

# NAMUNUKULA PLANTATIONS PLC

ANNUAL REPORT 2016/2017





Scan to view

The digital version of this annual report

[https://www.arpico.com/contents/npl\\_financial\\_reports.php](https://www.arpico.com/contents/npl_financial_reports.php)

## CONTENT

Setting the Scene	4
Our Business Model	5
Operational Footprint	6
Our Estates & Locations	8
Financial Highlights	10

### Management Discussion & Analysis

Chairman's Review	15
Review of Operations	18
Financial Calendar	22
Financial Review	23

### Sustainability

Sustainability Report	32
GRI content Index	46

### Governance

Profile of Directors	54
Human Resources	58
Corporate Governance	60
Audit Committee Report	65
Remuneration Committee Report	67
Related Party Transactions - - Review Committee Report	68
Risk Management	69

### Financial Information

Annual Report of the Board of Directors	82
Statement of Directors' Responsibility	88
Independent Auditors' Report	89
Statement of Profit or Loss	90
Statement of Comprehensive Income	91
Statement of Financial Position	92
Statement of Changes in Equity	93
Statement of Cash Flows	94
Notes to the Financial Statements	95

### Supplementary Information

Value Added Statement	140
Sources of Income & Utilisation	141
Shareholders & Investor - - Relations Information	142
Historical Landmarks	150
Pingarawa/Tonacombe Estate	152
Decade at a Glance	154
Glossary	155
Notice of Meeting	160
Form of Proxy	161



## Cover Story.....

### *A Success Story of True Diversification.....*

*Namunukula Plantations PLC incorporated in the year 1992 and built with strong foundation and drove towards with a modern vision with prospective aspiration. Today, it remains as be an entity with a multi-faceted portfolio of products, vibrant fast expanding diversified conglomerate working force in the industry of Plantations.*

*Namunukula Plantations has been a pioneer in most of its sectors of operations which work united towards enriching the standard of life of the people of Sri Lanka with its collective experience and expertise.*

*The heritage we carry and trust the people has kept towards Namunukula Plantations have shaped our focus on how we shaped our future.*

## ABOUT REPORT

Welcome to our 2016/17 Annual Report. Our aim is to clearly articulate our business, results and objectives to our key audiences, focusing on material issues and maintaining our commitment to address and report on our responsibilities and actions. Due to the nature of our business, economic, environmental and social issues are naturally important to us and those are an integral part of the way we do business. In an effort to keep our Annual

Report relevant and concise, we have included links to further information and our website within the Report. This Report has been prepared in accordance with the Sri Lanka Financial Reporting Standards, Information required by the Companies Act No: 07 of 2007 and Listing Rules of the Colombo Stock Exchange (CSE).

We have used the Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines and the Report has been formulated based on GRI in accordance – core and guidelines given by code of best practice

on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the Securities and Exchange Commission of Sri Lanka (CSE). However these are carried out in a voluntary basis. Therefore the contents of sustainability report has not been externally assured.

Please send comments or questions about this Report to.

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

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

## ABOUT US

The prime activities of Namunukula Plantations PLC are cultivation, manufacture and sale of Tea, Rubber, Coconut, Oil Palm and Cinnamon. In addition to the estate crops, we also purchase green leaf and latex from smallholders. Our estates and factories are situated in the low grown and Uva agro climatic area. Operationally, they are divided into four regions namely, Kalutara, Galle, Matara and Badulla. The main strength of the Company lies in the

diversity of crops and the large land base with real estate value. Our Company has a total land base of around 11,779 ha with a work force of 5,800. NPL was incorporated in 1992 as a fully government owned Company and subsequently privatized in July 1997. Currently we are a part of the Richard Pieris Group of Companies, the largest plantation group in Sri Lanka. Today our expectations are high and our potential, exceptional. We strive to be an efficient and transparent company for all

our stakeholders. We create value by the joint efforts of a dedicated team to become the leader of the plantation industry in every aspect. While we are working hard to maintain our cost leadership position in the industry, our top priorities are: zero accidents and incidents, minimisation of negative environmental impacts, and the high quality of our products. At the same time, we invest in our people and in developing and promoting high-performing employees.



## *Diversification.....*

*Having recognized the climate change that could have negative consequences for traditional agricultural production has generated a desire to build resilience into agricultural systems. It is proven that the most rational and cost-effective method is the implementation of planned agricultural crop diversification.*

*In this regard, Namunukula Plantations has already identified the crop diversification is the way to sustain in the industry of plantation. Therefore the company has been more focused on diversifying its operations from traditional crops into more effective and profitable crops.*

*With this in view, and as a long term management strategy, the company continues diversifying all uneconomical land into Oil palm with a crop portfolio of Tea, Rubber, Coconut and Cinnamon.*

## SETTING THE SCENE

### Our Vision

To be a diversified agri-business company with an international reputation for excellence in Quality, Innovation & Land use.

### Our Mission

To maximise returns to the stakeholder, by optimizing productivity of available resources through sound dynamic management practices, production of excellent quality products.

### Our Objectives

We work towards increasing the wealth of our shareholders by providing opportunities for our employees to be proactive and responsible corporate citizens.

### Our Business Model

Our integrated business model enables us to maintain control across our entire value chain from planting to sale of our product to end customers.

### Our Strategy

Our customer-focused revenue maximisation strategy is aimed at crop diversification responding to market opportunities, which is consistent with our continued commitment to the long-term growth of our shareholder value and stakeholder well-being.

### Creating Value for stakeholders

Meet the values and expectations of stakeholders of the organisation.

## OUR BUSINESS MODEL

Business model as essentially a 'way of doing businesses'. More formally, a business model describes the structure of product, service and information flows and the role of performing.

In our business model, plant and manufacturing involve a particular way of defining what the product and how it is produced. In terms of the value chain, this concerns technology development, procurement, inbound logistics, operations and procurement.

In our business model, sale involve a particular way of selling or diffusing a product. In terms of the value chain, this concerns outbound logistics, marketing and sales and service.

### Plant



We plant five crops including Oil Palm, tea, rubber, coconut and cinnamon in our 18 estates, out of which 03 estates are in to all 05 crops, 01 estate diversified to 04 crops, 05 estates have 03 crops, 3 estate have 02 crops and other 06 estate have only single crop.

In our plantations, we add value through proper management practices, engage them with skilled staff and resources. This will enable us to get high quality inputs for our value creation process.

### Manufacture



We manufacture quality tea and rubber products in our estate factories and transfer our oil palm production to AEN Palm Oil Processing factory which is a joint venture with 1/3 ownership with us. We operate 7 tea factories in Low grown range and 4 tea factories in Uva range, in addition 3 Crepe rubber factories and 4 RSS factories in Kalutara, Galle and Matara districts.

With high capacity factories, skilled staff and experienced employees creates the final value addition to our products. In this regard experience and the skill that possessed by our employees are invaluable.

### Sale



Our strategy is to maximize revenue generation and sustain positively in the market with a higher market share.

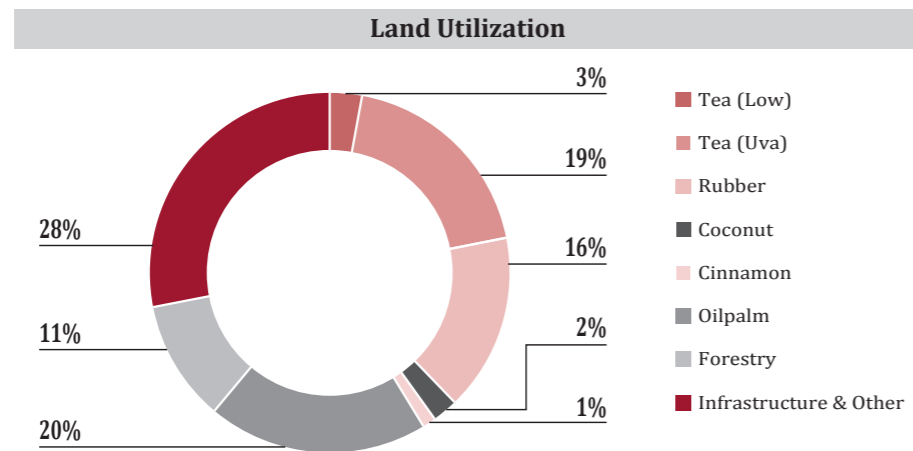
Majority of Tea and Rubber productions are catalogued at the estate and sold by brokers (B2B sales) at the auction.



# OPERATIONAL FOOTPRINT

Estate	Cultivated Area						Total Extent (Ha.)	Annual Production			Processing Details						Number of			Tea Factory Reg :No:	Elevation Meters	Elevation Range
	(Ha.)							(Kg '000 per annum)			Factory			Rated Capacity			Workers	Staff	Executive			
	Tea	Rubber	Oil Palm	Coconut/Cinnamon	Others	Total		Tea	Rubber	Oil Palm	Tea	Crepe	RSS	Tea	Crepe	RSS						
Eladuwa	-	279.75	296.86	-	0.75	577.36	675.00	-	219	4,396	-	-	-	540	-	282	18	2	-	30	Low Grown	
Miriswatte	29.25	199.00	170.75	-	-	399.00	551.00	25	109	768	-	-	-	-	-	248	20	1	-	68	Low Grown	
Pallegoda	-	315.58	418.38	10.00	-	743.96	943.00	-	280	5,831	-	01	-	750	-	335	25	2	-	30	Low Grown	
Sirikandura	-	203.45	92.50	11.00	5.00	311.95	634.00	-	106	191	-	-	-	-	-	110	10	1	-	30	Low Grown	
Yatadola	-	302.81	100.00	7.15	-	409.96	648.59	-	222	1,003	-	01	-	840	-	298	18	2	-	30	Low Grown	
Pelawatte	53.70	36.60	186.79	-	96.11	373.20	455.50	131	-	760	01	-	1,161	-	-	182	22	3	MF01283	166	Low Grown	
<b>Kalutara Range</b>	<b>82.95</b>	<b>1,337.19</b>	<b>1,265.28</b>	<b>28.15</b>	<b>101.86</b>	<b>2,815.43</b>	<b>3,907.09</b>	<b>155</b>	<b>936</b>	<b>12,948</b>	<b>01</b>	<b>03</b>				<b>1,455</b>	<b>113</b>	<b>11</b>				
Baddegama	29.44	112.36	100.28	85.53	-	327.61	651.26	713	60	1,068	01	-	01	1,032	-	500	286	31	3	MF00655	30	Low Grown
Citrus	7.49	61.89	187.29	23.14	10.90	290.71	507.84	7	32	800	01	-	-	484	-	-	191	14	1	MF00955	32	Low Grown
Walpita/Monrovia	44.75	34.31	-	214.54	-	293.60	339.33	71	24	-	01	-	01	535	-	100	176	18	1	MF00951	30	Low Grown
Olympus TF	-	-	-	-	-	-	-	-	-	-	01	-	-	503	-	-	14	3	-	MF00338	32	Low Grown
<b>Galle Range</b>	<b>81.68</b>	<b>208.56</b>	<b>287.57</b>	<b>323.21</b>	<b>10.90</b>	<b>911.92</b>	<b>1,498.43</b>	<b>792</b>	<b>116</b>	<b>1,869</b>	<b>04</b>		<b>02</b>			<b>667</b>	<b>66</b>	<b>5</b>				
Akuressa	31.80	209.85	118.43	61.14	48.04	469.26	807.54	19	107	299	01	-	01	387	-	500	234	16	2	MF01079	90	Low Grown
Hulandawa/Belmont	61.31	83.30	154.22	-	42.09	340.92	676.24	162	74	2,322	02	-	-	535/516	-	-	213	21	2	MF00241/MF00736	122	Low Grown
Tennahena	46.92	71.73	216.09	6.18	52.50	393.42	593.11	138	41	2,731	01	-	01	1,032	-	500	274	17	3	MF00378	123	Low Grown
<b>Matara Range</b>	<b>140.03</b>	<b>364.88</b>	<b>488.74</b>	<b>67.32</b>	<b>142.63</b>	<b>1,203.60</b>	<b>2,076.89</b>	<b>320</b>	<b>222</b>	<b>5,352</b>	<b>04</b>		<b>02</b>			<b>721</b>	<b>54</b>	<b>7</b>				
Cannavarella	404.11	-	-	-	90.30	494.41	799.70	201	-	-	01	-	-	862	-	-	558	23	3	MF00105	1,312	Uva High
Gonakelle	406.25	-	-	-	172.25	578.50	762.13	276	-	-	01	-	-	655	-	-	549	26	3	MF00234	1,062	Uva Medium
Hindagala	445.34	-	-	-	279.96	725.30	1,130.05	430	-	-	01	-	-	839	-	-	467	24	3	MF00668	1,400	Uva Medium
Kandahena	269.75	-	-	3.50	131.50	404.75	746.33	129	-	-	01	-	-	-	-	-	309	14	1	MF00932	1,234	Uva Medium
Kinellan	93.81	-	-	-	19.90	113.71	154.88	136	-	-	01	-	-	504	-	-	155	8	1	MF00243	1,052	Uva Medium
Pingarawa	377.24	-	-	-	143.99	521.23	703.55	245	-	-	01	-	-	-	-	-	514	19	-	MF00327	1,200	Uva High
<b>UVA Range</b>	<b>1,996.50</b>	<b>-</b>	<b>-</b>	<b>3.50</b>	<b>837.90</b>	<b>2,837.90</b>	<b>4,296.64</b>	<b>1,417</b>	<b>-</b>	<b>-</b>	<b>06</b>	<b>-</b>	<b>-</b>			<b>2,552</b>	<b>114</b>	<b>11</b>				
Head Office																	6	18				
<b>Company Total</b>	<b>2,301.16</b>	<b>1,910.63</b>	<b>2,041.59</b>	<b>422.18</b>	<b>1,093.29</b>	<b>7,768.85</b>	<b>11,779.05</b>	<b>2,684</b>	<b>1,274</b>	<b>20,169</b>	<b>15</b>	<b>03</b>	<b>04</b>			<b>5,395</b>	<b>353</b>	<b>52</b>				

Total usage of company building is Sq. ft. 4,585,874



Total Hectares		
Crop	Mature (Ha.)	Immature (Ha.)
Tea	2,285.22	15.94
Rubber	1,606.13	304.50
Oil Palm	1,509.88	531.71
Coconut	234.96	31.57
Cinnamon	129.11	26.54
Other	1,093.29	-
<b>Total</b>	<b>6,858.59</b>	<b>910.26</b>



## OUR ESTATES AND LOCATIONS



Eladuwa Estate  
Eladuwa Estate, Matugama.  
T: 034-2245362 / 034-4924414

Miriswatte Estate  
Miriswatte Estate, Welipenna.  
T: 034-2274202 / 034-4924413

Pallegoda Estate  
Pallegoda Estate, Dharga Town.  
T: 034-2274417 / 034-4924412

Sirikandura Estate  
Sirikandura Estate, Matugama.  
T: 034-2247370 / 034-4924411

Yatadola Estate  
Yatadola Estate, Matugama.  
T: 034-2245449

Pelawatte Estate  
Pelawatte Estate, Via Matugama.  
T: 034-3303833



Baddegama Estate  
Baddegama Estate, Baddegama.  
T: 091-2292228 / 091-4925997

Citrus Estate  
Citrus Estate, Poddala.  
T: 091-4926001 / 091-2234105

Walpita/Monrovia Estate  
Walpita Estate, Poddala.  
T: 091-4926000 / 091-2292294

Olympus Tea Factory  
Olympus Tea Factory, Poddala.  
T: 091-2292539



Gonakelle Estate  
Gonakelle Estate, Passara.  
T: 057-4926256

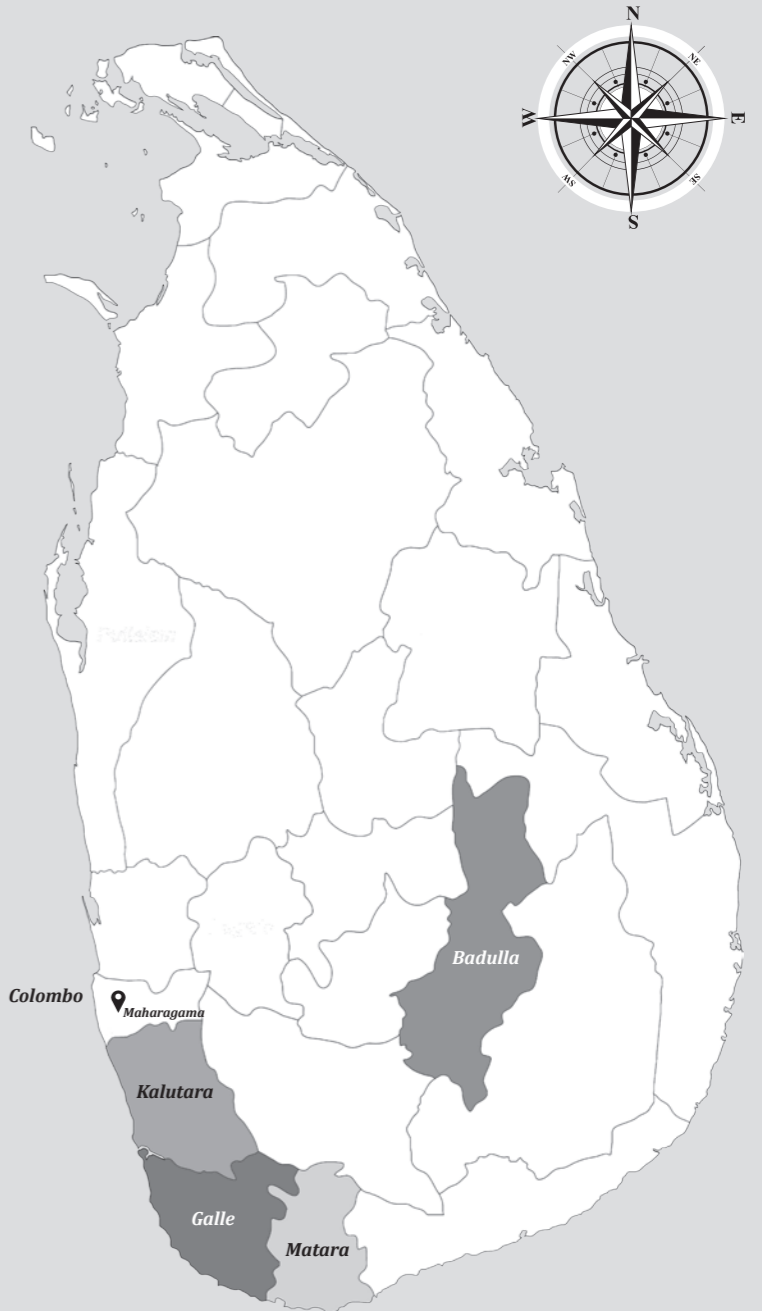
Cannavarella Estate  
Cannavarella Estate, Namunukula.  
T: 057-4926257

Kandahena Estate  
Kandahena Estate, Namunukula.  
T: 057-4926258

Pingarawa Estate  
Pingarawa Estate, Namunukula.  
T: 057-4926259

Hindagala Estate  
Hindagala Estate, Namunukula.  
T: 057-4926260

Kinellan Estate  
Kinellan Estate, Ella.  
T: 057-492626



Akuressa Estate  
Akuressa Estate, Telijjawila.  
T: 041-2240223 / 091-4925999

Hulandawa Estate  
Hulandawa Estate, Akuressa.  
T: 041-4922713 / 041-3400172

Tennahena Estate  
Tennahena Estate, Pitabeddera.  
T: 041-2281202



Registered Office / Head Office  
No: 310, High Level Road, Nawinna, Maharagama.  
T: + (94) 11 4310500 / Fax: (94) 11 2801400

# FINANCIAL HIGHLIGHTS

Dividend Per Share 2016/17

**7.50**

LKR

Profit Before Tax 2016/17

**436.28**

LKR Mn

Market Capitalization

**1,758**

LKR Mn

Turnover 2016/17

**2,512**

LKR Mn

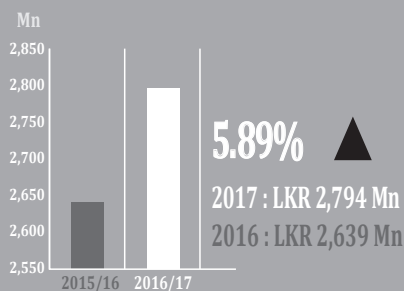
Asset Base 2016/2017

**4,142**

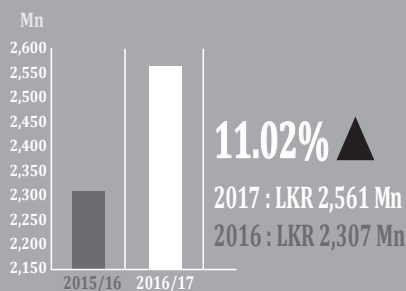
LKR Mn

For the year ended 31 March,		2016/17	2015/16	Change	Change	2014/15
<b>Results of operations</b>						
Revenue	Rs'000	2,512,274	1,913,076	599,197	31%	2,194,906
Cost of sales	Rs'000	(2,068,996)	(1,848,270)	220,726	12%	(2,107,933)
Earnings before interest, JV profit and tax	Rs'000	425,104	81,524	343,580	421%	125,884
Profit after tax	Rs'000	401,950	67,468	334,482	496%	151,261
Earnings per share	Rs.	16.92	2.84	14.08	496%	6.37
Interest cover	No of times	7.23	1.54	5.69	369%	3.77
Return on equity (ROE)	%	16%	3%	13%	437%	7%
Return on capital employed (ROCE)	%	15%	3%	12%	392%	7%
Return on assets	%	10%	2%	8%	479%	4%
Capital expenditure	Rs'000	228,377	266,800	(38,422)	-14%	413,293
<b>Financial position</b>						
Total assets	Rs'000	4,141,594	4,025,475	116,119	3%	3,879,014
Total debt	Rs'000	233,178	332,030	(98,852)	-30%	254,946
Total shareholders' fund	Rs'000	2,561,817	2,307,531	254,286	11%	2,184,191
Capital employed	Rs'000	2,794,995	2,639,561	155,434	6%	2,439,137
Net asset per share	Rs.	107.87	97.16	10.71	11%	91.97
Gearing ratio	%	8%	13%	-4%	-34%	10%
Debt/Total assets	%	6%	8%	-3%	-32%	7%
<b>Shareholder Information</b>						
Market price of share as at 31st March	Rs.	74.00	59.50	14.50	24%	70.90
Market capitalization	Rs.mn	1,757.50	1413.13	344	24%	1683.88
Dividend per share	Rs.	7.50	-	7.50	-100%	2.00
Price earnings ratio	No of times	4.37	20.95	(16.57)	-79%	11.13
Earnings yield	%	23%	5%	18%	364%	9%
Dividend Payout ratio	%	44%	0%	44%	100%	31%

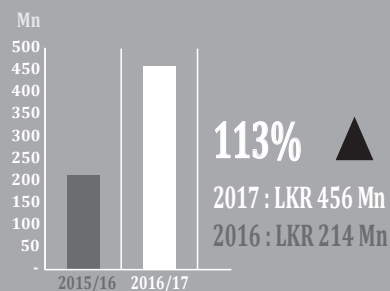
### Capital Employed



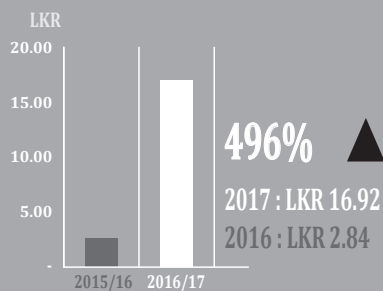
### Share Holders fund



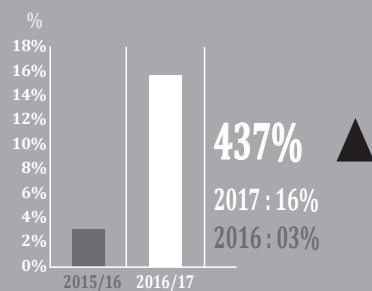
### Net Cash Flow From Operating Activities



