mr. A P de Tissera <b>General Manager - Marketing and Processing</b>
Mr. H K Caldera <b>Accountant</b>
Mr. H M B M Jayathilake <b>Accountant</b>
Mr. R M S S Herath <b>Manager - Information Systems</b>

Ms. K A Weerakkody	Assistant Manager
Mr. T M S B Yatigammana	Executive
Mr. P K Tinusha Dilhara	Account Executive
Mr. R A D C Lakshan	Account Executive
Ms. D N Ranasinghe	Junior Executive
Ms. A R Goonasekara	Junior Executive
Ms. N K G N Samarasinghe	Junior Executive
Mr. M D C K Gunathilake	Junior Executive
Ms. J P Amarasinghe	Secretary
Mr. K M B C Konara	Management Trainee

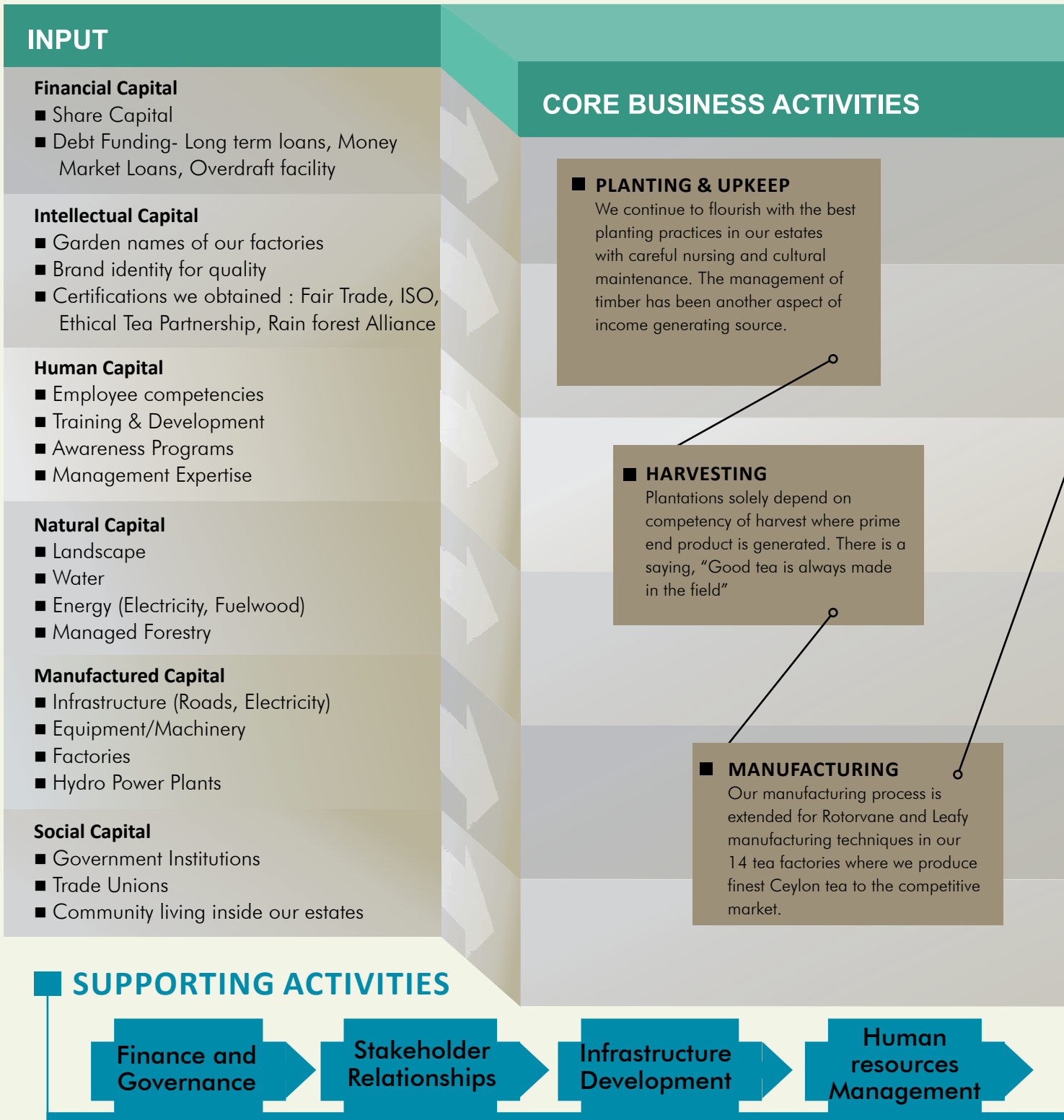
## Key Personnel - Estates

Name of Estate	Postal Address	Name of the Superintendent	Name of the Assistant Superintendent
Regional Office	MPL	Mr. H M P Peiris (Manager - Compliance and Project Management)	
Brownlow	Maskeliya	Mr. W A K G Wimalasena (Assistant Superintendent in-charge)	
Brunswick	Maskeliya	Mr. T N B Herath	Mr. A M T P Alahakoon Mr. D M L N Dasanayake Mr. G R T Daminda
Glentilt	Maskeliya	Mr. N N Withanage	Mr. M S Mubarak
Glenugie	Upcot	Mr. W D G Wanigasekara	
Hapugastenne	Maskeliya	Mr. S E B Madugalla (Assistant Superintendent in-charge)	
Laxapana	Maskeliya	Mr. A U M T Athukorala	Mr. H R Boyagoda Mr. G G P L Gunawardena
Mocha	Maskeliya	Mr. E R Bulathsinhala	Mr. M B W Gamage Mr. P J Gopallawa
Moray	Maskeliya	Mr. A R M D C Abeykoon	Mr. H M T K Houpe
Moussakelle	Maskeliya	Mr. D H A Wijewardene	Mr. W M J C K Wickramasinghe
Strathspey	Upcot	Mr. S G Mudannayake	Mr. T A K L de Silva Mr. K N B Senarathne
Ferham	Talawakelle	Mr. U N Illankoon	Mr. R M H I B Rajapaksha
St. Clair	Talawakelle	Mr. A S A Madena	Mr. H P K D Sirisena
Talawakelle	Talawakelle	Mr. I A A D Weerakoon	Mr. S M N S Dasanayake Mr. W Y M M M W D B Madiwake
Troup	Talawakelle	Mr. B B T K Cooray	Mr. M H B Galahitiyawa
Ampittiakanda	Poonagalla, SPO	Mr. G N Hordagoda	Mr. M J D Sadaruwan Mr. M T Deshappriya Mr. N K Premarathne
Craig	Bandarawela	Mr. A W R Seneviratne	Mr. B K Premalal
Leangawella	Leangahawella, SPO	Mr. J M C Perera (Assistant Superintendent in-charge)	
Poonagalla	Poonagalla, SPO	Mr. M S A Akber	Mr. W M B Weerathne Mr. H M W S Hellarawa

*The potential for growth and value creation is much greater in Maskeliya. We always looking forward to capitalize on the opportunities available to maximize the value creation for our stakeholders.*

# Value Creation Model

Our business model is a reflection of how different types of capitals are managed in order to create, deliver and capture the value in economic, social and environmental aspects. Further this demonstrates the ways in which our core business activities are carried out in deriving the ultimate value creation of Company.



## OUTPUT

### ■ TRANSPORT TO AUCTIONS

As a Company, our objective is to deliver the end product in an acceptable and standardized manner and we continue to meet the SLS regulations and other relevant laws prevailing in the country.

### ■ AUCTION SALES

We have a reputed customer base who are attracted to the quality of Maskeliya tea and they pay premium prices for our tea at auctions.

#### Total Crop Manufactured

6.75mn Kgs

#### Estate Crop

6.50mn Kgs

#### Bought Crop

0.25mn Kgs

#### Yield Per Hectare

1,160 Kgs

#### Revenue Generated

Rs. 3.46 bn

#### Sale of Managed Timber

Rs. 7.50 mn

#### RLO

2.78 Kg

### Financial Capital

- Rs. 863 mn Cost of Material & Service Purchased
- Tax paid to the Government (ESC Payment Rs. 14mn)
- Capital Expenditure - Rs.65mn
- Loan Repayment Rs. 514 mn

### Intellectual Capital

- 14 estates obtained certification for Rain Forest Alliance
- Maintaining the quality of our outputs
- All time top prices for premium quality tea

### Human Capital

- Over 11,951 employees are employed
- Payments to employees Rs. 2.3 bn
- Improved quality of life of our employees

### Natural Capital

- Water Management
- Biodiversity Management
- Land Improvement
- Conservation of forestry

### Manufactured Capital

- Factory development
- Construction of new resort in Moray estate
- Infrastructure Development

### Social Capital

- Company spent Rs.182mn on welfare expenditure
- Community development programs held on estates

Information systems and Technology

Business Administration

# Our Sustainability

## The Report

Maskeliya Plantations PLC adapted Global Reporting Initiatives (GRI) in our previous year's report. Continuing from the previous year we communicate the social and environmental effects of our business to wider group of stakeholders in this year as well. Disclosing both financial and non-financial information is a way of discharging our wider social responsibility towards our stakeholders. Hence a detailed and comprehensive report is presented adhering to triple bottom line reporting framework that will provide our stakeholders with a greater access to much important range of information.

## Sustainability in Maskeliya

Over the years Maskeliya Plantations PLC is known to be one of the pioneers in the tea industry. Expertise of our employees with their positive attitudes help our journey towards our vision. We are committed to improve our value chain process which goes through the process of tip to tea cup. Our focus will provide us with direction for corporate philosophy and strategic decision making during the entire process of improving our employees and the land to yield sustainable earnings and growth in forthcoming years.

We believe that following sustainable practices will enable us to be one of the best in the industry within which we operate. Sustainability approach is not a onetime activity, but it involves continuous efforts to integrate these practices to the way we conduct our business. To facilitate smooth flow of our strategy entire workforce in Maskeliya is empowered to take part in sustainability work carried out by the Company.

## Material Issues

Our material issues are defined as issues that are most important to the business and its key stakeholders, and which can affect our ability to create value over the short, medium and long term.

Identifying our material issues helps us to understand the internal and external factors that will most affect our business in delivering its strategy as well as help us in defining key risks to our operations. These issues are reviewed on a regular basis, and in 2016 we conducted a detailed materiality assessment to identify and prioritize our material issues, but the assessment showed no difference to the prior year results.

## Identified Material Aspects and Boundaries

We used the following process to identify, evaluate and prioritize the aspects that matters to our business so that we are able to report on each and every aspect comprehensively to our stakeholders.



## Principles for Defining Report Content

The aspects included in our annual report are basically aimed at the wide range of Company's stakeholders. We have considered the following basis of principles in determining the matters that affect our business and eventually the stakeholders.

## Materiality

We intend to cover topics and indicators that reveal Company’s significant economic, environmental and social impacts and also the other required information that have a substantial influence on the decisions of our stakeholders.

## Stakeholder Inclusiveness

Internal and external parties that can affect or can be affected by Company’s activities and actions are taken into consideration. These stakeholders include those who have invested in our Company both financial and non-financial ways. Preparation of our report is basically carried out by giving priority to the reasonable expectations and interests of our stakeholders.

## Sustainability Context

We report all information related to the present and future development of our own Company, economy at large, social and environmental context in order to make the awareness on our practices that create a sustainable value in medium and long term.

## Completeness

The report covers material matters and Indicators and their boundaries that are sufficient enough to reflect significant economic, environmental, and social impacts and enable stakeholders to assess the reporting organization’s performance in the reporting period.

## Principles for Defining Report Quality

Process of preparing our sustainability report is consistent with the following basic principles which enabled us to enhance the quality of information provided by the content of this report. We strongly believe the quality of information would empower our stakeholders to make sound and reasonable assessment on our overall performance.

## Balance

We have reported all the relevant positive and negative aspects of the Company’s performance and nothing is withheld. Therefore this report would provide an unbiased picture of the Organizational performance.

## Comparability

Information are provided in a manner that users of this report can compare the information against our own previous reports.

## Accuracy

Providing sufficient, accurate and detailed information for stakeholders to assess Organizational performance.

## Timeliness

Reporting information on a regular basis (annually) in order to facilitate stakeholders with the ability to make informed decisions.

## Clarity

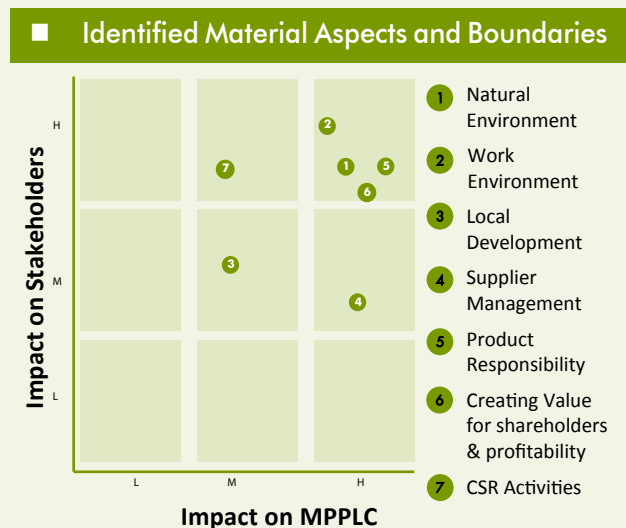
Information is made available in a manner that is understandable and accessible to stakeholders using the report.

## Reliability

Gather, record, analyze and disclose information in a manner that they can be subject to accuracy and establishes the quality and materiality of the information.

## Prioritisation of Material Issues

The aspects that matters to us are prioritized based on the following matrix. The sustainability report focuses on these aspects and there by our stakeholders would be able to understand the areas which have high potential to create an impact to our business model.



Material Issue for MPPLC	Corresponding GRI G4 Material Aspect	Aspect Boundary	
		Internal	External
Natural Environment	Materials	*	
	Energy	*	
	Water	*	
	Biodiversity	*	
	Emissions	*	
	Effluents and Waste	*	
	Products and Services	*	
	Compliance	*	
	Transport		*
	Overall	*	
	Supplier Environmental Assessment		*
Environmental Grievance Mechanisms	*		
Work environment	Employment	*	
	Labour/Management Relations	*	
	Occupational Health and Safety	*	
	Training and Education	*	
	Diversity and Equal Opportunity	*	
	Equal Remuneration for Women and Men	*	
	Supplier Assessment for Labour Practices		*
	Labour Practices Grievance Mechanisms	*	
	Investment	*	
	Non-discrimination	*	
	Freedom of Association and Collective Bargaining	*	
	Child Labour	*	
	Forced or Compulsory Labour	*	
	Security Practices	*	
	Indigenous Rights Assessment	*	
Human Rights Grievance Mechanisms	*		
Local Development	Local Communities	*	
	Anti-corruption	*	
	Public Policy		
	Anti-competitive Behavior	*	
	Compliance	*	
	Grievance Mechanisms for Impacts on Society	*	
Supplier Management	Supplier Assessment for Impacts on Society		*
	Supplier Human Rights Assessment		*
Product Responsibility	Customer Health and Safety	*	
	Product and Service Labelling	*	
	Marketing Communications	*	
	Customer Privacy		
	Compliance	*	
Creating value for shareholders & profitability	Economic Performance	*	
	Market Presence	*	
	Indirect Economic Impacts		*
	Procurement Practices	*	
CSR Activities		*	

# Our Key Relationships

We operate within an integrated culture where multi-faceted stakeholders interact with each other with an intend to achieve various needs and objectives. Our approach is to manage stakeholder relations ethically and in compliance with relevant legislations and best practices.

Engagement with stakeholders in MPPLC is a two-way approach and take place on a constant basis over different platforms. In our approach of managing stakeholders, we follow an inclusive process whereby the legitimate requirements and interests and material concerns of key stakeholders are identified and considered and their expectations managed.

An overview of our key stakeholder groups, their interests and concerns and how we engage with them is provided in the table below.



## Value Added Statement

By bringing more value to wide range of our stakeholders we can better position ourselves for growth and achieve our strategic vision of being a result oriented innovative tea Company, internationally reputed for quality. This will be a long lasting journey which requires an organic growth of the value addition of the Company. Maskeliya Plantations PLC considers the opportunities and challenges in our operating environment, these

priorities shape our approach to setting strategy, managing risk and governing our actions.

A measure of the wealth created by the Company is the amount of value added to the cost of raw materials, products and services purchased. Following statement shows the total wealth created and how it was distributed.

	2016/17 Rs.'000	2015/16 Rs.'000 Restated
Turnover	3,455,462	3,273,852
Other Income	22,700	17,569
Total Revenue	3,478,162	3,291,422
Cost of Material & Service Purchased	(862,652)	(842,431)
Value added	2,615,510	2,448,990
<b>Distribution of Value Added</b>		
A. To Employees as Remuneration	2,289,471	2,444,205
B. To Government (Tax etc)	14,031	8,279
C. To Lenders of Capital	243,279	198,304
E1. Provision for Depreciation	110,270	109,055
E2. Profit Retained	(41,540)	(310,852)
	2,615,510	2,448,990
Value Added per Employee (Rs.)	218,852	196,642
Value Added as a % of Fixed Assets	72%	67%
Value Added as a % of Total Assets	59%	55%
Value Added as a % of Capital Employed	164%	131%



*Remind some darkest moments of past is only a step towards success, every detection of what is false directs you towards what is true, every trial teaches many lessons about failures, and every adversity will drive you towards the triumph.*

# Historical Footprints

**1992** Company Incorporated

Uva Western Plantation (Pvt) Ltd. appointed as Managing Agent  
**1992**

RPK (a JV between JKH & Richard Pieris) Acquired 51% stake  
**1996**

20% of the Share Capital offered at the CSE  
**1997** 10% Stake consisting of 2mn gifted to employees

**2004**  
Richard Pieris & Co. PLC bought the stake of JKH

**2002** Kegalle Plantations sold its stake to RPK

Maskeliya Plantations PLC made 1:1 rights issue  
**2012**

## Our Regional Focus

Regions	Extent (Revenue) - Hectares									
	2016/17	2015/16	2014/15	2013/14	2012/13	2011/12	2010/11	2009/10	2008/09	2007/08
Upcot Region	1,752.61	1,742.13	1,730.68	1,734.94	1,710.58	1,706.83	1,735.41	1,763.13	1,784.62	1,823.63
Maskeliya Region	1,335.34	1,326.34	1,346.73	1,341.56	1,333.56	1,326.81	1,333.50	1,348.32	1,364.57	1,374.07
Talawakelle Region	1,018.48	1,015.71	1,015.26	1,005.45	998.42	994.16	993.18	1,005.20	1,016.76	1,028.76
Bandarawella Region	1,493.40	1,490.83	1,498.71	1,500.26	1,491.42	1,483.75	1,476.00	1,487.80	1,320.74	1,335.24
Bio Tea	-	-	-	-	-	-	-	-	218.58	218.58
<b>Total</b>	<b>5,599.83</b>	<b>5,575.01</b>	<b>5,591.38</b>	<b>5,582.21</b>	<b>5,533.98</b>	<b>5,511.55</b>	<b>5,538.09</b>	<b>5,604.45</b>	<b>5,705.27</b>	<b>5,780.28</b>

Regions	Production Kg '000									
	2016/17	2015/16	2014/15	2013/14	2012/13	2011/12	2010/11	2009/10	2008/09	2007/08
Upcot Region	2,313	2,896	2,969	2,856	3,210	3,208	3,194	3,024	3,138	3,172
Maskeliya Region	1,781	2,083	2,255	2,039	2,396	2,235	2,160	1,995	2,019	2,072
Talawakelle Region	1,343	1,603	1,607	1,453	1,789	1,752	1,674	1,536	1,544	1,682
Bandarawella Region	1,314	1,681	1,619	1,906	1,623	2,006	2,108	1,800	1,836	1,992
Bio Tea	-	-	-	-	-	-	-	-	58	65
<b>Total</b>	<b>6,751</b>	<b>8,263</b>	<b>8,450</b>	<b>8,254</b>	<b>9,018</b>	<b>9,201</b>	<b>9,136</b>	<b>8,354</b>	<b>8,595</b>	<b>8,982</b>

Regions	Yield - (Kg/Ha)									
	2016/17	2015/16	2014/15	2013/14	2012/13	2011/12	2010/11	2009/10	2008/09	2007/08
Upcot Region	1,295	1,618	1,643	1,579	1,765	1,770	1,755	1,656	1,720	1,693
Maskeliya Region	1,320	1,552	1,656	1,483	1,760	1,648	1,587	1,457	1,462	1,490
Talawakelle Region	1,319	1,578	1,582	1,445	1,791	1,749	1,684	1,524	1,517	1,635
Bandarawella Region	752	910	879	995	838	1,025	1,093	997	1,169	1,136
Bio Tea	-	-	-	-	-	-	-	-	265	279
<b>Total</b>	<b>1,160</b>	<b>1,406</b>	<b>1,430</b>	<b>1,375</b>	<b>1,519</b>	<b>1,536</b>	<b>1,525</b>	<b>1,410</b>	<b>1,439</b>	<b>1,452</b>

Regions	N.S.A. (Rs/Kg)									
	2016/17	2015/16	2014/15	2013/14	2012/13	2011/12	2010/11	2009/10	2008/09	2007/08
Upcot Region	512.84	416.55	418.10	438.23	419.35	351.72	364.63	379.25	295.81	285.00
Maskeliya Region	518.65	420.46	418.75	432.59	422.20	370.56	374.88	387.74	304.00	290.26
Talawakelle Region	501.90	378.95	391.09	393.77	380.84	309.63	347.62	348.41	252.52	265.35
Bandarawella Region	471.63	311.81	346.06	392.61	337.65	287.51	316.72	336.90	233.19	244.79
Bio Tea	-	-	-	-	-	-	-	-	336.63	523.03
<b>Total</b>	<b>504.18</b>	<b>388.93</b>	<b>399.33</b>	<b>418.47</b>	<b>397.77</b>	<b>334.28</b>	<b>352.88</b>	<b>366.48</b>	<b>276.85</b>	<b>275.34</b>

Regions	C.O.P. (Rs/Kg)									
	2016/17	2015/16	2014/15	2013/14	2012/13	2011/12	2010/11	2009/10	2008/09	2007/08
Upcot Region	482.52	397.20	392.08	400.45	334.41	337.73	305.58	309.48	249.20	226.39
Maskeliya Region	462.19	385.74	382.42	396.54	331.81	337.41	303.88	301.44	249.22	224.05
Talawakelle Region	428.15	355.84	361.53	367.12	298.22	294.76	282.35	275.35	227.08	207.86
Bandarawella Region	473.72	391.25	428.93	402.46	370.11	331.30	322.66	323.49	239.24	220.59
Bio Tea	-	-	-	-	-	-	-	-	747.77	644.05
<b>Total</b>	<b>464.63</b>	<b>385.08</b>	<b>390.75</b>	<b>394.08</b>	<b>332.97</b>	<b>328.07</b>	<b>304.86</b>	<b>304.30</b>	<b>246.47</b>	<b>224.11</b>

## Achievements and Accolades

This season had been a year of achievements for the operational team of Maskeliya. Our team work and individual performance of team players brought enormous pride and vast recognition to the Company both locally and globally in the trade, opening novel avenues for widening the business.

### Fantastic financial performance displayed at Talawakelle Estate



■ **The Leader: Iroshan Weerakoon, Superintendent, Talawakelle Estate**

Talawakelle Estate of MPPLC registered an ever highest recorded operational profit level of Rs. 259,775 per hectare in the year of 2016/17 for the Company whilst achieving significant improvements in all key indicators since the privatization.

### Achievements by Craig Estate Bandarawela

Craig estate was awarded with a bronze medal at the Ceylon Specialty Tea Awards 2016, conducted by Sri Lanka Tea Board and held in Beijing, China for a FBOP tea grade produced and presented by the estate. In addition, the estate managed to record the overall lowest production cost (COP) of Rs. 391.04 for 2016/17 financial year while becoming the 2<sup>nd</sup>

highest per hectare profit maker to the Company (Rs. 132,874/- per hectare).

### Presidential Green Awards 2016

Sustainable farming/agro-tourism model developed on Hapugastenne Estate won the Presidential Green Award 2016 for maintaining the Best Medium scale Sustainable Farm in Sri Lanka.



### CA Sri Lanka- Annual Report Award 2016



Maskeliya Plantations PLC has been awarded with the Certificate of Compliance at the Annual Report Awarding ceremony organized by CA Sri Lanka in December 2016.

**“Nagarayata Uyan Wathu” competition**



Maskeliya team also dominated competition titled “Nagarayata Uyan Wathu” on Sustainable Agriculture and Horticulture competition conducted by Central Provincial Council and the Provincial Ministry of Agriculture along with Central Provincial Governor’s Office. The Governor’s Trophy was won by Hapugastenne Estate for the best sustainable Farming Modal developed in Superintendent’s Bungalow Garden in Maskeliya.

Talawakelle Estate, Talawakelle and Moray Estate Maskeliya secured 2nd and 3rd places respectively at Nuwara-Eliya District level.



■ **Mr. Iroshan Peris received the Best Improvement on Rank Award**

Talawakelle Estate won The Best Improvement on Rank Award within the season 2016/17 at Forbes & Walker tea awards 2016 indicating the enhancement and consistency of the product quality.

**SPORT**

MPPLC; became the Cup runners-up at the Inter Plantations Rugby 7s, effortlessly, beating the foes with wider margins.

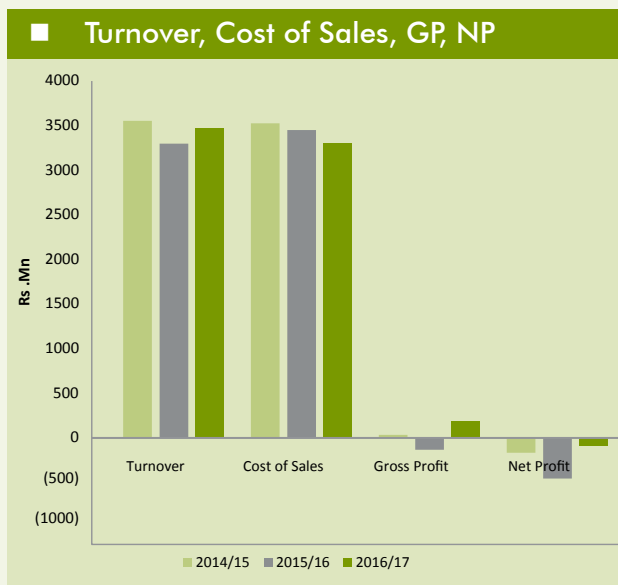


■ **Maskeliya Reached up to Cup Runners up Level at Inter Plantations Rugby**



# Financial Review

Maskeliya Plantations PLC (MPPLC), one of the Country's leading tea manufacturing companies has faced a challenging year with mixed fortunes which overwhelmed the plantation industry as a whole. However, it is noteworthy that MPPLC was able to show much improved results compared to the previous financial year. The reporting financial year was filled with many challenges throughout the year which the company was able to face them with clear dedication and commitment to progress towards its ultimate business objectives.

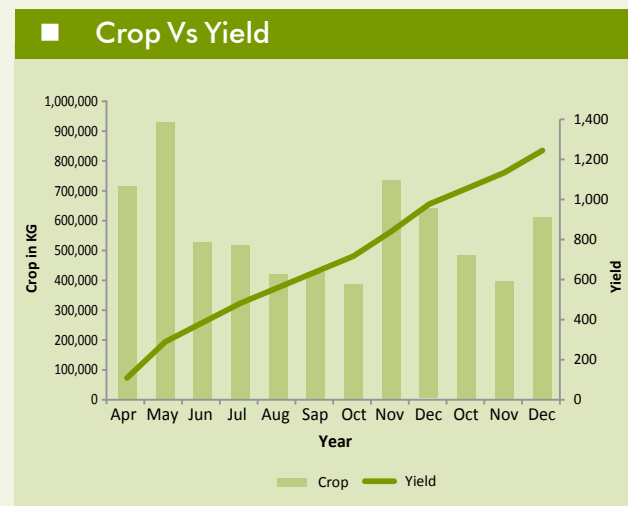


Volatility in economic and non-economic conditions have been constantly challenging the performance of the Company throughout the financial year concluded on 31 March 2017. Despite all these challenges, the Company has been able to better its performance towards the end of the year with the aid of improved market conditions and commitment made by the management.

The Company recorded a harvest of 6.5mn kg which is a reduction of 1.3mn kg over the previous year. This is a reflection of the industry as a whole since the whole industry recorded lesser crop for the season due to multiple adverse industrial conditions.

## Crop

Production of the Company was largely affected by the extreme weather conditions prevailed during the period. The year under review was largely impacted by heavy rainfalls in the beginning of the year while enduring drought continued to prevail towards the end of the year. These 2 factors together with ban of weedicides influenced Company's fertilizer application and ultimately resulted in harvesting a lesser crop which also led to increase in COP.



The Company recorded a manufactured crop of 6.75mn kg for the year under review which is a reduction of 18% compared to the preceding year. Major shrinkage in production occurred in the months of June, September and October during which the Company has lost 0.95mn kg compared to the corresponding period.

The yield which represents the crop harvested per hectare has decreased by 17% to 1,160kg and YPH recorded in the year 2015/2016 was 1,406kg.