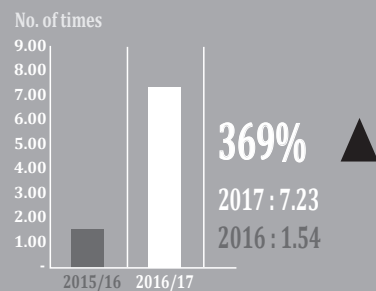
### Earnings per Share



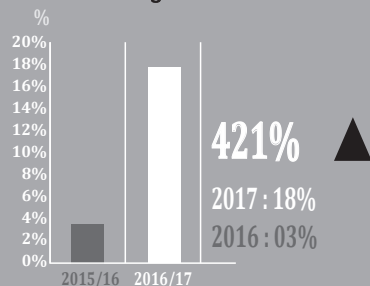
### ROE



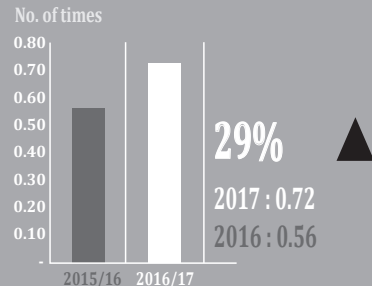
### Interest Cover



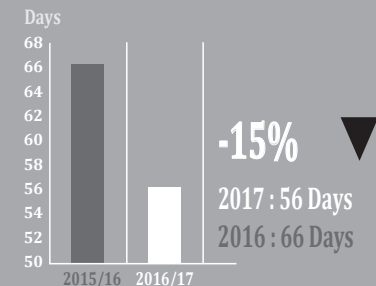
### Gross Profit Margin



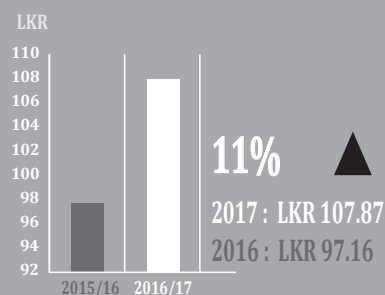
### Current Ratio



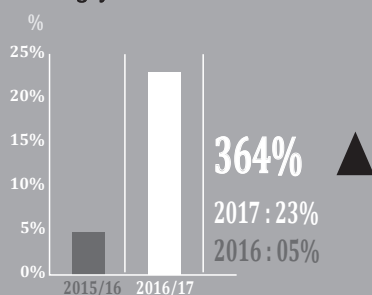
### Cash Return Ratio



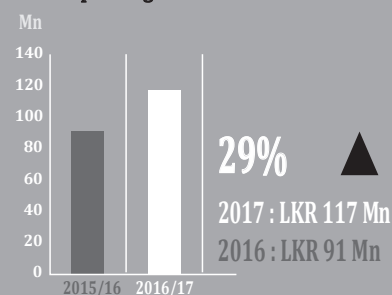
### Net Asset Per Share



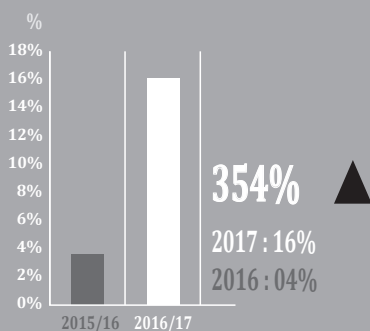
### Earnings yield



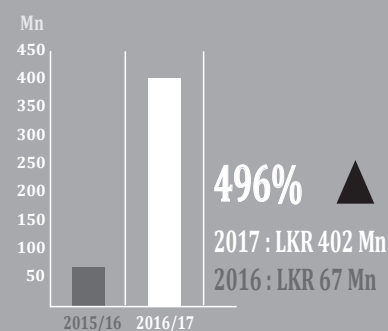
### Other Operating Income



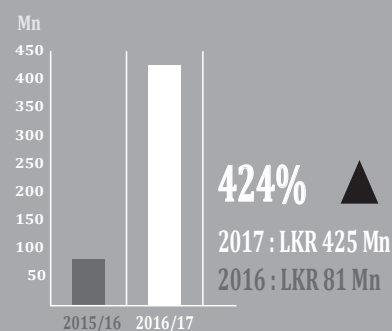
### NP Ratio



### PAT



### EBIT





## *SWOT Analysis.....*

### *Strengths*

- *Profitability of company involvement in Oil Palm*
- *Strong Equity base capital structure*
- *Diversified plantation portfolio*

### *Weaknesses*

- *Future expected reduction in available skilled workers*
- *Decreasing productivity in the land*
- *Continuous Labour and industrial unrest*

### *Opportunities*

- *Diversification of existing land into Oil Palm*
- *Government support on concessionary rate leverage loans*
- *Leveraging pure Ceylon tea taste*

### *Threats*

- *Periodic industry-wide wage hikes*
- *Adverse weather conditions and patterns*
- *Demand for substitute products*

## **MANAGEMENT DISCUSSION & ANALYSIS**

Chairman's Review	15
Review of Operations	18
Financial Calendar	22
Financial Review	23



## CHAIRMAN'S REVIEW



Dear Shareholders,

I am pleased to welcome you to the 24th Annual General meeting and presenting you the Annual Report and Audited Financial Statements for the financial year ending 31st March 2017.

Frenzied weather patterns, was yet another hurdle which our company had to overcome during the year, however the company managed to close the year reporting a strong performance as a result of timely focus and continuous improvements in business processes. The close supervision and monitoring of crop diversification process of Tea, Rubber, Coconut, Oil Palm and Cinnamon could also be attributed to our success. Efficient finance management including working capital management and effective cost management were other contributory factors.

The year under review was a challenging year for the Plantation industry as a whole particularly for the tea sector. A new Collective Agreement between the Worker Trade Unions and the Regional Plantation Companies came into force within the year under which the worker's wage was increased by 17%. The final wage of a worker inclusive of attendance and other wage supplements is now Rs.730/- per day. Estate Staff collective agreement too renewed during the financial year 2016/17.

### **Economic Environment**

Unfavorable weather conditions and sluggish global economic recovery caused the economy to grow at a slower rate of 4.4 per cent in 2016, in comparison to 4.8 per cent in the previous year. Inflation, which remained low in the first four months of the year, increased thereafter to record an annual average of 4.0 per cent in 2016. The trade deficit

as a percentage of GDP expanded to 11.2 per cent in 2016 compared to 10.4 per cent in 2015. The rupee depreciated against all major currencies except the pound sterling in 2016. The rupee, which remained broadly stable with heavy intervention by the Central Bank in the first four months of the year, was allowed to float freely to a great extent in the second half of the year, resulting in an overall depreciation of the rupee against the US dollar by 3.83 per cent during the period under review.

### Industrial Overview

In Agriculture, Forestry and Fishing related activities recorded a general decrease of 4.2 % in 2016 contrasted with the development of 4.8 % seen in the earlier year. Therefore, the GDP share of agricultural sector diminished further to 7.1 per cent in 2016 from 7.8 per cent in 2015.

### Tea

Tea production in 2016 witnessed a substantial decline due to both supply and demand side factors. The prolonged drought in tea growing areas during early 2016, the changes in weather patterns with overcast conditions in mid-2016 and the severe drought condition in late 2016 had a negative effect on tea production. Reductions in the application of fertilizer and weedicides may also have contributed to this decline.

Total tea production in 2016 declined by 11.0 per cent to 292.6 million kg from 328.8 million kg in 2015. Low grown tea production, which accounted for around 63.0 per cent of the total tea production, declined by 9.3 per cent to 183.6 million kg, whilst high grown and medium grown tea recorded declines of 14.6 per cent and 12.7 per cent, respectively, to 64.4 million Kg and 44.5 million kg.

The prices of high, medium and low grown teas at the Colombo Tea Auction (CTA) were above the prices traded during the corresponding period. 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.

### Rubber

The decline in production of rubber in 2016 was due to the reduction of both the extent under tapping and the number of tapping days, in response to lower prices.

Rubber production at 79.1 million kg in 2016 declined by 10.7 per cent to record the lowest production volume reported in the past 50 years. While the basic YPH increased by 3.9 per cent to 851 kg in 2016, this was mainly due to the reduction of the extent under tapping in marginal lands. Domestic consumption of rubber in the industrial sector, which has stagnated during the last few years, increased marginally to reach 69 million kg, accounting for 87.2 per cent of the domestic rubber production. Natural rubber exports declined by 55.8 per cent to 16.2 million kg and the cost of production of rubber increased by 5.9 per cent to Rs.180.00 per kg in 2016.

Prices at the Colombo Rubber Auction decreased during the year, as a result of a slowdown in global demand owing to high inventories in major consuming countries, including China and Japan, and the subdued global prices caused mainly by low international crude oil prices. The average price of Ribbed Smoked Sheet 1 (RSS1) at Rs.239.28 per kg at the Colombo Rubber Auction in 2016 witnessed a 3.6 per cent decline over the average price recorded in 2015.

The price of latex rubber also decreased by 13.0 per cent to Rs.262.31 per kg during the year. The average price of natural rubber per kg declined by 30.1 per cent to US dollars 1.6 in 2016 from US dollars 2.2 recorded in 2015. As a result of the decrease in prices, the profit margin available to the producer remained low, making rubber cultivation less attractive.

### Coconut

The decrease in the coconut production was mainly due to the low rainfall received in main coconut growing areas in 2016. In line with the increased industrial demand, desiccated coconut production, which reported a 17.1 per cent contraction in 2015, rebounded with a growth of 22.3 per cent, recording the highest quantum of desiccated coconut production in the last decade.

High domestic prices for coconut, amidst the low production, were partly attributed to the increased demand from coconut based industries and high export prices. In 2016, the average retail price of fresh nuts decreased by 8.3 per cent to Rs.45.82 per nut.

## Financial Highlights

NPL has continued to grow streakily in 2016, increasing its revenue by 31.31 percent to close the year at Rs. 2,512mn as opposed to Rs. 1,913mn during the previous year. The Profit before tax of the company stood at Rs. 436 mn which is an increase of 627% from the previous year value of Rs. 60 mn. The Tea, Rubber, Oil Palm and other crops all witnessed growth in profitability in the year 2016/17 when compared to year 2015/16.

The company has recorded another milestone in the history of oil palm cultivation having harvested over 20 mn kg of Fresh Fruit Bunch (FFB) being the 2nd largest FFB producer of the country with a yield exceeding 13,300 kg FFB/ ha

Profit of the associate company too grew sturdily to 125 per cent, registering profit share of Rs.70mn in comparison to Rs.31mn in 2015/16. Other income too was a distinguished contributor to the profits, contributing Rs.117mn during the year.

The total asset base of the company registered a growth of 3 per cent from the previous year's Rs.4, 025mn to Rs.4,142 mn this year.

## Capital Expenditure

During the year under review, your company invested heavily in the sectors which they serve, in order to reap benefits in the years to come. The total sum invested were a staggering Rs. 228mn out of which the highest investment was made to the Oil Palm sector totaling Rs. 129 mn.

## Future Outlook

According to IMF report, the global economy did in fact gain momentum during the latter part of 2016, while emerging markets and developing economies showed signs of sluggish growth. The momentum in the global economy is expected to persist throughout the 2017 and 2018 with the ongoing cyclical recovery in investment, manufacturing and trade.

The local economy is projected to grow at a moderate rate of circa 5 per cent in 2017 amidst the adverse impact of unfavorable weather conditions. However, the economy is expected to grow at this moderate pace for few more years and is expected to grow at 7% by 2020. Furthermore, exports are projected to increase at a higher rate than imports. This would in turn result in narrowing of the trade deficit in the medium term. The government has displayed

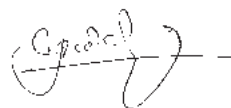
its commitment by adopting several policy measures to enhance revenue collection and rationalize expenditure. It is expected that the removal of economic sanctions on Iran, which is one of the major export destinations for Sri Lankan tea, and possible improvements in global demand would help stabilize tea prices.

With the company's main focus remaining on both bought and estate leaf; these sectors will increase the total production although in the long term the company aims to reduce the reliance on bought leaf through replanting and organic bio fertilizer. The introduction of new technological methods to improve yield are to be introduced into the oil palm sector, which the company has predicted and will grow the YPH up to 14,900 Kg/ha, while focus will also be extended to the Coconut and Cinnamon crops.

Furthermore, an enhanced crop diversification process mainly concentrating on Palm Oil, Rubber and Cinnamon was implemented and will be continued to the ensuing year as well. While the company wants to further diversify its portfolio into other areas such as tea centers and holiday bungalows over the next 2 years. The initial plans have been drawn up for these in the Kaloogala, St. George, Wewegoda, Citrus and Tonacombe properties.

The management has navigated, the company in the last several years with fortitude, driving results, making tough decisions and treating each other as equal partners. They are the reason why both performance and morale remain strong in our corporate environment. At this point I would also like to welcome Mr. G. Amerasinghe into our fold as a fellow director.

Finally I would like to extend a warm thank to our employees and also thank the Executive Officers of the company and Board members who were immeasurably instrumental in our success story and all the shareholders who became the source of strength to us, right from the inception.



Dr. Sena Yaddehige  
Chairman  
31 May 2017

Colombo



## REVIEW OF OPERATIONS

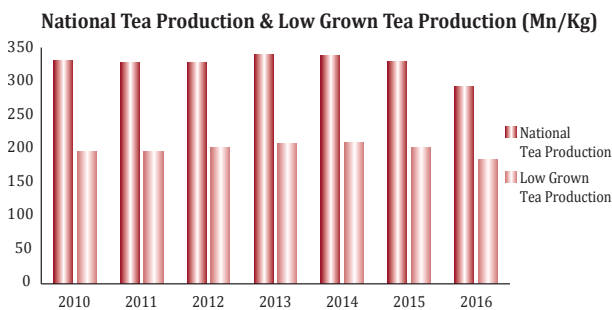
Namunukula Plantations PLC (NPL) has ended the financial year 2016/17 with an extremely good performance having achieved a milestone in the history since privatization. The net profit recorded by the company at Rs 432.4 mn during the year under review is the highest ever profit recorded by NPL. The net profit achieved by the company is 198% to that of the profit recorded in the previous year. The continued positive performance of NPL has earned the stakeholder confidence resulting in a share price of Rs 74/- in the Colombo Stock Exchange which is the current second highest sale price recorded by a Regional Plantation Companies.

This robust performance was made possible having timely identified the potential profit that could be generated from oil palm sector and achieving same with a positive variance, despite absorbing an additional cost due to revision of worker wages and also accommodating related statutory provisions.

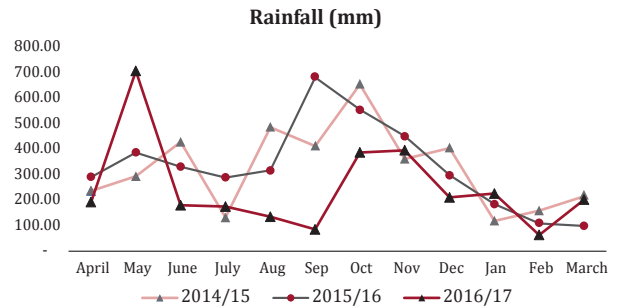
### Tea

The world tea production in the year under review has recorded mixed results. Whilst North India and Kenya have recorded a significant increase in production that of last year, Sri Lanka and South India have recorded a crop decline over previous year. As a result of continued demand for orthodox tea in the world market the Sri Lanka tea recorded a sale price of over US\$ 3.25 per kg at the Colombo Auction during latter part of the season mitigating the revenue losses accrued due to production losses.

The Sri Lanka tea production recorded at 292.6 mn/kg for the year is the lowest production recorded since 2010. The low grown tea sector have also followed a similar crop pattern recording a total production of only 183.6 mn/kg which is once again the lowest production since 2010.



The main contributory factor was the erratic weather pattern continued during the year recording a significant decline in the rainfall, as identified in the graph given below.

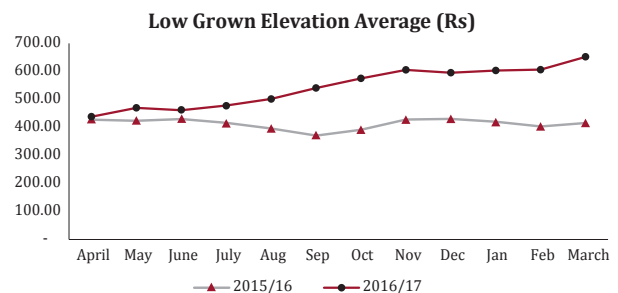


Despite undertaking timely fertilizer applications and other agricultural practices, the company tea production recorded a deficit against previous year as a result of unfavorable weather. The total production of 204,409 kg is only 77% of crop recorded in the previous year.

### Bought Leaf

The company has processed over 5.5 mn kg small holder leaf during the year under review against 5.1 mn kg in the previous year recording an increase of 08%. This we consider as a significant achievement despite experiencing an unfavorable weather during 03rd and 04th quarters of the season. This achievement was made possible due to timely payment to the small holders with personalized services offered together with continued positive relationship maintained with the small holders / suppliers.

The low grown elevation average recorded a significant increase during 03rd and 04th quarters of the season 2016/17.



The significant increase in the weekly sale average mitigated the anticipated revenue loss due to production shortfall. The tea sale average from orthodox tea remain very attractive and it is anticipated that the above lucrative sale average will continue in the new season as well.

The orthodox tea produced by NPL fetched an average price of Rs 524/65 per kg for the FY 2016/17, against that of Rs 383/33 per kg in the previous year recording a positive variance of 37%. It is anticipated that this trend will continue in the new season with the expected shortfall in orthodox tea.

### Estates in the Uva Region

The 06 tea estates in the Uva region which falls under the elevation categories of Uva High and Uva Medium situated with an elevation of above 3500 ft. from sea level.

The management of these estates subleased in the year 2006. With the sub lessor abandoning the management contract, in 2009, the industrial court appointed a liquidator who inturn advised Namunukula Plantations PLC to manage these properties on behalf of him. In the year 2013 the management of Uva estate reverted back to Namunukula Plantations PLC.

Since then, the overall standard of these estates were gradually improved with required inputs. The operational performance of theses estates have recorded a remarkable improvement during the year under review, recording a gain of over 86% compared to previous year.

With a view to secure maximum advantage on the prevailing market pattern for Uva tea, 03 factories in the region produce orthodox tea whilst one factory continue to manufacture orthodox / rotovane type tea. In addition, one tea factory continues to remain as a refuse tea processing centre earning a substantial income from this operation.

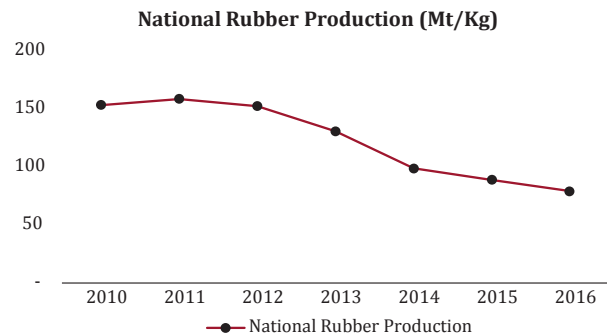
With the timely management intervention and motivation together with positive steps being taken to improve productivity and profitability, we are confident that these estates generate a significant profit in the FY 2017/18 despite absorbing a negative impact on the recent wage / salary increases.

As the estate locations are highly attractive for leisure activities, the following development operations are in the process of implementation with a view to add more value to this group of estates.

- Tourism
- Tea Centres
- Cultivation of Fruit
- Cultivation of High Value Timber

### Rubber

The Sri Lanka rubber production has recorded a declining trend since 2012. Major contributory factors for this negative performance are unfavorable weather and poor prices realized due to depressed market conditions. Stagnated world oil prices and less demand for rubber in countries such as India & China has also contributed abandoning harvesting of rubber by many small holders.

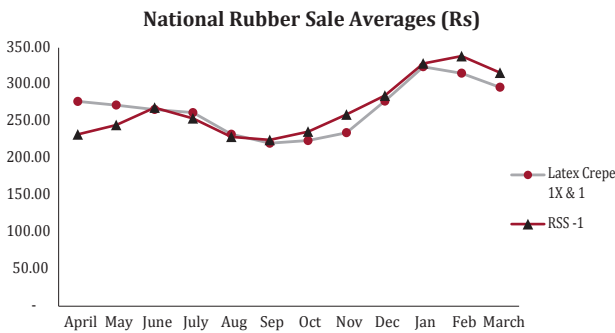


NPL processed 1.275 mn kg rubber during the year which is 10% above that of previous year taking maximum advantage of the dry weather prevailed in 03rd and 04th quarters of the season. Although the rubber production suffered a significant crop deficit at the beginning of the year due to rainfall exceeding 700 mm in one calendar month, the crop intake gradually improved during latter part of the year, with the management intervention for recovery tapping, elimination of vacant tapping blocks and also improving the tapping productivity considerably.

The Crepe factories in Kalutara district manufactured over 55% of the total NPL production into Crepe rubber securing premium prices at the weekly auctions. In order to optimize revenue generation, 34% of the total production or 438,000 kg rubber sold as field latex to Centrifuged Latex Factory at

premium prices whilst the balance production converted into RSS and sold at the Colombo Auction.

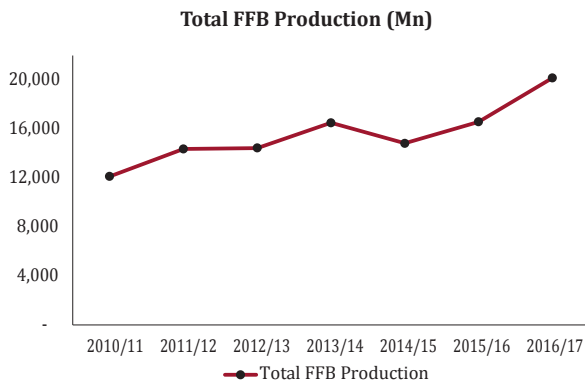
The national sale average for Crepe and RSS remained below Rs 260/- upto September 2016 and witnessed an improvement during the 03rd and 04th quarters of the season, exceeding Rs 300/- after a considerable period of time. Unlike the tea prices, the Colombo auction average for rubber once again declined to below Rs 300/- and it is anticipated that these prices to remain at current level for a considerable period.



### Oil Palm

The company has recorded another milestone in the history of oil palm cultivation and production having harvested over 20 mn kg of FFB which is the highest ever crop since the year 2000. NPL also remain as the 02nd largest producer of FFB in Sri Lanka contributing to over 45% production share of the mill.

The total production of FFB of 20.2 mn kg is 22% above that of the previous year, with a yield exceeding 13,300 kg FFB/ha. This encouraging performance was made possible as a result of identifying the potential for revenue generation from this segment and motivating the heads of SBU's to achieve this target with a positive variance.

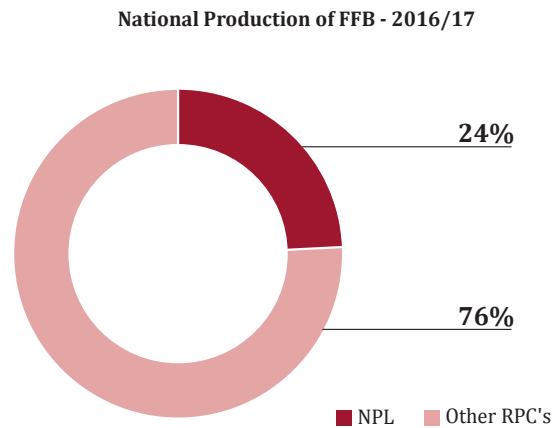


The company has an extent of over 1500 ha in production and a further 450 ha. in the immature stage. As strategically decided by the company, cultivation of oil palm will be further expanded aiming at an extent of over 3000 ha by the year 2022. With this in view NPL has already imported 50,000 seeds for planting in the new season and a further 50,000 seeds for planting in the subsequent year.

Oil palm has generated a gross profit of Rs 663 mn that is 163% over last season, despite absorbing an additional cost on worker wages since October 2016. The company is in the process of strengthening this position further with timely inputs, optimizing worker productivity and undertaking the required harvesting rounds. The required agricultural practices and all operational aspects of oil palm sector will receive the due attention it deserve to sustain and improve the production and profitability in the new season.

### NPL Contribution to National Production

NPL production of 20.2 mn kg FFB in the year 2016/17 represents over 24% of the national production of FFB.



### Coconut

The annual production of 884,000 nuts is one of the highest crop recorded in the recent past achieving 15% higher than last year.

The company has recorded an gross profit of Rs 5.1 mn during the year under review. Majority of the production is sold to the local market in the form of green nuts. Although the sale price was below Rs. 30/- per nut during the 1st six

months of the season, the sale price gradually improved due to a significant disparity in the supply - demand equilibrium in the local market and continue to remain attractive, thus making a significant profit from this sector.

### Cinnamon

The company has harvested 12,800 kg cinnamon during the season recording an increase of 2,042 kg or 19% over that of last year. The company has recorded a profit of Rs 5.5 mn taking advantage of the increased price and also maximizing the volume of high selling 'C' grade that fetches over Rs 2,000 per kg. NPL has strategically planned to centralize peeling operations and a value addition project for extraction of leaf oil etc. in the new season with a view to achieve the potential profit from this sector.

### Human Resources

NPL consider its human resources as the greatest asset for sustainable development achieved so far and look forward to in the ensuing years. Therefore the need for development of skills and competencies of all category of employees receive due attention at all times. Many training programmes have been conducted in house and at site to achieve the above objectives. The training programmes mainly focused on productivity improvement, waste reduction etc conducted by research instructions such as TRI/RRRI/CRI and also by PHDT.

The company also recognizes the health and welfare facility provided to the employee as a key factor to achieve required attendance to work, by arranging eye clinics, antenatal/postnatal, family planning clinics at regular intervals with the assistance of the department of Health in the regions.

As an integral part of the company CSR programme, financial assistance is being granted to deserving children of our employees to pursue their higher studies at universities. As at date over 200 children have benefited with the company funded scholarship programme and successfully completed their graduate studies.

The daily wages of workers have been revised as per the agreement signed increasing their wages by 17% to Rs 730/-. The remuneration of monthly paid estate staff has also been revised with an increase of 25% to the existing salary structure. The above increase in wages will have a significant

cost implication to the company. We have already addressed this issue and taken steps to mitigate the impact of wage increases in the new financial year.

### Capital Investment

The company has identified the need for continued capital investment primarily in the areas of field development and factory renovation that will pay a higher financial return to achieve long term goals in relation to productivity and viability. In keeping with the above, NPL has invested Rs 228mn during the year 2016/17, to maintain the land extent already planted and further expansion under oil palm cultivation. The 50,000 OP seeds already imported growing well and already transplanted into stage II nursery and ready for field planting in the new season. A further 50,000 seeds imported in the month of March 2017 being germinated and these plants will be used for field planting in the year 2018/19.

### Future Strategies & Goals

The current auction price for orthodox tea is very encouraging and if continued, the company will make a substantial profit from tea sector, despite facing stiff competition from privately owned tea factories for collection of small holder leaf.

The average price for Crepe and RSS rubber too remain favourable. The local purchase price of Crude Palm Oil is steady despite increased import taxes. Management strategies are in place to control cost with a view to mitigate wage/salary increase.

NPL is well diversified company in the agri business. The potential of NPL in terms of a balanced crop mix is invaluable. The current favourable sale prices for major plantation crops if continued, will no doubt increase earnings of the company substantially that will ensure a higher return on investment to all stake holders and also to remain NPL as a most profitable Regional Plantation Company in the ensuing years.



## FINANCIAL CALENDAR

### Financial Calendar 2016/17

	2016/2017	2015/2016
Annual Report and Accounts for the year signed	On May 31, 2017	On 31 May, 2016
Release to CSE and circulated to the shareholders (including Notice of Annual General Meeting to the Shareholders)	On June 06, 2017	On June 08, 2016
Annual General Meeting to be held/ hold	On June 30, 2017	On June 30, 2016

### Interim Financial Statements Calendar - Submission to the Colombo Stock Exchange (CSE) (In terms of Listing Rule 7.4 of the CSE)

	2016/2017	2015/2016
For the three months ending /ended June 30 (Unaudited)	August 11, 2016	August 13, 2015
For the six months ending /ended September 30 (Unaudited)	November 09, 2016	November 10, 2015
For the nine months ending /ended December 31 (Unaudited)	February 13, 2017	February 11, 2016
For the year ending /ended March 31 (Unaudited)	May 30, 2017	May 28, 2016

### Dividend Calendar

	2016/2017
1st Interim Dividends for the year paid	On October 12, 2016
2nd Interim Dividends for the year paid	On March 30, 2017

#### Most Recent Previous Annual General Meetings

14th Annual General Meeting	28th June 2007
15th Annual General Meeting	23rd July 2008
16th Annual General Meeting	28th July 2009
17th Annual General Meeting	29th June 2010
18th Annual General Meeting	30th June 2011
19th Annual General Meeting	29th June 2012
20th Annual General Meeting	28th June 2013
21st Annual General Meeting	30th June 2014
22nd Annual General Meeting	30th June 2015
23rd Annual General Meeting	30th June 2016



## FINANCIAL REVIEW

### FY 16/17 Highlights

Revenue increased 31% YoY to LKR 2.5Bn

PBT increased 628% YoY to LKR 436Mn.

Market Capitalization of LKR 1,758Mn

Oil Palm Gross profit up 74% YoY to LKR 602Mn

Revenue from Tea segment increased by 22% TO LKR 1,254Mn.

Namunukula Plantations PLC (NPL) reported revenue of LKR2.5bn for the year ended 31 March 2017 (FY17), up 31% YoY. Profit Before Taxation increased to LKR 436Mn for FY17, from LKR 60Mn recorded in the previous year.

The overall growth in YoY PBT is mainly attributable to exceptional performance in all the operation segments i.e., tea, rubber, oil palm, coconut and cinnamon of the company during the year. Other income also increased in FY17 to LKR 117Mn, up 29% YoY.

The Financial Review relates to the performance of Namunukula Plantations PLC for the year ended 31st March 2017 and the figures are indicated in Sri Lankan Rupees (LKR) unless otherwise mentioned specially.

LKR Mn	Growth		%
	FY 15/16	FY 16/17	
Revenue	1,913	2,512	31%
EBIT	81	425	421%
EBIT Margin	4.23%	16.9%	300%
Profit After Tax	67	402	496%
PAT Margin	3.5%	16%	354%
EPS (LKR)	2.84	16.92	496%
Total Assets	4,025	4,142	3%
Equity	2,308	2,562	11%

#### FINANCIAL RATIOS

Return on equity %	2.9%	15.7%	437%
Current ratio (Times)	0.57	0.72	27%
Debt equity ratio (Times)	0.74	0.62	-17%
Interest cover (Times)	1.54	7.23	368%
Total debt to total assets %	0.43	0.38	-11%

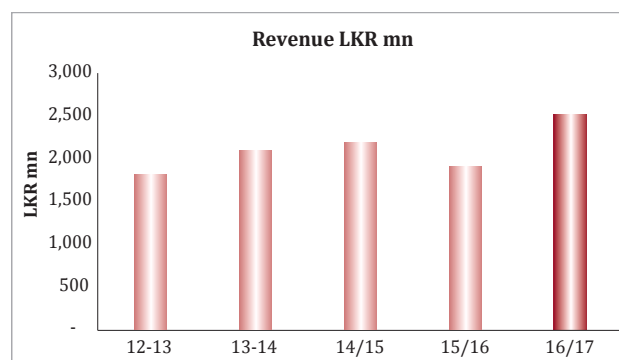
#### INVESTOR RATIOS

Price earning share (Times)	20.95	4.37	-79%
Dividend per share (LKR)	-	7.50	100%
Dividend payout %	0.0%	43.88%	100%
Market Capitalization (LKR Mn)	1,413	1,758	24%
Net assets value per share (LKR)	97.16	107.87	11%

### Revenue

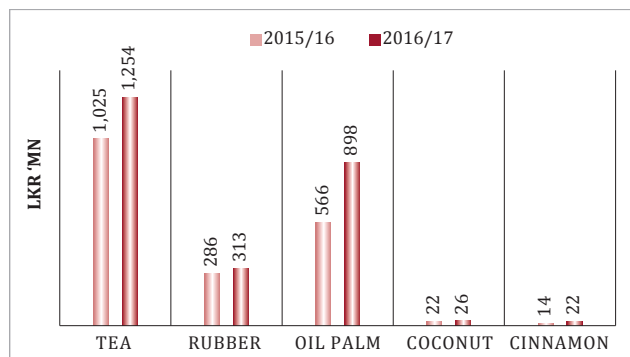
The Company recorded revenue of LKR 2,512Mn during the financial year FY2016/17 from tea, rubber, oil palm, coconut and cinnamon segments.

The increased volume from oil palm and better NSA on tea and higher selling price yielded from oil palm had resulted an increase in revenue for FY17. Other main contributory factor in FY17 was the increased revenue from rubber segment compared to the previous year.

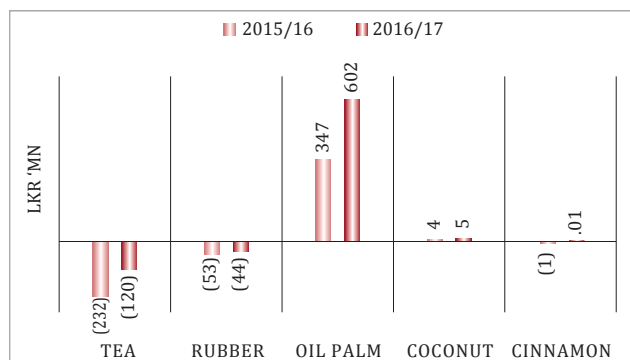


## Segmental Review

### Segmental Revenue



### Segmental Profitability



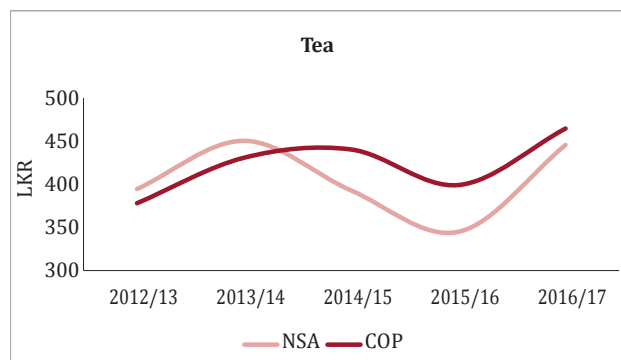
### Tea Segment

Tea segment, the largest revenue contributor which accounted for approximately 50% of the total revenue, increased 22% YoY to LKR 1,254 mn in FY17, mainly on the back of improved tea prices. Tea NSA (Net Sale Average) for FY17 improved to LKR445 /kg, up LKR344 /kg from last year.

Tea production was recorded at 2.684 mn kg for FY17, which was 11% below the previous year's production of 3.011 mn kg. The net loss from Tea stood at LKR120 mn in FY17 compared to a loss of LKR232 mn previous year. This decrease in loss is mainly attributed to the lower gross loss margin in this year compared to the previous year which was LKR53.63 to LKR19.09 this year. Also the NSA has increased gradually in the year under review by 30% which was another reason for this decrease in the gross loss of this year.

The loss is mainly attributed to a 17% wage hike, effective from October 2016, which resulted in an increase of average production cost as a result COP was increased to LKR 464.58 by 17% in the year under review compared to the previous year. Although this was common for all 3 crops, Tea was the worst hit as it requires the most number of associates per ha.

	Growth		
TEA	FY 15/16	FY 16/17	%
Quantity (kg '000)	3,011	2,684	-11%
Revenue (LKR Mn)	1,025	1,254	22%
GP (LKR Mn)	(232)	(120)	48%
GP per kg (LKR)	(76.95)	(44.83)	42%

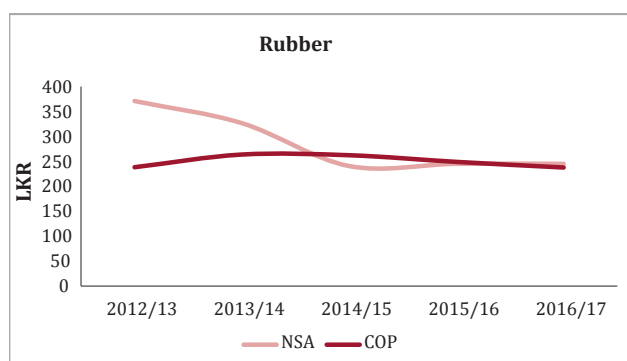


### Rubber segment

The rubber segment which accounted for 12% of the total revenue in FY17, experienced a 10% YoY growth in revenue to LKR 313Mn, from LKR286Mn recorded last year due to a growth in production by 10% YoY. The increase in production was accounted by higher number of tapping days due to relatively fine weather that set throughout the year. The segmental loss for rubber amounted to LKR 43.62Mn in FY17 against a loss of LKR52.83mn recorded last year.

Since the company experienced a lower cost of production per Kg for rubber during the year 2016/17 compared to previous year, company was able to increase a 3% margin which was a minus 1.5% margin experienced in 2015/16. Further, increased NSA and better weather condition in the year which caused to higher tapping days, lead towards declining in loss from rubber cultivation.

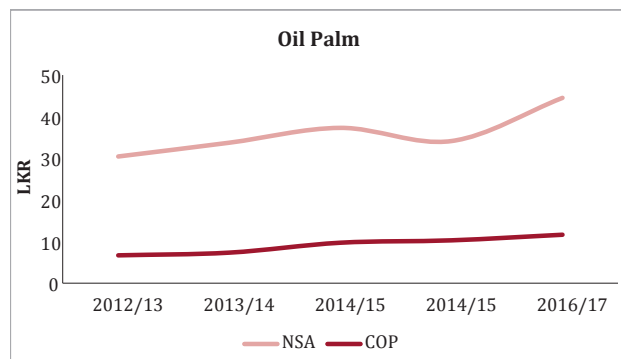
RUBBER	Growth		
	FY 15/16	FY 16/17	%
Quantity (kg '000)	1,160	1,275	10%
Revenue (LKR Mn)	286	313	10%
GP (LKR Mn)	(53)	(44)	17%
GP per kg (LKR)	(45.54)	(34.20)	25%



### Oil Palm segment

Oil Palm segment registered a revenue growth of 59% YoY to reach LKR 898Mn in FY17, which accounted for 36 % of the company's revenue during the year. The revenue growth was mainly driven by an impressive increase in Fresh Fruit Bunch (FFB) Yield, recorded at 13,358 kg per ha in FY17, from 12,466 kg per ha in the previous year, resulting from the adoption of good agricultural practices over the last few years, in line with the company's agriculture policy. The production grew 22% YoY to 20.17mn kg for FY17 from 16.59mn kg recorded last year. The segment maintained its position as the highest contributor to company profitability, having made a segmental profit of LKR 602Mn for FY17.

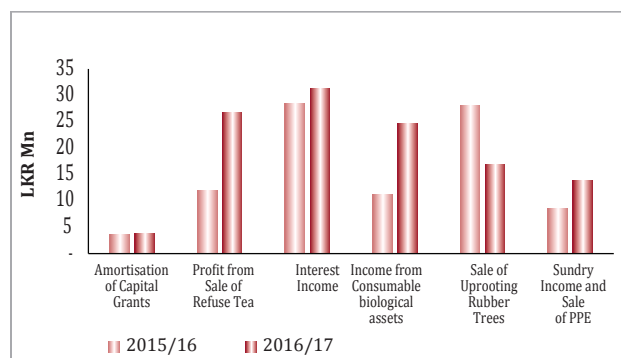
OIL PALM	Growth		
	FY 15/16	FY 16/17	%
Quantity (kg '000)	16,588	20,169	22%
Revenue (LKR Mn)	566	898	59%
GP (LKR Mn)	347	602	74%
GP per kg (LKR)	20.92	29.86	43%



### Other Income

The primary driver of other income has been the Interest Income in the year under review which accounted for 27% of total other income, profit from sale of refuse tea has increased by 140% to LKR 26.3Mn compared to previous year. Sundry Income and Sale of PPE have increased to LKR 14.24Mn over the previous year of LKR 8.79Mn. Total other income was expanded by circa 29% to LKR 117.13Mn in 2016/17. Other income has accounted for 5% of the company's total revenue.

OTHER INCOME LKR Mn	Growth		
	FY 15/16	FY 16/17	%
Amortisation of Capital Grants	3.61	3.72	3%
Profit from Sale of Refuse Tea	10.95	26.30	140%
Interest Income	28.40	31.27	10%
Income from Consumable biological assets	11.16	24.65	121%
Sale of Uprooting Rubber Trees	28.05	16.94	-40%
Sundry Income and Sale of PPE	8.79	14.24	62%
<b>Total</b>	<b>90.95</b>	<b>117.13</b>	<b>29%</b>

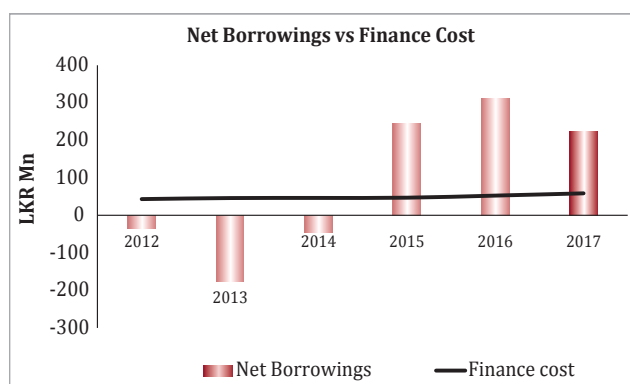


### Finance expenses

Total finance cost which comprises of interest cost and interest on variable lease rental, indicates a slight increase in the current financial year compared to the previous year, increasing from LKR 52.8Mn to LKR 58.8Mn due to increase in lease rental, bank charges and interest. The interest cover ratio has increased from 1.54 times in 2015/16 to 7.23 times in 2016/17, mainly due to higher profitability in the year.

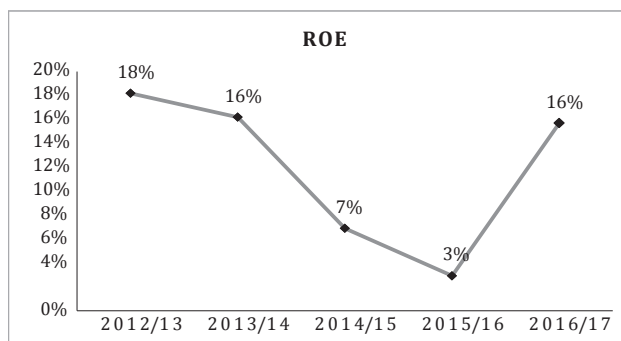
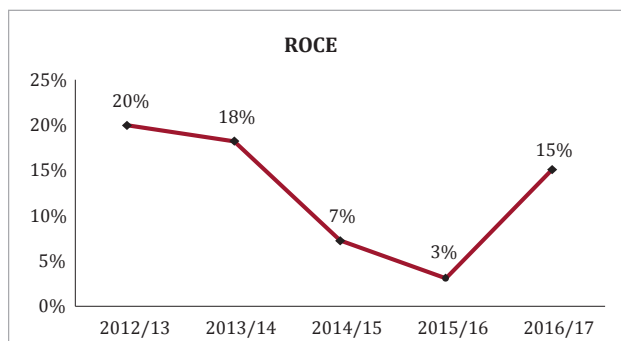
However due to increase in AWPLR, Interest cost on borrowings indicates an increase in the current year which amounts to LKR 46Mn compared to LKR 39Mn in the previous year. The net borrowing of the company has decreased by 28.3% to report LKR 223.07Mn for the financial year 2016/17 compared to that of LKR 311.05Mn in the previous year.

FINANCIAL YEAR	FY	FY	FY	FY	FY
	12/13	13/14	14/15	15/16	16/17
Net Borrowings LKR Mn	(177.26)	(44.80)	244.49	311.05	223.07
Finance cost LKR Mn	46.26	46.60	47.24	52.80	58.82



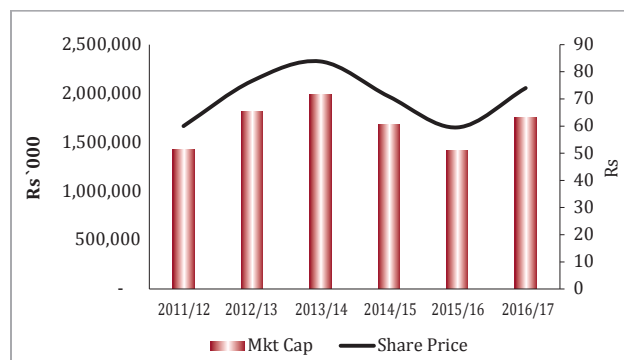
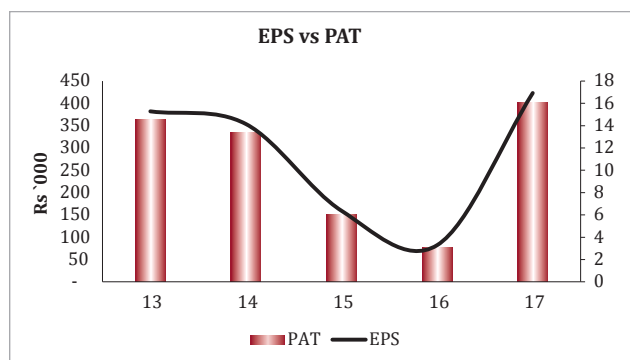
### ROCE and ROE

Return on Capital Employed indicated a significant increase to 15% in the financial year 2016/17 from 3% in the year 2015/16 which was mainly affected due to the higher profitability in the year under review. Consequently, Return on Equity has also been affected by the same reason, which has increased from 3% to 16% in the current financial year.



### Basic Earnings per share (EPS)

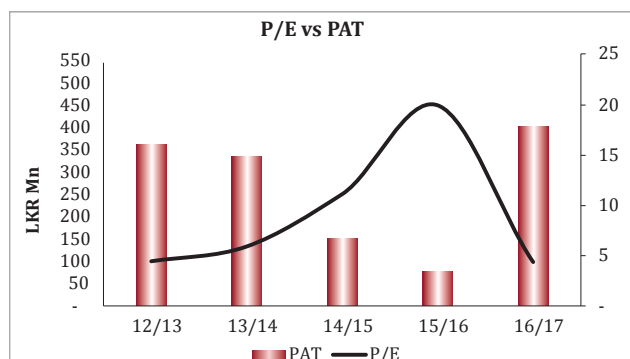
During the financial year, the company has generated LKR16.92 profit for each unit of shares. (Total Ordinary shares: 23.75mn). Earnings per Share (EPS) has been calculated on continuing operations as recommended by SLFRS/ LKAS. Since the relationship between EPS and Profit after Taxation (PAT) is positive, EPS of the company in the year under review has increased by 496% because of the higher profitability. Moreover the cash generated from operations per share was LKR23.14 for the year where the same has been LKR12.70 in 2015/16.



### Price earnings ratio (PER)

The financial year FY17 recorded a PER of 4.37 for Namunukula share. During the previous year this has been 20.95. The year closed with a market price of LKR74 per share of the company traded at Colombo Stocks Exchange. (LKR59.50 as at 31/03/2016)

It appears that in the year under review, earnings per share has risen by a long margin in relation to the share value. So that the PER has fallen accordingly.



### Market Capitalization

With the growing trend of share prices of Namunukula Plantations PLC, the market capitalization as at 31st March 2017 stands at LKR 1758mn as against LKR 1413mn as of 31st March 2016, whilst the share capital remains constant during the period. This is a 24% increase compared to the previous year figures.

### Asset Base

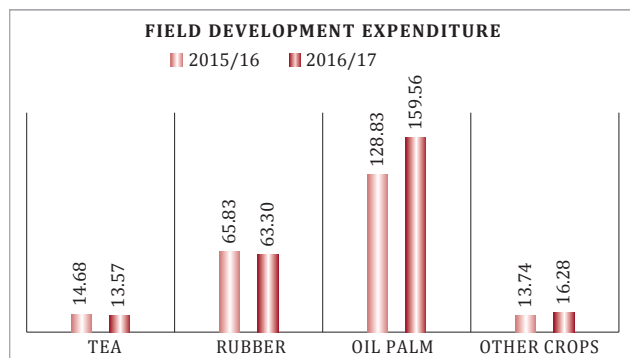
The asset base of the company at the end of FY17 stood at LKR 4.15bn with non-current assets of 91% and 9% of current assets.

Biological assets have the majority part of the asset base indicating 61% of the total assets which was 59% in the previous year and it has increased by 3% compared to the previous year. Financial assets have not changed in the year compared to the last year.

ASSET BASE LKR mn	Growth		
	FY 15/16	FY 16/17	%
Leasehold Property, Plant & Equipment	207	190	-8.4%
Freehold Property, Plant & Equipment	388	363	-6.3%
Bearer Biological Assets	2,253	2,390	6.1%
Consumable Biological Assets	114	125	10.2%
Long Term Investments - (Unquoted)	107	102	-4.7%
Financial Assets	250	250	0.0%
Intangible Assets	332	328	-1.2%
Current Assets	375	393	4.9%
<b>Total Assets</b>	<b>4,025</b>	<b>4,142</b>	<b>3.0%</b>

### Capital Expenditure

During the year the company has spent LKR 228.38mn on capital expenditure which includes massive replanting phase of Oil Palm amounting to LKR 128.83Mn. Total capital expenditure incurred has been 9.09% of the Revenue generated in the year. This would support a high growth path in the future operations.