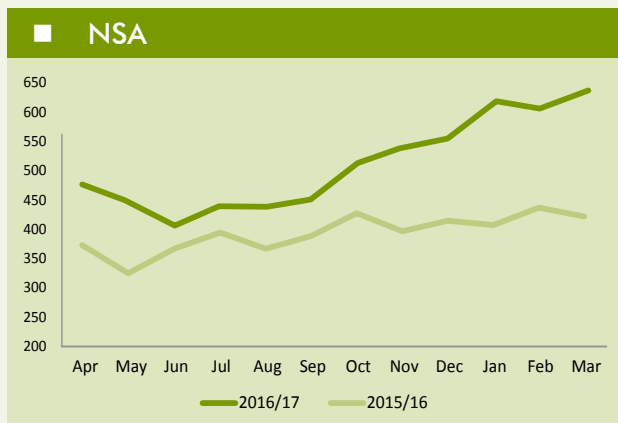
## Turnover

The revenue for the year under review was Rs.3.46bn speaking to an increase of 6% over the previous year despite of the decline in Company's

manufactured crop by a higher margin. This is mainly because of the favorable market conditions and improved market prices for MPPLC tea at the Colombo Tea Auction during the second half of the year. Increase in tea prices were largely backed by the lower global production of tea, economic recoveries of key tea export destinations and increased consumption of tea by tea manufacturing countries like China and India.

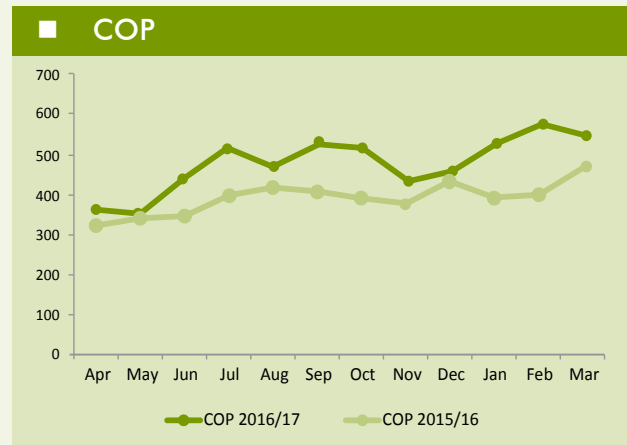
## NSA

MPPLC recorded a NSA of Rs. 504.18 which is an increase of 30% compared to previous year's reported value of Rs. 388.93. NSA for the first half of the reviewing year was below Rs. 500 and thereafter it was started to increase gradually. However the Company's monthly NSA for the month of March (Rs. 628.73) is much better than its to-date NSA which signposts the potential of the Company to yield consistent progressive outcomes during the upcoming financial year depending on the future stability of the market.



## Cost of Production

Regional Plantation Companies were under tremendous pressure to increase labor wages & collective agreement renewed between labor unions and RPC's. This has led to an increase of the daily labor wage from Rs. 620 to Rs. 730 which resulted in higher cost of production in the 2<sup>nd</sup> half of the year. Except from that withdrawal of



government fertilizer subsidy and ban of weedicides have also created an incrementing pressure on total production cost. These reasons coupled with declined crop have led Company to record a COP of Rs. 464.63 which is an increase of 21% when compare with the previous year's Rs. 385.08. COP comprises mainly with the worker's and staff cost which amounts to 70% of the total COP, while fertilizer and energy cost accounts for 5% and 6% respectively.

## Profitability

Despite all these constraints, the Company has been able to record an operating profit of Rs.183mn and a net loss after tax of Rs. 93mn. These have been improvements of 220% and 80% respectively when compared with the previous year's performance.

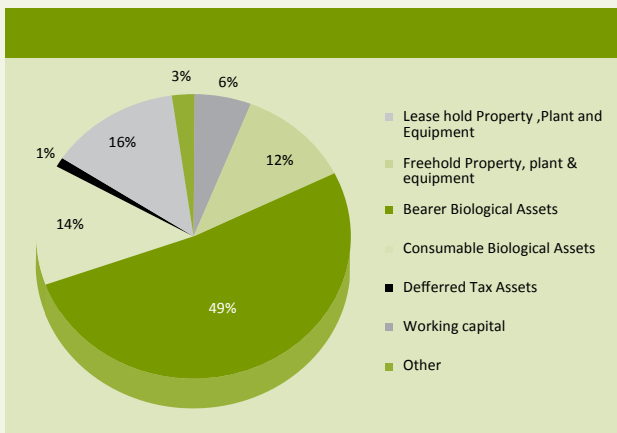
As at 31 March 2016 the net loss of the Company stood at Rs. 470mn. This has been reduced to Rs. 93 mn at the end of the reviewing year. This reduction was facilitated by multiple factors but increase in operational profit by Rs. 334 mn is the most instrumental factor. Apart from that Company's other income and gain on biological assets have also increased by Rs. 5mn and Rs.18.5mn respectively.

However administration cost and finance cost have increased by 22% and 23% respectively over the previous financial year. Company has raised short term loans during the financial year to meet its working capital requirements and as a result interest

expenditure for short term loans and overdrafts have increased significantly compared to previous year. Market interest too increased compared to the previous year.

Management fee of the Company has reduced significantly by 73% compared to that of the preceding year. This has been a result of the revised agreement between MPPLC and its managing company in the calculation of annual management fees.

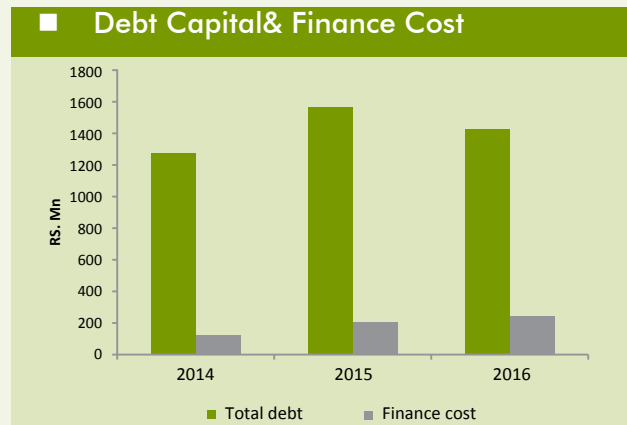
### Asset Base



Bearer biological assets represent the Company’s ability to generate future cash flows and it has only been increased marginally by Rs. 7mn over the previous financial year. Rs. 50.5mn of investment was made on field development and Rs. 107mn has been recognized as mature plantations during the year under review. Produce on Bearer Biological Assets which is a first time reporting item under LKAS 41 in Company’s asset base shows an increase compared to the restated value of previous year. Consumable Biological assets which contain timber plantations have boosted by 3% compared to previous year, and it is amounted to Rs. 633mn at the end of reviewing year. As a result of these factors, total asset base of the Company has increased by Rs. 36mn during the financial year under review.

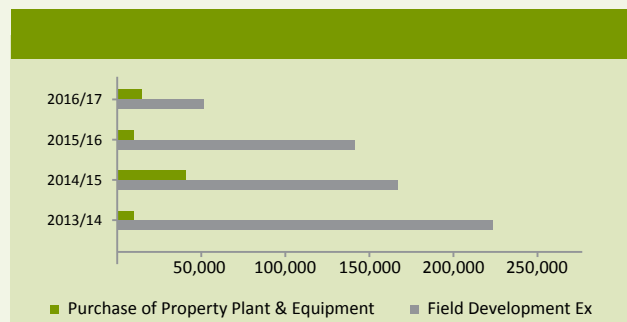
### Debt Capital & Finance Cost

Total interest bearing borrowings of MPPLC was Rs. 1.44bn as at 31 March 2017 when compared to Rs. 1.58bn of previous year. This 9% reduction of total debt outstanding of the Company has been a result of higher loan repayments over the proceeds from new loans during the year under review. Company has received Rs. 282mn as loans and managed to repay Rs. 514mn to the owners of debt capital during the financial year 2016/17.



Company’s debt ratio (Debt to Assets) has fallen to 32% during the period from 36% of previous year. Further company’s gearing ratio has reduced by 1% and stood at 62% thanks to the higher repayment of debt during the reviewing financial year.

### Capital Expenditure



Capital nature expenditures incurred for the year under review shows a reduction compared to previous years. However, Company has been able to make investments worth of Rs. 65mn in field

development and purchasing property plant and equipment even under these extreme industrial conditions. Out of these total investments, 78% has been made for field developments and the rest consists of purchasing property plant and equipment.

Field development cost includes expenditures related to replanting, rehabilitation, uprooting and upkeep of immature tea which is carried out on a regular basis to improve yield and productivity of Company’s tea fields. Property plant and equipment expenditure mainly comprises of the expenditures on upgrading and purchasing of machinery.

### Cash Flows

During the year under review showed a net cash outflow of Rs. 87mn at the end of the period compared to the net cash outflow of Rs. 124mn recorded in the prior year. This reduction has been backed by the healthy improvement of operational cash flows. Net cash inflow from operating activities for the year under review is Rs. 274mn when compared to the previous year’s Operational cash outflow of Rs. 126mn.

Interest and gratuity paid by the Company has increased by 42% and 57% respectively compared to that of preceding financial year. Net cash outflow from investing activities has reduced by 56% to Rs. 65mn for the year ended 31 March 2017.

Repayment of loans and government lease rental payments have increased by Rs. 106mn and Rs. 46mn respectively over the preceding financial year. Receipts from loans have also reduced to Rs. 282mn from previous year’s Rs. 571mn. As a result of these factors, financing activities recorded a net cash outflow of Rs. 296mn against a net inflow of Rs. 150mn recorded in 2015/16.

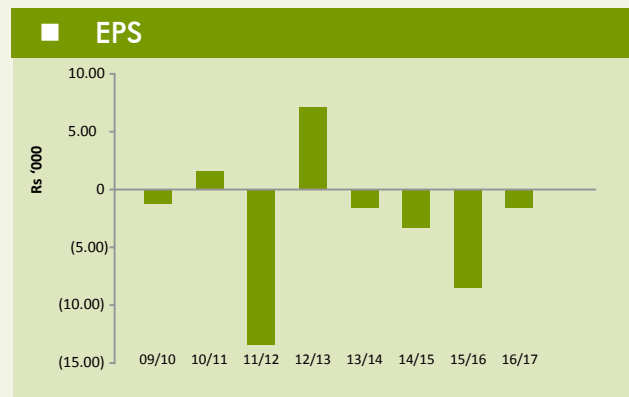
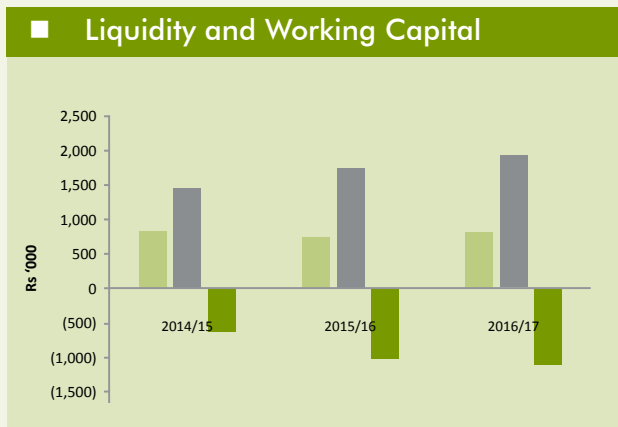
### Working Capital

Working capital as of 31 March 2017 indicates a cash outflow of Rs. 1.12bn compared to cash outflow of Rs. 1.02bn in 2015/16. Current assets have increased by 8% compared to last year thanks to increase in inventory and produce on bearer biological assets.

MPPLC’s current ratio stood at 0.42 which was inline with previous year figure of 0.43.

### Shareholders Return

During the reviewing period company has managed to show better operating performances in comparison with previous year. As a result previous year’s loss has reduced drastically during the year under review. This has helped Company to record a

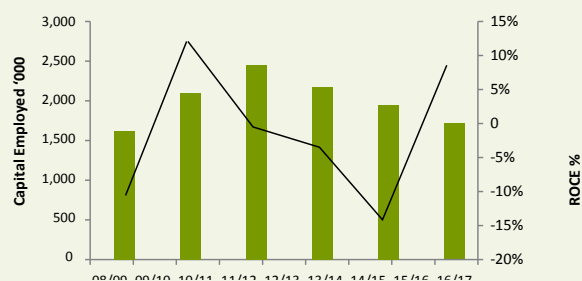


relatively lower negative EPS of Rs. 1.72 compared to previous year negative EPS of Rs. 8.71. Above graph shows the trend existed in last 3 years where Company’s EPS were getting worse continuously. However Company is hopeful that it could improve further and deliver a value above the expectations of its shareholders in the coming financial year.

ROCE which symbolizes the return provided for the lenders of capital has improved significantly to 8.72% from negative 14.02% at the end of year under review. This positive improvement is a result of lower net loss recorded for the year and reduction of long term loans because of the increased repayments during the year under review.

Share price of the company at the beginning of the year was Rs. 7.70 and it remains at the same price at the end of reviewing year as well. However it has fluctuated up and down over the year and highest price reported during the period was Rs. 9.80 and lowest price reported during the period was Rs. 6.00.

### Capital Employed Vs ROCE



It has shown some positive improvements even under some extreme industrial conditions influencing the outcomes of plantation industry. Therefore Maskeliya Plantations PLC promises to continue its operations with the intention of maximizing shareholder wealth while operating its highest potential in the financial year 2017/18.

Quarterly Summary					
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
Turnover	804,021	776,777	819,914	1,054,750	3,455,462
Cost of Sales	(788,048)	(834,451)	(750,068)	(900,207)	(3,272,774)
Gross Profit/(Loss)	15,973	(57,674)	69,846	154,543	182,688
Other Income	4,291	9,263	5,834	3,312	22,700
Gain on Change in Fair Value of Biological Assets	-	-	-	30,223	30,223
Profit/(Loss) Before Tax	(59,642)	(117,673)	1,354	92,381	(83,580)
Profit/(Loss) After Tax	(59,642)	(117,673)	1,354	83,254	(92,707)
Earnings Per Share	(1.11)	(2.18)	0.03	1.54	(1.72)

## Operational Review

Since its inception Maskeliya Plantations PLC has grown to be one of the leading Tea Plantations Company in Sri Lanka. It comprises 18 Estates situated in the Western High and Uva High Region. Whilst 14 estate are located in Western High grown area 4 estates are in Uva High.

The Company grows tea in a land bank of 5,600 Ha out of its total extent of 10,561ha. Balance areas consist of timber, forestry and uncultivable land such as roads, home gardens etc.

### Production

Sri Lanka Tea production was 292.36mn in the year 2016 (January- December) recording a decline of 34.41mn/Kg's in comparison with 2015. High Grown Production deficit was 10.9mn/Kg. Country's Tea production in 2016/2017 was severely affected by erratic weather, non-availability of herbicides for weeding and withdrawal of fertilizer subsidy.

Maskeliya Plantations Tea Production recorded for the season is 6.7mn Kg's with a decline of 18% against previous year. During the financial year 2016/17, Company's harvest was affected due to hostile weather conditions especially in the 4<sup>th</sup> quarter where our estates experienced one of the worst droughts during the history of 30 years. This resulted in large extents of tea getting wilted and some young tea fields succumbed due to water stress. In addition trade union actions by the Workers demanding for high wages too had an impact on the harvest.

### Revision of Collective Agreement

Worker wages were increased following the severe demand by the workers. The Collective Agreement was signed on a productivity based basis for the first time in the history of plantation industry. The increase received was around 17%. In addition the Estate Staff salaries too were increased by 25%.

### Product Quality & NSA

Maskeliya Tea is globally recognized due to its distinctive taste and character in a product produced in the tea growing areas of Maskeliya, Dimbulla and Uva and enjoyed by discerning tea drinkers all over the world. Therefore MPPLC; strongly believe in producing teas of the highest quality and dedicated in the Production and Management Standards.

MPPLC; is truly marching with every endeavour to maintain the top slot in producing quality tea with special attention for excellence in manufacturing practices on our estates. This has been reflected through the price improvements in Glentilt, Strathspey, Brunswick, Laxapana, Talawakelle and Mocha estates. We have improved our quality assurance with the compliance of ISO/HACCP/FLO/RA etc. standards in our plantations.

The demand in Colombo Tea Auctions in the 1<sup>st</sup> half of the season was very dormant, and lacked interest of the buyers which resulted in price drop. However towards the end of the year prices of CTA boosted which facilitated Maskeliya to improve its



prices by 30% compared to previous financial year. The market indication is that the ascending trend of price would remain for a reasonable time period during the next year as well.

### Cost of Production

The 17% Increase in wages created an increase of 6% in the cost of production and an additional expenditure of Rs.214mn in the Company outgoings. The withdrawal of the fertilizer subsidy too created an additional expenditure of Rs.137mn.



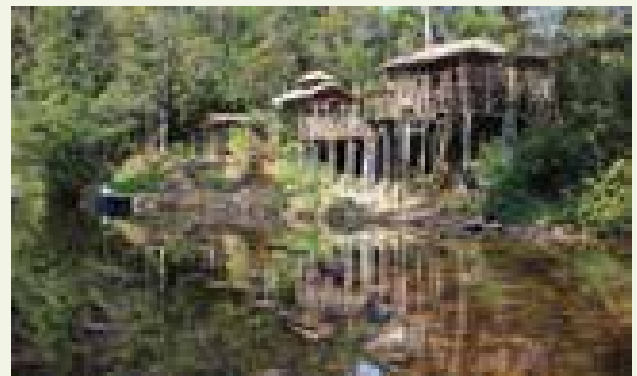
However with the implementation of stringent control in the outgoings and the mechanism and motivation adopted for the improvements made in worker productivity by the team of Management of the Company we were able to mitigate the impacts in Cost of Production. We always are working towards creating every year a Rainbow Year.

### Human Resources

Our success is due to dedication, commitment and effectiveness of our people. Our Executives, Staff & Workers are exposed to Leadership, Team Work, and Skill Development Programs.

We practice the policy of rewarding and recognizing high performers. Additionally financial assistance is granted for Higher Education for their professional enhancements. Annual Sports and Fun day for Employees have been a feature in Maskeliya Plantations to further strengthen the interaction between Executives and Staff. Educated Children of the staff and workers were recruited into MPL family and were given due positions as per their educational qualifications. We are building a “One Team/One Dream” environment in MPL.

### Holiday Bungalows

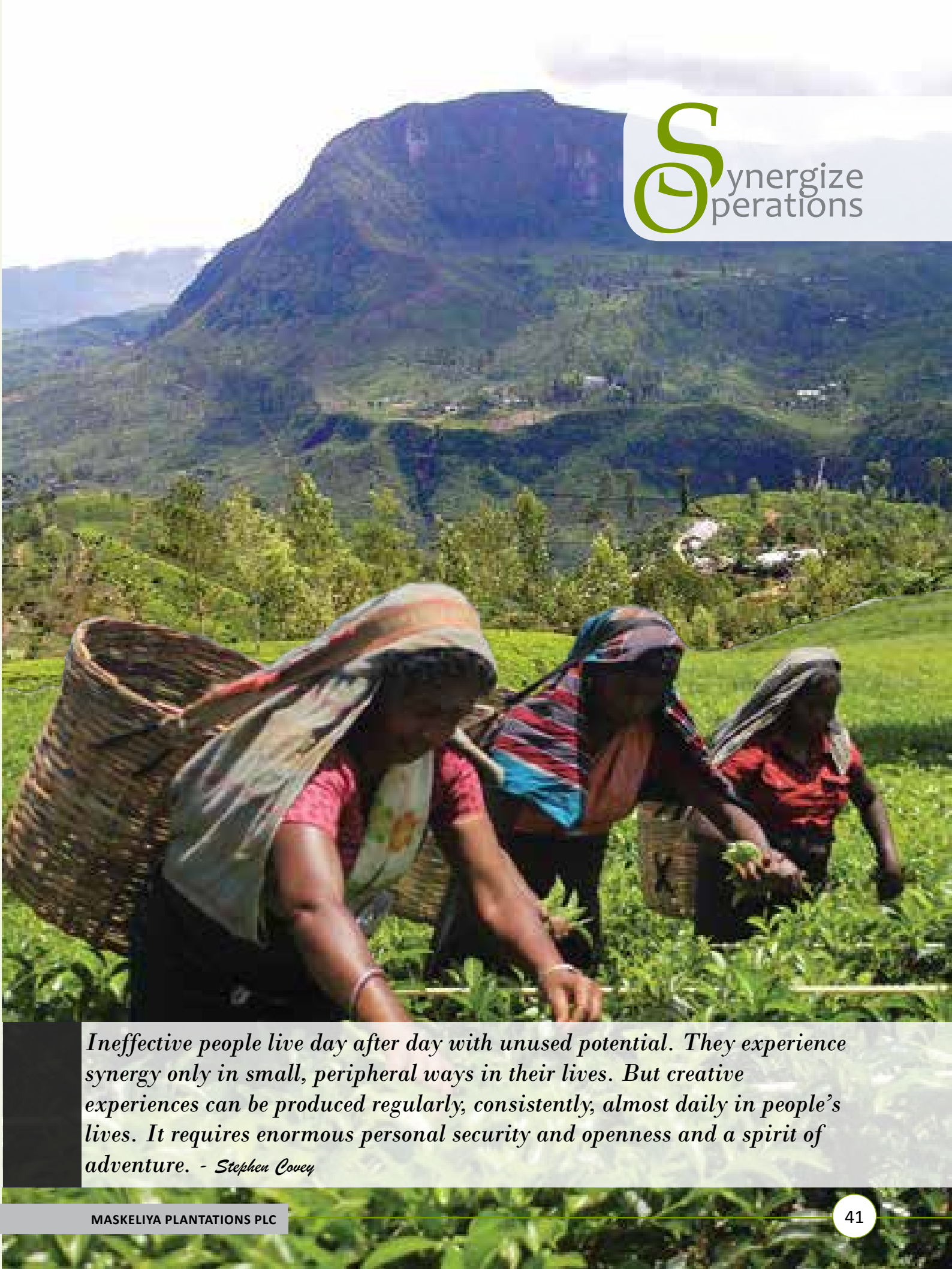


Eco Friendly Blue Mag Pie Log cabin received improved occupancy and gained popularity among domestic and foreign tourists. Camping Sites in Moray and Ampittiakande Estates were patronized by Foreigners during the dry seasons. We are also in the process of improving tea tourism in our plantations.

### Diversification

Planting of Eucalyptus, calliander, and albizzia were undertaken in suitable land and open ravines. Preliminary work has been commenced to raise a Eucalyptus Plant nursery. We intend to embark on a well-planned, organized diversification Programme in 2017/18.

Correction of soil PH and improving the organic carbon content of the soil received our close attention.

A photograph of three women working in a tea plantation. They are wearing headscarves and carrying large woven baskets on their backs. They are focused on picking tea leaves in a lush green field. In the background, there are rolling hills and a large mountain peak under a cloudy sky.

*Ineffective people live day after day with unused potential. They experience synergy only in small, peripheral ways in their lives. But creative experiences can be produced regularly, consistently, almost daily in people's lives. It requires enormous personal security and openness and a spirit of adventure. - Stephen Covey*

At MPPLC we value the importance of having right people with right talent at right positions. Employee management policy has to underpin. Entire process of employee management involves numerous aspects of human resource management including recruitment, training and development, remuneration, health and safety and other welfare activities.

## Employee Development

Over the years employee development has been treated with utmost importance at MPPLC. This pillar has enabled us with a talented and skillful workforce who are capable of delivering impressive results. Our Company is gifted with a one of the largest employee base in plantation industry with workforce of 11,951 and approximately 5,000 dependent families.

We recognize that our Company's success is mainly fuelled by our talented team towards achieving our ultimate objectives. This mere fact brings about considerable attention towards up skilling and developing our employees with the support of the Ministry of Hill Country New Villages, Infrastructure and Community Development, in collaboration with Plantation Human Development Trust.

Approximately 99% of employees reside in the estates and they are provided with variety of welfare services/primary health care, free of charge. We believe that our success and growth will only be underpinned by our team who are well equipped with capabilities and positive attitudes.

## Collaborating With People

MPPLC as an employer strives to improve quality of living standards of our employees with the ultimate intention of enhancing morale and retention of our team players. It is a key strategic priority of our

Company to create a pleasant working environment and provide employees with opportunities designed to fuel employee productivity. With this approach to manage human capital, we expect to delight our employees and related society attached to them. At the same time employee welfare expenses are heavily incurred to enhance and enlarge living standard of employees.

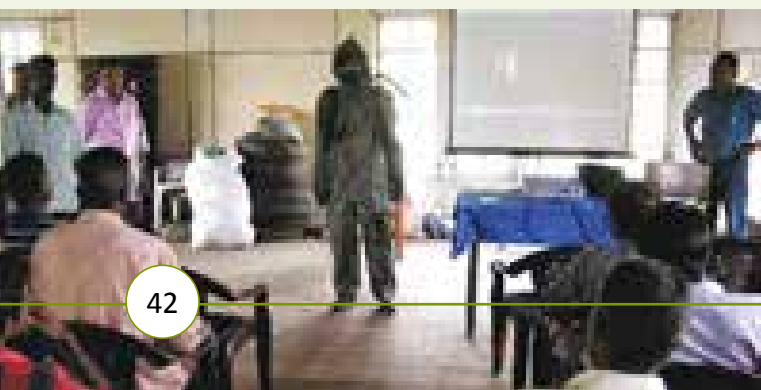
Following factors are identified as key areas for development of both the Company and employees in medium to long term.

- Enhance the productivity of our labor force.
- Improve the motivation, commitment and the loyalty of employees.
- Facilitate better working conditions.
- Enable them to achieve the set targets.

We firmly believe that fostering an environment that promotes employee knowledge and skills is key to ensuring that employees remain engaged with us. Currently our team comprises with members who have similarities and differences among each other in terms of age, gender, race, religion, physical abilities etc. However MPPLC promotes a working environment with equal opportunities and no discrimination to make our Organisation a great place to work.

## Industrial Relations and Collective Agreement

Our Company policies towards estate workers and staff relations are established through the collective agreement. These collective agreement includes number of aspects such as salaries and wages, overtime, statutory contributions, health and safety, grievance handling and union actions. Industrial relations specify the relations between management and workers in industry. This particular relationship will determine future performance of the Company, and we always rely on maintaining better relationships. Approximately to 82% of our employees belong to workers and staff unions. Their salary particulars are paid as per the collective agreements in which revisions are made in every 3 years for staff and 2 years for workers.



Further communities associated with our employees are entitled to variety of benefits such as residences, creches, hospitals, preschools, schools and other welfare facilities. In addition to that they are allowed to run their own businesses such as grocery shops, cattle farming, vegetation etc within our estates. All of these attempts are to improve standards of living of our employees which in turn affects the future performance of our organisation.

The economic and non economic value added by our employees are considered to be much greater than what we simply count as our employee expenditure. Therefore we always try to make them happy and satisfy with whatever the possible ways available to us.

### Employee Strength

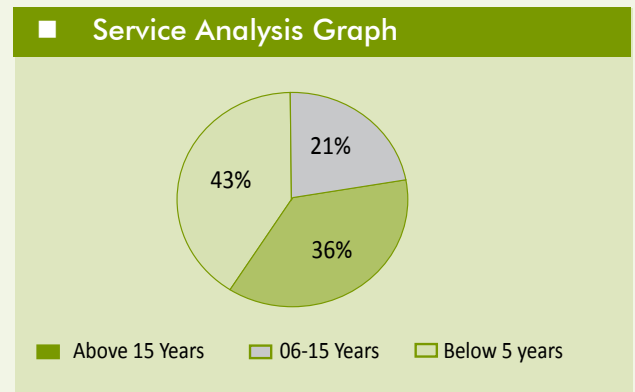
Currently there are of 11,951 employee base at MPPLC who are categorized into three main sectors as Workers, Clerical, Technical and Other Staff and Executives for administrative purposes. We are continuously take actions to keep an open dialogue with our employees in order to establish a hazard free working life with better working conditions for our employees.

	2016/17	2015/16
Total number of employees	11,951	12,454
Value paid as salary (Rs. mn)	2,289	2,444

Employee Productivity	2016/17	2015/16
Revenue per employee (Rs'000)	289	263
Profit per employee (Rs'000)	(8)	(38)
Asset per employee (Rs'000)	372	354

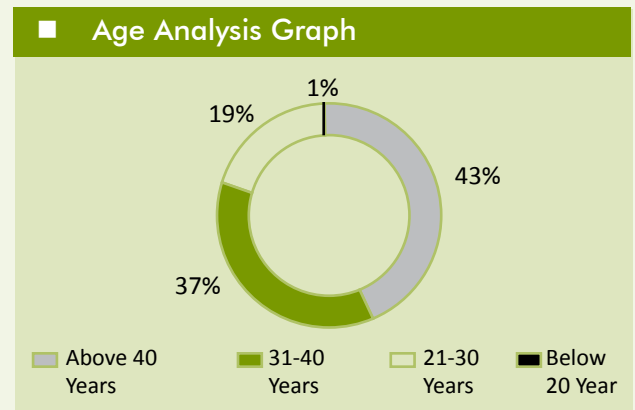
### Service Analysis Graph

Service Analysis	No of Executives	No of Staff	No of Estate Workers
Above 15 years	10	105	4,877
06-15 years	14	165	4,137
Below 5 years	33	233	2,377
<b>Total</b>	<b>57</b>	<b>503</b>	<b>11,391</b>



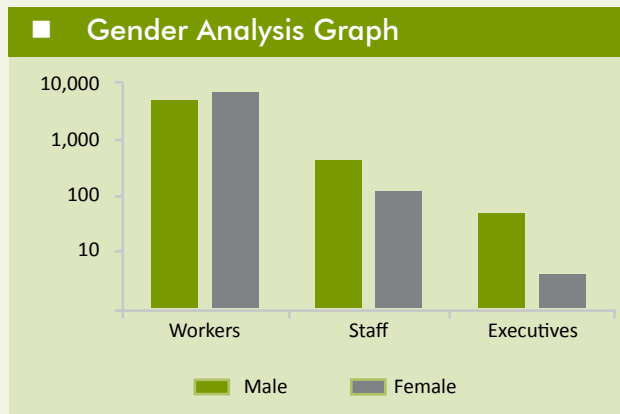
### Age Analysis Graph

Age Analysis	No of Employees
Above 40 years	5,113
31-40 years	4,459
21-30 years	2,311
Below 20 years	68
<b>Total</b>	<b>11,951</b>



## Gender Analysis Graph

	Male	Female
Workers	4,710	6,681
Staff	391	112
Executives	53	4
<b>Total</b>	<b>5,242</b>	<b>6,709</b>



## Occupational Health and Safety

Company has adopted firm measures to enhance health and safety of employees. This aspect of human resource management plays a vital role in determining smooth performance of the Company. We strive to make sure that our employees are facilitated with maximum safety and protection during their work life.