### Liquidity and Capital Resources

The company recorded a negative net current asset balance over the previous years and it has continued in the year under review though the negative impact has decreased in the year. The net current asset balance reported to be negative LKR 152Mn for the current financial year compared to negative LKR 288Mn in the previous year indicating as reduction of 47.2% over the prior year. Consequently reduction in interest bearing loans and due amounts of related companies of LKR 64Mn and LKR 52Mn respectively in the year under review compared to the previous year caused a rapid reduction in the negative net current assets.

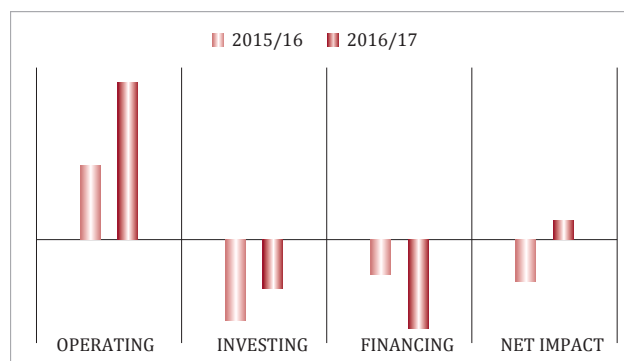
LIQUIDITY Mn	Growth		
	FY 15/16	FY 16/17	%
Total Current Assets	375	393	4.9%
Total Current Liabilities	663	545	-17.7%
Net Current Assets	(288)	(152)	-47.2%

### Cash Flows

The net cash flow generated from operating activities was LKR 457Mn designing a 113% increase compared to LKR 214Mn in the previous year. During the year under review, company made LKR 223Mn investment on immature plantation. Cash flows from investing activities reported a net cash outflow of LKR 143Mn in the current year compared to a net cash outflow of LKR 234Mn in the previous year.

Net cash flows from financing activities depict a net cash outflow of LKR 258Mn compared to net cash outflow of LKR 102Mn in the previous year. Dividend paid to shareholders of the company which amounted to LKR 178Mn has been the major reason behind the increase in the net cash outflow of finance activities. In addition, the company has not obtained any additional financing from banks.

As a result, company’s net impact to the Cash & Cash Equivalents during the period was a cash inflow of LKR 56Mn in the current financial period compared to a net cash outflow of LKR 122Mn in the previous period.



### Quarterly Results for year ended 31st March 2017

LKR Mn	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
Revenue	553.55	708.33	628.67	621.73	2,512.27
Cost of sales	(481.37)	(504.64)	(521.92)	(561.06)	(2,068.97)
Gross profit	72.18	203.69	106.74	60.67	443.28
Other income	19.29	31.71	29.00	36.32	117.13
Net profit for the period	47.78	191.45	88.90	73.02	401.95
Total comprehensive income for the period	47.78	191.45	88.90	103.48	432.41
EPS	2.01	8.06	3.74	3.07	16.92
Dividend per share (LKR)	-	-	0.50	7.00	7.50





## *Environmental Sustainability.....*

*A state in which the demand placed on the environment can be met without reducing its capacity to allow all people to live well, now and in the future.*

*Evidence is strong that we are exceeding and eroding the earth's carrying capacity, that there are limits to growth on a finite planet. Effects are interactive, complex, unpredictable and escalating, as we head for a global average temperature rise of more than 2 degrees centigrade over pre-industrial levels.*

*Sometime 'environmental', 'social' and 'economic' are termed to be the three pillars of sustainability. But this is challenging as it suggests they are equivalent and can be traded. Environmental sustainability is the context within which social and economic life happen. Also, social inequity directly affects environmental viability.*

*Consultants suggest that to stand any chance of achieving environmental sustainability, businesses need to move from a sense of right-to-exploit the natural environment to a worldview of mutual interdependence and radical eco-innovation. Many organizations are currently taking on this challenge.*

*In this regard, Namunukula Plantations has implemented an appropriate approach from the Company Level to Individual Key Performances.*

## **SUSTAINABILITY**

Sustainability Report	32
GRI content Index	46

# SUSTAINABILITY REPORT

## Scope of the Report

This Report is as always a detailed and comprehensive one in which we bring clarity and detail to the complex task of reporting on one year of business operations at Namunukula Plantations the business integrity, good governance, stakeholders' value creation and sustainability that help, our stakeholder, to see Namunukula Plantations and all its operations more comprehensively and clearly. For this purpose we report on triple bottom line reporting aspects, which encourage us to report not only financial information but also the material information to our stakeholders.

## Principles for Defining Report Content

We, Namunukula Plantations apply a precautionary principle when determining the balance between social and environmental sustainability.

## Stakeholder Inclusiveness

We have acknowledged our stakeholders and this report be made up of the information what the stakeholders are expecting to get for their decision making.

## Sustainability Context

We report how our organization has performed during the last year in broader manner. We report how we contribute, or aims to contribute in the future, to the improvement or deterioration of economic, environmental and social conditions, developments, and trends at the local, regional level.

## Materiality

We report influence the company has done to the economy, environment and to the society which are considered as vital.

## Completeness

This report has covered material aspects and their boundaries sufficient to reflect significant economic, environmental and social aspects and to enable stakeholders

to evaluate the company's performance in the reporting period.

## Principles for Defining Report Quality

### Balance

This report consists of all relevant information of both positive and negative impacts and nothing is withheld.

### Comparability

In this report, both current year and previous year figures are shown for the convenience of comparison.

### Accuracy

This report has reported accurate and detailed information for stakeholders to assess the company's performance.

### Timeliness

The company reports annually so that the stakeholders can take pronouncements based on the report in time.

### Clarity

Information are provided in understandable manner for decision making of stakeholders by using this report.

### Reliability

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

## The strategy of Sustainability

Our strategy has been formulated taking in to account our commitment to the triple bottom line approach, the stakeholder needs identified and other key risks identified through our risk management process. Corporate management is responsible for preparation of the corporate plan taking in to account the strategic direction and guidance provided by the Board of Directors. The Strategic Plan is

approved by the Board annually and performance against key performance indicators is monitored at monthly Management Meetings. The precautionary principle is embedded in the culture and values of the organization and is a key consideration in decision making.

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



### Corporate Vision, Mission and Objectives

A peoples business

- Worker Engagement.
- Talent Management.
- Empowering Employees.

Operational Efficiency

- Optimize use of technology to gain operational efficiencies.

Crop Diversification & Non-Plantation Diversification

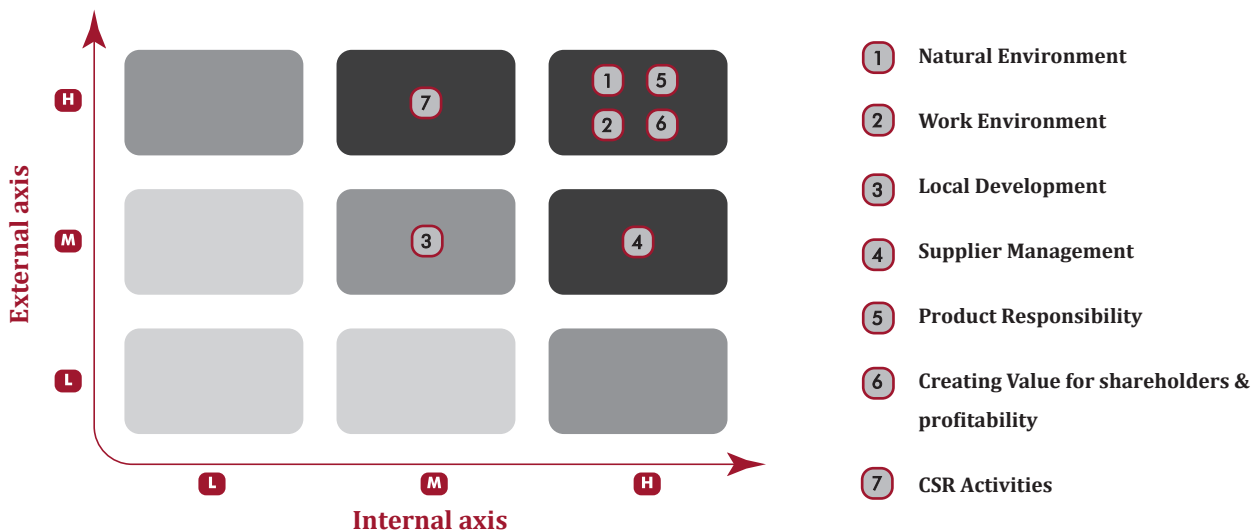
- Increase oil palm cultivation hectarages.
- Increase timber plantations for internal usage and timber sales.
- Increase in operations in tea centres and holiday bungalows.

Preservation of Environment

- Use only eco-friendly agricultural practices that minimize negative impacts to environment.
- Waste Management.
- Land Management.

### Identified Material Aspects and Boundaries

This Report focuses on the sustainability aspects that matter most to our stakeholders who have an interest in our activities. We emphasis on what is material and this encourages us to provide information that critical to understand the organization’s impacts which critical to stakeholders. Following graph depicted the prioritization of our material aspects.



The following table shows the levels of significance according to various aspects relating to the triple bottom lines of Sustainability and whether the material aspect is within the company or outside.

Material Issue for NPL	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		*
Work environment	Supplier Environmental Assessment	*	
	Environmental Grievance Mechanisms	*	
	Employment	*	
	Labor/Management Relations	*	
	Occupational Health and Safety	*	
	Training and Education	*	
	Diversity and Equal Opportunity	*	
	Equal Remuneration for Women and Men	*	
	Supplier Assessment for Labor Practices		*
	Labor Practices Grievance Mechanisms	*	
Local Development	Investment	*	
	Non-discrimination	*	
	Freedom of Association and Collective Bargaining	*	
	Child Labor	*	
	Forced or Compulsory Labor	*	
	Security Practices	*	
	Indigenous Rights		
	Assessment	*	
	Human Rights Grievance Mechanisms	*	
	Local Communities	*	
Supplier Management	Anti-corruption	*	
	Public Policy		
	Anti-competitive Behavior	*	
	Compliance	*	
	Grievance Mechanisms for Impacts on Society	*	
Product Responsibility	Supplier Assessment for Impacts on Society		*
	Supplier Human Rights Assessment		*
	Customer Health and Safety	*	
	Product and Service Labelling	*	
Creating value for shareholders & profitability	Marketing Communications	*	
	Customer Privacy		
	Compliance	*	
	Economic Performance	*	
CSR Activities	Market Presence	*	
	Indirect Economic Impacts	*	
	Procurement Practices	*	

## We are Business of People

Our operations directly impact lives of our employees, the people resident on the estate, small holders who supply tea leaves to our factories and the communities we operate in. We also rely on customers and brokers to convert our produce to earnings, investors to provide capital for our growth and also acknowledge the multi-faceted role of the government in the plantation sector.

We recognize the interdependent nature of these relationships and take a long term approach in managing them. The social report describes our approach to engage with these key stakeholders to identify their needs and how we respond or otherwise manage their expectations and build trust. Plantation is a peoples’ business and we are cognizant of the need to address their issues to ensure the sustainability of the plantation industry.

## We Engage with Our Stakeholders

Stakeholder	Relevance to Business	How We Engage	Identified Needs
Employees	We have 5,800 employees of which 5,395 are work on plantations. Higher percentage of our employees reside in the plantations and have access to a variety of welfare services provided free of charge. We rely on them for our growth and performance and seek to empower them to reach their full potential.	<ul style="list-style-type: none"> <li>• Daily Forums</li> <li>• The Insider Memos</li> <li>• Employee surveys</li> <li>• Complaint registers maintained at all estates</li> <li>• Monthly proactive meetings with union representatives</li> </ul>	<ul style="list-style-type: none"> <li>• Empowerment</li> <li>• Equal Opportunity</li> <li>• Job enrichment</li> <li>• Housing and Welfare needs for resident estate employees</li> <li>• Basic medical facilities for resident employees</li> </ul>
Small Holders	Small scale plantations and home gardeners sell their tea leaves to our factories which accounts for approximately 25% of leaves processed in our factories. The price is determined according to a formula set by the Sri Lanka Tea Board. We provide fertilizer and agrochemicals to these small holders for which the cost is recovered from the amounts payable to them providing them with crop financing.	<ul style="list-style-type: none"> <li>• Village forums</li> <li>• Complaint Registers maintained at all estates</li> <li>• One to one meetings with Estate Managers and Regional Managers Through tea commissioners division</li> </ul>	<ul style="list-style-type: none"> <li>• Fair price</li> <li>• Technical advice on agribusiness</li> <li>• Financial support</li> <li>• Compliance with certification standards</li> </ul>
Brokers & Buyers	Our products are sold at the Colombo Auctions and also sent direct to buyers. Brokers assess and catalogue the produce and market it at auctions. Most of the produce sold at auctions is exported.	<ul style="list-style-type: none"> <li>• Tea Auctions</li> <li>• One to one meetings with Regional Managers</li> </ul>	<ul style="list-style-type: none"> <li>• High Quality produce</li> <li>• Certifications of quality assurance systems</li> <li>• Compliance with certification requirements</li> </ul>
Communities	We are closely involved in the village communities that border our estates as our actions impact these communities and they provide ancillary services. Additionally, resident employees are dependent on the communities for their needs and we work with government and non-government agencies to uplift their living standards on a continuous basis.	<ul style="list-style-type: none"> <li>• Village Forums</li> <li>• One to one meetings with Estate Managers Complaint Registers maintained at all estates</li> </ul>	<ul style="list-style-type: none"> <li>• Socio economic progress of communities</li> <li>• Preservation of environment</li> <li>• Financial support for community development</li> </ul>
Residents on Estates	Residents on our estates, many of whom are families of current employees. They are also provided with access to welfare services, without any difference.	<ul style="list-style-type: none"> <li>• Daily forums</li> <li>• Complaint registers maintained at all estates</li> </ul>	<ul style="list-style-type: none"> <li>• Provision of housing and other facilities</li> <li>• Basic medical facilities on estates</li> <li>• Access to education for children</li> </ul>

Investors	Investors including shareholders and banks provide capital to finance our growth. Shareholders earn a return by way of dividends and appreciation of the share price whilst banks earn interest, commission and fees.	<ul style="list-style-type: none"> <li>• Press releases</li> <li>• Annual Report</li> <li>• Annual General Meeting</li> </ul>	<ul style="list-style-type: none"> <li>• Increasing financial returns</li> <li>• Risk Management</li> <li>• Corporate Governance</li> </ul>
Government	The Government has a multi-faceted role as the Golden Shareholder in the company, the lessor of the estates we manage and the regulator of markets and the environment.	<ul style="list-style-type: none"> <li>• One to one meetings at estate level with local government and provincial councils.</li> <li>• One to one meetings at corporate level with relevant ministries and Department of Inland Revenue.</li> </ul>	<ul style="list-style-type: none"> <li>• Alignment with national strategy</li> <li>• Compliance with terms of lease agreements</li> <li>• Preservation of natural capital</li> </ul>

### We empower Our Employees

Namunukula Plantations PLC employs 405 staff from local community of which over 5,395 work force on 18 estates located in 4 Provinces, forming the largest group of stakeholders directly impacted by operations of the company. Most of our employees reside in the plantations together with their families and rely on the company to provide basic facilities. We rely on our employees for our growth and performance and seek to empower them to reach their full potential.

Key Performance Area	Metric	2015/16	2016/17	% Change
Total Staff Cost	LKR	1,267,381	1,218,702	-4%
Employee Retention	%	92%	93%	0.28%
Staff Turnover ratio	%	8%	7%	-3%
Employee Productivity	Revenue Per Employee(LKR)	305,408	433,150	42%
	Profit Per Employee (LKR)	10,771	69,302	543%
	Assets Per Employee (LKR)	642,637	714,068	11%

### We Have a Diversified Work Force

We have a diversified work force, who have very different needs from the company as staff residing on estates have a higher level of dependency on the employer to fulfil their needs compared to Head Office staff. Education levels are also diverse with the majority of Executive level staff having tertiary educational qualifications whilst Associates typically have lower secondary level education.

The disparity in education is a legacy from the colonial era and whilst there has been significant improvement in literacy, mortality and housing for workers on estates, further progress is necessary to ensure sustained socio-economic advancement for Associate level workers on estates. Our policies and procedures are designed to cater to these very diverse requirements whilst maintaining the underlying principles of equal opportunity, meritocracy and facilitating socio-economic advancement.

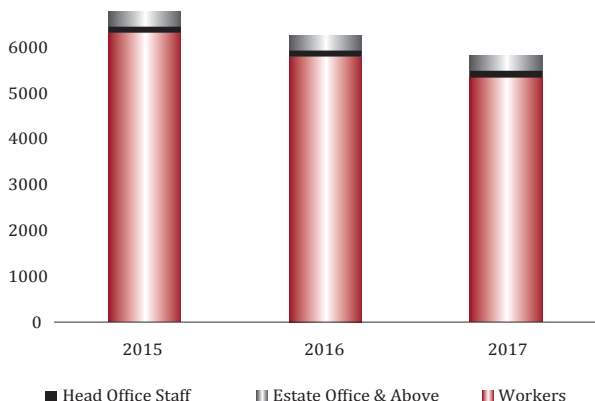
There is no discrimination against women for remuneration as they get equal pay. The way how our employees are diversified is depicted below.

### Staff Strength

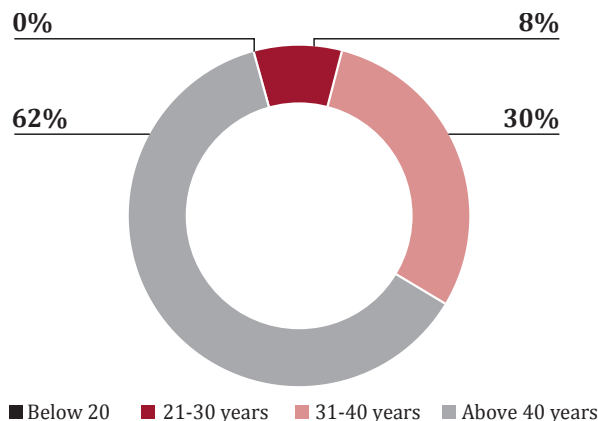
The gradual decrease in headcount is mainly due to retirement and marriage resulting in change of residence. Greater automation and mechanization of processes in both head office and estates and re-skilling staff to adjust enabled us to recruit only on a needs basis which has contributed to enhanced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

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

### Employee Strength



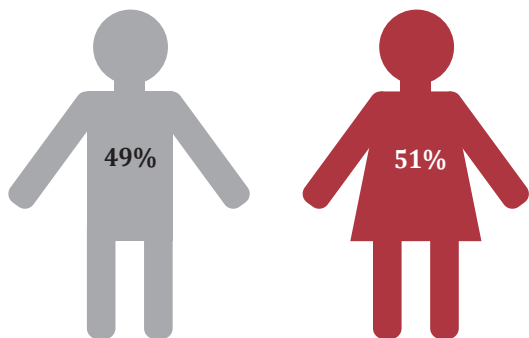
### Analysis by Age



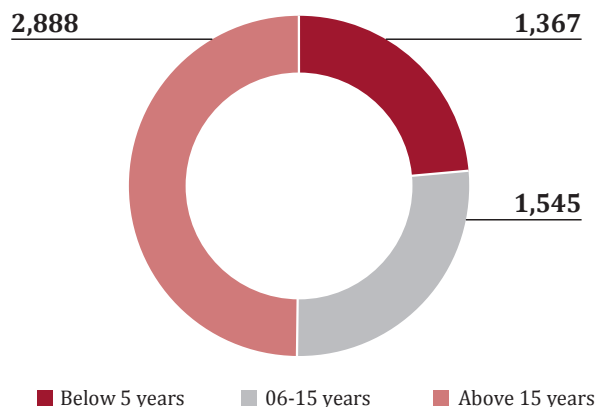
### Gender Equality

The Plantation sector workforce is mainly female which sets our overall female representation of 51% well above the national average of 35.2%. However, gender representation in management is lower due to historical factors and the geographical diversity and nature of the job discouraging females at entry level.

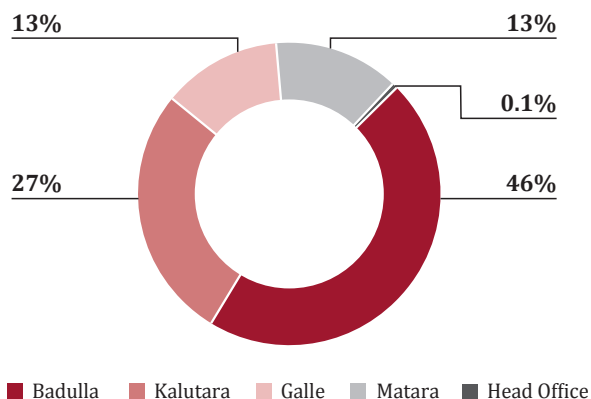
#### Gender Equality



### Analysis by Service



### Analysis by District



### How our employees are benefited

As the majority of our employees are resident on the estate, the benefits provided vary substantially between those who are resident and those at Head Office due to the varying nature of work. The largest employee category of Workers are provided housing and primary healthcare. Each estate operates a dispensary with a qualified estate medical officer and a midwife. Drugs are provided free of charge. Maternity clinics are available within the confines of the estate and a midwife visits regularly. Workers are transported by the company to the nearest district/ base hospital if the need arises. All funeral expenses of Associates are paid by the company including location of the burial site. Employees injured during work are entitled to compensation. We also

work in partnership with government and non-government organizations to facilitate the socio-economic advancement of the Workers and their families.

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

Employees are enrolled in the Employee Provident Fund and Employee Trust Fund as per respective Acts. Accordingly employees contribute 10% of their salary to the Employee Trust Fund whilst we contribute 12% and 3% for Employee Provident Fund and Employee Trust Fund respectively. Gratuity is provided for the employees under the Gratuities Act of 1983 and it is paid to all the employees with over 5 years of service at the rate of 14 days wages for every completed year of service.

**We develop our Organization**

A key component of the management is the organizational development to deliver sustainable performance improvement through people. The key elements in our organizational development Programmes are creating a conducive work environment, occupational health and safety and women empowerment. These Programmes have served to change the culture, bring dignity to our Associates roles and empower them to reach higher goals at the work place and in their personal lives. Namunukula Plantations focusses on changing deeply ingrained cultures and practices prevalent within the plantation sector by changing attitudes, inculcating good practices and tapping in to the potential of our people at various levels of our organization.

**We make a better and safer Work Environment**

Employee safety is a key priority for Namunukula Plantations and we have implemented a robust Health & Safety policy that consistently in applied across all our estates. The policy

focuses on awareness of risks, protection and prevention, response and monitoring to ensure that there is continuous improvement in the work environment.

Almost all our Associates are trained on Health & Safety procedures to be adhered to in their work place. We have purchased and distributed required health and safety equipment to the Workers and trained them on the proper use of the equipment. There are medical facilities within the reach of all estates and transportation is provided in case of need. As a peoples’ company, we are very much aware of the need to attract and retain talent at all levels and go beyond the requirements of certifying bodies and legal requirements to positively engage with employees at all levels to ensure that they work in a safe and secure environment. Our employees who are engaged at all levels have been the source of many ideas for improvement of the health and safety procedures and we are encouraged by the practical and innovative ideas contributed in this regard.

**We empower our Women Employees**

Women empowerment is a critical issue in the plantation industry because 70% of the estate workforce comprises women who are employed as Associates and are resident on the estates with their families. We are aware that our female Workers face issues such as domestic violence, alcoholism, cash management, children’s issues and health issues that need to be resolved in order to ensure their physical and mental well-being both at work and at home. Our response to needs identified are multifaceted as many of our Workers are mothers and their worries and cares relate mainly to the needs of the family.

**We consider about the Occupational Health and Safety**

Occupational Health and Safety is a key area of focus due to the nature of the industry which includes hazards such as contact with agro chemicals, difficulties presented by the terrain and the bio diversity within the plantations. We have a comprehensive Health & Safety Policy and have also set in place appropriate structures, procedures and processes to identify the issues and formulate appropriate responses of which the significant initiatives are described

below. Namunukula Plantations is fully compliant with the Factory Ordinance No, 45 of Act 1942 and the Workmen's Compensation Ordinance of 1935 and amendments thereto.

Health & Safety Committee has been appointed at each estate with representation from each field, the factory, all divisions of the estate and medical staff which is headed by an Executive. Overall representation of Associates and employees in factories and fields is 85% and serious issues can be escalated to the Manager for attention.