Employees are provided periodic training about work place accidents and health and safety issues. Further we encourage our employees to have an open dialogue and bring into notice any safety issues that they have experienced. Among the actions taken to improve health and safety conditions of our employees, awareness programs and other



similar workshops take a prominent place. Further employees are provided with insurance policies to cover work related illnesses and diseases.

## Training & Education

We are continuously implementing a culture of learning within the organization which ultimately intended towards achieving efficiency, effectiveness and productivity. Training programs are well planned in advance in order to achieve expected performance from employees. During the reviewing period Company implemented many training and awareness programs.

MPPLC is implementing unique skills and competency development programs to our workers consisting number of workshops and lifelong skill development initiatives. Continuous assessments of training needs are implemented with the help of annual performance reviews. Training and development forms the axis to the sustainability of our business and into this we have instilled a knowledge gaining culture, which enable our team to attain their personal goals while working towards the Company's aspirations. We have employed specialized trainers and quality evaluators to provide our employees with continuous support.

Among the training programs conducted during the period, machine plucking demonstrations, machine handling programs, workshops regarding good agricultural and manufacturing practices played a major part.

Our employee training and development programs are not only aimed towards enhancing their performance but to expand our scope of enhancing their lives and health conditions as well. Focus is to uplift the value they add back to the Company as a whole.

Ultimately we assess the effectiveness of our training programs by using performance measurements of our employees with the intention of delivering much value to our employees through future training and development programs.

*The environment and economy really are two sides of the same coin.  
If we cannot sustain the environment, we cannot sustain ourselves.  
- Wangari Maathai*

# Managing Our Environment

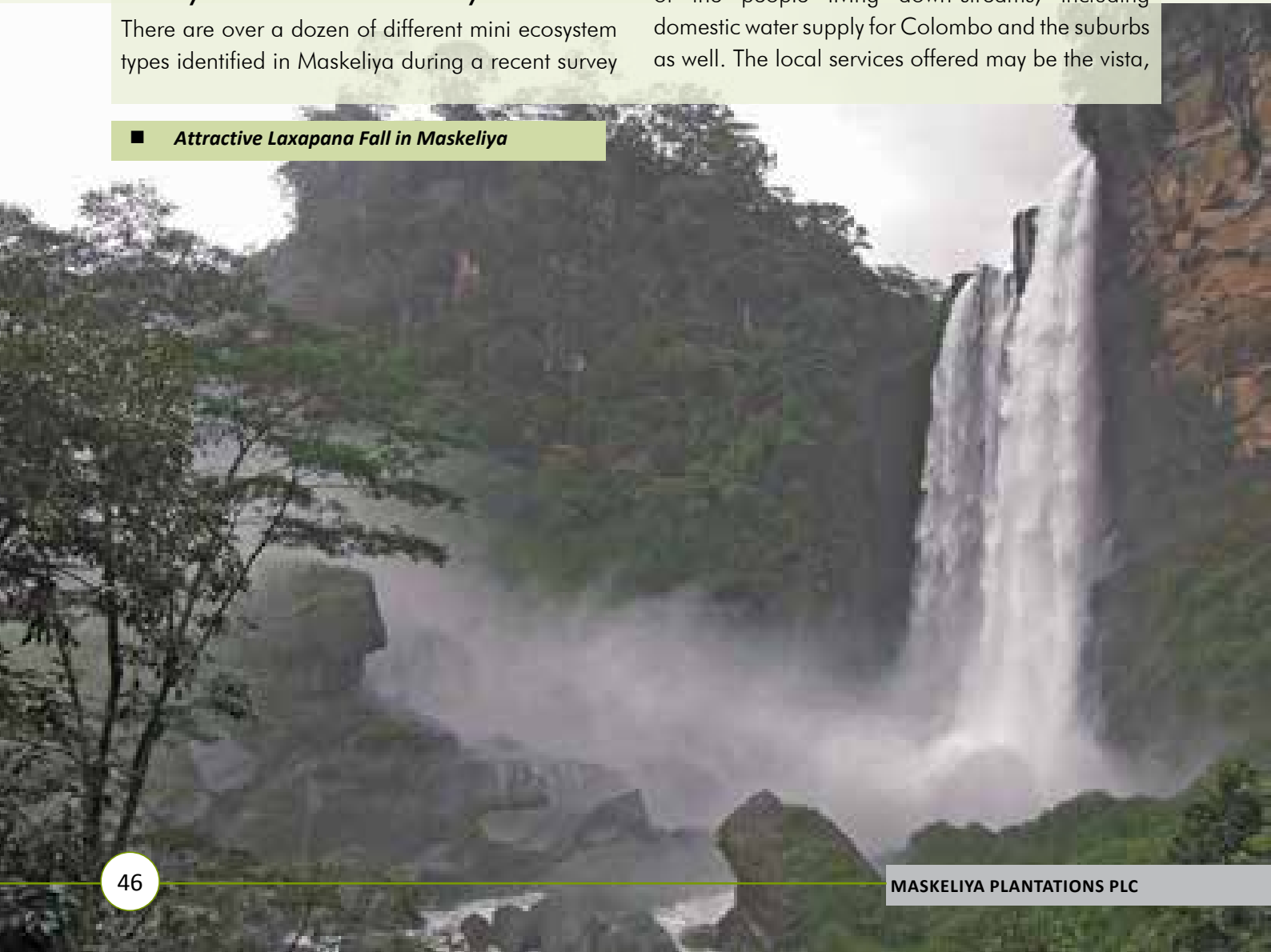
Maskeliya Plantation PLC is producing the most hygienic tea with premier quality in the planet. Moreover, we are fortunate to be in possession of the plantations located in most scenic areas in the central highlands of Sri Lanka, also rich with inimitable variety of natural resources and manmade attractions. The Wet-zone of Sri Lanka along with the Western Ghats of India is designated as one of the biodiversity hotspots in the world and therefore, in demand of extensive conservation effort (Myers *et al.*, 2000; Brookes *et al.*, 2002). Maskeliya region too located in wet-zone Sri Lanka and hosts a major part of this biodiversity.

## Eco Systems and Biodiversity

There are over a dozen of different mini ecosystem types identified in Maskeliya during a recent survey

done on biodiversity. They range from pristine virgin forests and grasslands, down to manmade ecosystems such as hydropower reservoirs, plantations and disturbed scrublands etc. Tea cover is the dominant vegetation type which conceals majority of the cultivable land area in Maskeliya. Area under manmade lakes of Maussakelle and Castlereigh hydropower schemes are the cardinal aquatic ecosystems present by far, which regulate and transform the multi-purpose ecosystem services provided by nature, largely at national level including hydropower generation. Some of the other services on offer are flood control, storage and gradual release of water catering requirements of the people living down-streams, including domestic water supply for Colombo and the suburbs as well. The local services offered may be the vista,

### ■ Attractive Laxapana Fall in Maskeliya



inland fisheries and leisure, together with providing platforms for landing sea planes. Timber plantations and fuel wood plantations found in diversified marginal tea lands due to soil degradation too occupy considerably large land extent. Scrublands are heavily infested with invasive exotic plant species mostly introduced to the region. It is observed that most of the plant species become invasive here are of Central American origin. *Coster's curse* (*Clidemia hirta*) or "Kata Kalu Bovitiya" called in local terms is the most aggressive tea weed in Sri Lanka. "Gal Goraka" (*Clusia rosea*), "Kurunjan Pullu" (*Austroeupeatorium inulifolium*) and "Maalu Othana Kola" (*Micornia calvesens*) are a few other good examples to this effect. Home gardens of resident plantation worker community and commercial vegetable plots too collectively occupy an important part of the estate land. Rest of the extent is shared by Riverine forests seen along water courses, rocky outcrops, Marshy lands (Wet Patna) and isolated Secondary forest patches scattered throughout the landscape. Westward, section of the region is bordering the Peak Wilderness Nature Reserve (PWNR), one of the most diverse Primary forests in Sri Lanka and the home for a vast number of endemic biological species. This pristine virgin forest is the core reservoir home for almost all the wildlife species found in Maskeliya area. Hence, many of these species seen, have crossed over and pilfered in to the tea estate land giving visitors the opportunity of admiring them at the estates, without entering into the nature reserve.

Therefore, Maskeliya is highly diverse and compact place rich with over 12 different ecosystem types identified. Moreover, this area is centrally located to many other tourist attractions such as The Adam's Peak; one of the Island's key pilgrimage focuses, surrounded by (PWNR), gorgeous tea gardens, historic villages and 25 or so vibrant waterfalls etc. There are 1,524 scientifically described flora species recorded from the region. Out of which, almost 50% are endemic to Sri Lanka. out of the 60 mammalian species recorded in PWNR, , 35 species are found in and around Maskeliya.

According to the latest scientific studies with trap cameras (Kittle & Watson: 2017), there are around 20 plus resident Leopards recorded in tea estates within the Maskeliya basin alone, which is a clear indication of the harmonic living of man and the Leopard in Maskeliya. Fishing Cat, herds of Sambar Deer, Wild Boar, Barking Deer, Porcupine, Indian Pangolin, Golden Palm Civet, Ring-tailed Civet and Otter are the commonly seen nocturnal creatures in the long list of recorded mammals here.

The most recent highlight in this respect was the encountering of a herd of Asian Elephants (*Elephus maximus maximus*) (on 04<sup>th</sup> and 05<sup>th</sup> of November 2016) at an elevation of 5,900 ft above mean sea level, in Hamilton division of Laxapaana estate Maskeliya.

This was the first live photographic evidence of such mega herbivore, after several decades in the upper montane region of Sri Lanka. The record was documented by a group which included Rashitha Boyagoda and Prajith Gunwardena, the Assistant Superintendents of the estate.

■ **Asian Elephants in Hamilton division of Laxapaana estate Maskeliya.**



Another 125 species of Avifauna too were recorded counting 25 endemic bird species, including Sri Lanka whistling thrush (*Myophonus blighi*), Sri Lanka Blue Magpie (*Urocissa ornata*) etc. Migratory Indian Pittah (*Pitta brachyuran*) and Kashmir Flycatcher (*Ficedula subrubra*) whom are difficult to watch in India, are getting concentrated to Sri

■ **Sri Lanka Blue Magpie**



■ **Kashmir Fly-catcher**



■ **Sir. James Taylor**



Lanka during the winter season in their homelands and hence, gather bird watchers to Sri Lanka. This high biodiversity exhibited in Maskeliya can be attributed to the wide variety of climatic, topographic and soil conditions that exist in the region which has resulted in formation of a diverse array of aquatic and terrestrial habitats.

### The Tea Culture

Ceylon Tea industry celebrates 150<sup>th</sup> anniversary this year (2017) while maintaining the status of the highest income earner among plantation crops for the island.

The real history of tea in the Island has commenced in year 1839 with the planting of first tea seedling at Henarathgoda, botanical Garden in Gampaha district.

Later on, another batch of seedlings was planted at the Royal Botanical Gardens, Peradeniya, Kandy in late 1840s.

In the year 1867, Sir. James Taylor gave birth to Ceylon Tea Industry by pioneering the first commercial tea garden in Sri Lanka (then Ceylon), Hewahaeta, in Kandy district, using the tea seeds obtained from the above parental tea plant block at Peradeniya. Over the next one and a half centuries to date, a rich *Tea Culture* with full of attractions has been developed in Sri Lanka with an ample recognition as the most hygienic and Best flavoured tea in the world.

Climatic conditions prevailing here in Sri Lanka permit year round growth for the tea bush allowing continuous harvesting unlike in many other tea growing regions of the world. Furthermore, culturing tea is involved with many different agricultural practices, each developed and perfected over centuries by proper blending of art and science behind them. Therefore, every component found in tea culture such as harvesting, pruning or even tea processing is very informative and rich in aesthetic characters as well. Thus highly attractive and touristic. Moreover, the lifestyle of plantation

community is also carry a set of striking characteristics including rituals and colourful cultural events taking place throughout the year. Hence, there are plenty of different and delightful experiences on offer for visitors to tea gardens in Sri Lanka.

## Modes of Pollution

Generally nutrients are always in a flow in nature. They move across various inter-connected cycles found in nature and getting converted from one form to another while passing through variety of biotic and a biotic systems. There are numerous biological agents designed by the nature to attend to various duties in those nutrient conversion pathways and very smoothly run the show. Actually, difficulties are confronted when such natural flows are blocked or flooded, willfully or unwillingly by human activities. Thus, careful identification and understanding of this relationship is important for smarter improvements in the agriculture business. "Environmental Pollution" on the other hand could be defined as "escaping and wastage of the inputs beyond the targeted environment, debilitating resources located outside". Synthetic resources such as fertilizer and pesticides used in agriculture are costly inputs and, minimizing the wastage of those, undoubtedly reduce the operational cost of the business. A recent study in Japan has revealed that, out of the total Nitrogen fertilizer applied on tea, only 12% is captured by the tea bush even under advanced Japanese conditions. Rest 88% (funds invested) escapes out of reach and go waste polluting the environment and contributing to climate change in addition.

## Conservation Efforts

### Water Management

Major part of synthetic inputs namely, fertilizer and pesticides like weedicides and fungicides used in commercial tea are washed away by the rain water, and getting in to surface run off and also to ground water table and getting in to the stream

flow. Therefore, the improvements in *resource use efficiency* in agricultural systems reduce the agrochemical load into streams improving water quality. Thus, productivity improvements through enhancing resource use efficiency, certainly coupled with economic gains (direct savings in operational investment) by lowering the unit cost of production while conserving the natural resources as well. Hence, clever productivity improvements in agricultural systems through minimizing wastage of resources and other inputs are directly contributing to profitability of Agricultural business by reducing overall operational cost of production. further to that such efforts would improve product quality, also giving a comparative advantage in business, besides minimizing emission of pollutants responsible for climate change.

### Soil Management

Coming to tea industry, plantation soils were degraded over a period of time resulting in poor retention of soil nutrients and depriving moisture holding capacities, reducing land productivity, in turn increasing the operational cost. Therefore, we have taken measures to combat this common issue found in the plantation sector through recommended conventional methods by following good agricultural practices (GAPs) including incorporation of compost and other organic matter to the soil. However establishment of live ground covers on tea soils is the best way to improve the degraded soil, since ground covers are capable of preventing soil erosion and controlling of weed growth. Generally, smart ground covers are capable of trapping the nutrients applied to the system, which otherwise go waste. Trapped nutrients are fixed in the form of biomass, generating and adding organic matter to the ground improving the soil. Developing clever measures of this nature to enrich soil by adding organic matter generated in-situ through a continuous supply of green matter instead of applying ex-situ compost would certainly save operational cost on labour and transport in compost making and application as well.

## AWARENESS PROGRAMS FOR LOCAL COMMUNITY

In addition, MPPLC had launched several conservation efforts in corporation with local government authorities to improve environment conservation awareness among the plantation community and mass flow visitors entering to the region on pilgrimage and leisure. We have launched an awareness program for plantation community in the area also, in collaboration with Maskeliya police and local education authorities on *Do's and Don'ts with Giant Honey Bees*. Further to that, upgrading of Police check point located at Gangewatte division Brownlow estate, was upgraded to a police post for the convenience of both police officers and the pilgrims, with the onset of Adam's Peak Pilgrimage Season in December 2016. MPPLC extended the fullest corporation in this effort. Intention of this exercise was to strengthen visitor's conservation awareness and control/regulate waste disposal during the pilgrim season . All these moves initiated and supported by MPPLC would secure the product quality of the premium tea we produce while improving water and air quality for the rest of the country and the world as well.

### ■ Awareness program for plantation community



## Materials

Maskeliya Plantations PLC is renowned as a black tea manufacturer over the years. For our production process we utilize following categories of materials.

- Raw Materials-Green leaf (Estate leaf & Bought leaf)
- Processing Materials-Firewood, Other machinery up keeping materials
- Packing Materials-Multiwall paper sacks, Rigid Tea sacks

Consumption of these materials during the year together with comparative figures are given in the following table.

Material Item	2016/17	2015/16
Green Leaf (Kg)	28,736,564	34,832,253
Firewood (Cubic Meters)	52,292	65,394
Packing Materials (Bags)	131,452	152,756

## Energy Utilization

As a Company who follows a sustainable approach, we give our due attention on the use of energy sources and focus is given to the use of sustainable sources of energy. So following initiatives were adopted as part of our objective.

- Investing in energy efficient equipment and machinery.
- Increasing the use of renewable sources such as Hydro power, fire wood and briquettes to reduce the consumption of non-renewable fossil fuels.
- Undertaking training and awareness programs to enhance the knowledge and awareness of our employees and related community regarding the use of sustainable energy.(This is as part of the programs implemented under the Rain Forest Alliance Certification)

Energy consumption is one of the critical cost driver as most of factory and estate operations are carried out using energy sources. Therefore we place high attention on controlling the cost of energy through effective and efficient ways of energy utilisation.

Our energy consumption for the reporting year is summarized in the following table.

Energy Source	2016/17
Firewood (Cubic Meters)	52,292
Firewood Expenditure (Rs.mn)	109
Electricity units consumed	5,749,517
Fuel-Petrol (Liters)	50,007
Fuel-Diesel (Liters)	193,137

### Tree Planting

Our approach to environment preservation is not a one time activity but extend to an extensive journey towards making a greener environment around us.

Under this ongoing program we promote the habit of planting trees in our estates. Having a green surrounding would neutralise the effects of carbon dioxide emissions of our business activities. Further plants help to reduce temperature as a result of absorbing excess carbon dioxide.

World environment day is named in order to remind the society regarding the importance of our environment. As an environment friendly Company, MPPLC organized programs to stimulate the idea of saving the ozone for better future. We have implemented a tree planting program during the reviewing period on World Environment Day that is on 06 June 2016 with the participation of young children. Our intention was to promote the habit of planting trees among the young children while planting of new trees as a value addition to society.

### Hydro Power

As part of contribution to national grid electricity, we are generating electricity from our own hydro

#### ■ Tree Planting program



power plants at Talawakelle and Brunswick estates. We have supplied the electricity generated from these plants to the national grid to support national production. Details related to power generation by these 2 plants are given below.

Hydro Power	Units (kWh)	Income (Rs.mn)
Brunswick	953,714	14.74
Talawakelle	265,826	1.70
<b>Total</b>	<b>1,219,540</b>	<b>16.44</b>

### Sustainable Water Utilisation

Given the nature of the industry, Company's operations are natural resource intensive and we are gifted with many water resources in proximity to our estates. With the increase use of water, the need to follow a sustainable approach in water usage is growing in importance. Notwithstanding the fact we are rich with required resources our green concept emphasize the importance of preserve water resources to facilitate wellbeing of future generations.

As a continuous approach we are implementing a systematic conservation to minimize water usage in our operations while ensuring minimum impact to the environment from disposing waste in our factories. Our used water, effluents and waste disposal policy underpin by the fact these should not impact our sustainable approach to preserve water resources in and around our estates.

### Emissions

The key types of waste from our operations consist of solid waste, effluents and carbon emissions. Solid waste is managed in a manner to nullify the effect of them to the environment. Over the years we have invested lot in managing process of solid waste.

Meanwhile, the Company is not able to measure carbon emissions from our processes. This mere fact affects our disclosure of carbon footprint measurements which we haven't disclosed in this report. Despite that we strongly believe our current process of improving sustainability reporting will enable us to disclose carbon footprint in forthcoming years.

Further the generation of 1,219,540 kwh by our two hydro power plants in Brunswick and Talawakelle estates mitigate the carbon emissions from our operations. We consistently monitor and manage our emissions as a precaution to global warming and air pollution. For this we are launching several environment projects in our estates. Most importantly there were no any fines or penalties imposed on the Company for non-compliance with environment laws and regulations which guarantee our commitments towards the green concept. The general practices that are being implemented on a regular basis for the Rain Forest Alliance too helps us to reduce this carbon footprint.



*What you have and what you have accomplished have value only if you have lifted someone, made some one better and give something back at the end of the day. - Denzel Washington*

# Corporate Social Investment

We are an organization who frequently engages with local community in order to show our concern towards the society. Therefore we are adopting a holistic and long term approach to address our responsibility towards the society at large. In our value creation process, social investment is considered as a major component. Therefore we place high value on establishing long-lasting relationships with our community.

We strongly believe that sustainable growth can only be accomplished by striking a balance with wider social and environmental aspects. Our approach for social sustainability goes beyond the philanthropy to undertake initiatives that provide sustainable returns to the community, society and the whole country at broader level.

Over the past few years we have managed to move beyond the employee level to interact with the local community in many ways. We have accumulated so many pleasant memories regarding our relationship with the local community. Add to these, we are continuously incorporating with our key stakeholders when planning social sustainable

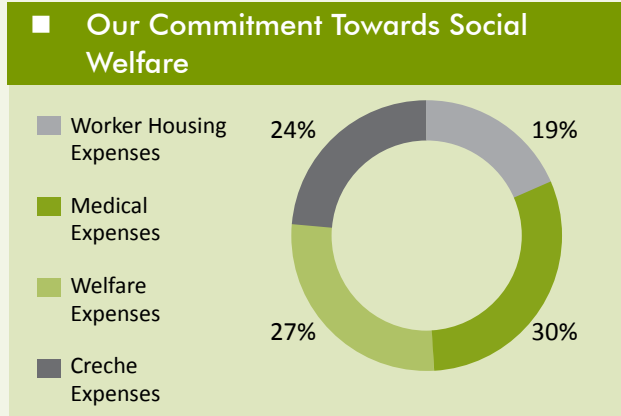
initiatives. History says the story about our high engagement with the resident communities as many of the citizens are directly and indirectly attached with our business and its activities.

Ultimate objective of social investment is to uplift living standard of related communities, accordingly several steps were taken such as engaging closely with non-government organizations (NGO's) to implement various programs and establishing close contacts with the village committees and other community representatives.

Regional development plays major part in our corporate social investment because most of our people reside within our estates or nearby regions. Many activities were undertaken during the year for the mentioned purpose. These projects include supporting culture, educational, sports, healthcare, infrastructure development and other projects which are directed to enhance life standards of our employees, their families and entire community as a whole. Projects and activities that were undertaken during the reporting period are disclosed in upcoming chapters.

## Our Commitment Towards Social Welfare

	Rs. (000)
Worker Housing Expenses	34,798
Medical Expenses	54,752
Welfare Expenses	49,275
Creche Expenses	43,076
<b>Total</b>	<b>181,901</b>



## Child Development

As responsible corporate citizens, we share our success with our society and communities we live and work with. Our business cannot succeed without the support of many stakeholders. Among the activities carried out to cater them, we have placed a high value to the child development activities. Hence we are happy to present you with those activities carried during the period.

### Creche Nutrition Program



During the period under review MPPLC has conducted nutrition programs in our Creches. These were conducted as a part of children development program of the Company. Under this program steps were taken to enhance knowledge of parents regarding nutrition due to the fact that most children are underweight compared to their age.

### Preschool Nutrition Program



Among the actions taken by Maskeliya Plantation PLC to uplift life standards of children, another nutritious food providing program was conducted for preschool students.

## Sponsorship



Education is only a part of the life for children. It is proved that most effective and efficient leaders are evolved through combination of sports, education and other extracurricular activities. Our Company encourages children to participate in extracurricular activities. Hence sponsorships were provided for sport meets held in Strathspey Estate, Minna and Anadele Divisions. Winners were offered with valuable gifts with the help of the Company.

## Scholarships for Higher Education



MPPLC is often helping children to uplift their education. Steps were taken to provide a scholarship to a student who was selected to Eastern University of Sri Lanka Kallady, Batticaloa. Miss. L. Sujalini was awarded with a scholarships from the Company.

## Painting Competition

As a part of our skill development programme for children an art competition was conducted on 16th July 2016. This was conducted to provide opportunities for children to participate in competitions and enhance their artistic capabilities



■ Painting Competition winners



■ Exposure of Tooth Relic & arms giving



through learning. At the same time children were guided to use waste materials for their paintings in order to promote environment protection. Those who have won the competition were awarded with valuable gifts as encouragements for their future education.

## Religious Activities

In light of the close relationship between MPPLC and local communities we engage and invest in activities that make a difference to those communities. The bulk of our CSR projects include some religious functions towards different religions.

### Exposure of Tooth Relic

Among the social welfare activities performed by the Company, religious activities play a major role. During the period under review we have made necessary arrangements to expose sacred Tooth relic at Saman Devaalaya for people. This is considered as one of the most precious social activity conducted by MPPLC during the reviewing period. Further steps were taken to arrange an arms giving for the pilgrims who came to visit Tooth relic.

We were lucky to arrange a rare event like this for the benefit of our society.

### Kumbavishegam Devala Function

Kumbavishegam is a temple ritual widely celebrated by Tamil citizens of the country. We have established a Kovil Committee for the purpose of undertaking supporting activities for festivals similar to this. Necessary steps were taken to provide required materials to conduct this festival successfully in order to enhance relationship with local community and the Company.

### Kapruka Pooja



We arranged a Kapruka Pooja at Ruwanweli Seya in Anuradhapura on 15th October 2016. This event was carried out with the participation of planting executives of Maskeliya Plantation PLC. Kapruka Poojawa is considered as one of the most important events in Buddhism.

### Looking After Our Community

Stemming from the initiative that we must look after our community, we have decided to invest back into areas that need it most. As and when needed, MPPLC with the partnership of other bodies executed various initiatives during the year.

#### Donation of Roofing Sheets

Community who live in Ladbroke division in Strathspey estate was badly affected by the landslide which occurred in the May 2016. We decided to give our hands for affected communities. Under this scheme steps were taken with the support of Hon Minister P. Thigambaram to supply community with roofing sheets on 30 July 2016.

#### Financial Assistance to Flood Victims

Sri Lanka was badly affected by the flood in the month of May 2016 due to the heavy rainfall



■ Donation of Roofing Sheets



■ Financial Assistance to Flood Victims

prevailed during the period. Hence as a Company who often gives hand to helpless, we have donated financial assistance to the victims in western province.

#### ■ Kumbavishegam Devala Function





- ***New electricity connection opening at Meeriakotta area***

- ***Depicts a medical camp conducted on 12th Oct 2016 for identifying health issues of communities living in one of our estates***



## Community Development

We strongly believe that it's our duty to actively participate in the social and economic development of the communities. Accordingly we are fully committed towards uplifting communities in the country. Cohesive efforts of the MPPLC would likely have a greater impact in addressing the most critical issues face by low income communities. We anticipate that future development of the Company will depend upon the development of the community we are related with.

## New Electricity Facility Opening

Some of the community living closer to our regions are having difficulties because of not having electricity facilities. Under the community development projects carried out by our Company we have facilitated a new electricity connection opening at Meeriakotta area.

## Health awareness & Safety

MPPLC promotes the highest standards of health and safety with the view of having a healthy community. Initiatives were taken to facilitate with an accident free environment while trying to minimize health issues. Further during the year studies were carried out to identify health issues specially regarding to diabetes, Cancer, Hypertension and Eye diseases etc. Being in the plantation industry, a key priority also includes ensuring that our communities are protected from safety issues. Company expects community to live without any health and safety issues which go beyond compliance with the guidelines set by the Factory ordinance and Workmen Compensation ordinance. And this area is assessed in the certification obtained for fair trade, ethical tea partnership, ISO 22000:2005, HACCP, Rainforest Alliance, safety etc.

## Product Responsibility

Under this particular section we focus on how the Company addresses customer health and safety, information and labeling, marketing and privacy aspects through our products. MPPLC is treated as one of the Sri Lanka's leading tea manufacturers. We have been an example to others in terms of how we create value to each and every aspect of capital through our products. Hence we are known to be one of the best quality tea manufacturers which is evidenced by the high prices obtained by our estates continuously in weekly auctions. People recognize our brands simply because of the quality we have maintained over the years.

We are looking to take this initiative forward by showing our responsibility for the end products sold at the Colombo Tea Auction (CTA). Due care is given for the entire process of Tip to Cup in order to ensure highest standards of quality and safety are maintained, in such activities like growing teas, harvesting, processing and transport are closely monitored.