Regular medical checks are scheduled and carried out on a regular basis and employees are rotated to mitigate and minimize possible risks to their health. In addition to these, on an annual basis, to focus on the safety, health and environment area Namunukula Plantations has organized campaigns focused on the prevention of dengue, treatment on worm infestations, eye and oral health clinics etc.

### Communities we engaged

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

### We invest in community level projects

Many residents in the communities we engage with lack basic conveniences as they do not invest in the upkeep of their residences due to ownership issues. Thus, plantation companies work with the Plantation Human Development Trust to provide them with adequate housing and

accommodation to ensure that an acceptable standard of living is maintained within the estates managed by us.

The PHDT is a Tripartite Organization consisting of the Government of Sri Lanka (GOSL), Regional Plantation Companies (RPCs) and Plantation Trade Unions (TU) formed by the GOSL to implement social development programmes to enhance the quality of life of the one million Plantation Community in the Estates managed by the Regional Plantation Companies of which Namunukula Plantations is one. Namunukula Plantations has contributed LKR 4,784,005/- to PHDT during the financial year.

### We invest in education

Our Plantation Family Welfare Officers are proactively engaged in ensuring that children attend school and also provide feedback on the issues relating to their continued attendance. This enabled us to identify the need to set up a scholarship scheme for Advanced Level students as the drop-out rates were high after Ordinary Level examinations and to encourage those qualifying for university entrance to pursue higher studies.

We provided scholarships for 20 undergraduates totaling LKR 416,000 during the year to inspire them to complete their secondary and tertiary education. Child Development Centres manned with trained Child Development Officers have been established in our estates to ensure that our Workers have access to quality child care and pre-school education benefitting children.

Estate	No. of Scholarships
Eladuwa	3
Olympus	1
Baddegama	8
Citrus	1
Walpita	3
Akuressa	1
Yatadola	1
Gonakelle	2

## Enhancing Regional Development

When accomplishing our value creation process, it is a challenging task to continue our operations in suitable way, without having close dialogue with society where we operate. We improve the living standards of local communities and create a close partnership with the society.

In taking into account the key principles of sustainability, NPL regards its involvement in the social development of the regions where it operates as vital to the successful growth of the business.

In all activities, the Company aims to strike a balance between its own interests and those of its employees and stakeholders to enhance regional development of areas we operate.

Since there is society bound with the plantations that we operates on, most of it people's life grounded on the plantation. As good corporate citizen who concerns own corporate social responsibility we have a moral obligation to enhance and contribute to the regional development.

Improving the quality of life of employees and their families, as well as of the communities as a whole, supporting cultural, educational, health care and sports projects to be more interact with the society. By doing so we focused on following activities to give benefit local communities where we operate.

- Socio-economic development in the regions where we operate.
- Healthy and safe living conditions.
- Partnership, trust and efficient dialogue with local communities and local authorities.
- CSR activities

We report our corporate responsibility activities separately from our routine operations and send the message that we see them as separate from the core business.

## CSR Activities

At Namunukula Plantations PLC, we always endeavor to conduct business responsibly ethically. Sustainability development, the adoption of best practices and processes that ensures long-term economic, social and environmental sustainability is considered a key business goal at the Company.

We understand that integrating Corporate Social Responsibility into our organization takes more than stating objectives and building business processes alone. For Corporate Social Responsibility to take root and thrive, we realise that we must develop the necessary capabilities and culture. Continued education of the workforce and changing mindsets is a key component of a successful Corporate Social Responsibility programme.

Developing a comprehensive Corporate Social Responsibility framework is a dynamic and ongoing process; and Namunukula Plantations regularly engages and consults with stakeholders and other interested parties on environmental and social issues, especially those concerning the plantations work force.

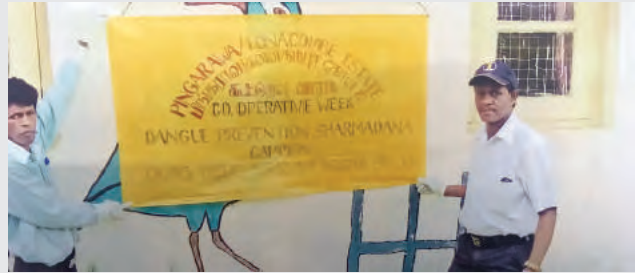
On our journey of sustainability, continued focus is important. During the financial year of 2016/17, some of the Company's key community projects are highlighted below.

**Nutrition**



We conducted nutrition programmes in Pingarawa estate impacting all the residents in the estate.

**Dengue Prevention**



Cleanup programmes were organised to keep the local areas free of mosquito breeding sites and awareness programmes were conducted with the assistance of community leaders and volunteers to educate the people about dengue symptoms and prevention.

**Housing**



Pallegoda estate constructed 10 houses and they were distributed among the estate worker families.

**Health**



Medical clinics, a dental clinic and a worm treatment programme were a part of our health programmes in the year under review.

**Caring for Children**



On 1st of October children's day was well celebrated by our estate residents.

**Enriching Lives**



Providing gas cylinders and roofing sheets to enrich the lives of our estate workers.

**Mobilization service**



NIC Mobilization service for estate workers was held at Miriswatte estate.

**Tea Ceremony**



Fresh Tea Ceremony was held at Baddegama estate.

## Our Suppliers

As a plantation company we are reliant on suppliers for supply of agrochemicals that conform to specified standards. Additionally approximately 51% of the tea leaves processed in our factories is bought from smaller plantations or out-growers and we rely on them to conform to our specific requirements in the use of agrochemicals and harvesting procedures. We screen suppliers falling into these groups to ensure that our products are safe and fit for human consumption as we are conscious of the need to maintain the highest possible standards of food safety and product quality.

Namunukula Plantations PLC buys directly from the head offices of reputed suppliers of agrochemicals to ensure that quality standards are maintained in line with the requirements of the company. We always encourage local suppliers and therefore we have a big commitment toward them as shown as the following table.

Type of Supplier	Location
Tea Leaf (Bought)	Sri Lanka
Stationary	Sri Lanka
Fixed Assets	Sri Lanka & Abroad
Outsourced Services	Sri Lanka & Abroad
Premises	Sri Lanka
Technical Equipment	Sri Lanka & Abroad
Utilities	Sri Lanka & Abroad

## Our Customers

Our Tea which account for 50% of our revenue are sold through auctions and direct to buyers with little contact with the final consumer. However, we are conscious of the needs of our buyers and have invested in certifications that provide assurance regarding the systems and processes used in our fields and factories. We strive to go beyond the standards required as we believe in setting the benchmarks for the industry and this has been recognized by our customers as Namunukula Plantations has supplied the highest quantum of Palm Oil in 2016/17 to AEN Palm Oil Processing Private Limited. We pride ourselves on the quality of our products. We don't indulge in any sort of anti- competition.

Our agricultural practices on all estates conform to the requirements of the Tea Research Institute of Sri Lanka and other certification requirements including concentrations of agro chemicals, gestation periods and permitted materials.

## Environment Sustainability

**Our Approach towards Environment Sustainability**

At Namunukula Plantations we believe that the protection of the environment is our fundamental responsibility to our society and the sustainable growth of our business. Our environmental policy articulates our commitment to prevent and minimize our impact on the environment, while maintaining a 'continuous improvement' mind-set. All Corporate Budgets include environmental expenditure, and are passed on with the relevant guidelines for implementation at estate level.

**Our Strategy on Environment Sustainability**

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

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

## Energy Efficiency

Energy cost which is second only to the labour cost of tea production is the sole cost component that is envisaged as controllable. Focusing on energy conservation measures, however, is not much observed in the tea processing sector. Energy is a critical element, because tea processing associates with a number of machineries which are operated

by electrical or mechanical energy. Since the usage of firewood is higher for the production process, especially for tea production, it has led to deforestation and land clearing. So that, we have put our attention on energy efficiency for the better lives of our future generation as it is one our responsibility for the society.

	2015/16	2016/17
<b>Low Grown Estates</b>		
Electricity (units)	1,604,702	1,401,410
Firewood (m3)	8,627	7,915
<b>Uva Region Estates</b>		
Electricity (units)	1,429,885	1,136,341
Firewood (m3)	13,061	9,309

## Water and Land Management

### Land Management

As a plantation firm we always much concern about our environment, particularly soil. So that we have to make sure our land is in safe guard without having any of land or soil erosion. To safeguard our land and soil erosion, we continuously emphasis on improved land management structures and methods such as terracing, mulching, weeding, grow Manaa (grass which prevent soil erosion by) and other plants to prevent soil erosion. Using plants for erosion control is an excellent biological method we use to safeguard the landscape and the shape of the land.

In our tea plantations especially in the Uva range plantations we adopt to this method to safeguard the soil in our lands. In every bank or end of the planting areas with a higher slope, we will take on to these methods to prevent soil erosion. Then we can minimise the conditions that promote soil erosion such as rain, wind, physical disturbance and overuse by adopting to those methods.

Preventing erosion with native plants is a common ecological practice in land management. It is a relatively easy way to conserve top soils and prevent open areas from wearing away. Other methods include coir netting, mulching, terracing and drains.



### Forest Conservation

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

### Water Management

We see this as the process of not only allocating and using water as a resource in a sustainable and efficient manner but more importantly in developing and improving our resources through improved water retention techniques and the

harvesting of rain water that would enable us to tide through times of traditional drought when water scarcity becomes a serious issue to contend with. This is so not only where our crops are concerned but more importantly in serving the needs of our people.

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

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

**How we manage our water resources**

Variable steps have been taken towards water management by Namunukula Plantations such as;

- Has taken all necessary steps to improve its stand of both high and low shade that not only serves to reduce ground temperatures but provides valuable raw material for mulching and reduce the velocity of heavy rainfall at the point of impact.
- Resorted to deep draining – a process that enables to maximize the harvesting of rain water amongst other agronomical benefits.
- Forking and burying of pruning material to improve soil permeability amongst other agronomical benefits.

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

**Waste Management**

At waste management we make it our business to think green every day and have committed to periodically reporting our status on sustainability.

So that we have extended our commitment for waste management by installing domestic waste management systems at a community level. The objective was to purify the soil and the environment which is polluted from community activities, within the operational boundaries.



**Biodiversity**

The locations where our estates are situated in Badulla, Kalutara, Galle and Matara districts which are very sensitive to the environment. So we pay a very close attention to the condition of ecosystems affected by our planting and production activities.

The Company keep in touch with water streams and the bank lines of small water falls, observing shrub and tree vegetation. We monitored our background environmental conditions in connection with the impact of our activities, which help to minimize our impact to the natural environment.

### Environmental Future Outlook

We are in the process of moving to more ecological fertilizing operation, planning to reduce the use of chemical fertilizer. A new slow release, organic, bio fertilizer provide a valuable opportunity for the further improve of health and the land of the future.

Also the expansion into commercial fuel wood and timber harvesting will provide significant ecological benefit through increasing forestry in the region as well as a diversification opportunity for the company.

### Employee Opportunities

Namunukula Plantations team was the bowl champions of inter plantations 6s Cricket tournament organized by DMCC which was held at Dickoya grounds.



### Compliance

Namunukula Plantations PLC was awarded the certificate of compliance for Plantation Sector at the Annual Report awards ceremony 2016, conducted by the Institute of Chartered Accountants of Sri Lanka.



## 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 Chairman	Chairman’s Review	15	None
<b>ORGANIZATIONAL PROFILE</b>				
G4-3	Name of the Organisation	Inner back cover		None
G4-4	Primary brands, products, and services.	Our Business model	5	None
G4-5	Location of Organisation’s Head Quarters	Inner back cover		None
G4-6	Number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report.	Our Location & Estates	8	None
G4-7	Nature of ownership and legal form.	Inner back cover		None
G4-8	Markets served	Our Business model	5	None
G4-9	Scale of the Reporting Organisation	Financial Highlights	10	None
G4-10	Total workforce by employment type, employment contract and region broken down by gender.	Sustainability Report	37	None
G4-11	Percentage of employees covered by collective bargaining agreements	Sustainability Report	37	None
G4-12	Organisation’s supply chain	Sustainability Report	42	None
G4-13	Significant changes during the reporting period regarding the organization’s size, structure, ownership & supply chain.	No significant changes during the year	-	None
G4-14	Report whether and how the precautionary approach or principle is addressed by the organization.	Sustainability Report	32	None
G4-15	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses.	Sustainability Report	32	None
<b>IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES</b>				
G4-17	Organisation’s entities covered by the report	Sustainability Report	34	None
G4-18	Process for defining the report content.	Sustainability Report	34	None
G4-19	Material Aspects identified in the process for defining report content.	Sustainability Report	34	None
G4-20	Aspect Boundary for each material aspect report within the organization	Sustainability Report	34	None
G4-21	Aspect Boundary for each material aspect report outside the organization	Sustainability Report	34	None
G4-22	Explanation of the effect of any restatement of information provided in earlier reports and the reason for such restatement	No restatements of non financial information		None
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries.	Sustainability Report	34	None
<b>STAKEHOLDER ENGAGEMENT</b>				
G4-24	List of stakeholder groups engaged by the Organisation	Sustainability Report	35	None
G4-25	Basis for identification and selection of stakeholders with whom to engage	Sustainability Report	35	None

## GENERAL STANDARD DISCLOSURES

GRI Indicator	Description	Page Reference	Page No.	External Assurance
G4-26	Approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group	Sustainability Report	35	None
<b>CATEGORY: ECONOMIC</b>				
<b>MATERIAL ASPECT: ECONOMIC PERFORMANCE</b>				
G4-DMA				None
G4-EC1	Direct economic value generated and distributed	Value added statement/ Financial Review	22,140	None
G4-EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	Risk Management	69	None
G4-EC3	Coverage of the organization's defined benefit plan obligations	Note to Financial Statements	131	None
G4-EC4	Financial assistance received from government	Note to Financial Statements	131	None
<b>MATERIAL ASPECT: MARKET PRESENCE</b>				
G4-DMA				None
G4-EC5	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	Sustainability Report	37	None
<b>MATERIAL ASPECT: INDIRECT ECONOMIC IMPACTS</b>				
G4-DMA				None
G4-EC7	Development and impact of infrastructure investments and services supported	Sustainability Report	37	None
G4-EC8	Significant indirect economic impacts, including the extent of impacts	Risk Management	69	None
<b>MATERIAL ASPECT: PROCUREMENT PRACTICES</b>				
G4-DMA				None
G4-EC9	Proportion of spending on local suppliers at significant locations of operation	Sustainability Report	42	None
<b>CATEGORY: ENVIRONMENTAL</b>				
<b>MATERIAL ASPECT: MATERIALS</b>				
G4-DMA				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	Sustainability Report	42	None
G4-EN2	Percentage of materials used that are recycled input materials	Not reported		None
<b>MATERIAL ASPECT: ENERGY</b>				
G4-DMA				None
G4-EN3	Energy consumption within the organization	Sustainability Report	43	None
G4-EN6	Reduction of energy consumption	Sustainability Report	43	None
<b>MATERIAL ASPECT: WATER</b>				
G4-DMA				None
G4-EN8	Total water withdrawal by source	Not reported		None

GENERAL STANDARD DISCLOSURES

GRI Indicator	Description	Page Reference	Page No.	External Assurance
<b>MATERIAL ASPECT: BIODIVERSITY</b>				
G4-DMA				None
G4-EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	No such sites		None
<b>MATERIAL ASPECT: EMISSIONS</b>				
G4-DMA				None
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	Not reported		None
<b>MATERIAL ASPECT: EFFLUENTS AND WASTE</b>				
G4-DMA				None
G4-EN22	Total water discharge by quality and destination	Not reported		None
<b>MATERIAL ASPECT: PRODUCTS AND SERVICES</b>				
G4-DMA				None
G4-EN27	Extent of impact mitigation of environmental impacts of products and services	Sustainability Report	43	None
<b>MATERIAL ASPECT: COMPLIANCE</b>				
G4-DMA				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: TRANSPORT</b>				
G4-DMA				None
G4-EN30	Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce	N/A		None
<b>MATERIAL ASPECT: OVERALL</b>				
G4-DMA				None
G4-EN31	Total environmental protection expenditures and investments by type	Not reported		None
<b>MATERIAL ASPECT: SUPPLIER ENVIRONMENTAL ASSESSMENT</b>				
G4-DMA				None
G4-EN32	Percentage of new suppliers that were screened using environmental criteria	Not tracked		None
<b>CATEGORY: SOCIAL</b>				
<b>SUB-CATEGORY: LABOUR PRACTICES AND DECENT WORK</b>				
<b>MATERIAL ASPECT: EMPLOYMENT</b>				
G4-DMA				None
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	Sustainability Report	36	None
<b>MATERIAL ASPECT: LABOUR/MANAGEMENT RELATIONS</b>				
G4-DMA				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>				

## GENERAL STANDARD DISCLOSURES

GRI Indicator	Description	Page Reference	Page No.	External Assurance
G4-DMA				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	Sustainability Report	37	None
<b>MATERIAL ASPECT: TRAINING AND EDUCATION</b>				
G4-DMA				None
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Not reported		None
<b>MATERIAL ASPECT: DIVERSITY AND EQUAL OPPORTUNITY</b>				
G4-DMA				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	Sustainability Report		None
<b>MATERIAL ASPECT: EQUAL REMUNERATION FOR WOMEN AND MEN</b>				
G4-DMA				None
G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	Sustainability Report	37	None
<b>MATERIAL ASPECT: SUPPLIER ASSESSMENT FOR LABOUR PRACTICES</b>				
G4-DMA				None
G4-LA14	Percentage of new suppliers that were screened using labour practices criteria	Not tracked		None
<b>MATERIAL ASPECT: LABOUR PRACTICES GRIEVANCE MECHANISMS</b>				
G4-DMA				None
G4-LA16	Number of grievances about labour practices filed, addressed, and resolved through formal grievance mechanisms	Not reported		None
<b>SUB-CATEGORY: HUMAN RIGHTS</b>				
<b>MATERIAL ASPECT: INVESTMENT</b>				
G4-DMA				None
G4-HR1	Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	Not tracked		None
<b>MATERIAL ASPECT: NON-DISCRIMINATION</b>				
G4-DMA				None
G4-HR3	Total number of incidents of discrimination and corrective actions taken	No incidents reported		None
<b>MATERIAL ASPECT: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING</b>				
G4-DMA				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	Sustainability Report	37	None

## GENERAL STANDARD DISCLOSURES

GRI Indicator	Description	Page Reference	Page No.	External Assurance
<b>MATERIAL ASPECT: CHILD LABOUR</b>				
G4-DMA				None
G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labour; and measures taken to contribute to the effective abolition of child labour	No operations having significant risk for incidents of child labour.		None
<b>MATERIAL ASPECT: FORCED OR COMPULSORY LABOUR</b>				
G4-DMA				None
G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labour; and measures to contribute to the elimination of all forms of forced or compulsory labour	Not reported		None
<b>MATERIAL ASPECT: SECURITY PRACTICES</b>				
G4-DMA				None
G4-HR7	Percentage of security personnel trained in the organization's human rights policies or procedures that are relevant to operations	Not reported		None
<b>MATERIAL ASPECT: INDIGENOUS RIGHTS</b>				
G4-DMA				None
G4-HR8	Total number of incidents of violations involving rights of indigenous peoples and actions taken	N/A		None
<b>MATERIAL ASPECT: ASSESSMENT</b>				
G4-DMA				None
G4-HR9	Total number and percentage of operations that have been subject to human rights reviews or impact assessments	Not reported		None
<b>MATERIAL ASPECT: SUPPLIER HUMAN RIGHTS ASSESSMENT</b>				
G4-DMA				None
G4-HR10	Percentage of new suppliers that were screened using human rights criteria	Not tracked		None
<b>MATERIAL ASPECT: HUMAN RIGHTS GRIEVANCE MECHANISMS</b>				
G4-DMA				None
G4-HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms	Not reported		None
<b>SUB-CATEGORY: SOCIETY</b>				
<b>MATERIAL ASPECT: LOCAL COMMUNITIES</b>				
G4-DMA				None
G4-S01	Percentage of operations with implemented local community engagement, impact assessments, and development programs	Not reported		None
<b>MATERIAL ASPECT: ANTI-CORRUPTION</b>				
G4-DMA				None
G4-S04	Communication and training on anti-corruption policies and procedures	Not reported		None
<b>MATERIAL ASPECT: PUBLIC POLICY</b>				
G4-DMA				None
G4-S06	Total value of political contributions by country and recipient/beneficiary	Not reported		None
<b>MATERIAL ASPECT: ANTI-COMPETITIVE BEHAVIOR</b>				
G4-DMA				None

## GENERAL STANDARD DISCLOSURES

GRI Indicator	Description	Page Reference	Page No.	External Assurance
G4-S07	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				None
G4-S08	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				None
G4-S09	Percentage of new suppliers that were screened using criteria for impacts on society	Not tracked		None
<b>MATERIAL ASPECT: GRIEVANCE MECHANISMS FOR IMPACTS ON SOCIETY</b>				
G4-DMA				None
G4-S011	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				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	Sustainability Report	35	None
<b>MATERIAL ASPECT: PRODUCT AND SERVICE LABELING</b>				
G4-DMA				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	Sustainability Report	32	None
<b>MATERIAL ASPECT: MARKETING COMMUNICATIONS</b>				
G4-DMA				None
G4-PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes	N/A		None
<b>MATERIAL ASPECT: CUSTOMER PRIVACY</b>				
G4-DMA				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				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





## *Corporate Governance.....*

*“Corporate governance is the system by which business corporations are directed and controlled.*

*The corporate governance structure specifies the distribution of rights and responsibilities among different participants in the corporation, such as, the board, managers, shareholders and other stakeholders, and spells out the rules and procedures for making decisions on corporate affairs.*

*“By doing this, it also provides the structure through which the company objectives are set, and the means of attending those objectives and monitoring performance.”*

*(Cadbury, OECD, April 1999)*

*The board of directors of Namunukula Plantations PLC is committed & takes responsibility to maintain the highest standards of corporate governance.*

## **GOVERNANCE**

Profile of Directors	54
Human Resources	58
Corporate Governance	60
Audit Committee Report	65
Remuneration Committee Report	67
Related Party Transactions - - Review Committee Report	68
Risk Management	69

## PROFILE OF DIRECTORS

### **Dr. S. Yaddehige**, Chairman

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.



**S.S. Poholiyadde**, Executive Director

He 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.

**N.C. Peiris**, Independent Non-Executive Director

Mr. Neville Peiris is a Fellow member of the Institute of Chartered Accountants of Sri Lanka, counting 46 years' experience in Finance & Management both locally and internationally. He has also followed several overseas Management Programmes in Singapore and Japan.

He functioned as the Finance Director and Company Secretary of Singer (Sri Lanka) Ltd, from 1985 to 2001 and thereafter functioned as a Regional Controller of the Singer Corporate Management overlooking the Financial and other controllership functions of Singer Jamaica, Philippines, Bangladesh, Pakistan, Sri Lanka and the Middle East until he retired in the year 2006. During the period he functioned as the Finance Director of Singer Sri Lanka Ltd, he contributed immensely to the continuous growth of the Company, he also served as Non-Executive Director of Several Public Quoted and Private Limited Liability companies in Sri Lanka, including Regnis Lanka Ltd, Commercial Leasing Co Ltd, Commercial Fund Management (Pvt) Ltd, Equity Lanka (Pvt) Ltd, Commercial Insurance Brokers (Pvt) Ltd, and First Capital Ltd. Presently in addition to being a Non-Executive Director of Namunukula Plantations PLC Mr. Peiris is the Non-Executive Chairman of Ceylon leather products PLC and function as independent Non-executive director of Hunter & Company PLC, Lanka Canneries (Pvt) Ltd and South Asian Textile Industries (Pvt) Ltd.



**B.A.T Rodrigo**, Independent Non-Executive Director

Mr. B.A.T. Rodrigo is currently holding the position of Director of the Department of State Accounts, Ministry of Finance. Mr Rodrigo has gained experience over two decades in the field of government accounting and reporting, having commenced his career as an Audit Examiner at Auditor General's Department in 1995.

He also served in the Divisional Secretariat Medawachchiya as an Accountant, The Ministry of Foreign Affairs as an Assistant Director, The Deputy High Commission Office in Chennai as the Second Secretary and the Local Loan & Development Fund coming under purview of Ministry of Provincial Councils & Local Government as Chief Executive Officer.

Mr. Rodrigo holds the degree of Bachelor of Commerce and after obtaining the first degree he has completed the Master of Public Management from Sri Lanka Institute of Development Administration. He has also obtained the Licentiate certificate from the Institute of Chartered Accountants of Sri Lanka.