Factory officers were given extensive training by the Company for the purpose of quality checking prior to samples and invoices being sent to Colombo Tea Auction. Further Company has appointed a separate person in charge for all the supervisions regarding compliance and quality maintenance,

Several efforts were made at various levels of organization for the continuous improvement including introduction of new technologies and other mechanisms to our production process on a regular basis. Information regarding training opportunities provided are disclosed in page 44 under the topic of training and development.

Apart from that we are interacting with following institutions and working with them closely for the purpose of improving quality of our products.

- The Colombo Tea Traders Association
- The Planters Association of Ceylon
- The Employer's Federation of Ceylon

Quality of our products are accepted around the world and this has been proved by following national and international certifications obtained by our Company.

- HACCP/ISO 22000 (Food Safety Management System Certification)
- Ethical Tea Partnership
- Fair-trade
- Rain Forest Alliance

## Product Labeling

The role of packaging and labeling of productions plays a huge role in communicating required information to our buyers. There are several standards and requirements imposed by Colombo Tea Auction and the Ceylon Tea Trade Association. To comply with those we are generally disclosing information such as Estate name, garden mark (Selling Mark), grade, invoice number and gross and net weight in the product label.

## Sustainable Procurement Practices

Under this part of the report we draw your attention towards how we engage in procurement and investing process by giving due consideration for three aspects of sustainability that is economic, social and environment. This particular section emphasize the fact how our value network will create value not only towards the organization but towards the entire society. Sustainable procurement practices are highly appreciated around the world because of the value addition it brings towards the organization and the society. We strongly recommend our suppliers to adhere to socially and environmentally best practices applicable to their operations.

As a contribution to our corporate social responsibility we encourage procurements to be made through local markets and suppliers. We believe that our approach will motivate local suppliers and community attached to them.

Approximately around 4% of the total production are manufactured from bought leaf during the reporting period. This bought leaves are supplied by local small holder suppliers who are in close proximity to our factories.

Our procurements include fuel, hardware items, packing materials, stationary, fixed assets, computer hardware and software, utilities and other supporting services such as transportation which are purchased from Sri Lankan suppliers. These local purchases account for approximately more than 90% of total purchases. Further we look beyond the up-front cost to make our purchasing decisions in order to provide a sustainable return to the society within which we operate.

### **Compliance & Integrity**

We are committed to undertake our business activities with honesty, integrity and responsibly considering all our stakeholders. We promote an ethical corporate culture among our employees

across the organization. This would enable us to create morale among the employees to be ethical in all aspects of their engagements with business activities.

The acts, ordinance and other regulations that we comply with are as follows.

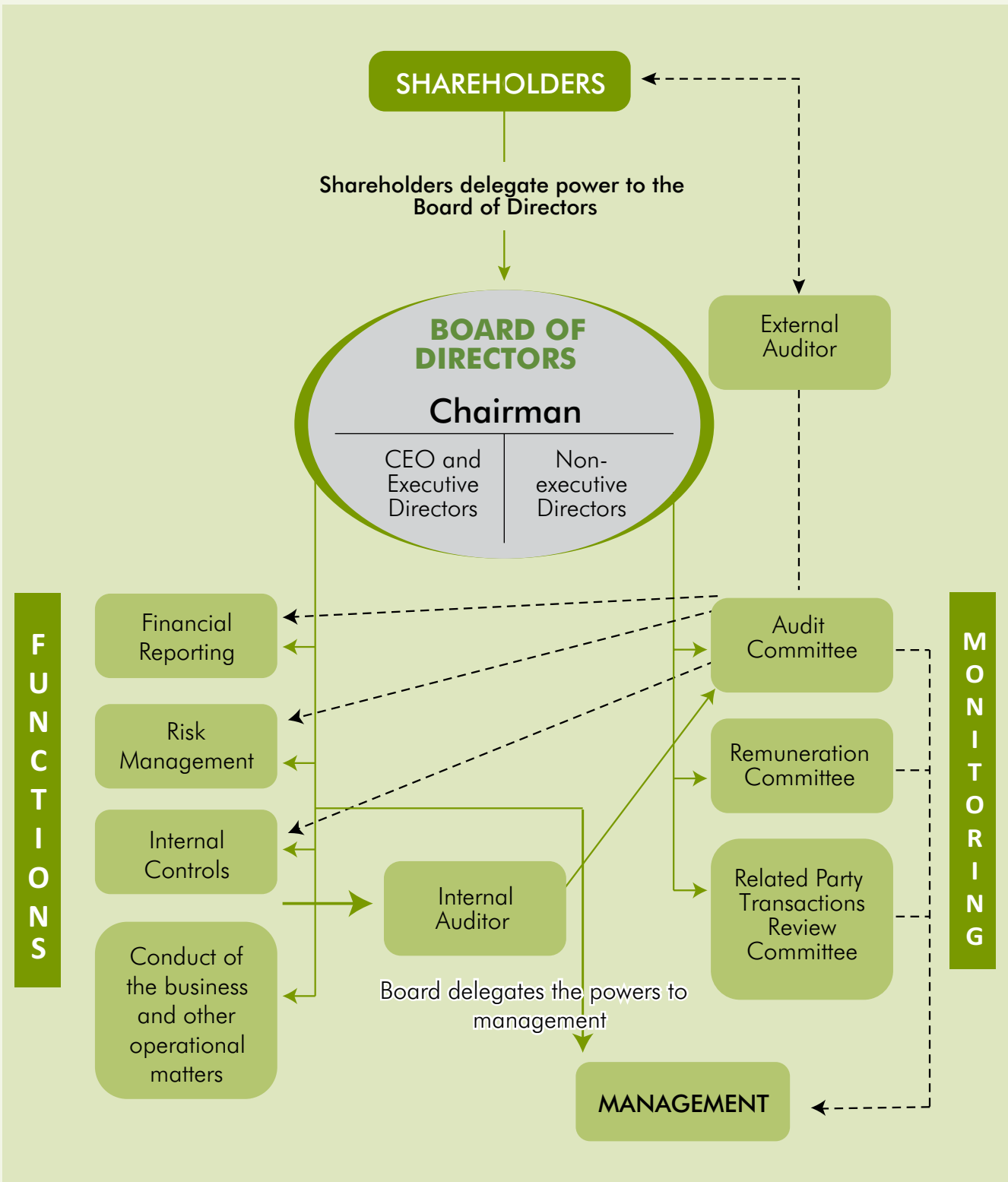
- Companies Act No.7 of 2007
- Sri Lanka Accounting and Auditing Standards Act No.15 of 1995
- Listing Requirements of the Colombo Stock Exchange
- Employees Provident Fund Act
- Employees Trust Fund Act
- Payment of Gratuity Act
- Maternity Benefits Ordinance
- Medical Wants Ordinance
- Shop and Office Act
- Industrial Disputes Act
- Factories Ordinance
- Workmen's Compensation Ordinance
- Inland Revenue Act No.38 of 2000.

*Being perfect is not always possible but making the way towards being perfect is always possible. Our management and governing body put significant efforts on control things with the aim of uplifting the subtlety of operations.*

# Corporate Governance Review

## Corporate Governance Structure

The Company Governance frame work is depicted in the following diagram,



The Board of Directors of Maskeliya Plantations PLC is committed and takes responsibility to maintain the highest standards of Corporate Governance.

Maskeliya Plantations PLC has designed its Corporate Governance policies and practices to ensure that the Company is focused on its responsibilities to its stakeholders and on creating long term shareholder value. The Company recognizes the interests of all its stakeholders including shareholders, employees, customers, suppliers, consumers and the other communities in which it operates. The Company complies with the rules on Corporate Governance, included in the Listing Rules of the Colombo Stock Exchange, and is guided by the principles included in the Code of Best Practice on Corporate Governance issued jointly by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka. This statement sets out the Corporate Governance policies, practices and processes adopted by the Board.

## The Board and its Operations

The Company is governed by its Board of Directors, who directs and supervises the business and affairs of the Company on behalf of the shareholders.

The Board comprises six Directors, of which two are Executive Directors whilst four are Non-Executive Directors. Out of four Non-Executive Directors, two are independent, ensuring an independent outlook to temper the expediency of the experts. Brief profiles of the Directors are set out on pages 17 to 19. The Board has assessed the independence of the Non-Executive Directors.

Name of Director	Executive	Non-Executive	Independent
Dr. Sena Yaddehige	x	-	-
S S Poholiyadde	x	-	-
E M M Boyagoda (Resigned w.e.f 23.08.2016)	-	x	x
Dr.L S K Hettiarachchi	-	x	x
J L A Fernando		x	-
Shaminda Yaddehige		x	-
Dr.S A Samaraweera (Appointed w.e.f 22.05.2017)		x	x

During the year the Board met on six occasions. Prior to each meeting, the Directors are provided with all relevant management information and background material relevant to the agenda to enable informed decisions. Board Papers are submitted in advance on Company performance, new investments, capital projects and other issues which require specific Board approval. A separate information memorandum is provided on statutory payments at each Board Meeting.

The Chairman, is responsible for matters relating to policy, maintaining regular contact with the other Directors, shareholders and external stakeholders of the Company. He is responsible for overall commercial, operational and strategic development and assisted by an Executive Management Committee comprising Executive Directors and Heads of Companies of the Strategic Business Units (SBU) of the Ultimate Parent Company. The Finance function devolves on the Group Chief Financial Officer and the Sector Financial Controller, who is present by invitation at board meetings when financial matters are discussed. The Board of Directors has access to independent professional advice as and when deemed necessary for decision making.

### The main functions of the Board are to:

- Direct the business and affairs of the Company.
- Formulate short and long term strategies, as a basis for the operational plans of the Company and monitor implementation.
- Report on their stewardship to shareholders.
- Identify the principal risks of the business and ensure adequate risk management systems in place.
- Ensure internal controls are adequate and effective.
- Approve the annual capital and operating budgets and review performance against budgets.
- Approve the interim and final financial statements of the Company.

- Determine and recommend interim and final dividends for the approval of shareholders.
- Ensure compliance with laws and regulations.
- Sanction all material contracts, acquisitions or disposal of assets and approve capital projects.

All independent Directors have no direct or indirect material relationship with the Company and have duly submitted the annual declaration as per the Colombo Stock Exchange Listing Rules. Their wide range of expertise and significant experience in commercial, corporate and financial activities bring an independent view and judgment to the Board.

### Sub Committees of the Board

The Board is responsible for the establishment and functioning of all Board Committees, the appointment of members to these committees and their compensation. The Board has delegated responsibilities to three Board Sub Committees which operate within clearly defined terms of reference.

#### Audit Committee

Maskeliya Plantations PLC is one of the Group Companies of the Richard Pieris & Company PLC. Richard Pieris & Company is also the majority shareholder and as such the Group Audit Committee acts as the Audit Committee of the Company. Audit Committee Report on Pages 69 and 70 describes the activities carried out during the Financial Year.

#### Remuneration Committee

The Report of the Remuneration Committee is on Page 71 and highlights its main activities.

#### Related Party Transactions Review Committee

The Report of the Related Party Transactions Review Committee is on Page 72 and highlights its main activities.

### Company Secretary

The Company secretaries are Richard Pieris Group Services (Pvt) Ltd who acts as secretaries to the Board and make their presence at every board meeting. The Company Secretaries advises the board on all regulatory matters pertaining to Securities & Exchange Commission, Colombo Stock Exchange. The Secretaries also records minutes which are tabled for the next meeting for effective follow-up on decisions taken. The directors have independent access to the Company Secretary. The Secretary shall be appointed by the Directors for such term, at such remuneration and upon such conditions as they may think fit.

### Relationship with Shareholders

The Board maintains healthy relationships with its key shareholders (individual and institutional) while maintaining a dialogue with potential shareholders as well. The Annual General Meetings are held to communicate with the shareholders and their participation is encouraged. Apart from this, its principal methods of communication include the corporate website, the annual report, quarterly financial statements and press releases. Further, contact details are published in both Quarterly Accounts Statements as well as in the Annual Report & the Shareholders are able to contact the Company Secretaries or Senior Management at any given time.

### Internal Controls

The Board is responsible for instituting effective internal control systems to safeguard the assets of the Company and ensure that accurate and complete records are maintained from which reliable information is generated. The system includes all controls including financial, operational and risk management. Strategies adopted by the Company to manage its risk are set out in its report on Risk Management on pages 66 to 68.

Apart from the strategic plans covering a three year time horizon, a comprehensive budgetary process is in place, where annual budgets, identifying the critical success factors and functional objectives,

prepared by all subsidiaries are, approved by the Board, at the commencement of a financial year, and its achievement monitored monthly, through a comprehensive monthly management reporting system both at Company & Group level. Clear criteria and benchmarks have also been set out for the evaluation of capital projects and new investments.

The Internal Audit Division reporting to the Chairman, regularly evaluates the internal control system across the Organization and its findings are reviewed first by the Audit Committee and significant issues are thereafter reported to the Board. The Board reviewed the internal control procedures in existence and are satisfied with its effectiveness.

### Relationship with Other Stakeholders

The Board identifies the importance of maintaining a healthy relationship with its key stakeholders and ensures the Company inculcates this practice. Internal communication is mainly conducted through e-mails, memos and circulars.

The Board also ensures that the Company's policies and practices are in line with the Group's values and its social responsibilities. The Company promotes protection of the environment, health and safety standards of its employees and others within the Organization. The relevant measures taken are given in detail in the Corporate Social Investment report on pages 54 to 60.

### Compliance

The Board places significant emphasis on strong internal compliance procedures. The Financial Statements of the Company are prepared in strict compliance with the guidelines of the Sri Lanka Accounting Standards and other statutory regulations. Financial statements are published quarterly in line with the Listing Rules of the Colombo Stock Exchange through which all significant developments are reported to shareholders quarterly. The Board of Directors, to the best of their knowledge and belief, are satisfied that all statutory payments have been made to date.

### Corporate Governance Requirements listed under Section 7 & 9 of the Listing Rules issued by the Colombo Stock Exchange (CSE);

CSE-Section Reference	Requirement	Status of Makeliya Plantations PLC
7.6 (vii)	Details of material issues pertaining to employees & industrial relations of the entity.	In Compliance
7.10.1 (a) to (c)	Non Executive Directors	In Compliance
7.10.2 (a) to (c)	Independent Directors	In Compliance
7.10.3	Disclosures relating to Directors	In Compliance
7.10.4	Criteria for defining 'Independence'	In Compliance
7.10.5	Remuneration Committee	In Compliance
7.10.6	Audit Committee	In Compliance
9	Related Party Transactions Committee	In Compliance

### Going Concern

The Directors have continued to use the 'Going Concern' basis in the preparation of the Financial Statements, after careful review of the financial position and cash flow status of the Company. The Board of Directors believes that the Company has adequate resources to continue its operation for the foreseeable future.

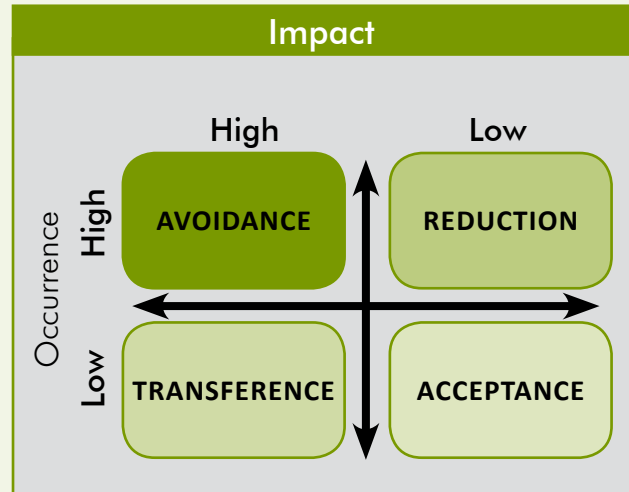
Further reference is made to Directors Reports' on Page 76 regarding Going Concern status of the Company.

# Risk Management

Our approach to risk management is identifying potential significant risks for the business and look for mechanisms to manage them effectively. In MPPLC, We recognize risk as the probability or threat of damage, liability, loss or any other negative occurrence that is caused by external or internal vulnerabilities.

We perform Environmental analysis as well as SWOT analysis in regular intervals to identify probable risk factors and to understand opportunities and threats offered by the external environment.

Company is exposed to number of risks associated with the cultivation and processing of tea and



the economic environment in which it operates. Management of business risk is centered on the Board of Directors and top level management of the Company.

Company has identified the importance of having a proactive approach in managing risk while maintaining a comprehensive system of internal controls to track and monitor the subsequent effects of each risks on Company’s performance. Following model is used to decide the risk management strategy for each and every risk identified by the management.

Risk management in MPPLC is basically fallen into 2 categories namely Financial Risk Management and Business Risk Management. After conducting a meaningful risk assessment, Company accepts or minimizes the risks which are within the Company risk appetite and try to avoid or transfer when they are beyond the level of Company’s risk appetite.



Financial Risk Management	
Company Objectives	Risk Treatment
<b>1. Liquidity &amp; Cash Management</b>	
<ul style="list-style-type: none"> <li>• Capitalize on opportunities to raise funds at lowest possible cost.</li> <li>• Maximum utilization of the concessionary funding available to Plantation Companies.</li> <li>• Ensuring proper management of working capital.</li> </ul>	<b>Strategy- Risk Avoidance</b> <ul style="list-style-type: none"> <li>• Funding of long term assets through Equity and Long Term Loans.</li> <li>• Ensure availability and effective utilization of short term Funding facilities where necessary.</li> </ul>

Financial Risk Management	
Company Objectives	Risk Treatment
<b>2. Interest Rate Risk</b>	
<ul style="list-style-type: none"> <li>To ensure a strong liquidity position.</li> <li>To minimize adverse effects of interest rate volatility and currency denominated borrowings.</li> <li>To ensure cost of borrowing is at the optimum level with the assistance of Group Treasury.</li> <li>Maximum utilization of the concessionary funding available to Plantation Companies.</li> </ul>	<p><b>Strategy-Risk Reduction</b></p> <ul style="list-style-type: none"> <li>Structuring the loan portfolio to combine both foreign and local currency.</li> <li>Effective utilization of hedging techniques such as interest rate swaps.</li> </ul>
<b>3. Currency Risk</b>	
<ul style="list-style-type: none"> <li>To minimize risk associated with the fluctuation in foreign currency rates in relation to export proceeds, import payments and foreign currency debt transactions.</li> <li>Ensuring efficient utilization by effective treasury management through various hedging techniques such as forward bookings, forward sales, swaps etc.</li> </ul>	<p><b>Strategy- Risk Retention</b></p> <ul style="list-style-type: none"> <li>Export proceeds exceeding the import payments and foreign currency debt payments act as a natural hedge.</li> <li>The borrowing ability against the foreign currency deposits for entities dealing in foreign currency.</li> </ul>

Business Risk Management	
Company Objectives	Risk Treatment
<b>1. Credit Risk</b>	
<ul style="list-style-type: none"> <li>To minimize risks associated with debtor defaults.</li> <li>Work towards obtaining collaterals from major local customers with high outstanding.</li> <li>Follow stringent assessment procedures to ensure credit worthiness of the customers prior to the granting of credit.</li> </ul>	<p><b>Strategy-Risk Transfer</b></p> <ul style="list-style-type: none"> <li>Obtaining insurance covers for export debtors.</li> <li>Colombo Tea Auctions payment systems monitor the payments made by Tea Brokers to the sellers &amp; is a highly regulated activity.</li> </ul>
<b>2. Asset Risk</b>	
<ul style="list-style-type: none"> <li>To minimize risks from fire, theft and plant, machinery &amp; equipment breakdown</li> </ul>	<p><b>Strategy-Risk Transfer</b></p> <ul style="list-style-type: none"> <li>Obtaining comprehensive insurance covers for all tangible assets.</li> <li>Adoption of stringent procedures with regard to the moving of assets from one location to another.</li> <li>Carrying out mandatory preventive maintenance programs.</li> <li>Carrying out frequent employee training programs in areas such as fire prevention &amp; effective usage of plant &amp; machinery.</li> </ul>
<b>3. Internal Controls</b>	
<ul style="list-style-type: none"> <li>To maintain a sound system of internal control to safeguard shareholders wealth and Company's assets.</li> </ul>	<p><b>Strategy-Risk Transfer</b></p> <ul style="list-style-type: none"> <li>Carrying out system audits and other control mechanisms such as inventory counts and cash counts throughout the estates by the Central Internal Audit Department of the main Group.</li> <li>Conduct surprise checks within the Company which ensures that systems are in place.</li> </ul>
<b>4. Reputation Risk</b>	
<ul style="list-style-type: none"> <li>To prevent the causes that damages our reputation, estate marks and quality of the product.</li> </ul>	<p><b>Strategy-Risk Transfer</b></p> <ul style="list-style-type: none"> <li>Having in place a budgetary process &amp; a budgetary control mechanism on a monthly basis to ensure that the Company's performance is continuously in line with its targets.</li> <li>Adopting stringent quality assurance policies with regard to raw and packing materials bought out from third parties.</li> <li>Ensure quality in manufacturing process and compliance with the standards.</li> </ul>

Business Risk Management	
Company Objectives	Risk Treatment
	<ul style="list-style-type: none"> <li>All factories maintain a minimum of HACCP ISO 22000 Standard for food and safety.</li> <li>Ensuring effective communication with various stakeholders such as employees, bankers, regulators, customers, suppliers and the shareholders.</li> </ul>
<b>5. Human Capital &amp; Labour Risk</b>	
<ul style="list-style-type: none"> <li>To ensure a smooth flow of operations without any undue disruptions.</li> <li>Ensure that the correct recruitments are made for the positions.</li> </ul>	<b>Strategy- Risk Avoidance</b> <ul style="list-style-type: none"> <li>Maintaining healthy relationships with trade unions through regular dialogue.</li> <li>Entering into collective agreements with trade unions.</li> <li>Ensure compliance with all regulatory requirements with regard to the benefits applicable to workers at estates.</li> <li>To protect ourself as an employer successful in motivating, developing, retaining and attracting the best of human capital.</li> <li>Improving employee benefits by way of financial incentives and welfare activities.</li> <li>Arrange in-house and external training in order to develop human resources.</li> </ul>
<b>6. Technological Risk</b>	
<ul style="list-style-type: none"> <li>To keep pace with the current technological developments and safeguard against obsolescence.</li> </ul>	<b>Strategy-Risk Reduction</b> <ul style="list-style-type: none"> <li>The continuous investments in new machineries and experiments on new methods.</li> <li>Mechanization of estate functions up to the highest possible extent.</li> <li>Investing in Research &amp; Development activities whenever necessary.</li> <li>Implementation of the new computer system in head office and the estates.</li> <li>Investing in hardware resources.</li> </ul>
<b>7. Procurement Risk</b>	
<ul style="list-style-type: none"> <li>To minimize risk associated with price and availability.</li> <li>To procure the best quality with value for money.</li> </ul>	<b>Strategy-Risk Transfer</b> <ul style="list-style-type: none"> <li>Continuous replanting activity with adequate plant nurseries.</li> <li>Establishing relationships with many suppliers for bought leaf in order to reduce over-dependency on a single supplier.</li> <li>Entering into forward contracts for purchases of certain raw material items.</li> </ul>
<b>8. Inventory</b>	
<ul style="list-style-type: none"> <li>To reduce stock obsolescence and manage stock holding costs.</li> <li>Reducing the risk associated with theft and shrinkage.</li> </ul>	<b>Strategy-Risk Transfer</b> <ul style="list-style-type: none"> <li>Adopting a monthly declaration policy.</li> <li>Identifying slow moving stocks and effectively laying out a channel for these to be sold off.</li> <li>To sift &amp; catalogue all tea produced.</li> </ul>
<b>9. Risk of Competition</b>	
<ul style="list-style-type: none"> <li>To maximize our market share and maintain leadership in the respective industry.</li> </ul>	<b>Strategy- Risk Avoidance</b> <ul style="list-style-type: none"> <li>Ensuring high standards of quality in the eyes of the customer.</li> <li>Increasing productivity and efficiency in order to ensure an adequate margin despite increasing wage, energy and transportation cost.</li> <li>Carrying out Research &amp; Development activities whenever necessary in order to identify key areas to be focused.</li> </ul>
<b>10. Capital Investments Risk</b>	
<ul style="list-style-type: none"> <li>To minimise risk of not meeting profit expectations.</li> </ul>	<b>Strategy- Risk Avoidance</b> <ul style="list-style-type: none"> <li>Adopting a stringent approval procedure for Capital expenditure based on the level of investment and the expected pay back.</li> </ul>
<b>11. Information Systems Risk</b>	
<ul style="list-style-type: none"> <li>To minimise risk associated with security, Hardware communication and software.</li> </ul>	<b>Strategy-Risk Reduction</b> <ul style="list-style-type: none"> <li>Maintaining of spare servers mirroring of hard disks with critical data.</li> <li>Data back-ups stored at off site locations.</li> <li>Vendor agreements for support service and maintenance.</li> <li>Regular updating of Virus scanners, Firewalls etc.</li> <li>Compliance with statutory requirements for environmental preservations.</li> </ul>
<b>12. Environmental &amp; Political Risk</b>	
<ul style="list-style-type: none"> <li>To minimise the negative &amp; Regulatory Risk of external environment which are beyond our control.</li> </ul>	<b>Strategy-Risk Transfer</b> <ul style="list-style-type: none"> <li>Ensure compliance with all regulatory requirements from changes to the standards.</li> </ul>

# Report of the Audit Committee

The Audit Committee Charter, approved by the Board of Directors defines the purpose, authority, composition, meeting, and responsibilities of the Committee.

## The purpose of the Audit Committee is to:

1. Assist the Board of Directors in fulfilling its overall responsibilities for the financial reporting process.
2. Review the system of internal control and risk management.
3. Monitor the effectiveness of the internal audit function.
4. Review the Company's process for monitoring compliance with laws and regulations.
5. Review the independence and performance of the external auditors.
6. To make recommendations to the Board on the appointment of external auditors and recommend their remuneration and terms of engagement.

The Audit Committee consisted of three Independent Non-Executive Directors of the Richard Pieris & Company PLC, the Ultimate Parent Company namely Mr. Jagath Korale, Chairman, Dr. Jayathissa De Costa P.C. and Mr. Presanna Fernando (All three members were appointed with effect 28 October 2016). The Chairman of the Committee is a Senior Chartered Accountant. The Company Secretary functions as Secretary to the Audit Committee.

The principal activities of the Committee are detailed below.

## Meetings

The Audit Committee held 8 meetings during the year under review.

The Group Chief Financial Officer, Managing Director Plantations, Chief Executive Officer, Sector Financial Controller and Group Internal Audit

Manager were invited if deemed necessary for audit committee meetings.

Meetings were held with the external auditors regarding the scope and the conduct of the annual audits.

## Internal Audit and Risk Management

The Internal Audit Programme was reviewed by the Committee to ensure that it covered the major operational aspects of the Company.

The Group Internal Audit Manager was invited to be present at all Audit Committee deliberations. He presented a summary of the salient findings of all internal audits and investigations carried out by his department for the period. The responses from the Chief Executive Officer of the Company to the internal audit findings were reviewed and where necessary corrective action was recommended and implementation monitored.

## Internal Controls

During its meetings, the Committee reviewed the adequacy and effectiveness of the internal control systems and the Company's approach to its exposure to the business and financial risks. Processes are in place to safeguard the assets of the organization and to ensure that the financial reporting system can be relied upon in the preparation and presentation of Financial Statements. A comprehensive Management Report and Accounts are produced at month end highlighting all key performance criteria pertaining to the Maskeliya Plantations PLC which is reviewed by the Senior Management on a monthly basis.

Board of Directors review performance on a quarterly basis or more often, if required.

## Financial Statements

The Committee reviewed the Company's Quarterly Financial Statements, the Annual Report and

Accounts for reliability, consistency and compliance with the Sri Lanka Accounting Standards and other statutory requirements, including the Companies Act, No 7 of 2007, prior to issuance. The committee also reviewed the adequacy of disclosure in the published Financial Statements.

The Company has successfully adopted the new Sri Lanka Accounting Standards (new SLAS) comprising LKAS and SLFRS applicable for financial periods commencing from 01 January 2012 as issued by the Institute of Chartered Accountants of Sri Lanka.

### External Auditors

The Audit Committee has reviewed the other services provided by the External Auditors to the Company to ensure their independence as Auditors has not been compromised.

The Committee reviewed the Management Letters issued by the External Auditors, the Management response thereto and also attended to matters specifically addressed to them. The external auditors kept the Audit Committee informed on an on-going basis of all matters of significance. The Committee met with the Auditors and discussed issues arising

from the audit and corrective action taken where necessary.

The Audit Committee has recommended to the Board of Directors that Messrs Ernst & Young be re-appointed as Auditors for the financial year ending 31 March, 2018 subject to the approval of the shareholders at the next Annual General Meeting.

### Conclusion

The Audit Committee is satisfied that the control environment prevailing in the organization provides reasonable assurance regarding the reliability of the financial reporting of the Company, the assets are safeguarded and that the Listing Rules of the Colombo Stock Exchange have been met.



Jagath Korale  
Chairman  
Audit Committee

31 May 2017

# Report of the Remuneration Committee

The Remuneration Committee of the Ultimate Parent Company acted as the Remuneration Committee of Maskeliya Plantations PLC.