Currently Mr. Rodrigo holds Directorships in several government institutions and also assist for the functions of Audit & Management Committees as committee chairman.



**Shaminda Yaddhige**, Non Executive Director

Mr. Shaminda Yaddhige has been appointed to the Directorate of Namunukula Plantations PLC with effect from 1 March 2016 as a Non-Executive Director.

Mr. Yaddhige 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. Yaddhige 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, Kegalle Plantations PLC, Maskeliya Plantations PLC and Subsidiary Companies of the Richard Pieris Group.



**Gerard Amerasinghe**, Independent Non-Executive Director

Mr. Amerasinghe had his education at St. Anthony's College Kandy and joined the aviation industry at the age of 21 and worked with various airlines, including a stint in Saudi Arabia with British Caledonian Airlines.

In the year 1991 he ventured out his own Travel Company, Worldlink Travels (Private) Limited being a family business Enterprise. Today, Worldlink Travels has become one of the most successful companies in the travel industry by setting up a number of companies in the travel and tourism industry during the past 25 years, under its umbrella. All of them are operating in a niche segment including the newly opened Ammara Brand Hotel Chain.

Mr. Amerasinghe has held various positions in the industry, which includes the Chairman of Sri Lanka Association of Airline Representatives (SLAAR) and president of the Sri Lanka Interline Club.



His expertise in the Service Sector un-interruptedly for more than 25 years has obviously guided him to take correct business decisions towards success.

**Nicholas Mark Thompson**, Independent Non Executive Director

Mr. Thompson has over 35 years' experience in tropical agriculture. After completing a Masters degree in tropical agriculture development, Mr. Thompson joined New Britain Palm Oil Limited (NBPOL) a subsidiary of UK conglomerate Harrison and Crosfield plc. NBPOL was at that time an early stage oil palm company operating in Papua New Guinea. Mr. Thompson gained experience in all aspects of plantation management including Estate Management, research & development and the development of new areas and was appointed Managing Director/Chief Executive officer of NBPOL in 1994. During his 31 years with NBPOL and 21 years as its Managing Director/CEO Mr. Thompson oversaw the remarkable transformation of NBPOL from a modest 15,400 Ha oil palm Plantation on the island of New Britain to a world class producer of sustainable and traceable palm oil. Mr. Thompson retired from NBPOL following the successful £ 1.073 billion takeover of the company by Sime Darby Plantation in March 2015 and the delisting of NBPOL from the London stock Exchange. Mr. Thompson became an adviser to the president and group chief executive of Sime Darby Berhad following his retirement from NBPOL.



Mr Thompson holds a Bachelor of Agricultural science (Hons) from Nottingham University, a Masters of Agricultural Science from Reading University and a Masters of Business Administration from Bath University. In March 2016, Mr Thompson was awarded a CBE for his services to agriculture and the west New Britain community.



## HUMAN RESOURCES

### Management Team

#### Corporate Management

Mr. S.S. Poholiyadde	Managing Director-Plantations
Mr. S. A. Eriyagama	Chief Executive Officer
Mr. M. P. S. Pathiraja	Chief Executive Officer - NPL - Uva Range Estates
Mr. S. Epitakumbura	Financial Controller
Mr. P.de S.A. Gunasekara	General Manager

#### Head Office Management Team

Mr. D. Sivaraj	Senior Manager
Mr. H.M.M.J. Herath	Accountant
Mr. R.M.S.S. Herath	Manager Information Systems
Mr. U.W.I. Parakramaweera	Assistant Accountant
Mr. E.M.W.M. Bandaranayake	Assistant Accountant
Mr. W.M.D.K Weerasinghe	Accounts Executive
Mr. Sanka Priyadarshana	Accounts Executive
Mr. H.M.T.D.B. Senavirathne	Management Trainee
Mr. J. Fernando	Executive
Mr. D.S. Gomez	Executive
Mrs. M.S. Wickremasinghe	Junior Executive
Miss. Madurangi Wickramarachchi	Junior Executive
Miss. H.V. Sujeeva	Secretary
Mrs. Hashani Handapangoda	Secretary
Mr. H.M. Jayathilake	Administrative Assistant

#### Estate Management Team

Estate Name	Selling Mark	Name	Designation
<b>Kalutara Range</b>			
Eladuwa	"Eladuwa"/ "Malaboda"	Mr. J.B.Weerasekera	Superintendent
		Mr. C. Weerasinghe	Assistant Superintendent
Miriswatte		Mr. S. S. Gunasekara	Superintendent
Pallegoda	"Pallegoda"	Mr. S. M. Doranagama	Superintendent
		Mr. G. S.U. de Silva	Assistant Superintendent
Sirikandura		Mr. L. Tennekoon	Superintendent

Yatadola	“Yatadola”	Mr. D.M.S.B. Dissanayake Mr. S. L. Gunasekara	Superintendent Assistant Superintendent
Pelawatte	“Pelawatte”	Mr. L. Tennekoon Mr. K.I.W.M Kularathne Mr. Mr. H A Liyanage	Superintendent (Over looking) Assistant Superintendent Assistant Superintendent
<b>Galle Range</b>			
Baddegama	“Baddegama”	Mr. P.De S.A.Gunasekara Mr. D.D. Weerathunge Mr. M.M.S. Jayasekara	General Manager/ Superintendent Assistant Superintendent Assistant Superintendent
Citrus		Mr. L. K. S. Karunathilake	Superintendent
Walpita/ Monrovia/ Olympus	“Walpita”/ “Olympus”	Mr. H.P. Rajapakse Mr. S.M. Batugedera	Superintendent Assistant Superintendent
<b>Matara Range</b>			
Akuressa	“Korahilagoda”	Mr. M.W. Niromal De Silva Mr. M. Gunawardhana	Superintendent Assistant Superintendent
Hulandawa/Belmont	“Belmont”	Mr. R.M. Ranasinghe Mr. D. S. Dalpathado	Superintendent Assistant Superintendent
Tennahena	“Dankoluwa”	Mr. K.V.M.T. Dias Mr. W.P.B. Witharana	Superintendent Assistant Superintendent
<b>UVA Range</b>			
Cannavarella	“Cannavarella”	Mr.F. N. Randeniya Mr Purushothmen Mr M. Rathnayake	Superintendent Assistant Superintendent Assistant Superintendent
Gonakelle	“Gonakelle”	Mr. L.H.S.Jayathilaka Mr. M.R.Niranjan Mr. J.Kobinath	Superintendent Assistant Superintendent Assistant Superintendent
Hindagala	“Hindagala”	Mr A. U. M. T. Athukorala Mr. K.M. Ranasinghe Mr. J.A.C.E. Jayalath	Superintendent Assistant Superintendent Assistant Superintendent
Kandahena	“Wewakelle”	Mr. J.U.K.N.S.A. Udunuware	Superintendent
Kinellan	“Kinellan”	Mr. J. S. Abeysekera	Superintendent
Pingarawa	“Tonacombe”	Mr. J.S. Kalansuriya Mr. R. Madugalla	Superintendent Assistant Superintendent



# CORPORATE GOVERNANCE

Namunukula 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.

The Board of Directors of Namunukula Plantations PLC is committed and takes responsibility to maintain the highest standards of Corporate Governance whilst give concerns to major external & internal steering instruments on governance, depict in the following table.

Major External Steering Instruments on Governance	Major Internal Steering Instruments on Governance
<ul style="list-style-type: none"> <li>Companies Act No. 07 of 2007.</li> </ul>	<ul style="list-style-type: none"> <li>Articles of Association of the Company</li> </ul>
<ul style="list-style-type: none"> <li>Code of Best Practice on Corporate Governance issued jointly by The Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka (a voluntary Code).</li> </ul>	<ul style="list-style-type: none"> <li>Board of Directors' working procedure</li> </ul>
<ul style="list-style-type: none"> <li>Listing Rules of the Colombo Stock Exchange</li> </ul>	<ul style="list-style-type: none"> <li>Board approved policies on all major operational aspects</li> </ul>
<ul style="list-style-type: none"> <li>Securities and Exchange Commission of Sri Lanka Act No. 36 of 1987 and amendments thereto.</li> </ul>	<ul style="list-style-type: none"> <li>Integrated risk management procedures.</li> </ul>
	<ul style="list-style-type: none"> <li>Processes for internal controls</li> </ul>

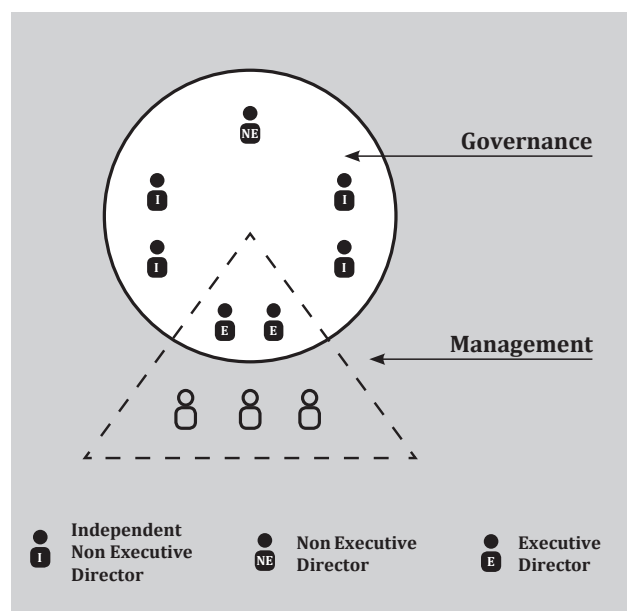
This statement sets out the Corporate Governance policies, practices and processes adopted by the Board.















## The Board of Directors



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 Seven Directors, of which two are Executive Directors, whilst Five are Non-Executive Directors. Out of Five non-executive directors Four are Independent, ensuring an independent outlook to temper the expediency of the experts. The Board has assessed the independence of the Non-Executive Directors.

Executive directors and senior managers (Management), who are involved in the day to day running of the company with the management. Following diagram and table depicted the composition of the board and the senior management.



Name of Director	Executive	Non-Executive	Independent
Dr S Yaddhegige			
Mr. S.S Poholiyadde			
Mr. N.C.Peiris			
Mr. B.A.T Rodrigo			
Mr. Shaminda Yaddhegige			
Mr.Gerard Amerasinghe (Appointed With effect from 19th October 2016)			
Dr H.J. de Costa (Ceased to be a director w.e.f 30th June 2016)			
Mr. Prasanna Fernando (Resigned from 25th August 2016)			
Mr. Nicholas Mark Thompson (Resigned from 05th April 2017)			

 **Chairman**     
  **Director**

Brief profiles of the directors are set out on pages 54 to 57.

### Meetings of the Board of Directors

During the year the Board met on three 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 company's overall commercial, operational and strategic development and assisted by the Executive Management Committee comprising Executive Directors and Corporate Management of the Company. The finance function devolves on the Group Chief Financial Officer and Financial Controller – Plantation Sector who are 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 are 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. Information on Three Board Committees is given in Pages 65 to 68. The Board has delegated responsibilities to three Board sub committees which operate within clearly defined terms of reference.

### Audit Committee

Namunukula Plantations PLC is one of the Group Companies of the Richard Pieris & Company PLC. As such the Group Audit Committee acts as the Audit Committee of the company. Audit Committee report on Page 65 to 66 describes the activities carried out during the financial year.



### Remuneration Committee

The Remuneration Committee of the Ultimate Parent Company acted as the Remuneration Committee of Namunukula Plantations PLC. The composition of the committee as at March 31, 2017 and report of Remuneration Committee is given in Page 67.

### 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 Namunukula Plantations PLC. The Report of the Related party Transactions Review Committee is on page 68.

Sub Committee	Audit Committee	Remuneration Committee	Related party Transactions Review Committee
Mr. Jagath C. Korale	● C	● ■	● ■
Dr. Jayatissa De Costa P.C.	● ■	● C	● C
Mr. Prasanna Fernando	● ■	● ■	● ■

 Chairman    
  Member

### Internal Controls

The Board is responsible for instituting an effective internal control system 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 69 to 79.

Comprehensive budgetary process is in place, where annual budgets, identifying the critical success factors and functional objectives, prepared by all Estates are, approved by the Board, at the commencement of a financial year, and its achievement monitored monthly, through a comprehensive monthly management reporting system. 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 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.

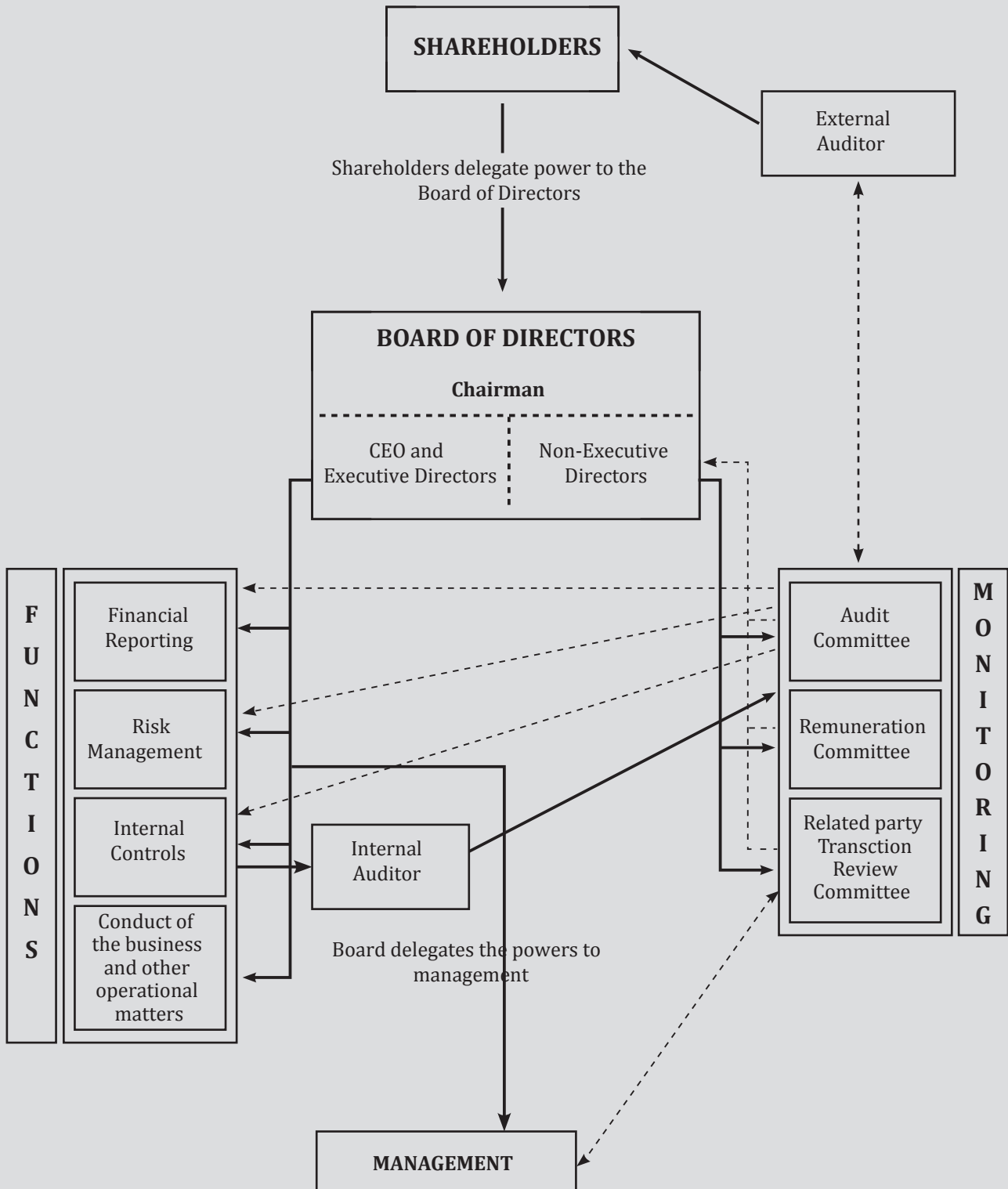
### Relationship with Other Stakeholders

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

The Board also ensures that the Company policies and practices are in line with the Company'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 Sustainability report on pages 32 to 45.

**Corporate Governance Structure**

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



### 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 under Section 7 & 9 of the Listing Rules issued by the Colombo Stock Exchange.

### 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.

CSE Section Reference	Colombo Stock Exchange Requirement	Status of Namunukula Plantations PLC
7.10.1 ( a) to (c)	Non-Executive Directors	In Compliance
7.10.2 (a)	Two or one-third of Non-executive Directors, whichever is higher, should be independent.	In Compliance
7.10.2 (b)	Each Non- Executive Director should submit a declaration of independence/ non independence	In Compliance
7.10.3 ( a) to (d)	Disclosures relating to Directors	In Compliance
7.10.5 ( a) to (c)	Remuneration Committee	In Compliance
7.10.6 ( a) to (c)	Audit Committee	In Compliance
9.2	Related party Transactions committee	In Compliance



# AUDIT COMMITTEE REPORT

## Composition of the Committee

The Audit Committee of the Ultimate Parent Company acted as the Audit Committee of Namunukula Plantations PLC.

The Committee comprised of following three independent Non-executive directors. The Chairman of the Committee is a Senior Chartered Accountant.

- Mr. Jagath C. Korale – Chairman
- Dr. Jayatissa De Costa P.C. - Member
- Mr. Prasanna Fernando - Member

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

The Company Secretary functions as Secretary to the Audit Committee.

## Charter of the Committee

The Charter of Audit Committee approved by the Board, clearly 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 and evaluate 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.

## Activities in 2016/17

The Audit Committee held nine meetings during the financial year ended 31st March 2017. Representatives of the Company's External Auditors M/S Ernst & young also participated in a meeting during the year by invitation and discussions were held regarding the scope and the conduct of the annual audits.

## Reporting of Financial Position and Performance

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 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 1st January 2012 as issued by the Institute of Chartered Accountants of Sri Lanka.

The Group Chief Financial Officer, Managing Director of Plantation Sector, Chief Executive Officers, Financial Controller, Accountant and Group Internal Audit Manager were invited if deemed necessary for audit committee meetings.

## 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 Namunukula Plantations PLC which is reviewed by the Senior Management on a monthly basis.

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

### 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.

The Committee also had the responsibility to review the loss making estates of the Company and strategies for turning round these estates and recommending suitable corrective action.

### 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 ongoing 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.



Mr. Jagath C. Korale  
Chairman  
Audit Committee

31 May 2017.



## REMUNERATION COMMITTEE REPORT

### Composition of the Committee

The Remuneration Committee of the Ultimate Parent Company acted as the Remuneration Committee of Namunukula Plantations PLC. The Committee comprises of three independent Non-Executive Directors.

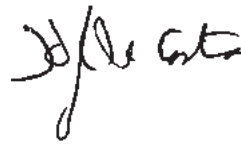
- Dr. Jayatissa De Costa P.C. (Chairman)
- Mr. Jagath C. Korale
- Mr. Prasanna Fernando

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

- Policy on remuneration of the Executive Staff
- Specific remuneration package for the Executive Directors

In a highly competitive environment attracting and retaining high caliber 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.

The Committee met on several occasions during the financial year. Members of the Corporate Management were invited to participate at the sitting of the committee meetings as and when required by the chairman, considering the topics for deliberation at such meetings.



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

31 May 2017



# RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

## Composition of the Committee

The Related Party Transactions Review Committee of the Ultimate Parent Company acted as the Related Party Transactions Review Committee of Namunukula 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 Officers, 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 Namunukula 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 the Company 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 Group.
- 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 the Company. 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.

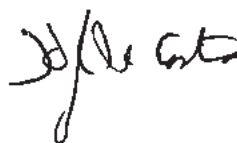
The Committee held two meetings during the period under review. The activities and views of the Committee have been communicated to the Board of Directors where appropriate.

## Related Party Transactions during the year 2016/17

Details of related party transactions entered into by the Company are disclosed on pages 135 to 137.

## Declaration

Refer: Annual Report of the Board of Directors on the Affairs of the Company on Pages 82 to 87 for the declaration given by the Board of Directors for 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. 32 to the financial statements.



Dr. Jayatissa De Costa P.C.  
Chairman  
Related Party Transactions Review Committee

31 May 2017



## RISK MANAGEMENT

The vigorous governance structure, risk management process, corporate social responsibility and internal audit procedures are intensively critical to be a good corporate citizen in dynamic business environment. Continuous practice of good corporate governance always aids to furnish a sustainable flow of operations along with a transparent operational structure.

In the process of corporate governance, risk management plays a vital part where we proactively identify, evaluate, manage and report risks which need be addressed well in advance. This is something of paramount importance in plantation sector, due to the known fact that the climate changes is the ruler which influences the bottom line a great deal.

As we define, risk as an uncertain future event which could influence the achievement of our strategic, operational and financial objectives, we prioritise our risks based on the impact and the likelihood of occurrence. A step going beyond traditional risk management, while taking actions to minimize the downside of the risks we also seek for upside of the risks to make improved decisions to capitalize on it.

Namunukula Plantations PLC is exposed to a multitude of risks when reaching for its realisation of vision, mission and corporate objectives. The Board of Directors therefore places special emphasis on the management of risks and together with the Management Committee, ensures that a sound system of controls including financial, operational and compliance controls are in place, and reviews regularly the effectiveness of such controls, to safeguard shareholder investments.

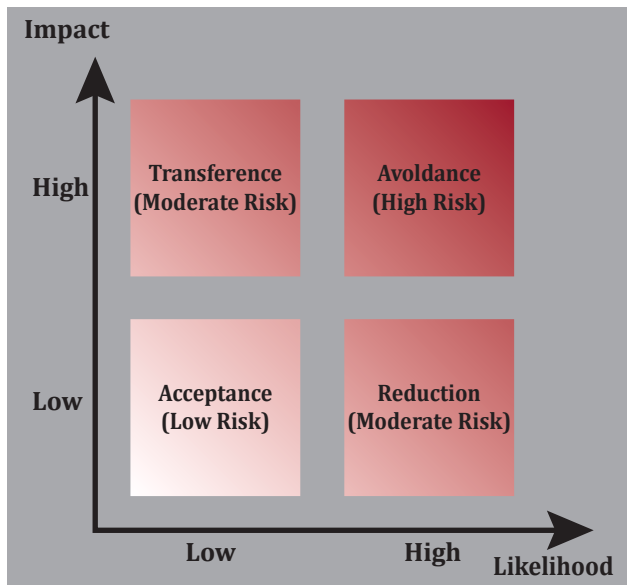
Our risk management process comprises of Risk Assessment, Risk Reporting, Decision, Risk Treatment, Residual Risk Reporting and Monitoring to realization of our strategic objectives. Based on the likelihood of occurrence and the impact of the risks, we take risk minimisation strategies to deal with them.

Risk management protects and adds value to the organisation and its stakeholders through supporting the realisation of organisation's objectives. The Diagram below shows the above steps of risk management in overall context of Namunukula Plantations PLC.



**RISK MANAGEMENT**

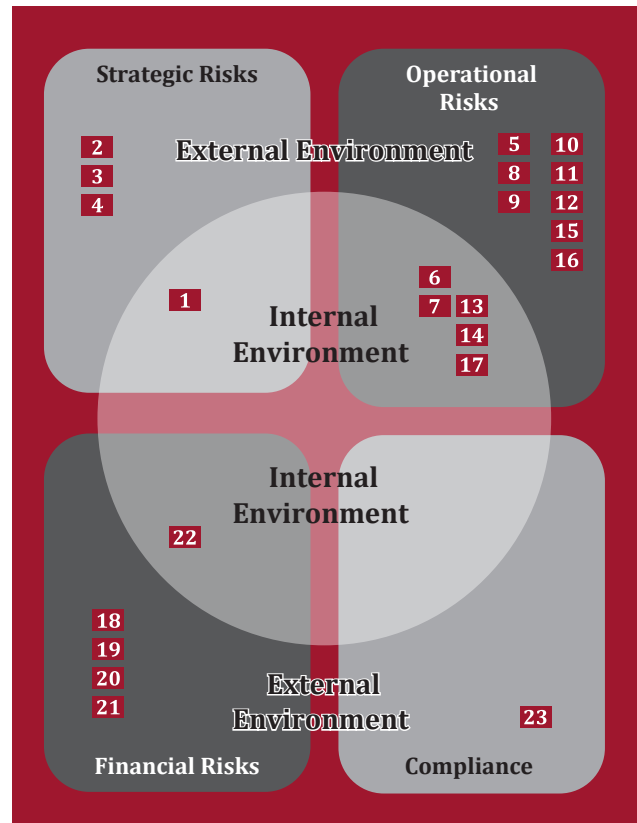
Risk management process starts with the simple step of Assessing risks that we face in our operations, finance and compliance in general. Risk Identification allows us to consider the extent to which those identified risks may have an impact on realisation of our vision, mission and corporate objectives. Evaluation of risk can be quantitative, semi quantitative or qualitative in terms of likelihood of the occurrence and the impact. Given risk level is based on the knowledge gathered from risk evaluation. Following graph depicted the linking control activities to the risk response.