The Remuneration Committee, appointed by and responsible to the Board of Directors, consists of three Independent Non- Executive Directors, Dr. Jayathissa De Costa P.C., Mr. Jagath Korale and Mr. Presanna Fernando. The Committee is chaired by Dr. Jayathissa De Costa P.C. The Committee met on several occasions during the financial year.

The Remuneration Committee has reviewed and recommended the following to the Board of Directors:

1. Policy on remuneration of the Executive Staff
2. Specific remuneration package for the Executive Directors

In a highly competitive environment attracting and retaining high calibre executives is a key challenge faced by the Company. In this context, the Committee took into account, competition, market information and business performance in declaring the overall remuneration policy of the Company.



Dr. Jayathissa De Costa P.C.  
Chairman  
Remuneration Committee

31 May 2017

# Report of the Related Party Transactions Review Committee

The Related Party Transactions Review Committee of the Ultimate Parent Company acted as the Related Party Transactions Review Committee of Maskeliya Plantations PLC.

The Committee consists of three Independent Non-Executive Directors of the Ultimate Parent Company as follows,

Dr. Jayatissa De Costa P.C. (Chairman)  
Mr. Jagath C. Korale  
Mr. Prasanna Fernando

All three members were appointed with effect from 28 October 2016.

The Group Chief Financial Officer, Managing Director of Plantation Sector, Chief Executive Officer, and Financial Controller attended meetings by invitation. The Company Secretary functions as Secretary to the Related Party Transactions Review Committee.

The Objectives of the Committee,

- To exercise oversight on behalf of the Board, that all Related Party Transactions ("RPTs", other than those exempted by the CSE listing rules on the Related Party Transactions) of Maskeliya Plantations PLC is carried out and disclosed in a manner consistent with the CSE listing rules.
- To advise and update the Board of Directors on the related party transactions of Maskeliya Plantations PLC on a quarterly basis.
- To ensure compliance with the CSE listing rules on the Related Party Transactions.
- To review policies and procedures of Related Party Transactions of the Company.
- To ensure shareholder interests are protected and that fairness and transparency are maintained.

The Committee reviewed the policy framework for adoption on Related Party Transactions for Maskeliya Plantations PLC. In such process the committee considered Related Party Transactions which require approval of the Board of Directors, various thresholds set out by the Colombo Stock Exchange listing rules and disclosure requirements, etc.

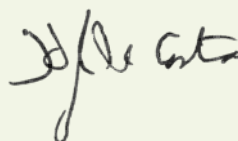
The Committee held two meetings during the period under review. The activities and views of the Committee have been communicated to the Board of Directors where appropriate.

Related Party Transactions during the year 2016/17

Details of the related party transaction entered in to by the Company are disclosed on page 113.

## Declaration

Refer: Annual Report of the Board of Directors on the Affairs of the Company, Pages 74 to 76 for the declaration by the Company that no related party transaction falling within the ambit of the Listing Rules was entered into by the Company during 2016/17, except what was disclosed in the note no. 34.



Dr. Jayatissa De Costa P.C.

Chairman  
Related Party Transactions Review Committee

31 May 2017

*The achievements of an organization are the yields of the combined efforts made by each individual -Vince Lombardi*

# Annual Report of the Board of Directors

The Directors of Maskeliya Plantations PLC have pleasure in presenting to the Members, their Report together with the Audited Financial Statements of the Company for the year ended 31 March 2017 and the Auditor's Report thereon.

The Board of Directors approved this report at the Board meeting held on 31 May 2017.

The details set out herein provide pertinent information required by the Companies Act No. 7 of 2007, Listing Rules of the Colombo Stock Exchange, Securities Exchange Commission and are guided by recommended Best Accounting Practices. The Company's new registration number is PQ 134.

## Principal Activities and Operational Review

The principal activity of Maskeliya Plantations PLC is cultivation and processing of Tea and remains unchanged from the previous year. During the year the Company managed & operated 18 Estates with an extent of 5,600 ha. of Tea in bearing. The Company has also commenced planting Rubber & Cinnamon.

The Company continues to be managed by RPC Management Services (Pvt) Ltd. The basis of Computation of Management Fees was changed commencing from 01 January 2016 and is in accordance with the Agreement signed between both parties as disclosed note 34.1.1 of the Financial Statements.

## Review of the Company Performance

The Chairman's Review, Review of Operations, the Financial Review and other reports attached, briefly describe the performance of the Company in the current financial year. These Reports together with the Financial Statements reflect results and the state of affairs of the Company.

## Turnover

The Turnover of the Company was Rs. 3,455,461,907/- (2016 – Rs. 3,273,852,212/-) and a composition of the Revenue is given in Note 06 to the Financial Statements.

## Financial Results

Year Ended 31 March	2017 Rs'000.	2016 Rs'000.
Profit/(Loss) before tax	(83,580)	(462,419)
Income Tax (Expense)/Income	(9,127)	(7,677)
Profit/(Loss) after taxation	(92,707)	(470,096)
Other Comprehensive Income/ (Expense) net tax	(41,540)	(310,852)
Profit/(Loss) B/f Including Timber Reserves	(289,471)	21,381
Profit/(Loss) C/f Including Timber Reserves	(331,011)	(289,471)

## Results and Dividends

In view of the adverse trading Results of the Company, the Directors do not recommend a Dividend for the year.

## Investments

The Company has entrusted the management of the Tea Center at St. Clair Estate to Company in the group on a profit sharing basis. The Profit earned during the year was Rs.1,486,204 (2016 - Rs. 1,159,223)

## Property, Plant and Equipment

The total capital expenditure incurred on the acquisition of fixed assets during the year amounted to Rs. 64,810,359/- (2016 - Rs. 148,252,076/-), out of which expenditure on Replanting and Field Development amounts to Rs.50,560,326/-(2016 - Rs. 138,701,184/-).

Further information relating to the movement of Fixed Assets is given in Notes 13 to 14 to the Accounts. Capital expenditure has been financed by either long or short term borrowings depending on the pay-back period and or internally generated funds.

## Stated Capital

The Stated Capital of the Company as at 31 March 2017 was Rs. 673,720,950/-. Details of the Stated Capital are given in Note 19 to the Financial Statements.

## Reserves and Accumulated Profits

The total Reserves and Accumulated profit of the Company as at 31 March 2017 was Rs.208,989,088/- (2016 - Rs. 250,528,679/-)

## Donations

No Donations were made by the Company during the year.

## Taxation

As per the Inland Revenue Act the Company profits from agricultural activities will be liable to income tax at the rate of 10% and all other sources of income will be liable to income tax at the rate of 28%. Further details of Taxation are given in Note 10 to the Financial Statements.

## Share Information

Information on Earnings, Dividend, Net Assets and Market Value per share is given on Pages 114 and 115 of this report.

## Major Shareholders

The twenty largest shareholders of the Company as at 31 March 2017 together with percentages held are given under the caption "Shareholder and Investor Information" on Page 115.

## Directors

The Names of the Directors who held office during the year are given below. Their brief profile appear on Page 17 to 19.

Name	
Dr. Sena Yaddehige	Chairman
S S Poholiyadde	Director
E M M Boyagoda (Resigned w.e.f 23.08.2016)	Director
Dr. L S K Hettiarachchi	Director
J L A Fernando	Director
Shaminda Yaddehige	Director
Dr. S A Samaraweera (Appointed w.e.f 22.05.2017)	Director

Pursuant to section 211 of the Companies Act No. 07 of 2007, a Notice of the following Ordinary Resolution has been received by the Company from RPC Management Services (Private) Limited of No. 310, High Level Road, Nawinna, Maharagama, a shareholder of the Company.

“That Dr. Sena Yaddehige of Le Neuf, Chemin, St. Saviours, Guernsey, United Kingdom, who is 71 years of age be and is hereby appointed a Director of the Company in terms of section 211 of the Companies Act No. 07 of 2007, and it is further specially declared that the age limit of 70 years referred to in section 210 of the Companies Act no. 07 of 2007 shall not apply to the said Dr. Sena Yaddehige”

In accordance with the Provisions of the Article 92 of the Articles of Association of the Company, Mr. Sunil Poholiyadde retires by rotation and offers himself for re-election.

In accordance with the Provisions of Article 98 of the Articles of Association of the Company, Dr. Sarath Samaraweera retires at the Annual General Meeting and offers himself for election.

### Interest Register

The Company maintains an interest register as required by the Companies' Act No.07 of 2007.

Information pertaining to Directors' interest in contracts, their remuneration and their share ownership are disclosed in the interest register.

### Transactions with Related undertakings

Name of Company	Name of Director	Position	Nature of Transaction	Amount Charged/ (Credit)	
				2016/17 Rs.'000	2015/16 Rs.'000
Eastern Brokers Limited	Mr. J L A Fernando	Director	Brokerage, Lot Money, Storage & Interest	28,973	31,333
	Mr. S S Poholiyadde (Resigned w.e.f 05/01/2017)	Director			

### Directors' Interest in Contracts.

Directors' Interest in Contracts in relation to transactions with related entities, key Management Personnel and other related disclosures are stated in Note 34 (Related Party Disclosures) to the Financial Statements. In addition, the Company carried out transactions in the ordinary course of business with the following entities having one or more directors in common.

### Directors' Interest in Shares

Shareholding of Directors who held office during the financial year is as follows:-

Director	2017	2016
J L A Fernando	300	300
Dr.S A Samaraweera (Appointed w.e.f 22.05.2017)	100	-

### CEO's Interest in Shares

M P S Pathiraja (Appointed w.e.f 21.11.2016)	59	-
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### Directors' Remuneration and Other Benefits

The Remuneration of the Directors for the year ended 31March 2017 is given in Note 09 of the Financial Statements.

### Environmental Protection

The Company's activities can have both direct and indirect effects on the environment. It is the policy of the Company to minimize any adverse effects by recycling resources as much as possible and creating awareness among staff on current global environmental threats.

The Company's efforts in relation to environmental protection are set out on Page 46 to 52 under managing our environment.

### Employment Policy

The Company's recruitment and employment policy is non discriminatory. Appraisals of individual employees are carried out by the respective departmental heads in order to evaluate their performance and realise their potential and through this process to benefit the Company and themselves.

### Statutory Payments

The Directors, to the best of their knowledge and belief are satisfied that all statutory payments have been made up to date.

### Events after the Reporting Date

No circumstances have arisen since the Balance Sheet date which would require adjustment or disclosure in the Accounts.

### Board Committees

The Board has delegated responsibilities to three Board sub Committees which operate within clearly defined terms of reference. Their compositions and functions are given in page 69 to 72 of this report.

### Related Party Transactions

There are no related party transactions (non-recurrent) which exceed 10 percent of the Equity or 5 percent of the total assets whichever is lower and the Company has complied with the requirements of the Listing Rules of the Colombo Stock Exchange on Related Party Transactions. However, the Company disclosed the transactions that could be classified as related party transactions which are adopted in the presentation of the Financial Statements and accordingly given in note 34.2.2 on Pages 113.

### Corporate Governance and Internal Control

The policies adopted by the Company in relation to Best Practices and Good Corporate Governance are given on Page 62 to 65.

The Board has overall responsibility for the Company's system of Internal Financial Control. Although no system of Internal Control can provide absolute assurance against material misstatement or loss, the Company's internal control system has been designed to provide the Directors with reasonable assurance that assets are safeguarded, transactions authorized and properly recorded and material errors and irregularities either prevented or detected within a reasonable period of time.

### Directors' Responsibility for Financial Reporting

The Statement of Directors' Responsibility is given on Page 77 of this report.

### Auditors

The Financial Statements for the year ended 31 March 2017 have been Audited by Messrs. Ernst & Young, Chartered Accountants. The Auditors Report is given on Page 78.

The Audit Fees of Messrs. Ernst & Young for the current year was Rs.3,226,000/- (2016 - Rs. 2,987,000/-).

In addition Rs.514,845/- (2016 - Rs. 223,160/-) was paid by the Company for non-audit related work which consists Tax related work. As far as the Directors were aware the Auditors do not have any relationship other than that of an Auditor with the Company.

In accordance with the Companies Act No. 7 of 2007, a resolution proposing their re-appointment as Auditors to the Company and authorizing the Directors of the Company to fix their remuneration will be proposed at the Annual General Meeting.

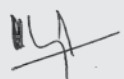
### Going Concern

The financial statements of the company have been prepared on the assumption that the company is a going concern. The Directors are satisfied that the company has adequate resources to continue as a going concern in the foreseeable future, to justify adopting the going concern basis in preparing these financial statements. However, the Company incurred a net loss of Rs.92,707,037 /= (2016 - Rs. 470,096,077/=) for the year ended 31 March 2017 and as of that date, the Company's current liabilities exceeded its current assets by Rs.1,124,738,053 /= (2016 - Rs. 1,022,186,105/=). The Directors are of the opinion that following will mitigate this position

- a) The Company is confident and is in the process of obtaining medium and long term loans to restructure the Balance Sheet and already obtained two term loans Rs. 400 mn & 78mn in April 2017.

### Annual General Meeting

The Annual General Meeting will be held on 30 June 2017 at the registered office of the Company at No. 310, High Level Road, Nawinna, Maharagama. The notice of the Annual General Meeting is on Page 124 of the report.



S S Poholiyadde  
Director



J L A Fernando  
Director



Mrs. R J Siriweera  
Company Secretary  
Richard Pieris Group Services (Pvt) Ltd.  
Secretaries  
310, High Level Road, Nawinna, Maharagama.  
31 May 2017

## Statement of Directors' Responsibility

In keeping with the provisions under the Companies Act No. 7 of 2007, the Directors of Maskeliya Plantations PLC, acknowledge their responsibility in relation to financial reporting of the Company. These responsibilities differ from those of its Auditors, Messrs Ernst & Young, which are set out in their report, appearing on Page 78.

The Financial Statements of the Company for the year ended 31 March 2017 included in this Report, have been prepared and presented in accordance with the Sri Lanka Accounting Standards (LKAS & SLFRS) and they provide the information as required by the Companies Act No. 7 of 2007, Sri Lanka Accounting Standards and the Listing Rules of the Colombo Stock Exchange. The Directors confirm that suitable accounting policies have been used and applied consistently, and that all applicable accounting standards have been followed in the preparation of the Financial Statements on Pages from 79 to 113 inclusive. All material deviations from these standards if any, have been disclosed and explained. The judgments and estimates made in the preparation of these Financial Statements are reasonable and prudent.

The Directors confirm their responsibility for ensuring that Company maintains accounting records, which are sufficient to prepare Financial Statements to disclose with reasonable accuracy, the financial position of the Company. They also confirm their responsibility towards ensuring that the Financial Statements presented in the Annual Report give a true and fair view of the state of affairs of the Company as at 31 March 2017 and that of the loss for the year then ended.

The overall responsibility for the Company's internal control systems lies with the Directors.

Whilst recognising the fact that there is no single system of internal control that could provide absolute assurance against material misstatements and fraud, the Directors confirm that the prevalent internal control systems instituted by them which comprise internal checks, internal audit, financial and other controls are so designed that, there is reasonable assurance that all assets are safeguarded and transactions properly authorised and recorded, so that material misstatements and irregularities are either prevented or detected within a reasonable period of time. The Directors' are of the view that the Company has adequate resources to continue operations in the foreseeable future and have continued to use the going concern basis in the preparation of these Financial Statements.

The Directors have provided the Auditors, Messrs Ernst & Young, Chartered Accountants, with every opportunity to carry out reviews and tests that they consider appropriate and necessary for the performance of their responsibilities. The Auditors, have examined the Financial Statements together with all financial records and related data and express their opinion which appears as reported by them on Page 78 of this report.



By Order of the Board,

Mrs. R J Siriweera  
Company Secretary  
Richard Pieris Group Services (Pvt) Ltd.  
310, High Level Road,  
Nawinna,  
Maharagama.

31 May 2017

# Independent Auditors Report



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

Tel : +94 11 2463500  
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## TO THE SHAREHOLDERS OF MASKELIYA PLANTATIONS PLC

### Report on the Financial Statements

We have audited the accompanying Financial Statements of Maskeliya Plantations PLC ("the Company") 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 controls 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 misstatements.

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 controls 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 controls. 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 financial statements give a true and fair view of the financial position of the Company 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.

### Emphasis of Matter

Without qualifying our opinion, we draw attention to the Accounting Policy Note 2.1.1 to the financial statements regarding the going concern ability of the Company. The Company incurred a net loss of Rs. 92,707,037/= (2016 – Rs. 470,096,077/=) for the year ended 31 March 2017 and as of that date, the Company's current liabilities exceeded its current assets by Rs. 1,124,738,053/= (2016 – Rs. 1,022,186,105/=). Hence there are conditions indicating an uncertainty on the going concern.

### 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, and
  - The financial statements of the Company comply with the requirements of sections 151 of the Companies Act. No 07 of 2007.

31 May 2017  
Colombo

Partners: W R H Fernando FCA FCMA M P D Cooray FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva FCA Ms. Y A De Silva FCA W K B S P Fernando FCA FCMA  
Ms. K R M Frenando FCA ACMA Ms. L K H L Fonseka FCA A P A Gunasekera FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLB (Lond) H M A Jayasinghe FCA FCMA  
Ms. A A Ludowyke FCA FCMA Ms. G G S Manatunga FCA N M Sulaiman ACA ACMA B E Wijesuriya FCA FCMA  
Principal: T P M Ruberu FCMA FCCA

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# Statement of Profit or Loss

Year Ended 31 March 2017

	Notes	2017 Rs.'000	2016 Rs.'000 Restated
Revenue	6	3,455,462	3,273,852
Cost of Sales		(3,272,774)	(3,425,634)
Gross Profit		182,688	(151,782)
Other Income	7	22,700	17,569
Administrative Expenses		(48,815)	(40,011)
Change in fair Value of Biological Assets	14.F	30,223	11,639
Management Fee		(27,097)	(101,531)
Finance Cost	8	(243,279)	(198,303)
Profit Before Taxation	9	(83,580)	(462,419)
Income Tax (Expenses / Reversal)	10	(9,127)	(7,677)
Net Profit / (Loss) for the Year		(92,707)	(470,096)
Basic Earnings per Share	11.2	(1.72)	(8.71)

The accounting policies and Notes on Pages 84 through 113 form an integral part of the Financial Statements.

# Statement of Comprehensive Income

Year Ended 31 March 2017

	Notes	2017 Rs.'000	2016 Rs.'000
Profit/ (Loss) for the year		(92,707)	(470,096)
<b>Other Comprehensive Income</b>			
Other Comprehensive income to be reclassified to profit or loss in Subsequent periods (net or tax)		-	-
<b>Net other comprehensive Income to be reclassified to profit or loss in subsequent periods</b>			
Other Comprehensive Income not to be reclassified to profit or loss in subsequent periods (net or tax)			
Remeasurement gains/ (Losses) on defined benefit plan	22	51,167	159,244
Income tax effect	10.1	-	-
<b>Net Other comprehensive income/(Loss) not to be reclassified to profit or Loss</b>		51,167	159,244
<b>Total Other Comprehensive Income for the year</b>		51,167	159,244
<b>Total Comprehensive Income for the year, net of tax</b>		<b>(41,540)</b>	<b>(310,852)</b>

The accounting policies and Notes on Pages 84 through 113 form an integral part of the Financial Statements.

# Statement of Financial Position

As at 31 March 2017

	Notes	2017 Rs.'000	2016 Rs.'000 Restated	2015 Rs.'000 Restated
<b>ASSETS</b>				
<b>Non Current Assets</b>				
Lease hold Property ,Plant and Equipment	12	252,374	269,783	287,193
Freehold Property, Plant & Equipment	13	514,955	550,339	592,829
Bearer Biological Assets	14A	2,185,652	2,178,317	2,079,220
Consumable Biological Assets	14B	633,224	615,953	604,275
Deferred Tax Assets	23	36,164	36,165	36,165
		3,622,369	3,650,557	3,599,682
<b>Current Assets</b>				
Produce on Bearer Biological Assets	14 E	13,464	4,212	5,840
Inventories	15	485,317	431,922	477,365
ACT Recoverable		47,926	47,926	47,926
VAT Receivable		20,906	21,024	21,031
Trade and Other Receivables	16	196,463	202,249	246,108
ESC Recoverable		43,157	34,858	34,345
Amounts Due From Related Parties	17	2,468	2,730	2,707
Cash and Bank Balances	18	10,357	10,899	10,427
		820,058	755,820	845,749
<b>TOTAL ASSETS</b>		<b>4,442,427</b>	<b>4,406,377</b>	<b>4,445,431</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Capital and Reserves</b>				
Stated Capital	19	673,721	673,721	673,721
General Reserve	20	540,000	540,000	540,000
Timber Reserves		590,473	573,202	561,524
Retained Earnings/(Losses)		(921,484)	(862,673)	(540,143)
<b>Total Equity</b>		<b>882,710</b>	<b>924,250</b>	<b>1,235,102</b>
<b>Non Current Liabilities &amp; Deferred Income</b>				
Interest Bearing Loans & Borrowings	21	402,502	470,850	417,600
Retirement Benefit Obligations	22	897,882	905,211	981,279
Deferred Income	24	203,905	215,200	222,307
Liability to make Lease Payment after one year	25	110,631	112,861	115,005
		1,614,920	1,704,122	1,736,191
<b>Current Liabilities</b>				
Trade and Other Payables	26	544,198	374,306	376,273
Interest Bearing Loans & Borrowings	21	1,032,978	1,111,246	877,129
Liability to make Lease Payment within one year	25	2,230	2,144	2,061
Amounts Due to Related Parties	27	363,383	288,301	216,667
Dividends Payable	28	2,008	2,008	2,008
		1,944,797	1,778,005	1,474,138
<b>Total Equity and Liabilities</b>		<b>4,442,427</b>	<b>4,406,377</b>	<b>4,445,431</b>
<b>NET ASSETS PER SHARE</b>		<b>16</b>	<b>17</b>	<b>23</b>

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

  
**Sudheera Eritakumbura**  
 Financial Controller

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.  
 Approved and signed for and on behalf of the Board of Directors of Maskeliya Plantations PLC

  
**S S Poholiyadde**  
 Director

  
**J L A Fernando**  
 Director

The accounting policies and Notes on Pages 84 through 113 form an integral part of the Financial Statements.

31 May 2017  
 Colombo

# Statement of Changes in Equity

Year Ended 31 March 2017

	<b>Stated Capital Rs.'000</b>	<b>General Reserve Rs.'000</b>	<b>Retained Earnings Rs.'000</b>	<b>Timber Reserve Rs.'000</b>	<b>Total Rs.'000</b>
As at April 2015 (As previously reported)	673,721	540,000	(545,983)	561,524	1,229,262
Impact of the amendments of LKAS 16 & LKAS 41 (Note 29)	-	-	5,840		5,840
<b>Balance as at 01 April 2015 Restated</b>	<b>673,721</b>	<b>540,000</b>	<b>(540,143)</b>	<b>561,524</b>	<b>1,235,102</b>
Net Profit / (Loss) for the year	-	-	(470,096)	-	(470,096)
Total Other Comprehensive Income /(Loss) for the year	-	-	159,244	-	159,244
Timber Reserve	-	-	(13,267)	13,267	-
Transfer of Realized Timber Gain	-	-	1,589	(1,589)	-
<b>Balance as at 31 March 2016 Restated</b>	<b>673,721</b>	<b>540,000</b>	<b>(862,673)</b>	<b>573,202</b>	<b>924,250</b>
Net Profit / (Loss) for the year	-	-	(92,707)	-	(92,707)
Total Other Comprehensive Income/(Loss) for the year	-	-	51,167	-	51,167
Timber Reserve	-	-	(20,971)	20,971	-
Transfer of Realized Timber Gain	-	-	3,700	(3,700)	-
<b>Balance as at 31 March 2017</b>	<b>673,721</b>	<b>540,000</b>	<b>(921,484)</b>	<b>590,473</b>	<b>882,710</b>

The accounting policies and Notes on Pages 84 through 113 form an integral part of the Financial Statements.

# Statement of Cash Flows

Year Ended 31 March 2017

	Notes	2017 Rs.'000	2016 Rs.'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Net Profit/(Loss) before Taxation</b>		<b>(83,580)</b>	<b>(462,419)</b>
<b>ADJUSTMENTS FOR</b>			
Depreciation/Amortisation	12-14	110,269	109,055
Provision for Defined Benefit Plan Cost	22	155,614	154,323
Amortisation of Grants	24	(11,762)	(11,762)
Gain/(Loss) on change in fair value Timber Plantations Net of Harvesting	14B	(17,271)	(11,678)
Gain/(Loss) on change in fair value Green Leaf		(9,252)	1,628
Finance Costs	8	243,279	198,303
<b>Operating Profit/(Loss) before Working Capital Changes</b>		<b>387,297</b>	<b>(22,550)</b>
(Increase)/Decrease in Trade and other receivables		2,508	43,954
(Increase)/Decrease in Inventories	15	(53,395)	45,444
Increase/(Decrease) in Trade and other payables		197,832	(37,558)
Increase/(Decrease) in amounts due to Related Parties	27	75,082	71,634
(Increase)/Decrease in amounts due from Related Parties	17	262	(23)
<b>Cash Generated from Operations</b>		<b>609,586</b>	<b>100,901</b>
Finance Costs Paid		(209,744)	(147,249)
Defined Benefit Plan Costs Paid	22	(111,776)	(71,147)
ESC Paid		(14,031)	(8,279)
<b>Net Cash from Operating Activities</b>		<b>274,035</b>	<b>(125,774)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Field Development Expenditure	14A	(50,560)	(138,701)
Purchase of Property, Plant & Equipment	13	(14,250)	(9,551)
<b>Net Cash used in Investing Activities</b>		<b>(64,810)</b>	<b>(148,252)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Grants Received		467	4,656
Payment of Government lease rentals		(63,619)	(17,525)
Proceeds from loans		281,619	570,968
Payment of loans		(514,362)	(408,541)
<b>Net Cash from Financing Activities</b>		<b>(295,895)</b>	<b>149,558</b>
<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>		<b>(86,670)</b>	<b>(124,468)</b>
<b>A.</b> Cash & Cash Equivalents at the beginning of the year		<b>(631,032)</b>	<b>(506,564)</b>
<b>B.</b> Cash & Cash Equivalents at the end of the year		<b>(717,702)</b>	<b>(631,032)</b>
<b>NOTE A</b>			
Cash & Cash Equivalents at the beginning of the year			
Cash & Bank Balances		10,899	10,427
Bank Overdrafts		(641,931)	(516,991)
		<b>(631,032)</b>	<b>(506,564)</b>
<b>NOTE B</b>			
Cash & Cash Equivalents at the end of the year			
Cash & Bank Balances		10,357	10,899
Bank Overdrafts		(728,059)	(641,931)
		<b>(717,702)</b>	<b>(631,032)</b>

The accounting policies and Notes on Pages 84 through 113 form an integral part of the Financial Statements.

# Notes to the Financial Statements

Year Ended 31 March 2017

## 1 REPORTING ENTITY

### 1.1 Domicile and Legal Form

Maskeliya Plantations was incorporated and domiciled in Sri Lanka, under the Companies Act No.17 of 1982 (The Company re-registered under the Companies Act No.07 of 2007) in terms of the provisions of the Conversion of Public Corporations or Government-Owned Business Undertakings into Public Companies Act No. 23 of 1987. The registered office of the Company is located at No. 310, High Level Road, Nawinna, Maharagama and Plantations are situated in the planting districts of Bandarawela, Maskeliya, Upcot and Talawakelle.

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

### 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, planting of timber.

### 1.3 Parent Enterprise and Ultimate Parent Enterprise

The Company's parent undertaking is RPC Management Services (Pvt) Ltd. In the opinion of the Directors, the Company's ultimate parent undertaking and controlling party is Richard Pieris & Company PLC, which is incorporated in Sri Lanka.

### 1.4 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.

### 1.5 Date of Authorization for Issue

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

## 2 BASIS OF PREPARATION

### 2.1 Statement of Compliance

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

These Financial Statements have been prepared on a historical cost basis except for the revaluation of certain Property, Plant and Equipment, which are stated at revalued amounts. The Financial Statements are prepared in Sri Lankan Rupees and all values are rounded to the nearest thousand.

### 2.1.1 Going Concern

The financial statements of the company have been prepared on the assumption that the company is a going concern. The Directors are satisfied that the company has adequate resources to continue as a going concern in the foreseeable future, to justify adopting the going concern basis in preparing these financial statements. However, the Company incurred a net loss of Rs.92,707,037 /= (2016 – Rs. 470,096,077/=) for the year ended 31 March 2017 and as of that date, the Company's current liabilities exceeded its current assets by Rs.1,124,738,053 /= (2016 – Rs .1,022,186,105/=). The Directors are of the opinion that following will mitigate this position.

a) The Company is confident and is in the process of obtaining medium and long term loans to restructure the Balance Sheet and already obtained two term loans Rs. 400 mn & 78mn in April 2017.

### 2.2 Basis of Measurement

These Financial Statements have been prepared in accordance with the historical cost convention other than Right to Use of Land which have been revalued as described in Note 12.1 to the Financial Statements. Managed biological assets, have been measured at fair value where appropriate, specific policies are explained in the succeeding notes.

### 2.3 Functional and Presentation Currency

The Financial Statements are presented in Sri Lankan Rupees (Rs.) which is the Company's functional and presentation currency and all values are rounded to the nearest thousand.

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below are consistent with those used in the previous year.

### 3.1 Current Versus Non-Current Classification

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

## NOTES TO THE FINANCIAL STATEMENTS

### Year Ended 31 March 2017

- 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 Company classifies all other liabilities as non-current.