Based on the risk level, company takes appropriate action to mitigate the risk. If the risk is within the company’s risk appetite we will take actions to minimise the risk or accept the risks. In contrary if it is beyond our risk appetite we will take actions to transfer or avoid the risks.

With response to risk minimisation strategy implemented, NPL continuously monitor the effectiveness of actions taken to verify the appropriateness of the strategies implemented. Ultimately, to review the risk management process we compare the gross risk (assessment of risk before risk minimisation strategies are being implemented) with the net risk (assessment of risk after risk minimisation strategies are being implemented) and document the impact to continue with the sustainable risk management cycle.

This diagram overleaf summarises examples of key risks in these areas and shows that some specific risks can have both external and internal drivers and therefore overlap the two areas.



**Risks**

**Strategic Risk**

- 1. Production Risk
- 2. Auction Prices

- 3. Climate Changes
- 4. Wage Structure

**Operational Risk**

- 5. Credit Risk
- 6. Asset Risk
- 7. Internal Controls
- 8. Inventory
- 9. Reputation Risk Competition
- 10. Human Capital & Labour Risk
- 11. Technological Risk
- 12. Procurement Risk

- 13. Business Interruptions
- 14. Risk of Value Chain
- 15. Environmental & Political Risk
- 16. Information Systems Risk

**Financial Risk**



- 18. Investment Risk
- 19. Liquidity & Cash management
- 20. Interest Rate Risk


- 21. Inflation and Currency Risk
- 22. Accounting & Reporting


**Compliance Risk**


- 23. Compliance with applicable legislation and internal policies


## Level of Risk


	<b>High Risk</b>	The risk factors are highly influenced to the Company operations and probability of risk is High.
	<b>Medium Risk</b>	The risk factors are moderately influenced to the Company operations and prevention tools could be exercised with effective management strategies.
	<b>Low Risk</b>	The risk factors are low influenced to the Company operations and prevention tools are already in place strongly.


<b>Strategic Risks</b>	
<b>01. Production Risk</b>	<b>Risk Level</b>
	
Unpredictability in product quality resulting to reduced demand and lead to a drop in market price, market share and reputation.	
<b>Company Objectives</b>	<b>Risk Minimisation Strategies</b>
<ul style="list-style-type: none"> <li>Minimising the inconsistencies in product quality.</li> </ul>	<ul style="list-style-type: none"> <li>Close supervising of plucking &amp; tapping rounds and manufacturing process.</li> <li>Obtaining regular advice from Industry experts, Tea Research Institute, Rubber Research institute, brokers and customers.</li> <li>Optimising of Product portfolio to cater specific market segments and develop revenue streams from other projects such as tourism, minor crops and fruits cultivation.</li> <li>Centralising tea processing according to High NSA &amp; obtain selling mark advantage</li> </ul>


<b>02. Auction Prices</b>	<b>Risk Level</b>
	
The risk of decline in the value of auction prices. Price risk is the main risk faced by the company. Although price risk is specific to Tea & Rubber, this is being minimized through diversification.	
<b>Company Objectives</b>	<b>Risk Minimisation Strategies</b>
<ul style="list-style-type: none"> <li>Minimising the risk associated with the auction prices.</li> <li>Getting stabilized prices at auctions with low price variations.</li> </ul>	<ul style="list-style-type: none"> <li>Produce, maintain &amp; upgrade the quality level of products to be appealing to the market buyers.</li> <li>Spread risk through crop diversification and change grade mix to cater customer requirements.</li> <li>Obtain international standards and quality accreditations to maintain attractive prices.</li> </ul>


<b>03. Climate Changes</b>	<b>Risk Level</b>
	
We operate in a considerably volatile natural conditions due to unpredicted weather patterns and natural environmental conditions our production quality could get affected.	
<b>Company Objectives</b>	<b>Risk Minimisation Strategies</b>
<ul style="list-style-type: none"> <li>Minimising adverse effects due to climate changes.</li> <li>Maintain the quality of the crops in spite of climate changes.</li> </ul>	<ul style="list-style-type: none"> <li>Change fertilizing cycles to go par with the climate changes.</li> <li>Change the harvesting pattern accordingly.</li> <li>Crop diversification.</li> </ul>


<b>04. Wage Structure</b>	<b>Risk Level</b>
	
Maintaining a positive margin with a rising wage structure under collective bargaining of the farmers & labourers has become a challenging task while maintaining the remaining productivity level	
<b>Company Objectives</b>	<b>Risk Minimisation Strategies</b>
<ul style="list-style-type: none"> <li>Compliance to the regulatory wage structure.</li> </ul>	<ul style="list-style-type: none"> <li>Improve labour productivity by better HR practices.</li> <li>Outsourcing or suspending of non value adding activities.</li> <li>Negotiation with trade unions and stakeholders for a wage structure base on the Productivity and wage negotiations are done with the Employers’ federation of ceylon and the planters Association.</li> </ul>


<b>Operational Risks</b>	
<b>05. Credit Risk</b>	<b>Risk Level</b>
	
Risk of being defaulted by customers or other debtors. Maintaining a higher level of liquidity is essential to the industry due to the abrupt nature of it. Hence maintaining a lessor debtor collection day ratio would add a value in managing the working capital.	
<b>Company Objectives</b>	<b>Risk Minimisation Strategies</b>
<ul style="list-style-type: none"> <li>minimising risks associated with debtor defaults.</li> <li>Working 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>	<ul style="list-style-type: none"> <li>Obtaining insurance covers for export debtors.</li> <li>Tea &amp; Rubber Sales are made through auction and brokers assure the settlement</li> <li>Long term &amp; Short term borrowings and Lease payments to government are closely monitored and settled without delay.</li> </ul>

<b>06. Asset Risk</b>	<b>Risk Level</b>
	
Availability of new technological plant and machineries to tea industry and availability of land to cultivate the suitable crops and efficient use of assets is at the medium level.	
<b>Company Objectives</b>	<b>Risk Minimisation Strategies</b>
<ul style="list-style-type: none"> <li>Minimising risks from fire, theft and machinery &amp; equipment breakdown.</li> </ul>	<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.</li> </ul>

<b>07. Internal Controls</b>	<b>Risk Level</b>
	
By establishing sound internal control systems we can ensure and safe guard the assets and operational effectiveness and efficiency	
<b>Company Objectives</b>	<b>Risk Minimisation Strategies</b>
<ul style="list-style-type: none"> <li>Maintaining a sound system of internal control to safeguard shareholders wealth and Company's assets.</li> </ul>	<ul style="list-style-type: none"> <li>Carrying out system audits and other control mechanisms such as inventory counts and cash counts in every estate by the Central Internal Audit Department of the main Group.</li> </ul>

<b>08. Inventory</b>	<b>Risk Level</b>
	
Due to lower demand conditions there is a risk of accumulating produce stocks in the tea factories, we have ensure these stocks are sale at the correct time at the auction.	
<b>Company Objectives</b>	<b>Risk Minimisation Strategies</b>
<ul style="list-style-type: none"> <li>Reducing stock obsolescence and manage stock holding costs.</li> <li>Reducing the risk associated with theft and shrinkage.</li> </ul>	<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> </ul>

<b>09. Reputation Risk</b>	<b>Risk Level</b>
	
We have maintained a good reputation for years by achieving performance targets and complying with rules and regulations in the industry.	
<b>Company Objectives</b>	<b>Risk Minimisation Strategies</b>
<ul style="list-style-type: none"> <li>preventing the causes that would put the company reputation at risk.</li> </ul>	<ul style="list-style-type: none"> <li>Having in place a budgetary process &amp; a budgetary control mechanism on a monthly &amp; on-going 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 from third parties.</li> <li>Ensure quality in manufacturing process and compliance with the standards. Work towards obtaining HACCP at minimum, in every factory.</li> <li>Ensuring effective communication with various stakeholders such as employees, bankers, regulators, customers, suppliers and the shareholders.</li> </ul>

<b>10. Human Capital &amp; Labour Risk</b>	<b>Risk Level</b>
	
Heart of the operations is the people we have employed in our plantations. They are the key to our success and the most price possessions of the company.	
<b>Company Objectives</b>	<b>Risk Minimisation Strategies</b>
<ul style="list-style-type: none"> <li>Ensuring a smooth flow of operations without any undue disruptions.</li> </ul>	<ul style="list-style-type: none"> <li>Maintaining healthy relationships with trade unions through regular dialogues.</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 ourselves as an employer being 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 &amp; other community development Programmes.</li> <li>Rewarding high performers.</li> <li>Arrange in-house and external training in order to develop the human resources.</li> </ul>

11. Technological Risk	Risk Level
To enhance the productivity of the industry that we operate in, we have to consider efficient allocation of technological resources in our plantations. We have to consider new investment in new technological plants, machineries and advanced information technology to ensure a smooth flow of information for control purposes.	
Company Objectives	Risk Minimisation Strategies
<ul style="list-style-type: none"> <li>keeping pace with the current technological developments and safeguard against obsolescence.</li> </ul>	<ul style="list-style-type: none"> <li>Continuous investments in new machinery 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 with reputed company.</li> </ul>


12. Procurement Risk	Risk Level
Ensuring efficient flow of operations requires good relationships with suppliers, which in turn will ensure, discounted prices and quality raw materials to add more value to our products.	
Company Objectives	Risk Minimisation Strategies
<ul style="list-style-type: none"> <li>Minimizing risk associated with price and availability.</li> </ul>	<ul style="list-style-type: none"> <li>Continuous replanting activities of tea.</li> <li>Establishing relationships with more than one supplier to buy 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>


13. Business interruptions.	Risk Level
Natural catastrophes, human misstatements may cause business and operational interruptions.	
Company Objectives	Risk Minimisation Strategies
<ul style="list-style-type: none"> <li>Minimising interruptions from the Natural Catastrophes and human misstatements</li> </ul>	<ul style="list-style-type: none"> <li>Conduct Safety training and monitoring programme.</li> <li>Obtain Sufficient insurance cover to recover the damages.</li> <li>Skill development programme for workers and Staff members on regular basis.</li> </ul>


<b>14. Risk of Competition</b>	<b>Risk Level</b>
	▲
Competitors’ actions and other circumstances may result in a decrease in the auction sales or market, thus affecting our revenue and financial performance.	
<b>Company Objectives</b>	<b>Risk Minimisation Strategies</b>
<ul style="list-style-type: none"> <li>Maximising the market share and maintain leadership in respective industries.</li> </ul>	<ul style="list-style-type: none"> <li>Ensuring high standards of quality in the eyes of the customer.</li> <li>maintain strengthen relationship with brokers &amp; buyers</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>15. Value Chain</b>	<b>Risk Level</b>
	▲
Risk due to loss of confidence and relationship with suppliers of inputs, (fertilizers, chemicals, packing materials, bought leaf suppliers) buyers and end customers and risk of non-maintaining manufacturing standards.	
<b>Company Objectives</b>	<b>Risk Minimisation Strategies</b>
<ul style="list-style-type: none"> <li>Minimizing risk of not meeting profit expectations.</li> </ul>	<ul style="list-style-type: none"> <li>follow a transparent procedure to evaluate quotations of suppliers through RPC group purchasing division.</li> <li>ensure ontime payments and settlement for bought leaf suppliers and other commodity suppliers.</li> <li>conducting work shops for bought leaf suppliers to educate to deliver good quality leaf.</li> </ul>


<b>16. Environmental &amp; Political Risk</b>	<b>Risk Level</b>
	●
Planting operations are exposed to risks associated with extreme weather conditions and political influences time to time may create unforeseen costs and reduce the overall efficiency of the Company’s operations.	
<b>Company Objectives</b>	<b>Risk Minimisation Strategies</b>
<ul style="list-style-type: none"> <li>Minimizing the negative &amp; Regulatory Risk external environment which are beyond our control.</li> </ul>	<ul style="list-style-type: none"> <li>Ensure compliance with all regulatory impact from changes in the requirements.</li> </ul>


<b>Risk Level</b>	
<b>17. Information Systems Risk</b>	
With a decentralised information system and accounting system we operate in, we have to ensure those systems are up to dated and operate resourceful to satisfy our dynamic needs.	
<b>Company Objectives</b>	<b>Risk Minimisation Strategies</b>
<ul style="list-style-type: none"> <li>Minimizing risk associated with security, Hardware communication and software.</li> </ul>	<ul style="list-style-type: none"> <li>Maintaining of spare servers mirroring of hard disks with critical data.</li> <li>Introduce sound IT Policy and closely supervision thereon.</li> <li>Data back-ups stored in 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>Risk Level</b>	
<b>18. Investment Risk</b>	
This involve failure in investments/inability to achive expexted objectives. This resulted future profitability and sustainability of the Company.	
<b>Company Objectives</b>	<b>Risk Minimisation Strategies</b>
<ul style="list-style-type: none"> <li>Maximising the return of investment</li> </ul>	<ul style="list-style-type: none"> <li>Inexcusable Evaluate the all investment proposals and getting advice from experties persons</li> <li>Adopting a stringent approval procedure for Capital expenditure based on the level of investment and the expected pay back.</li> <li>Ensure availability and effective utilization of short term facilities where necessary realistic investment are made in capital development i.e replanting, machinery and upgrading plant.</li> <li>Maintain cashflow and budgetary controls systems for effective monitoring.</li> <li>Closely monitor the progress to ensure project deliverables are achieved within given budgets and timelines .</li> </ul>

<b>19. Liquidity &amp; Cash management</b>	<b>Risk Level</b>
	
Liquidity and cash management is crucial in the context we operate in, (abrupt cash requirements )	
<b>Company Objectives</b>	<b>Risk Minimisation Strategies</b>
<ul style="list-style-type: none"> <li>• Capitalising 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>	<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 facilities where necessary.</li> <li>• Closely monitoring of cash flow in every month and identify ways and managing funds.</li> <li>• Maintain cashflow and budgetary controls systems for effective monitoring.</li> </ul>

<b>20. Interest Rate Risk</b>	<b>Risk Level</b>
	
The risk that borrowing cost and investment's value will change due to a change in the absolute level of interest rates (AWPLR).	
<b>Company Objectives</b>	<b>Risk Minimisation Strategies</b>
<ul style="list-style-type: none"> <li>• Ensuring a strong liquidity position.</li> <li>• Minimising adverse effects of interest rate volatility and currency denominated borrowings.</li> <li>• To ensuring cost of borrowing is at the optimum level.</li> <li>• Maximum utilization of the concessionary funding available to Plantation Companies.</li> </ul>	<ul style="list-style-type: none"> <li>• Negotiation with Financial institutions for fixed debt servicing arrangements.</li> <li>• Short term asset to be financed with the short term finance arrangements and long term assets to be financed with the long term arrangements.</li> <li>• Monitor debt levels constantly and maintain a balance between debt and equity.</li> </ul>

<b>21. Inflation and Currency Risk</b>	<b>Risk Level</b>
	
The risk that borrowing cost and investment's value will change due to a change in the absolute level of interest rates (AWPLR).	
<b>Company Objectives</b>	<b>Risk Minimisation Strategies</b>
<ul style="list-style-type: none"> <li>• Minimizing risk associated with the fluctuation in foreign currency rates in relation to export proceeds, import payments and foreign currency debt transactions.</li> <li>• Ensuring effective utilization by coordinating with treasury operations through various hedging techniques such as forward bookings, forward sales, swaps etc.</li> </ul>	<ul style="list-style-type: none"> <li>• Forward exchange rate agreement with financial institutions.</li> <li>• Purchasing time of classes of assets are pre arrange to minimize inflation and currency Risk</li> </ul>

<b>22. Accounting &amp; Reporting</b>		<b>Risk Level</b>
		
Possibility of misstatement of financial position or profitability and noncompliance with accounting standards and other regulatory requirement.		
<b>Company Objectives</b>	<b>Risk Minimisation Strategies</b>	
<ul style="list-style-type: none"> <li>Minimizing risk associated financial reporting and ensuring accuracy of information use by stakeholders.</li> <li>Ensure the accuracy of information use by stakeholders.</li> </ul>	<ul style="list-style-type: none"> <li>Regularize good governance structure such as internal &amp; external audits , audit commitee .</li> <li>NPL &amp; RPC Group consists from members of chartered accountants and skilled staff with relevent qualifications.</li> <li>Financial statements Management accounts Review by the Audit committee in quarterly basis and implimenting the auditors comments issued by External Auditors &amp; Internal Auditors</li> </ul>	

<b>Compliance Risks</b>		<b>Risk Level</b>
<b>23. Compliance with applicable legislation and internal policies</b>		<b>Risk Level</b>
		
The Company is subject to special regulations.		
<b>Company Objectives</b>	<b>Risk Minimisation Strategies</b>	
<ul style="list-style-type: none"> <li>Reduce the risk of infringement of compliance requirements imposed by regulators.</li> </ul>	<ul style="list-style-type: none"> <li>The Company is developing a set of measures and internal controls to ensure its legal compliance, including compliance with laws.</li> <li>Periodically review and monitor compliance states of statutory and other requirements.</li> </ul>	





### *Financial Statement Analysis.....*

*This can be referred as a process of understanding the risk and profitability of a company by analyzing reported financial info, especially annual and quarterly reports. Putting another way, financial statement analysis is a study about accounting ratios among various items included in the financial statements.*

*These ratios include asset utilization ratios, profitability ratios, leverage ratios, liquidity ratios, and valuation ratios. Moreover, financial statement analysis is a quantifying method for determining the past, current, and prospective performance of a company.*

*In the year under review, Namunukula Plantations has done tremendously well in financial performance compared with the competitors in the Industry.*

## **FINANCIAL INFORMATION**

Annual Report of the Board of Directors	82
Statement of Directors' Responsibility	88
Independent Auditors' Report	89
Statement of Profit or Loss	90
Statement of Comprehensive Income	91
Statement of Financial Position	92
Statement of Changes in Equity	93
Statement of Cash Flows	94
Notes to the Financial Statements	95

# ANNUAL REPORT OF THE BOARD OF DIRECTORS

## 1. General

The Directors of Namunukula Plantations PLC have pleasure in presenting the Annual report together with the Audited financial statements of the company for the year ended 31st March 2017 and the Auditors' Report thereon.

The Board of Directors approved this report 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.

## 2. Review of Business

The company's vision, mission and corporate objectives are exhibited in page 4.

### 2.1 Principal business activities of the company

The principal activity of Namunukula Plantations PLC is cultivation and processing of Black Tea, Rubber, Oil Palm, Coconut and other crops and remains unchanged from the previous year.

Namunukula plantations PLC manage 18 estates with an extent of 11,779 Ha. Unchanged from the previous year.

Information required to be disclosed as per the companies act no. 07 of 2007.	Reference to the companies act.	Annual report page reference for compliance.
(i) The nature of the business of the company and any change thereof during the accounting period.	Section 168 (1) (a)	Refer item 2.1 On page 82
(ii) Signed financial statements of the company for the period completed.	Section 168 (1) (b)	Refer item 2.3 On page 83
(iii) Auditors' report on financial statement of the company.	Section 168 (1) (c)	Refer item 2.5 On page 83
(iv) Accounting policies and any changes therein.	Section 168 (1) (d)	Refer item 2.6 On page 83
(v) Particulars of the entries made in the interests register during the accounting period.	Section 168 (1) (e)	Refer item 2.7 On page 83
(vi) Remuneration and other benefits paid to directors of the company during the accounting period.	Section 168 (1) (f)	Refer item 2.8 On page 84
(vii) Total amount of donations made by the company during the accounting period.	Section 168 (1) (g)	Refer item 2.9 On page 84
(viii) Information on directorate of the company during period.	Section 168 (1) (h)	Refer item 9 On page 85
(ix) Separate disclosure on amounts payable to the Auditors as Audit Fees and Fees for other services rendered during the accounting period.	Section 168 (1) (i)	Refer item 14.2 On page 87
(x) Auditors' relationship or any relationship with company.	Section 168 (1) (j)	Refer item 14.3 On page 87
(xi) Acknowledgement of the contents of this report/ signatures on behalf of the board.	Section 168 (1) (k)	Refer page 87

The company continues to be managed by RPC Plantations Management Services (Pvt) Ltd. The basis of computation of Management Fees was same as that of the previous year and was in accordance with the agreement signed between both parties.

## 2.2 Review of operations of the company

The “chairman’s review” on pages 15 to 17 and “Review of Operations”, “Financial Review” on pages 18 to 29, together with Audited Financial statements provide an overall assessment on the financial performance and financial position of the company and the state of affairs together with important events that took place during the year as required by the section 168 of the companies act no. 07 of 2007 and recommended best accounting practices.

Segment wise contributions to company revenue, results, assets and liabilities are disclosed in note no. 06 to the financial statements on page 114.

## 2.3 Financial Statements of the company

In compliance with the requirements of the section 151, 152 and 168 (1) (b) of the companies act no 07 of 2007, the financial statements of the company have been duly certified by the Financial controller and approved by the board of directors and signed by two members of the board of the directors are appearing on pages 90 to 137.

## 2.4 Directors’ responsibility for financial reporting

The Statement of Directors’ Responsibility is given on page 88 of this report.

## 2.5 Auditors’ Report

The company’s Auditors, Messrs Ernst & Young performed the audit on the financial statements for the year ended March 31, 2017, and Auditors’ Report issued thereon is appearing on page 89 as required by the section 168 (1) (c) of the companies act no 07 of 2007.

## 2.6 Accounting Policies and changes during the year

The company prepared its financial statements in accordance with Sri Lanka accounting standards, which have materially converged with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

As required by the section 168 (1) (d) of the companies act no. 07 of 2007, the board of directors wish to confirm that there were no changes to the accounting policies except Note no 3.1 to the financial statements of page no 96, used by the company during the year. Significant accounting policies adopted in the preparation of the financial statements of the company are given in pages 95 to 113.

## 2.7 Directors’ interest in contracts with the company and the interest register

Directors’ interest in contracts in relation to transactions with related entities, transactions with Key Management Personnel and other related disclosures are stated in Note 32 (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.

### Entries in the Interest register

As required by the section 168 (1) (e) of the Companies Act No. 7 of 2007, Interest Register is maintained by the company. Share ownership of directors is disclosed in page 86.

## Transactions with related undertakings

Name of the company	Name of Director	Position	Nature of transaction	Amount (Rs.)	
				2016/17	2015/16
Eastern Brokers Limited	Mr.S.S Poholiyadde (Resigned from 05th January 2017)	Director	Brokerage, Lot Money ...etc.	9,044,775/-	7,558,794/-

## 2.8 Directors' remuneration and other benefits

As required by the section 168 (1) (f) of the companies act no 07 of 2007, the Remuneration and other benefits of the Directors for the year ended 31 March 2017 is given in Note 09 of the financial statements.

## 2.9 Donations

No Donations have made during the year by the company (2015/16 – Rs. 5,000/-). The information given above on donations forms an integral part of the report of the board of directors as required by the section 168 (1) (g) of the companies act no. 07 of 2007.

## 3. Turnover

The turnover of the company was Rs. 2,512,273,727 /- (2015/16 -1,913,076,308/-) and a composition of the Revenue is given in Note 6 to the financial statements.

### Financial results

For the year ended 31 March	2016/17 Rs. '000	2015/16 Rs. '000
Profit/(Loss) for the year after deducting all expenses, depreciation and all known liabilities amounts to	366,280	28,726
Share of profit of joint venture	70,000	31,240
<b>Profit/ (loss) before taxation</b>	<b>436,280</b>	<b>59,966</b>
Income tax (expense)/ reversal	(34,330)	7,502
<b>Making a profit/ (loss) after taxation of</b>	<b>401,950</b>	<b>67,468</b>
Other comprehensive income	30,461	77,778
<b>Un- appropriated profit brought forward</b>	<b>1,957,531</b>	<b>1,834,191</b>
Super gain tax paid		(21,906)
<b>Profit available for distributions</b>	<b>2,393,942</b>	<b>1,812,285</b>
Appropriations - 1st Dividends paid	(11,875)	-
- 2nd Dividends paid	(166,250)	-
<b>Un - appropriated profit carried forward</b>	<b>2,211,817</b>	<b>1,957,531</b>

Details relating to the company's profits are given on pages 90 to 91.