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

### 3.2 Fair Value Measurement

The Company 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 summarized in the following notes:

- Managed Consumable biological assets Note 14.B
- Produce on Bearer biological assets Note 14 E

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 Company.

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 Company 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 Company 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 managed biological assets. Involvement of external valuers is decided upon annually by the Management Committee after discussion with and approval by the Company's Audit 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 Company has determined classes of assets and liabilities on the

## NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 March 2017

basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

### 3.3 Property, Plant & Equipment

#### 3.3.1 Recognition and Measurement

Items of Property, Plant & Equipment are measured at cost (or at fair value in the case of land and consumable biological assets), less accumulated depreciation and accumulated impairment losses, if any.

#### 3.3.2 Owned Assets

The cost of Property, Plant & Equipment includes expenditure which is directly attributable to the acquisition of the asset. Such costs includes the cost of replacing part of the Property, Plant and Equipment and borrowing costs for long terms 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.

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 performed, 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 recognized 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 of first utilization or at the time the asset is commissioned.

#### 3.3.3 Leased Assets

Assets obtained under the finance lease, which effectively transfer to the Company substantially, all of the risks and benefits incidental to ownership of the leased assets, are treated as if they have been purchased outright and are capitalized at their cash price. Assets acquired by way of a finance lease are measured at an amount equal to the lower of their fair value and the present value of minimum lease payments at the inception, less accumulated depreciation and accumulated impairment losses.

Assets held under finance lease are amortized over the shorter of the lease period or the useful lives of equivalent-owned assets, unless ownership is not transferred at the

end of the lease period. The principal/ capital elements payable to the lessor are shown as liability/ obligation. The lease rentals are treated as consisting of capital and interest elements. The capital element in the rental that is applied to reduce the outstanding obligation and interest element is charged against profit, in proportion to the reducing capital element outstanding.

The cost of improvements to or on Leased Property is capitalized, disclosed as improvements to leasehold property and depreciated over the unexpired period of the lease, or the estimated useful lives of the improvements, whichever is shorter.

#### 3.3.4 Subsequent Cost

The cost of replacing part of an item of Property, Plant & Equipment is recognized in the carrying amount of the item, if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition policy given below. The costs of the day-to-day servicing of Property, Plant & Equipment are recognized in profit or loss as incurred.

#### 3.3.5 Derecognition

The carrying amount of an item of Property, Plant & Equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. Gains or losses on derecognition are recognized in profit or loss and gains are not classified as revenue. When revalued assets are sold, any related amount included in the Revaluation Reserve is transferred to Retained Earnings.

#### 3.3.6 Land Development Cost

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

These costs have been capitalized and amortized 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.

#### 3.3.7 Biological Asset

Biological assets are classified into 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 specification. Tea, other plantations and nurseries are classified as biological assets.

## NOTES TO THE FINANCIAL STATEMENTS

### Year Ended 31 March 2017

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

#### (a) Bearer Biological Assets

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 as per the ruling issued by the Institute of Chartered Accountant of Sri Lanka.

The cost of land preparation, rehabilitation, new planting, replanting, crop diversification, inter planting and fertilizing 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, including interest attributable to long-term loans used for financing immature plantations. The expenditure incurred on bearer biological assets (Tea, Timber fields) which comes into bearing during the year, is transferred to mature plantations. Expenditure incurred on consumable biological assets is recorded at cost at initial recognition and thereafter at fair value at the end of each reporting period.

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

#### (b) 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

#### (c) Consumable Biological Assets

Consumable biological assets include managed timber that are to be harvested as agricultural produce or sold as biological assets.

The managed timber trees are measured on initial recognition and at the end of each reporting period 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 14B.

#### The Main Variables in DCF Model Concerns

Variable	Comment
Timber Content	Estimate based on physical verification of girth, height and considering the growth of the each specie in different geographical regions. Factor all the prevailing statutory regulations enforced for harvesting of timber coupled with forestry plan of the company.
Economic Useful Life	Estimated based on the normal life span of each specie by factoring the forestry plan of the Company
Selling Price	Estimated based on prevailing Sri Lankan market price. Factor all the conditions to be fulfilled in bringing the trees into saleable condition
Planting Cost	Estimated costs for the further development of immature areas are deducted.
Discount Rate	Future cash flows are discounted at following discount rates: Timber trees 14%

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

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

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### 3.3.8 Infilling Cost on Bearer Biological Assets

The land development costs incurred in the form of infilling have been capitalized to the relevant mature field, if it increases the expected future benefits from that field, beyond its pre-infilling performance assessment. Infilling costs so capitalized are depreciated over the newly assessed remaining useful economic life of the relevant mature plantation, or the unexpired lease period, whichever is lower.

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

### 3.3.9 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 capitalized are recognized as expenses in the period in which they are incurred and charged to the Statement of Profit or Loss.

The amounts of the borrowing costs which are eligible for capitalisation are determined in accordance with LKAS 23 – 'Borrowing Costs'.

### 3.3.10 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 Company 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 (%)
Buildings & Roads	40	2.50
Plant & Machinery	13 1/3 to 23	7.50/4.35
Motor Vehicles	05	20.00
Equipment	08	12.50
Computer	04	25.00
Computer Software	03	33.33
Furniture & Fittings	10	10.00
Sanitation, Water Supply, Electricity	20	5.00

Mature Plantations (Replanting and New Planting)

	No. of Years	Rate (%)
Tea	33 1/3	3.00

Depreciation of an asset begins when it is available for use and ceases at the earlier of the date on which the asset is 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 less. No depreciation is provided for immature plantations.

#### (b) Amortisation

The leasehold rights of assets taken over from SLSPC are amortized 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
Improvements to Land	30	3.33
Mature Plantations (Tea)	30	3.33
Buildings	25	4.00
Machinery	15	6.67

### 3.4 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.

#### 3.4.1 Financial Assets

##### 3.4.1.1 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 company commits to purchase or sell the asset.

The Company financial assets include cash and short-term deposits, short term investments, trade and other

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receivables, loans and other receivables, quoted and unquoted financial instruments.

#### 3.4.2 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 and loss are carried in the statement of financial position at fair value with net changes in fair value presented as finance income or finance costs in the statement of profit or loss.

The company has not designated any financial assets 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 amortisation is included in finance income in the profit or loss statement. The losses arising from impairment are recognized in the profit or loss statement in finance costs.

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 company has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, 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 statement of profit or loss. The losses arising from impairment are recognized in the statement of profit or loss in finance costs.

The company did not have any held-to-maturity investments during the years ended 31 March 2016 and 2017.

##### (d) Available for sale financial investments

Available-for-sale financial investments include equity investments and debt securities. Equity investments classified as available for sale 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, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available-for sale 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 available-for sale reserve to the statement of profit or loss in finance costs. Interest earned whilst holding available-for-sale financial investments is reported as interest income using the EIR method.

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

For a financial asset reclassified from the available-for-sale 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.

#### 3.4.3 Derecognition

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

- The rights to receive cash flows from the asset have expired
- The Company 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 Company has transferred substantially all

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the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company 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 Company's continuing involvement in the asset. In that case, the Company 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 Company 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 Company could be required to repay.

### 3.4.4 Impairment of Financial Assets

The Company 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.

### 3.4.5 Financial Assets Carried at Amortised Cost

For financial assets carried at amortised cost, the Company 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 Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a company 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 Company. 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.

### 3.4.5.1 Available for Sale Financial Assets

For AFS financial assets, the Company 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 judgment. In making this judgment, the Company 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

## NOTES TO THE FINANCIAL STATEMENTS

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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.

### 3.5 Financial liabilities

#### 3.5.1 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. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, and payable net of directly attributable transaction costs.

The financial liabilities of the Company include trade and other payables, bank overdrafts, loans and borrowings.

#### 3.5.2 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 acquired for the purpose of selling in the near term. Gains or losses on liabilities held for trading are recognized in the income statement.

The Company has not designated any financial liabilities 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 recognized in the income statement when the liabilities are derecognized 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. The EIR amortisation is included as finance costs in the statement of profit or loss.

#### 3.5.3 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 statement of profit or loss.

#### 3.5.4 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously

#### 3.5.5 Fair value of Financial Instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arm's length market transactions
- Reference to the current fair value of another instrument that is substantially the same
- A discounted cash flow analysis or other valuation models.

#### 3.5.6 Financial Risk Management Objectives and Policies

The Company's principal financial liabilities, comprise with loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations and to provide guarantees to support its operations. Further the company has loans and other receivables, trade and other receivables and cash and short term deposits that arrive directly from its operations. Accordingly, the Company has exposure to namely Credit Risk, Liquidity Risk, and Interest Risk from its use of Financial Instruments

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

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## Credit Risk

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

## Trade and Other Receivables

The company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Company's customer base, including the default risk of the industry and the country in which the customers operate, as these factors may have an influence on credit risk.

The Company reviews external ratings and bank references of the customer when available. Purchase limits are established for each customer, which are reviewed quarterly. In monitoring credit risk, customers are categorized according to their credit characteristics, including whether they are an individual or legal entity, whether they are a wholesale or retail customer, geographical location, industry, aging profile, maturity and existence of previous financial difficulties. Credit risk on trade debtors are minimal since settlement is guaranteed within seven days.

## Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company'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 Company's reputation.

## Interest Rate Risk

The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates. The Company manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. The company has not engaged in any interest rate swap agreements.

## 3.6 Investments

### 3.6.1 Short-Term Investments

Short-term investments are measured at the lower of cost and market value on an aggregate portfolio basis, with any resultant gain or loss recognized in profit or loss.

### 3.6.2 Long-Term Investments

Quoted and unquoted investments in shares held on long-term basis are measured at cost, less impairment losses.

Provision for impairment is made when, in the opinion of the Directors there has been a decline other than temporary in the value of the investment.

## 3.7 Inventories

Finish goods manufactured from agricultural produce of biological assets

These are valued at the lower of cost and estimated net realizable value, after making due allowance for obsolete and slow moving items. 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 Material, Spares and Consumables

At actual cost on weighted average basis.

## 3.8 Trade and Other Receivables

Trade and other receivables are stated at their estimated realizable amounts inclusive of provisions for bad and doubtful debts.

## 3.9 Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and short term deposit. Bank overdrafts that are repayable on demand form an integral part of the Company's cash management and are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

## 3.10 Impairment of Non-Financial Assets

The Company 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 company 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.

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The company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the company'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 company 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

#### 3.11 Provisions

Provisions are recognised when the company 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 company 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.

#### 3.12 Employees Benefits

##### (a) Defined Contribution Plans - Provident Funds and 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 as in retained earnings through other comprehensive income. Past service costs are recognised immediately in Profit or Loss Statement.

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 22.

#### 3.13 Trade and Other Payables

Trade and other payables are stated at their costs.

#### 3.14 Capital Commitments and Contingencies

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

## NOTES TO THE FINANCIAL STATEMENTS

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### 3.15 Events Occurring after the Date of Financial Position

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

### 3.16 Deferred Income

#### 3.16.1 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 Company receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to the income statement 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. Assets are amortized over their useful lives as follows.

Buildings	40 years
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### 3.17 Earnings per Share

The Company 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 company by the weighted average number of ordinary shares outstanding during the period.

### 3.18 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 Company's performance.

#### 3.18.1 Revenue

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

- (a) Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Revenue is 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 & Equipment are determined by comparing the net sales proceeds with the carrying amounts of Property, Plant & Equipment and are recognised within 'other operating income' in the Statement of Profit or Loss.

- (c) Interest income is recognised on accrual basis.

- (d) Dividend income is recognised in Statement of Profit or Loss on the date the entity's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

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

### 3.18.2 Expenses

All expenditure incurred in the running of the business and in maintaining the Property, Plant & Equipment in a state of efficiency is charged to revenue in arriving at the profit/(loss) for the year.

#### 3.18.2.1 Financing Income and Expenses

Finance income comprises interest income on funds invested, and gains on translation of foreign currency. Interest income is recognised in Statement of Profit or Loss as it accrues.

Finance expenses comprise interest payable on borrowings and losses on translation of foreign currency. The interest expense component of finance lease payments 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.

#### 3.18.2.2 Taxes

##### 3.18.2.2.1 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 company 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.

##### 3.18.2.2.2 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.

## NOTES TO THE FINANCIAL STATEMENTS

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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.

#### 3.19 Statement of Cash Flow

The Cash Flow Statement has been prepared using the 'indirect method'. Interest paid is classified as operating cash flows, interest and dividends received are classified as investing cash flows while dividends paid and Government grants received are classified as financing cash flows in financial activities, for the purpose of presenting the Cash Flow Statement.

#### 3.20 Segment Reporting

The segments are determined based on the company's geographical spread of operations. The geographical analysis of turnover and profits are based on location of customers and assets respectively.

Segment information has been prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the company.

No operating segments have been aggregated to form the above reportable operating segments. An individual segment manager is determined for each operating segment and the results are regularly reviewed by the Financial Controller. The Financial Controller monitors the operating results of its segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the operating segments information, is measured differently from operating profit or loss in the financial statements.

Transfer prices between operating segments are on an arm's-length basis in a manner similar to transactions with third parties.

#### 3.21 Change in Accounting Policies and Disclosures

Amendment to LKAS 41 & 16 – Harvestable Produce Growing on Bearer Biological Assets

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.

# NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 March 2017

Accordingly, the Company has applied these amendments retrospectively in the Financial Statements. For the details refer note 29.

## 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 circumstances. 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 recognised 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:

- Note 22 - Measurement of the Retiring Benefit Obligations
- Note 23 - Deferred Taxation
- Note 14.B - Biological Assets

### 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 judgement 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 23.

### 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 22. Any changes in these assumptions will impact the carrying amount of retirement benefit obligations.

### 4.3 Biological Assets

The fair value of managed timber trees depends on a number of factors that are determined on a discounted method using various 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 to the fair value of biological assets. Key assumptions and sensitivity analysis of the biological assets are given in the Note 14 B.

## 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 Company.

### 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.

## NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 March 2017

		2017		2016	
		Rs.'000		Rs.'000	
<b>06 REVENUE</b>					
<b>06.1 Summary</b>					
Tea				3,447,961	3,269,172
Profit/(Loss) on Sale of Trees				7,501	4,680
				3,455,462	3,273,852
<b>06.2 Segment Information</b>					
<b>Geographical Segment</b>	<b>Maskeliya</b>	<b>Upcot</b>	<b>Talawakelle</b>	<b>Bandarawela</b>	<b>Total</b>
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>
	<b>Rs.'000</b>	<b>Rs.'000</b>	<b>Rs.'000</b>	<b>Rs.'000</b>	<b>Rs.'000</b>
Revenue	937,076	892,543	1,204,252	1,229,592	687,291
Cost of Sales	(810,007)	(801,471)	(1,098,349)	(1,143,051)	(565,948)
Depreciation/Amortisation	(30,306)	(27,552)	(31,069)	(33,271)	(19,694)
Gratuity	(20,551)	(33,584)	(30,380)	(56,914)	(11,629)
Segment Results	76,212	29,936	44,454	(3,644)	90,020
					4,072
					(27,998)
					(182,146)
					182,688
					(151,782)
Other Income					22,700
Gain on change in fair value of Biological Assets					30,223
Administrative Expenses					(48,815)
Management Fees					(27,097)
Finance Cost					(243,279)
Income Tax (Expenses)/ Income					(9,127)
Profit/ (Loss) for the year					(92,707)
					(470,096)

		Maskeliya		Upcot		Talawakelle		Bandarawela		Total	
		2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
		Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Segment Assets</b>											
Cost		1,242,309	1,230,721	1,506,166	1,485,047	875,370	868,208	1,647,599	1,628,650	5,271,444	5,212,626
Accumulated Depreciation		(430,869)	(401,654)	(554,867)	(524,916)	(316,035)	(297,050)	(445,440)	(417,289)	(1,747,211)	(1,640,909)
Current Assets		171,067	185,365	251,737	257,787	140,171	99,911	205,551	146,002	768,526	689,065
		982,507	1,014,431	1,203,036	1,217,918	699,506	671,069	1,407,710	1,357,363	4,292,759	4,260,782
<b>Unallocated Assets</b>											
Cost										151,465	128,112
Accumulated Depreciation										(53,329)	(49,272)
Current Assets										51,533	66,755
Total Assets										4,442,428	4,406,377
<b>Segment Liabilities</b>											
Non Current Liabilities		314,322	288,093	485,282	438,136	199,900	190,576	302,694	297,081	1,302,198	1,213,886
Current Liabilities		125,314	72,937	195,596	122,230	100,281	57,656	552,524	73,868	973,715	326,690
		439,636	361,030	680,878	560,366	300,181	248,232	855,218	370,949	2,275,913	1,540,576
<b>Unallocated Liabilities</b>											
Non Current Liabilities										312,722	490,236
Current Liabilities										971,082	1,451,315
										1,283,804	1,941,551
										3,559,717	3,482,127
<b>Capital Expenditure</b>											
Field Development		9,524	27,968	19,830	58,966	4,919	11,292	16,287	40,476	50,560	138,701
Property, Plant & Equipment		3,941	3,245	3,166	961	4,120	49	4,540	3,720	15,767	7,974
		13,465	31,213	22,996	59,927	9,039	11,341	20,827	44,196	66,327	146,675
Property, Plant & Equipment Unallocated										(1,517)	1,577
Total Capital Expenditure										64,810	148,252

## NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 March 2017

<b>07. OTHER INCOME</b>	<b>2017</b>	<b>2016</b>
	<b>Rs.'000</b>	<b>Rs.'000</b>
Amortization of Capital Grants	11,762	11,762
Other Sundry Income	10,938	5,807
	<b>22,700</b>	<b>17,569</b>

<b>08. FINANCE COST</b>	<b>2017</b>	<b>2016</b>
	<b>Rs.'000</b>	<b>Rs.'000</b>
Interest on Lease Rental (JEDB/SLSPC)	4,600	4,683
Contingent Lease Rental (JEDB/SLSPC)	29,933	29,178
Overdraft Interest	37,895	15,917
Term Loan Interest	135,892	139,324
Short Term Loan Interest	40,904	23,952
Stamp Duty & Other charges	1,564	4,969
	<b>250,788</b>	<b>218,023</b>
Amount Capitalised	(7,509)	(19,720)
	<b>243,279</b>	<b>198,303</b>

### Interest rate sensitivity

The following table demonstrates the sensitivity on interest rates on floating loans and borrowings with all other variables held constant.

	<b>Increase /Decrease in Interest Rate</b>	<b>Effect on Profit Before Tax (Rs.'000)</b>
2016 /2017	+ 1%	8,946
	-1%	(8,946)
2015 /2016	+ 1%	8,238
	-1%	(8,238)

<b>09 PROFIT BEFORE TAXATION IS STATED AFTER CHARGING</b>	<b>2017</b>	<b>2016</b>
	<b>Rs.'000</b>	<b>Rs.'000</b>
Auditor's Remuneration	3,226	2,987
Directors' Remuneration	1,001	1,598
Depreciation/Amortisation	110,269	109,055
Defined Benefit Plan Costs (Included Under Cost of Sales & Administration Expenses)	155,614	154,323
Defined Contributions Plan Costs - EPF & ETF	200,950	218,831
Others - Staff Costs (Including Estate Employees)	1,932,907	2,071,050

### 10. TAX EXPENSE

The major component of income tax expense for the year ended 31st March 2017 are as follows :

<b>10.1 Statement of Profit or Loss</b>	<b>2017</b>	<b>2016</b>
	<b>Rs.'000</b>	<b>Rs.'000</b>
<b>(I) Current Income Tax:</b>		
ESC Written off	(9,127)	(7,677)
<b>(II) Deferred Tax:</b>		
Relating to origination and (reversal) of temporary differences (Note 23.1)	-	-
<b>Income Tax charge/(reversal) reported in Income Statement</b>	<b>(9,127)</b>	<b>(7,677)</b>

### 10.2 Statement of Comprehensive Income

Deferred tax relating to items (charges)/credited directly to OCI during the year:

Net gain/(loss) on actuarial gains and losses on defined Benefit Plans (Note 23)	-	-
<b>Income Tax charge directly to other comprehensive income</b>	<b>-</b>	<b>-</b>

Note- Deferred Tax Asset not recognised due to tax losses of the company.

## NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 March 2017

<b>10.3 Reconciliation Between Tax Expenses and the Product of Accounting Profit</b>	<b>2017</b>	<b>2016</b>
	<b>Rs.'000</b>	<b>Rs.'000</b>
Profit / (Loss) before Tax	(83,580)	(462,419)
Aggregate disallowed items	270,483	268,734
Aggregate allowable items	(270,561)	(287,984)
Taxable Loss	(83,658)	(481,669)
Effective Tax Rate	15.76%	15.76%
ESC Write off during the year	9,127	7,677
Income Tax Charge/(Reversal)	9,127	7,677

**11 BASIC EARNINGS PER SHARE**

**11.1** The calculation of the basic earnings per share is based on after tax profit/(loss) for the year divided by the weighted average number of ordinary shares outstanding during the period.

**11.2** The following reflects the income and share data used in the basic earnings per share computation.

	<b>2017</b>	<b>2016</b>
	<b>Rs.'000</b>	<b>Rs.'000</b>
<b>Amounts used as the Numerator :</b>		
Net Profit/(Loss) applicable to ordinary share holders for basic earnings per share	(92,707)	(470,096)
	(92,707)	(470,096)
<b>Amounts used as the Denominator :</b>		
Weighted average number of ordinary shares in issue applicable to basic earnings per share	53,953,490	53,953,490
	53,953,490	53,953,490

**11.3 Dividend Per Share**

	<b>2017</b>	<b>2016</b>
	<b>Rs.'000</b>	<b>Rs.'000</b>
Interim Dividend Paid	Nil	Nil
	Nil	Nil
Number of Ordinary Shares	53,953,490	53,953,490
Dividend Per Share	-	-

**12. LEASEHOLD PROPERTY, PLANT & EQUIPMENT****As at 31st March**

		<b>2017</b>	<b>2016</b>
	<b>Notes</b>	<b>Rs.'000</b>	<b>Rs.'000</b>
Right-to-use of Land	12.1	177,588	183,704
Immovable Leased Bearer Biological Assets	12.2	64,902	72,507
Immovable Leased Assets (other than right-to-use land and bearer biological assets)	12.3	9,884	13,572
		252,374	269,783

## NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 March 2017

### 12.1 Right-to-use of Land (Revalued)

“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 21 August 2013. 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 22 June 1992 and amortization of the right to use of land up to 31 March 2017 are as follows.

	Balance as at 31/03/2017 Rs.'000	Balance as at 31/03/2016 Rs.'000
Capitalised Value	332,176	332,176
Amortization		
As at 1st April	148,472	142,356
Amortization charge for the year	6,116	6,116
As at 31st March	154,588	148,472
Carrying amount	177,588	183,704

### 12.2 Immovable Leased Bearer Biological Assets

“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 stated 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.”

	2017 Rs.'000	2016 Rs.'000
<b>MATURE PLANTATIONS - TEA</b>		
Capitalised Value		
22nd June, 1992	230,859	230,859
<b>Amortisation</b>		
As at 1st April	158,351	150,745
Amortisation for the year	7,606	7,606
As at 31st March	165,957	158,351
Carrying amount	64,902	72,508

Investment in Immature Plantations at the time of handing over to the Company as at 22 June, 1992 by way of estate leases were shown under Immature Plantations. However, since then all such investments in Immature Plantations attributable to JEDB/SLSPC period have been transferred to Mature Plantations. These mature tea was classified as bearer biological assets in terms of LKAS 41 - Agriculture. The carrying value of the bearer biological assets leased from JEDB/SLSPC is recognised at cost less amortisation. Further investments in such plantations to bring them to maturity are shown in Note 14 A

## NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 March 2017

## 12.3 Immovable Leased Assets (Other than Right-to-use of Land and Bearer Biological Assets)

	Improvement to Land	Other Vested Assets	Buildings	Plant & Machinery	2017	2016
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Capitalised Value (22 June, 1992)	12,153	836	101,800	12,585	127,374	127,374
<b>Amortisation</b>						
As at 1 April	9,803	362	91,052	12,585	113,802	110,114
Amortisation for the year	405	16	3,267	-	3,688	3,688
As at 31 March	10,208	378	94,319	12,585	117,490	113,802
Carrying amount	1,945	458	7,481	-	9,884	13,572

These assets are being amortised in equal annual amounts over the following periods:

Mature plantations/improvement to land	30 years
Buildings	25 years
Machinery	15 years

## 13. FREEHOLD PROPERTY, PLANT AND EQUIPMENT

	Balance as at 01.04.2016	Additions for the year	Disposals during the year	Balance as at 31.03.2017
Cost	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Land Improvements	91,943	-	-	91,943
Buildings	324,749	28	-	324,777
Motor Vehicles	173,285	-	(2,130)	171,155
Plant & Machinery	674,394	43,465	-	717,859
Furniture & Fittings	11,928	11	-	11,939
Equipments	85,499	11,788	-	97,287
Water Sanitation	46,101	-	-	46,101
Computers	18,144	725	-	18,869
Computer Software	1,465	-	-	1,465
	1,427,509	56,017	(2,130)	1,481,396
Depreciation	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Land Improvements	17,112	2,299	-	19,411
Buildings	90,251	8,119	-	98,370
Motor Vehicles	157,764	4,948	(2,130)	160,582
Plant & Machinery	508,613	28,624	-	537,237
Furniture & Fittings	11,919	1	-	11,920
Equipments	79,485	3,272	-	82,757
Water Sanitation	39,529	1,789	-	41,318
Computers	17,671	582	-	18,253
Computer Software	1,465	-	-	1,465
	923,809	49,634	(2,130)	971,313
<b>Written Down Value</b>	503,700			510,083
Capital Work-in-Progress	Balance as at 01.04.2016	Additions for the year	Capitalised/ Disposed during the year	Balance as at 31.03.2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Capital Work-in-Progress	46,639	13,449	(55,216)	4,872
<b>TOTAL WRITTEN DOWN VALUE</b>	550,339			514,955

Note : The assets shown above are those movable assets vested in the Company by Gazette Notification at the date of formation of the Company (22nd June 1992) and all investments in tangible assets by the Company since its formation. The assets taken over by way of estate leases are set out in Note 12.

## NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 March 2017

### 14 A. BEARER BIOLOGICAL ASSETS

Cost	Immature	Mature	Total	Total
	Plantations	Plantations	2017	2016
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
At the beginning of the year	1,083,223	1,440,840	2,524,063	2,385,361
Additions	50,560	106,814	157,374	259,414
Transfers	(106,815)		(106,815)	(120,713)
At the end of the year	1,026,968	1,547,654	2,574,622	2,524,062
Depreciation				
At the beginning of the year	-	345,745	345,745	306,141
Charge for the year	-	43,225	43,225	39,604
At the end of the year	-	388,970	388,970	345,745
<b>Written Down Value</b>	1,026,968	1,158,684	2,185,652	2,178,317

#### Note :

These are investments in immature/ mature plantations since the formation of the Company. The assets (including plantation assets) taken over by way of estate leases are set out in Notes 12 . Further investment in immature plantations taken over by way of these leases are shown in the above note. When such plantations become mature, the additional investments since take over to bring them to maturity, will be moved from immature to mature under this note.

The Company has elected to measure the bearer biological assets at cost using LKAS 16 - Property, Plant & Equipment.

Borrowing cost amounting to Rs.7,509,104 /=(2016 - Rs. 19,719,567/=) incurred to meet expenses relating to immature plantations have been capitalised as a part of the cost of immature plantations. The capitalisation rate is 17.43% (2016-16.57%)

### 14 B. CONSUMABLE BIOLOGICAL ASSETS - TIMBER PLANTATIONS

	2017	2016
	Rs.'000	Rs.'000
As at 1st April	615,953	604,275
Gain/(loss) arising from changes in fair value less cost to sell	20,971	13,267
Increase due to development	-	-
Decrease due to harvest/ transfer	(3,700)	(1,589)
As at 31st March	633,224	615,953

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. When such Plantations become mature, the additional investments since taken over to bring them to maturity are transferred from Immature to Mature.

The fair value of managed trees was ascertained in accordance with LKAS 41. The valuation was carried by Messers Ariyathillaka & Co , accredited Chartered Valuers, using Discounted Cash Flow (DCF) methods. In ascertaining the fair value of timber a physical verification was carried covering all the estates and the valuation has considered the different species, size, condition and location of timber trees.

The future cash flows are determined by reference to current timber prices without considering the future increase of timber price. Following associated factors are taken into consideration in determining the present value of timber prices.

- 1) Price list of the State Timber Corporation of sawn timber logs.
- 2) When considering the market price of the estimated output of standing timber an average value of market price were taken after deducting cost of harvesting, transportation, and administrative costs etc at 60%.
- 3) The fuel wood tree is taken at a nominal value.
- 4) Time period of maturity estimated at 20 years.
- 5) Rate of return on capital assumed at 14%.

The valuations, as presented in the external valuation models based on net present values, take into account the long term exploitation of the timber plantations. Because of the inherent uncertainty associated with the valuation at fair value of the biological assets due to the volatility of the variables, their carrying value may differ from their realisable value. Hence, the sensitivity analysis regarding selling price and discount rate variations as included in this note allows every investor to reasonably challenge the financial impact of the assumptions used in the LKAS 41 against his own assumptions.

## NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 March 2017

### 14 C. 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 Managed Biological Assets	DCF	Discounting Rate	14%	The higher the discount rate the lower the fair value.
		Optimum rotation (Maturity)	20 Years	Lower the rotation Period, the higher the fair value.
		Price per cu ft	Rs.146/= to Rs.935/=	The higher the price the higher the fair value.

Other key factors considered in valuation

1. The harvesting is approved by the PMMD and Forest Department based on the forestry development plan
2. The price adopted are net of expenditure
3. Though the replanting is a condition precedent for harvesting, yet the cost are not taken in to consideration.

### 14 D. SENSITIVITY ANALYSIS

#### Sensitivity Variation Sales Price

Values as appearing in the Statement of Financial Position are very sensitive to price changes with regard to the average sales prices applied. Simulations made for timber show that a rise or decrease by 10% of the estimated future selling price has the following effect on the net present value of biological assets:

Managed Timber		-10%	+10%
As at 31 March 2017	Rs. '000	(90,837)	35,927
As at 31 March 2016	Rs. '000	(75,443)	42,820

#### Sensitivity Variation Discount Rate

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 1.5% of the discount rate has the following effect on the net present value of biological assets:

Managed Timber		-1.5%	+1.5%
As at 31 March 2017	Rs. '000	93,485	(62,093)
As at 31 March 2016	Rs. '000	90,977	(68,011)

### 14 E PRODUCE ON BEARER BIOLOGICAL ASSETS

	2017 Rs.'000	2016 Rs.'000
As at 01 April - As previously reported	4,212	-
Impact of the amendments of LKAS 16 and LKAS 41	-	5,840
As at 01 April - Restated	4,212	5,840
Change in fair value less cost to sell	9,252	(1,628)
As at 31 March	13,464	4,212

## NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 March 2017

### 14.F GAIN/(LOSS) ON FAIR VALUE OF BIOLOGICAL ASSETS

	2017 Rs.'000	2016 Rs.'000
Consumable Biological Assets Gain/(Loss) arising from changes in fair value less cost to sell ( Note No 14 B)	20,971	13,267
Produce on Bearer Biological Assets Gain/(Loss) arising from changes in fair value less cost to sell (Note No 14 E)	9,252	(1,628)
	30,223	11,639

### 14.G FAIR VALUE HIERARCHY

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.

#### NON FINANCIAL ASSETS - CONSUMABLE BIOLOGICAL ASSETS

As at 31st March	Date of valuation	Level 1		Level 2		Level 3	
		2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Assets measured at fair value							
Consumable Biological Assets - Timber	31 March 2017	-	-	-	-	633,224	615,953
Produce on Bearer Biological Assets	31 March 2017	-	-	13,464	4,212	-	-

In determining the fair value, highest and best use of timber, current condition of the trees and expected timber content at harvesting have been considered. Also, the valuers have made reference to market evidence of transaction prices of the company, and the market prices of timber corporation, with appropriate adjustments for size and location. The appraised fair values are rounded within the range of values.

### 15. INVENTORIES

	2017 Rs.'000	2016 Rs.'000
Input Materials	55,323	44,989
Growing Crop - Nurseries	22,173	23,102
Produce Stock	391,530	341,502
Consumables & Spares	16,291	22,329
	485,317	431,922

### 16. TRADE AND OTHER RECEIVABLES

	2017 Rs.'000	2016 Rs.'000
Produce Debtors	61,830	60,371
Advances & Prepayments	3,881	5,998
Other Debtors	153,856	158,197
Staff Debtors	654	1,441
	220,221	226,007
Less: Provision for Doubtful Debt	(23,758)	(23,758)
	196,463	202,249

## NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 March 2017

<b>17. AMOUNTS DUE FROM RELATED PARTIES</b>	<b>Relationship</b>	<b>2017</b>	<b>2016</b>
		<b>Rs.'000</b>	<b>Rs.'000</b>
Richard Pieris Plantations (Pvt) Ltd	Related Company	-	1,209
Richard Pieris Exports PLC	Related Company	8	8
Arpitech (Pvt) Ltd	Related Company	2,460	79
Maskeliya Tea Gardens Ceylon Ltd	Related Company	-	240
Namunukula Plantations PLC	Related Company	-	73
Kegalle Plantations PLC	Related Company	-	1,121
		<b>2,468</b>	<b>2,730</b>
<b>18 CASH AND CASH EQUIVALENTS</b>			
<b>18.1 Favourable Balances</b>		10,357	10,899
Cash at Bank and in Hand		10,357	10,899
<b>18.2 Unfavourable Balances</b>			
Bank Overdraft		(728,059)	(641,931)
Bank Overdraft		(717,702)	(631,032)
<b>19. STATED CAPITAL</b>			
Issued and Fully Paid Number of Shares			
Balance as at 01 of April		53,953,490	53,953,490
		53,953,490	53,953,490
Value of Issued and Fully Paid Shares			
Balance as at 01 of April		673,721	673,721
		673,721	673,721
<b>20. GENERAL RESERVE</b>			
Balance at the beginning of the year		540,000	540,000
Balance at the end of the year		540,000	540,000

General Reserves represents amounts set-a-side from time to time by the Directors of the Company for purpose of general application. These have been appropriated by the Board in compliance with the Articles, which provides for such amounts being set-a-side for future and utilized after appropriate Board Approvals.

<b>21. INTEREST BEARING LOANS AND BORROWINGS</b>	<b>Repayable</b>				<b>Total as at 31.03.2017</b>	<b>Total as at 01.04.2016</b>
	<b>Within 1 year</b>	<b>After 1 year less than 5 years</b>	<b>After 5 years</b>	<b>After 1 year</b>		
<b>Long-Term Loans (ADB)</b>	<b>Rs.'000</b>	<b>Rs.'000</b>	<b>Rs.'000</b>	<b>Rs.'000</b>	<b>Rs.'000</b>	<b>Rs.'000</b>
National Development Bank PLC- Securitisation Loan	182,650	165,000	-	165,000	347,650	702,050
Hatton National Bank PLC	49,920	73,280	-	73,280	123,200	213,600
Union Bank PLC	40,000	130,000	-	130,000	170,000	-
Short Term Loan						
Sri Lanka Tea Board	32,349	34,222	-	34,222	66,571	24,515
Bank Overdraft	728,059	-	-	-	728,059	641,931
	<b>1,032,978</b>	<b>402,502</b>	<b>-</b>	<b>402,502</b>	<b>1,435,480</b>	<b>1,582,096</b>

## NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 March 2017

21.1. Long Term Loans (Cont...)	Repayable within 1 year		Repayable after 1 year less than 5 years		Repayable after 5 years		Repayable after 1 year		Total as at 31.03.2017		Total as at 01.04.2016		Rate of Interest	Terms of Repayments
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000		
National Development Bank PLC	17,000	17,000	-	-	-	-	17,000	17,000	34,000	51,000	AWPLR+0.5%	83 monthly installments of Rs. 1,416,666/= and last installment of Rs. 1,416,722/= payable commencing from 01.05.2012		
National Development Bank PLC	-	-	-	-	-	-	-	-	-	21,000	AWPLR+4.75%	38 monthly payment in varied installments and payable commencing from 12.04.2013		
National Development Bank PLC	-	-	-	-	-	-	-	-	-	132,000	AWPLR+2.5%	36 monthly payment in varied installments and payable commencing from 27.04.2014		
National Development Bank PLC	107,400	148,000	-	-	-	-	148,000	255,400	255,400	300,000	AWPLR+0.75%	36 monthly payment in varied installments and payable commencing from 29.07.2016		
National Development Bank PLC	58,250	58,250	-	-	-	-	58,250	58,250	58,250	198,050	AWPLR-0.5%	20 monthly payment of Rs. 11,650,000/= installments payable commencing from 14.01.2016 - Effect rate is AWPLR + 1.5%PA - Until 14 August 2017- the rate payable by the borrower is AWPLR-0.5%p.a Interest subsidy of 2% to be collected by NDB FROM GO.SL - After 14 August 2017- the Rate payable by Borrower is AWPLR + 1.5%p.a		
	182,650	165,000	-	-	-	-	165,000	347,650	702,050					
Hatton National Bank PLC	-	-	-	-	-	-	-	-	-	40,480	AWPLR+0.5%	59 monthly installments of Rs. 5,840,000/= and last installment of Rs. 5,440,000/= payable commencing from 21.11.2011		
Hatton National Bank	25,920	39,280	-	-	-	-	39,280	65,200	91,120	91,120	AWPLR+0.5%	59 monthly installments of Rs. 2,160,000/= and last installment of Rs. 2,560,000/= payable commencing from 10.09.2014		
Hatton National Bank	24,000	34,000	-	-	-	-	34,000	58,000	82,000	82,000	AWPLR+0.5%	60 monthly installments of Rs. 2,000,000/= payable commencing from 13.08.2014		
	49,920	73,280	-	-	-	-	73,280	123,200	213,600					
Union Bank PLC	40,000	130,000	-	-	-	-	130,000	170,000	170,000	-	AWPLR+0.75%	60 monthly installments of Rs. 3,333,333/= payable commencing from 01.07.2016		
	40,000	130,000	-	-	-	-	130,000	170,000						
<b>21 B. Short Term Loan</b>														
Sri Lanka Tea Board	-	-	-	-	-	-	-	-	-	24,515	-	First installment of Rs. 2,947,000/= and 10 monthly installment of Rs. 3,502,100/= payable commencing from 10.12.2015		
Sri Lanka Tea Board	9,778	34,222	-	-	-	-	34,222	44,000	44,000	-	36 monthly installments of Rs. 1,222,222/= payable commencing from 01.08.2017			
Sri Lanka Tea Board	22,571	-	-	-	-	-	-	22,571	22,571	-	First installment of Rs. 2,947,000/= and 10 Monthly installment of Rs. 2,947,000/= payable commencing from 15.12.2016			
	32,349	34,222	-	-	-	-	34,222	66,571	66,571	24,515				

## NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 March 2017

### 21.2. Liquidity Risk

The Company does not concentrate on a single financial institution, thereby minimizing the exposure to liquidity risk through diversification of funding sources. The company aims to fund investment activities of the individual and company level by funding the long-term investment with long term financial sources and short term investment with short term financing. Where necessary the company 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 Company financial liabilities based on contractual undiscounted payments.

As at 31 March 2017	On Demand	Less than 3 Months	3 to 12 Months	2 to 5 Years	>5 years	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Interest bearing loans & borrowing	728,059	104,541	388,372	502,502	-	1,723,474
Trade & other payables	544,198	-	-	-	-	544,198
	1,272,257	104,541	388,372	502,502	-	2,267,672

### As at 31 March 2016

Interest bearing loans & borrowing	641,932	126,031	369,971	643,934	-	1,781,868
Trade & other payables	374,306	-	-	-	-	374,306
	1,016,238	126,031	369,971	643,934	-	2,156,174

### 22. RETIRING BENEFIT OBLIGATIONS

	2017	2016
	Rs.'000	Rs.'000
At the beginning of the year	905,211	981,279
Interest Cost	104,099	100,581
Current Service Cost	51,515	53,742
Gratuity Payments for the year	(111,776)	(71,147)
Actuarial (Gain) / Loss	(51,167)	(159,244)
At the end of the year	897,882	905,211

The actuarial valuation had been carried out for retiring gratuity for all the employees of the Company as at 31 March 2017, which amounts to Rs.897,881,092/=. If the Company had provided for gratuity for workers on the basis of 14 days wages and for staff and executives, a half month salary for each completed year of service, in line with the Gratuity Act No.12 of 1983, the liability would have been Rs.1,302,197,802/=. Hence, there is a contingent liability of Rs.404,316,710/= which would crystallize only if the Company ceases to be a going concern.

The following payments are expected from the defined benefit plan obligation in future years.

	2017
	Rs.'000
Within the next 12 months	102,334
Between 2 and 5 years	273,531
Beyond 5 years	522,016
	897,881

## NOTES TO THE FINANCIAL STATEMENTS

### Year Ended 31 March 2017

The weighted average duration of the Defined Benefit plan obligation at the end of the reporting period is 4.84 years and 8.40 years for staff and workers respectively.

The key assumptions used by Messers Actuarial & Management Consultants (Pvt) Ltd include the following.

	<b>2017</b>	<b>2016</b>
(i) Rate of Discount	12,25 % (per annum)	11.5 % (per annum)
(ii) Rate of Salary Increase		
Workers	16% (every two years)	16% (every two years)
Estate Staff	8 % (per annum)	8 % (per annum)
Head Office Staff & Executives	8 % (per annum)	8 % (per annum)
(iii) Retirement Age		
Workers	60 years	60 years
Staff - Head Office	55 years	55 years
- Estates	58 years	58 years

#### Sensitivity Analysis - Salary/ Wage Escalation Rate

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 the salary increment. Simulation made for retirement benefit obligation shows that an increase or decrease by 1% of the rate of wage and salary increase has the following effect on the retirement benefit obligations.

	<b>Workers</b>		<b>Staff</b>	
	<b>Rs.'000</b>	<b>Rs.'000</b>	<b>Rs.'000</b>	<b>Rs.'000</b>
	+1%	-1%	+1%	-1%
As at 31 March 2017	30,961	(29,365)	1,327	(1,274)
As at 31 March 2016	38,114	(35,999)	4,686	(4,179)

#### Sensitivity Analysis - Discount Rate

Values appearing in the financial statements are very sensitive to the changes of financial and non financial assumptions used. The sensitivity was carried for the discount rate. Simulation made for retirement benefit obligations shows that an increase or decrease by 1% of the discount rate has the following effect on the retirement benefit obligation.

	<b>Workers</b>		<b>Staff</b>	
	<b>Rs.'000</b>	<b>Rs.'000</b>	<b>Rs.'000</b>	<b>Rs.'000</b>
	+1%	-1%	+1%	-1%
As at 31 March 2017	(58,766)	67,290	(2,684)	2,977
As at 31 March 2016	(65,092)	74,935	(3,872)	4,387

## NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 March 2017

23. DEFERRED TAX	2017		2016	
	Temporary Difference	Tax Effect	Temporary Difference	Tax Effect
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
As at 1 April	394,568	(87,351)	675,341	(36,164)
Amount Originating/(Reversal) during the year	(43,367)	(7,558)	(280,773)	(51,187)
As at 31 March	351,201	(94,909)	394,568	(87,351)
Temporary difference of Property, Plant and Equipment	386,752	73,862	374,829	70,730
Temporary difference of Mature and Immature Plantations	2,185,652	218,565	2,178,317	217,832
Temporary difference of Consumable Biological Asset	633,224	63,322	615,954	61,595
Temporary difference of Produce Biological Assets	13,464	1,346	4,212	421
Temporary difference of Retirement Benefit Obligation	(897,881)	(141,505)	(905,211)	(142,661)
Temporary difference of Debtors Provision	(23,758)	(3,744)	(23,758)	(3,744)
Carried Forward Tax Losses	(1,946,412)	(306,755)	(1,849,775)	(291,524)
As at 31 March	351,041	(94,909)	394,568	(87,351)

Due to continues losses of the company, deferred tax asset originating amounting to Rs. 58,744,734/= (2016 - Rs. 51,186,787/=) not recognized in the financial statements.

The effective tax rate used to calculate deferred tax liability for all the Temporary Differences other than Biological Asset 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 Consumable Biological Asset as at 31 March, 2017 is 10% (2016-10%) for the Company.

## 24. DEFERRED INCOME

Deferred Grants and Subsidies	2017	2016
	Rs.'000	Rs.'000
Balance at the beginning of the year	215,200	222,307
Add : Grants received during the year	539	4,655
Less : Grants refunded during the year	(72)	-
Less : Amortisation for the year	(11,762)	(11,762)
Balance at the end of the year	203,905	215,200

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 line rooms, latrines, water supply, sanitation and roads etc. The amounts 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 fund received from Sri Lanka Tea Board in relation to C.T.C Project at Poonagalla Estate and also a rebate received from Ceyloan Electricity Board on acquisition of a Generator. Grants are amortised over the life of the assets for which they are being deployed.

## NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 March 2017

**25. LIABILITY TO MAKE LEASE PAYMENT**

	2017 Rs.'000	2016 Rs.'000
<b>Gross Liability</b>		
As at 1st April	197,613	204,357
Repayment during the year	(6,744)	(6,744)
	190,869	197,613
Finance cost allocated to future periods	(78,008)	(82,608)
Net liability	112,861	115,005
<b>Payable within one year</b>		
Gross liability	6,744	6,744
Finance cost allocated to future periods	(4,514)	(4,600)
Net liability transferred to current liabilities	2,230	2,144
<b>Payable within two to five years</b>		
Gross liability	26,976	26,976
Finance cost allocated to future periods	(17,130)	(17,508)
Net liability	9,846	9,468
<b>Payable after five years</b>		
Gross liability	157,149	163,893
Finance cost allocated to future periods	(56,364)	(60,500)
Net liability	100,785	103,393
Net liability payable after one year	110,631	112,861

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. 6.744 million from 22nd June 1997. This amount is to be inflated annually by the Gross Domestic Product (GDP) deflator, and is in the Form of Contingent Rental. The Contingent Rental charged to the Income Statement amounted to Rs. 29,932,868./= (2016 - Rs. 29,178,495./=) which is based on GDP deflator of 2.1%.

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 19 December 2012. Subsequently, the amendments to the SoRP along with the modification to the title as Statement of Alternative Treatment (SoAT) were approved by the Council on 21 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.'000
Gross Liability	= 2,057,020
Finance Charges	= (1,383,390)
Net Liability	= 673,630

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

**26. TRADE AND OTHER PAYABLES**

	2017 Rs.'000	2016 Rs.'000
Trade Creditors	233,513	136,433
Accrued Expenses	237,777	140,926
Others	72,908	96,947
	544,198	374,306

## NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 March 2017

27. AMOUNTS DUE TO RELATED PARTIES	Relationship	2017	2016
		Rs.'000	Rs.'000
RPC Management Services (Pvt) Ltd	Parent Company	287,080	263,185
RPC Plantation Management (Pvt) Ltd	Related Company	9,631	1,568
Richard Pieris Group Services (Pvt) Ltd	Related Company	1,433	1,233
Richard Pieris and Company	Ultimate Parent	57,006	21,770
Richard Pieris Distributors Ltd	Related Company	4,254	402
Richard Pieris Tyre Company	Related Company	476	-
Kegalle Plantations PLC	Related Company	1,782	-
Maskeliya Tea Gardens Ceylon (Pvt) Ltd	Related Company	1,224	-
RPC Logistics Ltd	Related Company	41	-
Namunukula Plantations PLC	Related Company	456	-
Richard Pieris Rubber Products (Pvt) Ltd	Related Company	-	143
		363,383	288,301

28. DIVIDEND PAYABLE	2017	2016
	Rs.'000	Rs.'000
Ordinary Dividend Unclaimed	2,008	2,008
	2,008	2,008

## 29 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 April 2016. The nature and the effect of the changes are disclosed below.

	2016 As Reported Previously Rs.'000	2016 Effect From Amendment Rs.'000	2016 Restated Balance Rs.'000
STATEMENT OF PROFIT OR LOSS			
Gain In Change in Fair Value of Biological Assets	13,267	(1,628)	11,639

## STATEMENT OF FINANCIAL POSITION

## Produce on Bearer Biological Assets (Note No 14 E)

At at the Beginning of the year	-	5,840	5,840
As at the end of the year	-	4,212	4,212
Accumulated Profit / (Loss)			
As at the beginning of the year	(545,983)	5,840	(540,143)
As at the end of the year	(858,461)	4,212	(862,673)

## NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 March 2017

### 30. SECURITIES PLEDGED

The following assets have been pledged as securities for liabilities.

Name of Bank	Loan Facility Rs. '000	Security	Nature of Liability	Carrying Amount Pledged	
				2017 Rs.'000	2016 Rs.'000
Sampath Bank PLC	100,000	Primary mortgage over leasehold rights of Glentilt Estate	Overdraft	168,495	172,421
HNB	125,000	Primary floating mortgage bond over leasehold rights of Glenugie Estate	Overdraft	112,927	111,169
Nations Trust Bank	150,000	Primary mortgage over stocks in trade	Overdraft/Money Market Loan	404,995	341,502
NDB	119,000	Primary mortgage over leasehold rights of Brunswick Estate	Long term Loan	243,575	240,948
HNB Term Loan	350,000	Primary mortgage over leasehold rights of Ampittiakande, Craig Estates	Long term Loan	452,751	457,814
HNB Term Loan	120,000	Mortgage over leasehold rights of Ampittiakande, Craig Estates	Long term Loan	452,751	457,814
HNB Term Loan	130,000	Primary mortgage over leasehold rights of St Clair Estate	Long term Loan	136,423	140,627
NDB Loan	300,000	Mortgage over leasehold rights of Brunswick Estate	Term Loan	243,575	240,948
Union Bank	400,000	Primary mortgage over unexpired leasehold right of Moray Estate	Term Loan	259,768	-

### 31. CAPITAL COMMITMENTS

	2017 Rs.	2016 Rs.
Capital commitments as at the reported date		
Budgeted, but not provided for	70 Mn	108 Mn
Total	70 Mn	108 Mn

The budgeted field development programme of the Company for the next three years amounts to Rs.467 Mn.

### 32. CONTINGENCIES

Contingent liabilities that may result, depending on the timing of the taxability of certain fair value adjustments is amounts to approximately Rs. 3,022,307/= (2016 - Rs. 1,163,971/=).

### 33. EVENT AFTER 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.

## NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 March 2017

**34 TRANSACTION WITH RELATED ENTITIES**

<b>34.1</b>	Parent Company	<b>2017</b>	<b>2016</b>
		<b>Rs.'000</b>	<b>Rs.'000</b>
	Amounts payable as at 31 March	(287,079)	(263,184)
	Management Fees	(27,097)	(101,531)
<b>34.1.1</b>	<b>Management Fees</b>		
	Management fees is payable at 15% on Earnings Before Interest and tax (EBIT) with minimum management fees per annum. of Eighteen Million (Rs 18,000,000/-) per annum.		
<b>34.2</b>	<b>Group Companies</b>		
	Amounts receivable as at 31 March	2,469	2,657
	Amounts payable as at 31 March	(66,216)	(23,549)
	Secretarial Fees	(200)	(200)
	Rent	(1,733)	(1,697)
	Purchase of Goods/Services	(471)	(1,379)
	Interest Paid	(19,942)	(7,733)
	Interest Received	-	102
	Salaries, Fuel , Maintenance, etc Received	-	1,099
	Salaries, Fuel , Maintenance, etc Paid	(2,903)	-
	Others - Received	21	-
	Others - Paid	-	(38)
	Short Term Loan Received	-	-
	Short Term Loan Paid	-	-
<b>34.2.1</b>	<b>Namunukula Plantations PLC (NPL) - Fellow Subsidiary Company</b>		
	Amounts Payable	(456)	73
	Salary Cost & Other Charges charged	(370)	(257)
	Purchase of goods & Other Charges	449	320
	Short Term Loan given	473,508	-
	Settlement of Short Term Loan	(473,508)	-
	Interest charged on Short term Loan	(608)	-
<b>34.2.2.</b>	<b>RPC Plantations Management Services [Pvt] Ltd (RPCMS) - Fellow Subsidiary Company</b>		
	Amounts Payable	(9,631)	(1,568)
	Short Term Loan given	827,200	234,800
	Settlement of Short Term Loan	(827,200)	(234,800)
	Interest charged on Short Term Loan	(8,457)	(924)
	Others Paid	(394)	(3)

During the year Company Obtained short term loans from Namunukula Plantations PLC And RPC Plantations Management Services (Pvt) Ltd and interest was paid at market rate and aggregate value of these transactions are exceed 10% (NPL 14% and RPCMS 25%) of the Gross Revenue/Income of the Company as per latest Audited Financial Statements.

**34.3 Terms and Conditions**

Transaction with related parties are carried out in the ordinary course of business (At arms length transactions). Outstanding balances at the year end are unsecured and net settlement occurs in cash.

Non recurrent related party transactions.

There were no non recurrent related party transactions which in aggregate value exceeds 10% of the equity or 5% of the total assets which ever is lower

**34.4 Transactions with the Key Management Personnel of the Company and parent**

There were no transactions with the key management personnel of the Company and its Parent for the year ended 31 March 2017. Further there were no key management compensation paid during the year other than those disclosed in Note 09.

**35. RELATED PARTY TRANSACTIONS**

There are no related party transactions other than those disclosed in Notes 17, 27 and 34 to the Financial Statements.

# Shareholder and Investor Information

## Stock Exchange Listing

The Issued Ordinary Shares of Maskeliya Plantations PLC are listed with the Colombo Stock Exchange of Sri Lanka. The Audited Accounts of the Company for the year ended 31 March, 2017 have been submitted to the Colombo Stock Exchange within three months of the Balance Sheet date.

## Distribution of Shareholdings

	No of Shares Held	No. of Shareholders	%	No. of Share	Holding %
Less than	1,000	16,056	97.24	2,132,033	3.95
1,001	5,000	391	2.37	1,293,416	2.40
10,001	50,000	55	0.33	1,804,472	3.34
100,001	500,000	8	0.05	2,641,300	4.90
1,000,001	and Over	2	0.01	46,082,269	85.41
<b>Total</b>		<b>16,512</b>	<b>100.00</b>	<b>53,953,490</b>	<b>100.00</b>

## Distribution of Shareholdings - Inter Companies & General Public

	No. of Shareholders	%	No. of Share	Holding %
Resident Shareholders	16,495	99.90	53,832,850	99.78
Non-Resident Shareholders	17	0.10	120,640	0.22
	<b>16,512</b>	<b>100.00</b>	<b>53,953,490</b>	<b>100.00</b>

Public Shareholding as at 31 March 2017 is 16.59% (31.03.2016 – 16.59%) Public Shareholders (31.03.2016 - 16.59% represented by 16,492)

## Market Value per share

	Value	Date
Market Value per Share	7.70	(31/03/2017)
The highest Value Recorded	9.80	(08/04/2016)
The Lowest Value Recorded	6.00	(27/03/2017)

Colombo Stock Market Activities During The Year	2016/17	2015/16
Number of Trades	749	1,088

**Twenty Major Shareholders**

	As at 31 March 2017		As at 31 March 2016	
	Number of Shares Held	% of the Holding	Number of Shares Held	% of the Holding
R.P.C Mangement Services (Pvt) Ltd	44,998,397	83.40	44,998,397	83.40
Sampath Bank PLC - Dr. T. Senthilverl	1,083,872	2.01	-	-
Dawi Investment	957,504	1.77	-	-
Amina Investment Ltd	650,000	1.20	650,000	1.20
Seylan Bank Ltd/Govindasamy Ramanan	319,331	0.59	251,529	0.47
Mr.M.H.M.Fazal	208,529	0.39	145,858	0.27
HSBC International Nominees Ltd-SSBT-Deustche	141,600	0.26	141,600	0.26
Freudenberg Shipping Agencies Ltd	137,295	0.25	137,295	0.25
Mr. P.S.M Fernando	122,943	0.23	122,943	0.23
Merchant Bank of Sri Lanka PLC/ R R S Ananda	104,098	0.19	104,098	0.19
Mrs.M.M.C Fernando	100,000	0.19	100,000	0.19
Mrs. J.K.P Singh	100,000	0.19	100,000	0.19
Mr.S.Senthinandhanan	97,113	0.18	-	-
Mr. R. Magdon Ismail	87,586	0.16	87,586	0.16
Mr.R.Maheswaran	86,867	0.16	-	-
Miss.A.Radhakrishnan	86,867	0.16	-	-
Miss.M.P.Radhakrishnan	86,866	0.16	-	-
Dee Investments (Pvt) Ltd	84,100	0.16	84,100	0.16
Mr. A.K Seneviratne	71,396	0.13	61,156	0.11
Mrs.V.Indraganthi	55,200	0.10	55,200	0.10
	<b>49,579,564</b>	<b>91.89</b>		
<b>Balance held by 16,492 Shareholders (2016-16,559)</b>	<b>4,373,926</b>	<b>8.11</b>	<b>4,380,881</b>	<b>8.12</b>
<b>Total no. of Shares</b>	<b>53,953,490</b>	<b>100.00</b>	<b>53,953,490</b>	<b>100.00</b>

**The Golden Shareholder**

The Golden Share of Rs.10/- is currently held by the Secretary to the Treasury and should be owned either directly by the Government of Sri Lanka or by a 100 Government owned Public Company. In addition to the rights of the normal ordinary shareholder, the Golden Shareholder has the following rights;

- 1) The concurrence of the Golden Shareholder will be required for the Company to sublease any of the estate land leased/ to be leased to the Company by the Janatha Estate Development Board/Sri Lanka State Plantations Corporation
- 2) The concurrence of the Golden Shareholder will be required to amend any clause in the Articles of Association of the Company which grant specific rights to the Golden Shareholder.
- 3) The Golden Shareholder, or his nominee will have the right to examine the books and accounts of the Company at any time with in two weeks of written notice.
- 4) The Company should be required to submit detailed quarterly accounts report to the Golden Shareholder in a specified format within 60 days of the end of each quarter. Additional information relating to the Company in a specified format must be submitted to the Golden Shareholder within 90 days of the end of each fiscal year.
- 5) The Golden Shareholder can request the Board of Directors of the Company to meet with respective nominee, once in every quarter to discuss issues related to the Company's operation of interest to the Government

# 10 Year Summary

Assets & Liabilities	16/17	15/16	14/15	13/14	12/13	11/12	10/11	09/10	08/09	07/08
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
<b>Non Current Assets</b>										
(Excluding Investment)	3,622,369	3,650,558	3,599,682	3,423,219	3,263,371	3,100,722	2,873,655	2,293,674	2,158,279	2,075,403
Investment			-	-	-	-	-	-	-	-
Current Assets	820,059	755,820	845,749	778,644	993,228	659,129	707,481	665,413	554,401	688,495
Current Liabilities	(1,944,797)	(1,778,006)	(1,474,138)	(939,797)	(681,600)	(1,108,348)	(905,180)	(653,007)	(740,682)	(584,834)
Working Capital	(1,124,738)	(1,022,186)	(628,389)	(161,153)	311,628	(449,220)	(197,698)	12,406	(186,281)	103,661
Long Term Debt	513,134	583,711	532,605	695,763	928,922	517,661	333,656	411,307	297,695	392,646
Provision for Terminal Benefits	897,882	905,211	981,279	917,379	776,574	882,848	747,984	706,431	470,785	458,968
Interest Paid/Received										
(Including /Borrowing Cost)	250,788	218,023	135,449	98,353	121,175	110,874	102,298	108,365	115,690	106,152
<b>Share Capital &amp; Reserves</b>										
Stated Capital	673,721	673,721	673,721	673,721	673,721	350,000	350,000	350,000	350,000	350,000
General Reserve	540,000	540,000	540,000	540,000	540,000	540,000	540,000	540,000	540,000	540,000
Revenue Reserve	(331,011)	(289,471)	15,541	195,546	356,829	88,282	347,028	76,141	112,963	266,212
Total Shareholders' Fund	882,710	924,250	1,235,102	1,409,267	1,570,550	978,280	1,237,027	966,141	1,002,963	1,156,212
% Increase in Shareholders' Fund	(4.49%)	(25.16%)	(12.35%)	(10.27%)	60.54%	(20.92%)	28.04%	(3.81%)	(13.25%)	3.78%
Capital Employed (Rs. Mn)	1,590	1,864	2,013	2,219	2,567	1,510	1,643	1,412	1,292	1,620
<b>Financial Ratios</b>										
Return on Capital Employed %	8.72%	(14.02%)	(3.17%)	(0.58%)	12.23%	(11.11%)	8.64%	4.33%	(2.01%)	8.97%
Current Ratio (Times)	0.42	0.43	0.57	0.83	1.46	0.59	0.78	1.02	0.75	1.17
Debt Equity Ratio (Times)	1.63	1.71	1.05	0.72	0.68	0.87	0.41	0.56	0.58	0.49
Equity to Assets %	20%	21%	28%	34%	37%	26%	35%	33%	37%	42%
Interest Cover (Times)			-	-	2.66	-	1.47	0.70	-	1.74
Total Asset to Current Liabilities %	44%	40%	33%	22%	16%	29%	25%	22%	27%	21%
Dividend Payout Ratio			-	-	-	-	-	-	-	35%
Debt to Total Assets %	32%	36%	29.16%	24.29%	24.92%	22.70%	14.04%	18%	11%	17%
<b>Investor Ratios</b>										
Annualized Earnings per Share (Rs.)	(1.72)	(8.71)	(3.41)	(1.71)	4.02	(8.63)	1.57	(1.36)	(4.68)	2.06
Price Earning Ratio (Times)			-	-	3	-	18	-	-	13
Dividend Rate (%)			-	-	-	-	-	-	-	10%
Dividend per Share (Rs.)			-	-	-	-	-	-	-	1.00
Dividend Cover (Times)			-	-	-	-	-	-	-	2.06
Dividend Yield %			-	-	-	-	-	-	-	384.00%
Effective Dividend Rate (%)			-	-	-	-	-	-	-	4%
Market Price of a Share as at 31/03 (Rs.)	7.70	7.70	9.90	10.0	12.10	17.10	28.10	29.75	13.75	26.00
Market Capitalization (Rs.Mn.)	415	415	534	540	653	461	758	803	370	701
Enterprise Value (Rs.Mn)	1,113	1,345	1,312	1,344	1,342	993	1,164	1,249	659	1,165
Net Asset Value per Share (Rs.)	16.36	17.13	22.89	26.12	29.11	36.26	45.86	35.81	37.1	42.86
Net Sales Average per 1 kg Tea (Rs.)	504.18	388.93	399.33	418.47	397.57	329.12	352.88	366.48	276.85	275.34
Capital Expenditure	64,810	148,252	204,002	230,344	211,352	281,668	292,325	238,138	178,416	183,316

Assets & Liabilities	16/17	15/16	14/15	13/14	12/13	11/12	10/11	09/10	08/09	07/08
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
<b>Production Kg. '000</b>										
Estate	6,497	7,836	7,997	7,675	8,407	8,468	8,448	7,901	8,210	8,393
Bought	254	426	453	579	612	733	688	453	385	589
Total	6,751	8,263	8,450	8,254	9,019	9,201	9,136	8,354	8,595	8,982
<b>Turnover</b>	3,455,462	3,273,852	3,526,431	3,416,223	3,574,776	3,126,093	3,251,424	3,121,273	2,364,846	2,513,197
Gross Profit/(Loss)	182,688	(151,782)	22,228	52,623	388,780	(141,341)	331,967	284,739	118,793	310,920
Operating Profit/(Loss) Before										
Management Fees & Interest	186,796	(162,584)	47,173	106,089	447,080	(122,242)	295,194	216,901	81,876	281,145
Profit before Interest & Similar Charges	159,699	(264,115)	(103,683)	(44,347)	259,951	(253,022)	131,979	66,648	(30,582)	149,952
Profit/(Loss) for the year before Tax	(83,580)	(462,249)	(220,753)	(122,700)	162,276	(336,614)	42,481	(28,716)	(126,272)	63,862
Profit & (Loss) after Tax	(92,707)	(470,096)	(184,126)	(92,191)	151,699	(258,748)	42,481	(36,822)	(126,272)	55,640
Transfer to Reserves									-	-
Retained Profits	(331,011)	(289,471)	15,541	195,546	356,828	88,280	347,028	76,141	112,963	266,212
Proposed Dividend	-	-	-	-	-	-	-	-	-	26,976
<b>Operating Ratios</b>										
Annual Turnover Growth %	6%	(7%)	3%	(4%)	14%	(4%)	4%	32%	(6%)	30%
Profit Growth %	80.21%	(155.31%)	(99.72%)	(161%)	(158%)	(709%)	215%	71%	(327%)	(390%)
Turnover per Employee Rs. '000	289	263	277	260	268	218	226	202	156	154
Fixed Assets to Turnover Ratio %	95.39%	89.68%	97.97%	99.80%	110%	101%	113%	136%	110%	121%
Value Added per Employee Rs. '000	218	197	198	177	197	117	144	142	95	100

### Current Ratio



### Debt Equity Ratio



### Market Capitalisation



## GRI Content Index : "In accordance" - Core

GENERAL STANDARD DISCLOSURES				
GRI Indicator	Description	Page Reference	Page No	External Assurance
<b>STRATEGY AND ANALYSIS</b>				
G4-1	Statement from the most senior decision-maker	Chairman's Review	13	None
<b>ORGANIZATIONAL PROFILE</b>				
G4-3	Report the name of the organization	Corporate Information	Inner Back Cover	None
G4-4	Report the primary brands, products, and services	Journey So Far, We are Maskeliya	7,8	None
G4-5	Report the location of the organization's headquarters	Corporate Information	Inner Back Cover	None
G4-6	Report the number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report.	Presence by Area of Operations	12	None
G4-7	Report the nature of ownership and legal form.	Corporate Information	Inner Back Cover	None
G4-8	Report the markets served	Value Creation Model	22,23	None
G4-9	Report the scale of the organization	Journey So Far, We are Maskeliya, Financial Highlights	7,8,10	None
G4-10	Total workforce by employment type, employment contract and region broken down by gender.	Employment Strength	43	None
G4-11	Report the percentage of total employees covered by collective bargaining agreements	Industrial Relations & Collective Agreement	42	None
G4-12	Describe the organization's supply chain	Sustainable Procurement Practices	59	None
G4-13	Significant changes during the reporting period regarding the organization's size, structure & ownership	No significant changes regarding organisations' structure, ownership & supply chain		None
G4-14	Report whether and how the precautionary approach or principle is addressed by the organization	Risk Management	66	None
G4-15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses.	Managing Our Environment	46	None
G4-16	Memberships in associations (such as industry associations) and national or international advocacy organizations.	Compliance & Integrity	60	None
<b>IDENTIFIED MATERIAL ASPECTS &amp; BOUNDARIES</b>				
G4-17	Organisation's entities covered by the report	Identified Material Aspects and Boundaries	24	None
G4-18	Process for defining the report content	Identified Material Aspects and Boundaries	24	None
G4-19	List all the material Aspects identified in the process for defining report content.	Identified Material Aspects and Boundaries	24	None
G4-20	For each material Aspect, report the Aspect Boundary within the organization	Identified Material Aspects and Boundaries	24	None
G4-21	Aspect Boundary for each material aspect report outside the organization	Identified Material Aspects and Boundaries	24	None

GRI Indicator	Description	Page Reference	Page No	External Assurance
G4-22	Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements	Note to Financial Statements	111	None
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries.	Material Issues	24	None
<b>STAKEHOLDER ENGAGEMENT</b>				
G4-24	Provide a list of stakeholder groups engaged by the organization.	Our Key Relationships	27	None
G4-25	Report the basis for identification and selection of stakeholders with whom to engage.	Our Key Relationships	27	None
G4-26	Approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group	Our Key Relationships	27	None
G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns	Our Key Relationships	27	None
<b>REPORT PROFILE</b>				
G4-28	Reporting period	Introduction to the Report	6	None
G4-29	Date of most recent previous report	Financial Calendar	9	None
G4-30	Reporting cycle	Introduction to the Report	6	None
G4-31	Contact point for questions regarding the report or its contents	Introduction to the Report	6	None
G4-32	'In accordance' option the organization has chosen & GRI Content Index for the chosen option	Our Sustainability - The Report	24	None
G4-33	Policy and current practices with regard to seeking external assurance for the Report	Introduction to the Report	6	None
<b>GOVERNANCE</b>				
G4-34	Governance Structure of the Organisation, including committees of the highest governance body	Corporate Governance Review	62	None
<b>ETHICS AND INTEGRITY</b>				
G4-56	Organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics.	Making the Path Clear for Long Term Growth, Compliance & Integrity	2,60	None
<b>SPECIFIC STANDARD DISCLOSURES</b>				
GRI Indicator	Description	Page Reference	Page No	External Assurance
<b>CATEGORY: ECONOMIC</b>				
<b>MATERIAL ASPECT: ECONOMIC PERFORMANCE</b>				
G4-DMA	Generic disclosure on Economic performance	Financial Review	34	None
G4-EC1	Direct economic value generated and distributed	Value Added Statement	28	None
G4-EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	Risk Management	66	None
G4-EC3	Coverage of the organization's defined benefit plan obligations	Note to Financial Statements	107	None
G4-EC4	Financial assistance received from government	Note to Financial Statements	109	None
<b>MATERIAL ASPECT: MARKET PRESENCE</b>				
G4-DMA	General disclosures on market presence	Collaborating with People	42	None
G4-EC5	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	Employment Strength	43	None
<b>MATERIAL ASPECT: INDIRECT ECONOMIC IMPACTS</b>				
G4-DMA	General Disclosures on Indirect economic impacts	Industrial Relations & Collective Agreement	42	None

GRI Indicator	Description	Page Reference	Page No	External Assurance
G4-EC7	Development and impact of infrastructure investments and services supported	Corporate Social Investment	54	None
G4-EC8	Significant indirect economic impacts, including the extent of impacts	Risk Management	66	None
<b>MATERIAL ASPECT: PROCUREMENT PRACTICES</b>				
G4-DMA	General Disclosures on procurement practices	Sustainable Procurement Practices	59	None
G4-EC9	Proportion of spending on local suppliers at significant locations of operation	Sustainable Procurement Practices	59	None
<b>CATEGORY: ENVIRONMENT</b>				
<b>MATERIAL ASPECT: MATERIALS</b>				
G4-DMA	General Disclosures on Material	Materials	50	None
G4-EN1	Total weight or volume of materials that are used to produce and package the organization's primary products and services during the reporting period	Materials	50	None
G4-EN2	Percentage of materials used that are recycled input materials	Not Reported	-	None
<b>MATERIAL ASPECT: ENERGY</b>				
G4-DMA	General Disclosures on energy	Energy Utilisation	50	None
G4-EN3	Energy consumption within the organization	Energy Utilisation	50	None
G4-EN6	Reduction of energy consumption	Energy Utilisation	50	None
<b>MATERIAL ASPECT: WATER</b>				
G4-DMA	General Disclosures on water	Managing Our Environment, Water Management	46,49	None
G4-EN8	Total water withdrawal by source	Not Reported		
<b>MATERIAL ASPECT: BIODIVERSITY</b>				
G4-DMA	General Disclosures on Biodiversity	Managing Our Environment	46	None
G4-EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Managing Our Environment	46	None
G4-EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	Managing Our Environment	46	None
<b>MATERIAL ASPECT: EMISSIONS</b>				
G4-DMA	General Disclosures on Emissions	Emissions	52	None
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	Not Reported	-	None
<b>MATERIAL ASPECT: PRODUCTS AND SERVICES</b>				
G4-DMA	General Disclosures on Products & Services	Product Responsibility	59	None
G4-EN27	Extent of impact mitigation of environmental impacts of products and services	Managing Our Environment	46	None
<b>MATERIAL ASPECT: COMPLIANCE</b>				
G4-DMA	General Disclosures on Compliance	Managing Our Environment	46	None
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	Not Reported	-	None
<b>MATERIAL ASPECT: OVERALL</b>				
G4-DMA	General Disclosures	Managing Our Environment	46	None
G4-EN31	Total environmental protection expenditures and investments by type	Not Reported	-	None

GRI Indicator	Description	Page Reference	Page No	External Assurance
<b>CATEGORY: SOCIAL</b>				
<b>SUB-CATEGORY: LABOR PRACTICES AND DECENT WORK</b>				
<b>MATERIAL ASPECT: EMPLOYMENT</b>				
G4-DMA	General Disclosures on Employment	Collaborating with People, Employment Strength	42,43	None
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	Employment Strength	43	None
<b>MATERIAL ASPECT: LABOR/MANAGEMENT RELATIONS</b>				
G4-DMA	General Disclosures on Labour/Management Relations	Industrial Relations & Collective Agreement	42	None
G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	Not Reported	-	None
<b>MATERIAL ASPECT: OCCUPATIONAL HEALTH AND SAFETY</b>				
G4-DMA	General Disclosures on Occupational Health & Safety	Occupational Health & Safety	44	None
G4-LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	Not Tracked	-	None
<b>MATERIAL ASPECT: TRAINING AND EDUCATION</b>				
G4-DMA	General Disclosures on Training & Education	Training & Education	44	None
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Training & Education	44	None
<b>MATERIAL ASPECT: DIVERSITY AND EQUAL OPPORTUNITY</b>				
G4-DMA	General Disclosures on Diversity & Equal Opportunity	Collaborating with People	42	None
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	Employment Strength	43	None
<b>MATERIAL ASPECT: EQUAL REMUNERATION FOR WOMEN AND MEN</b>				
G4-DMA	General Disclosures on Equal Remuneration for Women & Men	Employment Strength	43	None
G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	Not Reported	-	None
<b>SUB-CATEGORY: HUMAN RIGHTS</b>				
<b>MATERIAL ASPECT: NON-DISCRIMINATION</b>				
G4-DMA	General Disclosures on Non Discrimination	Collaborating with People	42	None
G4-HR3	Total number of incidents of discrimination and corrective actions taken	No incidents were reported	-	None
<b>MATERIAL ASPECT: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING</b>				
G4-DMA	General Disclosures on Freedom of Association & Collective Bargaining	Industrial Relations & Collective Agreement	42	None
G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	Industrial Relations & Collective Agreement	42	None
<b>MATERIAL ASPECT: CHILD LABOR</b>				
G4-DMA	General Disclosures on Child Labor	No operations having significant risk for incidents of child labour	-	None
G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor	No operations having significant risk for incidents of child labour	-	None

GRI Indicator	Description	Page Reference	Page No	External Assurance
<b>MATERIAL ASPECT: INDIGENOUS RIGHTS</b>				
G4-DMA	General Disclosures on Indigenous Rights	Not Applicable	-	None
G4-HR8	Total number of incidents of violations involving rights of indigenous peoples and actions taken	Not Applicable	-	None
<b>SUB-CATEGORY: SOCIETY</b>				
<b>MATERIAL ASPECT: LOCAL COMMUNITIES</b>				
G4-DMA	General Disclosures on Local Communities	Corporate Social Investment	54	None
G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	Corporate Social Investment	54	None
<b>MATERIAL ASPECT: PUBLIC POLICY</b>				
G4-DMA	General Disclosures on Public Policy	Not Reported	-	None
G4-SO6	Total value of political contributions by country and recipient/beneficiary	Not Reported	-	None
<b>MATERIAL ASPECT: ANTI-COMPETITIVE BEHAVIOR</b>				
G4-DMA	General Disclosures on Anti-Competitor Behaviour	No incidents reported	-	None
G4-SO7	Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes	No incidents reported	-	None
<b>MATERIAL ASPECT: COMPLIANCE</b>				
G4-DMA	General Disclosures on Compliance	No incidents reported	-	None
G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	No incidents reported	-	None
<b>MATERIAL ASPECT: SUPPLIER ASSESSMENT FOR IMPACTS ON SOCIETY</b>				
G4-DMA	General Disclosures on Supplier Assessment for Impacts on Society	Sustainable Procurement Practices	59	None
G4-SO9	Percentage of new suppliers that were screened using criteria for impacts on society	Not Reported	-	None
<b>MATERIAL ASPECT: GRIEVANCE MECHANISMS FOR IMPACTS ON SOCIETY</b>				
G4-DMA	General Disclosures on Grievance Mechanisms for Impacts on Society	Not Reported	-	None
G4-SO11	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms	Not Reported	-	None
<b>SUB-CATEGORY: PRODUCT RESPONSIBILITY</b>				
<b>MATERIAL ASPECT: CUSTOMER HEALTH AND SAFETY</b>				
G4-DMA	General Disclosures on Customer Health & Safety	Product Responsibility	59	None
G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	Product Responsibility	59	None
<b>MATERIAL ASPECT: PRODUCT AND SERVICE LABELING</b>				
G4-DMA	General Disclosures on Product & Service Labeling	Product Responsibility, Product Labeling	59	None
G4-PR3	Type of product and service information required by the organization's procedures for product and service information and labelling, and percentage of significant product and service categories subject to such information requirements	Product Responsibility, Product Labeling	59	None
<b>MATERIAL ASPECT: CUSTOMER PRIVACY</b>				
G4-DMA	General Disclosures on Customer Privacy	No incidents reported	-	None
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	No incidents reported	-	None
<b>MATERIAL ASPECT: COMPLIANCE</b>				
G4-DMA	General Disclosures on Compliance	No incidents reported	-	None
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	No incidents reported	-	None

# Definitions

ACT	Advance Company Tax	Market Capitalisation	Number of Shares in issue, multiplied by the market value of each Share at the year-end
Bio Tea	The finished product of organically produced green leaf of Tea	Negative Goodwill	The excess of the fair value of assets acquitted by way of finance lease over the net liability to the lessor
Borrowing Costs	Interest and other costs incurred by an enterprise in connection with the borrowing of funds	Net Assets	Sum of Fixed Assets and Current Assets less total liabilities
Cash Equivalents	Liquid Investments with original maturities of three months or less	Net Assets Per Share	Net Assets at the end of the period divided by the number of Ordinary Shares in issue
CIS	Commonwealth of Independent States	NSA	Net Sales Average is the average price realised per kg of Made Tea at an Auction or an average price realised over a period. It can be worked for each grade separately and for all the grades individually
Contingent Liabilities	Condition or situations at the Balance Sheet date, the financial effects of which are to be determined by future events, which may or may not occur	pH	A determination of the acidity level of soils
COP	Average cost to produce a kg of Made Tea. It is computed for all the Grades collectively	Price Earnings Ratio	Market price of a share divided by earnings per share.
Current Ratio	Current assets divided by current liabilities	Related Parties	Parties who could control or significantly influence the financial and operating policies of the Company
Dividend Cover	Profit attributable to shareholders divided by gross dividend	Return on Capital Employed (ROCE)	Profit after tax plus Interest on Borrowings as a percentage of Average Capital Employed. (Shareholders' Funds Plus Long Term Interest bearing Borrowings/Liabilities)
Dividend Payout Ratio	Dividend Per Share divided by Earnings Per Share	Return on Equity	Profit after tax as a percentage of average shareholder's funds
Dividend Per Share	Dividend attributable to ordinary shareholders divided by the number of Ordinary Shares in issue	Shareholder's Funds	Funds attributable to Shareholders and comprises of Share Capital, Reserves and Retained Profit
Earnings Per Share	Profit attributed to ordinary shareholders divided by the number of Ordinary Shares in issue and ranking for dividend	SLAS	Sri Lanka Accounting Standards
Enterprise Value	Market capitalization plus net debt	Turnover per Employee	Consolidated turnover of the Company for the year divided by the number of employees at the year-end
Gearing	Long Term Interest bearing Borrowings/Liabilities as a percentage to Total Capital (Shareholders' Funds Plus Long Term Interest bearing Borrowings/Liabilities)	UITF	Urgent Issues Task Force of the Institute of Chartered Accountants of Sri Lanka
General Reserve	Reserve available for distribution and investments	Value Addition	The Quantum of wealth generated by the activities of the Company and its application
GSA	Gross Sales Average	VAT	Value Added Tax
HACCP	Hazard Analysis Critical Control Point System	Yield (YPH)	Average yearly output of produce from a hectare of mature plantation
Interest Cover	Profit before tax plus interest charges divided by interest charges		
ISO	International Organisation for Standards		

# Notice of Meeting

NOTICE IS HEREBY GIVEN that the Twenty Fourth (24th) Annual General Meeting of Maskeliya Plantations PLC will be held at the Registered Office, No. 310, High Level Road, Nawinna, Maharagama on Friday, 30th June 2017 at 10.45 a.m. and the business to be brought before the meeting will be as follows;

1. To consider the Report of the Directors and the Statement of Accounts for the year ended 31st March 2017 with the Report of the Auditors thereon.
2. To approve the appointment of Dr. Sena Yaddehige as a Director  
  
Pursuant to Section 211 of the Companies Act No. 07 of 2007, a Notice of the following Ordinary Resolution has been received by the Company, from RPC Management Services (Private) Limited, No. 310, High Level Road, Nawinna, Maharagama, a shareholder of the Company.  
  
"That Dr. Sena Yaddehige of Le Neuf , Chemin, St. Saviours, Guernsey, United Kingdom who is 71 years of age be and is hereby appointed a Director of the Company in terms of section 211 of the Companies Act No. 07 of 2007, and it is further specially declared that the age limit of 70 years referred to in Section 210 of the Companies Act no. 07 of 2007 shall not apply to the said Dr. Sena Yaddehige "
3. To re-elect Mr. Sunil Poholiyadde, who retires by rotation in terms of Article 92 at the Annual General Meeting, a Director
4. To elect Dr. Sarath Samaraweera who retires in terms of Article 98 at the Annual General Meeting, a Director
5. To re -appoint M/s. Ernst & Young, Chartered Accountants as Auditors of the Company and to authorize the Directors to determine their remuneration.
6. To authorize the Directors to determine contributions to charities
7. To consider any other business of which due notice has been given

By Order of the Board  
(Sgd.)

Richard Pieris Group Services (Private) Limited  
Secretaries

No. 310, High Level Road, Nawinna, Maharagama

31 May 2017

Note:

- a) A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him/her.
- b) A proxy need not be a member of the Company. The form of proxy will be found inserted in the Annual Report

The completed form of proxy should be deposited at the registered office of the Company No. 310, High Level Road, Nawinna, Maharagama., not less than 48 hours before the time appointed for the holding of the meeting.

# Form of Proxy

I/We\* (in block letters) ..... of .....  
 ..... being a member / members of the MASKELIYA PLANTATIONS PLC , hereby  
 appoint ..... of .....  
 .....  
 whom failing DR. SENA YADDEHIGE whom failing SUNIL SOMINDRANATH POHOLIYADDE whom failing DR. LAXMAN SAMAN KUMARA HETTIARACHCHI whom failing JESENTHU LIYANA ANANDASIRI FERNANDO whom failing SHAMINDA YADDEHIGE whom failing Dr. SARATH SAMARAWEERA \* as my/our proxy to represent me/us and to vote on my/our behalf at the 24TH ANNUAL GENERAL MEETING of the Company to be held on 30th June 2017 and any adjournment thereof, and at every poll which may be taken in consequence thereof to vote:

	In favour	Against
1. To consider the Report of the Directors and the Statement of Accounts for the year ended 31st March 2017 with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To approve under and in terms of Section 211 of the Companies Act No. 07 of 2007, the appointment of Dr. Sena Yaddehige at this Annual General Meeting, a Director.	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect Mr. Sunil Poholiyadde, who retires by rotation in terms of Article 92 at the Annual General Meeting, a Director.	<input type="checkbox"/>	<input type="checkbox"/>
4. To elect Dr. Sarath Samaraweera , who retires in terms of Article 98 at the Annual General Meeting, a Director.	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-appoint M/s Ernst & Young, Chartered Accountants as Auditors of the Company and to authorise the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
6. To authorize the Directors to determine contributions to charities.	<input type="checkbox"/>	<input type="checkbox"/>
7. To consider any other business of which due notice has been given.	<input type="checkbox"/>	<input type="checkbox"/>

Dated this ..... day of ..... 2017

.....  
 Signature of shareholder

- Notes: (i) Please delete the inappropriate words  
 (ii) A proxy need not be a member of the Company.  
 (iii) Instruction as to completion appear on the reverse of this form.

## INSTRUCTIONS AS TO COMPLETION OF PROXY FORM

To be valid, this Form of Proxy must be deposited at the Registered Office of the Company No. 310, High Level Road, Nawinna, Maharagama., not later than 10.45 a.m. on Wednesday, 28th June 2017.

In perfecting the Form of Proxy, please ensure that all details are legible.

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

Please indicate with an 'X' in the space provided how your proxy is to vote on each resolution. If no indication is given the proxy at his/her discretion will vote as he/she thinks fit.

This Form of Proxy shall in the case of an individual be signed by the appointor or his/her Attorney. Where the Form of Proxy is signed under a Power of Attorney, which has not been registered with the Company, the original Power of Attorney together with a photocopy of same or a copy certified by a Notary Public must be lodged with the Company, along with the Form of Proxy.

# Corporate Information

Name of Company	:	Maskeliya Plantations PLC
Legal Form	:	A Quoted Public Company with Limited Liability Incorporated in Sri Lanka
Date of Incorporation	:	22 June 1992
Company Registration No	:	P Q 134
Registered Office	:	310, High Level Road, Nawinna, Maharagama
Business Address	:	310, High Level Road, Nawinna, Maharagama. Telephone: 011- 4310500
E- Mail Address	:	mpl.rpk@arpico.com
Holding Company & Management	:	RPC Management Services (Pvt) Ltd
Ultimate Parent Enterprise	:	Richard Pieris & Company PLC 310, High Level Road, Nawinna, Maharagama.
Business Activity	:	Tea Plantations
Stated Capital	:	Rs 673,720,950/- Represented by 53,953,490 Shares
Group Holding	:	83.40%
Directors	:	Dr. Sena Yaddehige Chairman S S Poholiyadde Director E M M Boyagoda Director (Resigned w.e.f 23.08.2016) Dr. L S K Hettiarachchi Director J L A Fernando Director Shaminda Yaddehige Director Dr. S A Samaraweera Director (Appointed w.e.f 22.05.2017)
Stock Exchange Listing	:	The Ordinary Shares of the Company are listed with the Colombo Stock Exchange of Sri Lanka
Management	:	Mr. S S Poholiyadde - Managing Director - Plantations Mr. M P S Pathiraja - Chief Executive Officer Mr. V Pusselle - Director Operations Mr. S. Epitakumbura - Sector Financial Controller Mr. A P de Tissera - General Manager - Marketing and Processing Mr. H K Caldera - Accountant Mr. H M B M Jayathilake - Accountant Mr. R M S S Herath - Manager - Information Systems
Secretaries	:	Richard Pieris Group Services (Private) Limited 310, High Level Road, Nawinna, Maharagama. Telephone: 011 – 4310564
Auditors	:	Messrs, Ernst & Young Chartered Accountants 201, De Saram Place, Colombo 10
Bankers	:	Sampath Bank PLC - Nawam Mawatha Branch Bank of Ceylon - Corporate Branch & Regional Branches Seylan Bank PLC - Millennium Branch Hatton National Bank PLC – City Office Branch NDB Bank Nations Trust Bank PLC

## Maskeliya Plantations PLC

No. 310, High Level Road, Nawinna, Maharagama, Sri Lanka.

Tel : +94 11 4310500  
Fax : + 94 11 4310835  
Website : [www.arpico.com](http://www.arpico.com)  
Email : [mpl.rpk@arpico.com](mailto:mpl.rpk@arpico.com)