## 4. Dividend and Reserves

The directors recommend a two interim cash dividend of Cents 50 & Rs.7/- per share and paid on 12th October 2016 and 30th March 2017 respectively. Information on the movement of retained earnings is given in the statement of changes in equity on Page 93. There was no General Reserve of the company as at 31 March 2017.

## 5. Provision for Taxation

As per the Inland Revenue Act the company is liable on its profits from agricultural activities at 10%. All other sources of income will be liable to income tax at the rate of 28%.

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

Information on Income Tax Expense and Deferred Taxes of the company are given in note 10 to the financial statements.

## 6. Property, Plant and Equipment

Detailed information relating to the movement of property, plant & equipment, Intangible assets and leasehold assets of the company as at reporting date is given in notes 12, 13, 14 & 15 to the accounts.

The total capital expenditure incurred on the acquisition of fixed assets during the year amounted to Rs.228,377,366/- (2015/16 -Rs. 266,799,517/-) out of which expenditure on Replanting and Field Development amounts to Rs.223,075,910/- (2015/16 - Rs. 252,710,213/-) Capital expenditure has been financed by either long or short term borrowings depending on the payback period and or internally generated funds.

## 7. Stated capital

Stated capital of the company as at 31 March 2017 was Rs. 350,000,010/-. Details of the stated capital are given in note 23 to the financial statements.

## 8. Share information

### 8.1 Distribution schedule of shareholdings

Information on distribution of shareholding and the respective percentages are given in the section on “Shareholders and Investor information” on pages 142 and 149.

### 8.2 Substantial Shareholdings

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 147.

### 8.3 Information on Earnings, Dividend, Net Assets and Market Value

Information relating to Earnings, Dividend, Net Assets and Market Value per share is given on pages 145 and 149 of this report.

## 9. Directors

### 9.1 Information on Directors as at March 31, 2017.

The Board comprises Seven Directors, of which two are Executive Directors, whilst five are Non-Executive Directors. Out of five non-executive directors four are

Independent, ensuring an independent outlook to temper the expediency of the experts.

The names of the directors who held office as required by the section 168 (1) (h) of the companies Act No. 07 of 2007, are given below. Their brief profile appear on Page 54 to 57.

### 9.2 Re-election of Directorate of the Company

- 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 Plantation Management Services (Private) Limited, 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 ”

Name of the Director	Executive/ Non-Executive Status	Independent/ Non-Independent Status
Dr. S Yaddehige - Chairman	Executive	Non-Independent
Mr. S.S Poholiyadde	Executive	Non-Independent
Mr. N.C.Peiris	Non- Executive	Independent
Mr. B.A.T Rodrigo	Non- Executive	Independent
Mr. Shaminda Yaddehige	Non- Executive	Non-Independent
<b>New Appointments during year - 2016/17</b>		
Mr. Gerard Amerasinghe (Appointed With effect 19th October 2016)	Non- Executive	Independent
<b>Resignations/ Cessations during year - 2016/17</b>		
Dr H.J. de Costa (Ceased to be a director w.e.f 30th June 2016)	Non- Executive	Independent
Mr. Prasanna Fernando (Resigned With effect 25th August 2016)	Non- Executive	Non-Independent
Mr. Nicholas Mark Thompson (Resigned With effect 05th April 2017)	Non- Executive	Independent

- To approve the appointment of Mr. Neville Peiris 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 Plantation Management Services (Private) Limited, 310, High Level Road, Nawinna, Maharagama, a shareholder of the Company.

“That Mr. Neville Peiris of No. 284/2, Thimbirigasyaya Road, Colombo 05, 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 Mr. Neville Peiris ”

- To elect Mr. Shirly Gerard Amerasinghe, who retires in terms of Article 98 at the Annual General Meeting, a Director

### 9.3 Disclosure of Directors’ & CEO’s Dealing in shares

Shareholding of persons who were directors of the company at any given time during the financial year is as follows.

Name of the Director	2016/17 No.of shares	2015/16 No.of shares
Dr. S Yaddhige	-	-
Mr. S S Poholiyadde	3,000	3,000
Mr. Neville C Peiris	-	-
Mr. B.A.T Rodrigo	-	-
Mr. Shaminda Yaddhige	-	-
Mr. Gerard Amerasinghe (Appointed With effect 19th October 2016)	-	-
Dr H.J. de Costa (Ceased to be a director w.e.f 30th June 2016)	-	-
Mr. Prasanna Fernando (Resigned With effect 25th August 2016)	-	-
Mr. Nicholas Mark Thompson (Re-signed With effect 05th April 2017)	-	-
Mr. S. A. Eriyagama - CEO	-	-

### 9.4 Board sub committees

Audit Committee, Remuneration Committee & Related Party Transaction Review committee of the Ultimate Parent Company acted as the same on behalf of Namunukula Plantations PLC . Committees reports are given under Corporate Governance from Page 65 to 68.

### 10. 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 Pages 32 and 45 under Sustainability Report.

### 11. Statutory payments

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

### 12. Events after the reporting date

There have been no material events occurring after the reporting date that require adjustments or disclosure in the financial statements.

### 13. Going Concern

The Directors have made an assessment of the Namunukula Plantations PLC’s ability to continue as a going concern and they do not intend either liquidating or cease trading.

### 14. Auditors

Messrs. Ernst & Young, Chartered Accountants have audited the Financial Statements for the year ended 31 March 2017. The Auditor’s Report is given on page 89.

#### 14.1 Appointment of Auditors

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

## 14.2 Auditors' remuneration and Interest in contracts with company

The Audit Fees of Messrs. Ernst & Young for the current year was Rs. 2,799,000/- (2015/16 – Rs. 2,592,000/-).

## 14.3 Interest in contract with company

As far as the directors were aware, the Auditors do not have any relationship other than that of an Auditor with the company.

## 15 Information on Ratios and Market Prices of shares

Information that require disclosures as per Rule 7.6 (xi) of the Listing rules of the Colombo stock exchange are given in the section on “Financial highlights” on pages 10 to 11 and shareholder and investor information on pages 142 to 149.

## 16 Human Resources

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 realize their potential. Total number of employees of the company including all eighteen estate workers is 5,800 (2015/16 – 6,264). Details of Human resources are given in the section on “Human Resources” on pages 58 to 59.

## 17 Corporate governance and internal control

The policies adopted by the company in relation to best practices and good corporate governance are given on page 60 to 64. The Board has overall responsibility for the company's system of internal controls. 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.

## 18 Related Party Transactions

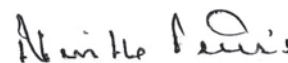
There are no any non-recurrent related party transactions which exceed 10 percent of the equity or 5 percent of the total assets whichever is lower and the company has complied with the requirements of the listing rules of the Colombo Stock Exchange on related party transactions. However, the Directors have disclosed the transactions that could be classified as related party transactions in terms of LKAS 24 “Related Party Disclosures” which are adopted in the preparation and presentation of the Financial Statements and those transactions are disclosure in Note 32 on the financial statement on pages 135 & 136.

## 19 Annual General Meeting and the notice of meeting

The Annual General Meeting will be held on 30 June 2017 at the registered office of the Company at 310, High Level Road, Nawinna, Maharagama. The notice of the Annual General Meeting is on page 160 of the report.



S S Poholiyadde  
Director



N C Peiris  
Director



Mrs. R J Siriweera  
Company secretaries  
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 Namunukula 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 89 of this report.

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 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 exhibited on pages from 95 to 137 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 the company maintains accounting records, which are sufficient to prepare financial statements that 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 profit for the year then ended.

The overall responsibility for the company's internal control systems lies with the directors. Whilst recognizing 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 Statement of Directors' Responsibility the prevalent internal control systems instituted by them and which comprise internal checks, internal audit and 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 89 of this report.

By order of the Board,



Mrs. R J Siriweera  
Company Secretary  
Richard Pieris Group Services (Pvt) Ltd  
Secretaries  
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  
Fax Gen : +94 11 2697369  
Tax : +94 11 5578180  
eysl@lk.ey.com  
ey.com

## TO THE SHAREHOLDERS OF NAMUNUKULA PLANTATIONS PLC

### Report on the Financial Statements

We have audited the accompanying Financial Statements of Namunukula 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 misstatements, 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 misstatements 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.

### 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 R B S P Fernando FCA FCMA, Ms. K R M Fernando FCA ACMA, Ms. L K H L Fonseka FCA, A P A Gunasekera FCA FCMA, A Herath FCA, D K Huarngamwa FCA FCMA (I B (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

Principals: T P M Ruberu FCMA FCCA

A member firm of Ernst & Young Global Limited

## STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2017

	Notes	2017 Rs. '000	2016 Rs. '000 Restated
Revenue	6	2,512,274	1,913,076
Cost of Sales		(2,068,996)	(1,848,270)
<b>Gross Profit</b>		443,278	64,807
Other Income	7	117,131	90,947
Change in fair value of Biological Assets	15.6	15,715	4,088
Administrative Expenses		(55,495)	(44,340)
Management Fee		(91,524)	(25,478)
Finance Cost	8	(58,825)	(52,798)
Impairment of Goodwill	18	(4,000)	(8,500)
Share of Profit from the Joint Venture	16	70,000	31,240
<b>Profit Before Taxation</b>	9	436,280	59,966
Income Tax (Expense) / Reversal	10	(34,330)	7,502
<b>Net Profit for the Year</b>		401,950	67,468
Basic Earnings per Share	11.1	16.92	2.84
Diluted Earnings per Share	11.1	16.92	2.84
Dividend per Share	11.2	7.50	-

The accounting policies and notes on pages 95 through 137 form an integral part of the Financial Statements.

## STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2017

	Notes	2017 Rs. '000	2016 Rs. '000
<b>Profit for the year</b>		401,950	67,468
<b>Other Comprehensive Income</b>		-	-
<b>Other Comprehensive Income/(Loss) to be reclassified to profit or loss in subsequent periods (net of tax):</b>		-	-
<b>Net Other Comprehensive Income/(Loss) to be reclassified to profit or loss in subsequent periods</b>		-	-
<b>Other Comprehensive Income/(Loss) not to be reclassified to profit or loss in subsequent periods (net of tax):</b>			
Remeasurement gains/(losses) on defined benefit plan	25	36,160	90,968
Income tax effect	10.2	(5,699)	(13,190)
<b>Net Other Comprehensive Income/(Loss) to be reclassified to profit or loss in subsequent periods</b>		30,461	77,778
<b>Other Comprehensive Income/(Loss) for the year, net of tax</b>		30,461	77,778
<b>Total Comprehensive Income/(Loss) for the year, net of tax</b>		432,411	145,246

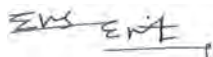
The accounting policies and notes on pages 95 through 137 form an integral part of the Financial Statements.

# 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>				
Leasehold Property, Plant & Equipment	12	189,525	207,016	224,687
Freehold Property, Plant & Equipment	13	363,197	387,591	405,319
Bearer Biological Assets	14	2,390,071	2,252,918	2,076,171
Consumable Biological Assets	15	125,318	113,684	111,108
Long Term Investments - (Unquoted)	16	102,288	107,365	99,458
Financial Assets	17	250,000	250,000	250,000
Intangible Assets	18	328,015	332,015	340,515
<b>Total Non Current Assets</b>		<b>3,748,414</b>	<b>3,650,589</b>	<b>3,507,258</b>
<b>Current Assets</b>				
Produce on bearer Biological asset	15.4	8,809	5,542	7,693
Inventories	19	231,505	212,330	211,195
Trade and Other Receivables	20	114,884	119,456	136,975
Amounts Due from Related Companies	21	19,790	7,075	-
ESC Recoverable		2,143	3,565	-
Income Tax Receivable		5,943	5,943	5,441
Cash and Cash Equivalents	22	10,108	20,977	10,452
<b>Total Current Assets</b>		<b>393,180</b>	<b>374,887</b>	<b>371,756</b>
<b>TOTAL ASSETS</b>		<b>4,141,594</b>	<b>4,025,475</b>	<b>3,879,014</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Capital and Reserves</b>				
Stated Capital	23	350,000	350,000	350,000
Retained Earnings		2,211,817	1,957,531	1,834,191
<b>Total Equity</b>		<b>2,561,817</b>	<b>2,307,531</b>	<b>2,184,191</b>
<b>Non Current Liabilities</b>				
Interest Bearing Loans & Borrowings	24	99,576	134,276	187,750
Retirement Benefit Obligations	25	534,771	545,170	595,402
Deferred Tax Liability	10.4	52,958	26,348	20,158
Deferred Income	26	132,598	130,438	125,876
Liability to make Lease payment after one year	27	214,737	219,092	223,280
<b>Total Non Current Liabilities</b>		<b>1,034,640</b>	<b>1,055,324</b>	<b>1,152,465</b>
<b>Current Liabilities</b>				
Trade and Other Payables	28	403,509	404,974	440,023
Liability to make Lease payment within one year	27	4,355	4,187	4,026
Interest Bearing Loans & Borrowings	24	133,602	197,754	67,196
Amounts Due to Related Companies	29	3,672	55,705	31,112
<b>Total Current Liabilities</b>		<b>545,137</b>	<b>662,620</b>	<b>542,357</b>
<b>TOTAL LIABILITIES</b>		<b>1,579,778</b>	<b>1,717,945</b>	<b>1,694,823</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>4,141,594</b>	<b>4,025,475</b>	<b>3,879,014</b>
<b>NET ASSETS PER SHARE</b>		<b>107.87</b>	<b>97.16</b>	<b>91.97</b>

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

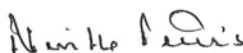


Sudheera Epatakumbura  
Financial Controller

The board of directors is responsible for the preparation and presentation of these Financial Statements. Signed for and on behalf of the board of Directors of Namunukula Plantations PLC by.



S S Poholiyadde  
Director



N C Peiris  
Director

The accounting policies and notes on pages 95 through 137 form an integral part of the Financial Statements.

Colombo,

31 May 2017

## STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2017

	<b>Stated Capital Rs. '000</b>	<b>Retained Earnings Rs. '000</b>	<b>Total Rs. '000</b>
<b>Balance as at 1 April 2015</b>	350,000	1,843,890	2,193,890
Prior Year Adjustments (Note 36)	-	(9,699)	(9,699)
<b>Balance as at 1 April 2015 (Restated)</b>	<b>350,000</b>	<b>1,834,191</b>	<b>2,184,191</b>
Super Gain Tax for the year of assessment 2013/14	-	(21,906)	(21,906)
<b>Balance as at 1 April 2015 (Adjusted)</b>	<b>350,000</b>	<b>1,812,285</b>	<b>2,162,285</b>
Net Profit for the year	-	67,468	67,468
Other Comprehensive Income/(Loss)	-	77,778	77,778
<b>Balance as at 1 April 2016</b>	<b>350,000</b>	<b>1,957,531</b>	<b>2,307,531</b>
Net Profit for the year	-	401,950	401,950
Other Comprehensive Income/(Loss)	-	30,461	30,461
Dividends	-	(178,125)	(178,125)
<b>Balance as at 31 March 2017</b>	<b>350,000</b>	<b>2,211,817</b>	<b>2,561,817</b>

The accounting policies and notes on pages 95 through 137 form an integral part of the Financial Statements.

# STATEMENT OF CASH FLOW

For the year ended 31 March 2017

	Notes	2017 Rs. '000	2016 Rs. '000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net Profit before Taxation		436,280	59,966
<b>ADJUSTMENTS FOR</b>			
Depreciation	12/13/14	133,109	125,452
Finance Cost	8	58,825	52,798
Provision for Defined Benefit Plan Cost	25	92,176	92,439
Profit on Disposal of Property, Plant & Equipment	7	(4,273)	(1,062)
Amortization of Grants	26	(3,719)	(3,605)
Fair Valuation charged against timber proceeds	15	814	3,663
Gain on change in fair value of biological assets	15.6	(15,715)	(4,088)
Impairment of goodwill	18	4,000	8,500
Share of Profit of Joint Venture	16	(70,000)	(31,240)
Provision for Bad & Doubtful Debts	20	43,634	-
<b>Operating profit before working capital changes</b>		<b>675,131</b>	<b>302,823</b>
(Increase)/Decrease in Inventories		(19,175)	(1,135)
(Increase)/Decrease in Trade and other Receivables		(39,062)	17,520
(Increase)/Decrease in Amounts due from Related Companies		(12,715)	(7,075)
Increase/(Decrease) in Trade and Other Payables		(1,465)	(35,049)
Increase/(Decrease) in Amounts due to Related Companies		(52,033)	24,593
<b>Cash Generated from Operating Activities</b>		<b>550,680</b>	<b>301,677</b>
Finance Cost Paid		(15,321)	(10,115)
Defined Benefit Plan Cost Paid	25	(66,415)	(51,702)
Income Tax (Paid) / Refund		(11,997)	(25,472)
<b>Net Cash Flow From Operating Activities</b>		<b>456,946</b>	<b>214,388</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of Property, Plant & Equipment	13	(5,301)	(14,089)
Share buy back (Unquoted Investment)	16	64,578	23,333
Dividend Received	16	10,499	-
Investments in Immature plantation	14	(223,076)	(252,710)
Proceeds from Disposal of Property, Plant & Equipment		4,273	1,062
Grants Received	26	5,880	8,167
<b>Net Cash Flow From Investing Activities</b>		<b>(143,147)</b>	<b>(234,237)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payment of Government Lease rentals		(47,691)	(46,710)
Proceeds from borrowings		-	-
Repayment of loans		(32,473)	(55,340)
Dividend Paid	11.2	(178,125)	-
<b>Net Cash Flow From Financing Activities</b>		<b>(258,289)</b>	<b>(102,050)</b>
Net Increase/(Decrease) in Cash and Cash Equivalents		55,509	(121,899)
<b>A. Cash &amp; Cash Equivalents at the Beginning of the Year</b>		<b>(123,304)</b>	<b>(1,405)</b>
<b>B. Cash &amp; Cash Equivalents at the End of the Year</b>		<b>(67,794)</b>	<b>(123,304)</b>
<b>NOTE A</b>			
Cash & Cash Equivalents at the Beginning of the Year			
Cash & Bank Balances		20,977	10,452
Bank Overdrafts (Note 24.2)		(144,280)	(11,856)
		(123,304)	(1,405)
<b>NOTE B</b>			
Cash & Cash Equivalents at the End of the Year			
Cash & Bank Balances		10,108	20,977
Bank Overdrafts (Note 24.2)		(77,902)	(144,280)
		(67,794)	(123,304)

# NOTES TO THE FINANCIAL STATEMENTS

## 1 REPORTING ENTITY

### 1.1 Domicile and Legal Form

Namunukula 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 Kalutara, Galle, Matara and Badulla.

The ordinary shares of the company are listed on the Colombo Stock Exchange (CSE) of Sri Lanka.

### 1.2 Principal Activities and Nature of Operations

During the year, the principal activities of the company were the cultivation, manufacture and sale of Black Tea, Rubber, Coconut, Oil Palm, and other Crops.

### 1.3 Parent Enterprise and Ultimate Parent Enterprise

The Company's parent undertaking is RPC Plantations Management Services (Pvt) Ltd. In the opinion of the Directors, the Company's ultimate parent undertaking and controlling party is Richard Pieris and 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 Namunukula 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 PREPERATION

### 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.

### 2.2 Going Concern

The financial statements of the company have been prepared on the assumption that the company is a going concern. The Directors have made an assessment of the Namunukula Plantations PLC's ability to continue as a going concern and they do not intend either liquidating or cease trading.

### 2.3 Basis of Measurement

These Financial Statements have been prepared on the historical cost basis except for the following material items stated in the Statement of Financial Position.

- Right to Use of Land and leased assets of JEDB/ SLSPC have been revalued in 1992 carried out at Deemed Cost as described in Note 12 to the Financial Statements.

- Managed Consumable biological assets are measured at fair value.
- Produce on Bearer biological assets Note 15.4

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

## 2.4 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, unless stated otherwise.

## 2.5 Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position, only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or to realize the assets and settle the liabilities simultaneously. Income and expenses are not offset in the Income Statement, unless required or permitted by an Accounting Standard and as specifically disclosed in the Significant Accounting Policies of the Company.

## 2.6 Materiality and aggregation

Each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or function are presented separately, unless they are immaterial. Notes to the Financial Statements are presented in a systematic manner which ensures the understandability and comparability.

## 2.7 Comparative Information

Comparative information including quantitative, narrative and descriptive information is disclosed in respect of the previous period in the Financial Statements in order to enhance the understanding of the current period's Financial Statements and to enhance the inter period comparability. The presentation and Classifications of the Financial Statements of the previous year are amended, where relevant for better presentation and to be comparable with those of the current year.

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 3.1 Changes to the Accounting Policies and Disclosures

#### Initial application of amendments to LKAS 16 & 41 – Harvestable Produce Growing on Bearer Plants

Amendments to LKAS 16 - Property, Plant & Equipment and LKAS 41 – Agriculture, require entity to recognise agricultural produce growing on Bearer Plants at fair value less cost to sell separately from its bearer plants prior to harvest. After initial recognition, changes in the fair value of such agricultural produce growing on Bearer Plants, recognised in profit or loss at the end of each reporting period.

Accordingly, the Company has applied these amendments retrospectively in the Financial Statements. For the details refer Note 36.

### 3.2 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:

- 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.

### 3.3 Business Combination and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. Acquisition-related costs are expensed as incurred and included in administrative expenses.

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

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

### 3.4 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 15
- Produce on Bearer biological assets Note 15.4

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

## 3.5 Property, Plant & Equipment

### 3.5.1 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.

### 3.5.2 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.

### 3.5.3 Leased Assets

#### Finance Leases

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.

### Operating Leases

Operating Lease payments are recognized as an operating expense in the Statement of Profit or Loss on a straight line basis over the leasehold term.

#### 3.5.4 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.

#### 3.5.5 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.

#### 3.5.6 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.

#### 3.5.7 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, Rubber, Other plantations and nurseries are

classified as biological assets.

Biological assets are further classified as bearer biological assets and consumable biological assets. Bearer biological assets include tea, rubber & other trees, 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 which comes into bearing during the year, is transferred to mature plantations.

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
Rubber	-	latex Price (95% of current RSS1 Price) less cost of tapping & transport
Oil Palm	-	Bought Mill NSA less cost of harvesting & transport
Coconut	-	Farm Gate rate (current month) less cost of harvesting & transport
Cinnamon	-	50% of Farm Gate 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 15.

**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%

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.

**3.5.8 Nursery Plants**

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

**3.5.9 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.

### 3.5.10 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 capitalized 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’.

The capitalisation rate of 9.47 % (2015/16 – 6.84 %) was used.

Borrowing costs incurred in respect of specific loans that are utilised for field development activities have been capitalised as a part of the cost of the relevant immature plantation. The capitalisation will cease when the crops are ready for commercial harvest.

Borrowing Costs amounting to Rs. 16,244,597/- (2015/16 – Rs. 14,730,141/-) incurred on borrowings obtained to meet expenses relating to field development activities have been capitalized as part of the cost of the immature plantations.

### 3.5.11 Intangible Assets

Intangible asset is an identifiable non-monetary asset without physical substance held for use in the production or supply of goods or services, for rental or for administrative purpose. An intangible asset is recognised if it is probable that future economic benefits that are attributable to the asset will flow to the enterprise and the cost of the asset can be measured reliably in accordance with LKAS 38 on “Intangible Assets”.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following

initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the Statement of Profit or Loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite lives. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end and such changes are treated as accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Profit or Loss.

Intangible assets with indefinite useful lives are not amortized but tested for impairment annually, or more frequently when an indication of impairment exists either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

### 3.5.12 Depreciation

#### (a) Depreciation

Depreciation is recognized in the 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,

Buildings	Over 40 years
Plant & Machinery	Over 13 years
Colour Separators	Over 20 years

Furniture & Fittings	Over 10 years
Motor Vehicles	Over 05 years
Equipments	Over 08 years
Computer & Computer Software	Over 04 years

**Mature Plantation (Replanting and New Planting)**

Tea	Over 30 years
Rubber	Over 20 years
Coconut	Over 20 years
Oil Palm	Over 20 years
Cinnamon	Over 20 years

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 derecognised.

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) Amortization**

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

Leasehold Property	Over 53 years
Mature Plantations	Over 30 years
Improvements to Land	Over 30 years
Buildings	Over 25 years
Machinery	Over 15 years

The asset’s residual values, useful lives and method of depreciation are reviewed and adjusted if appropriate at each financial year end.

**3.5.13 Investment in joint ventures**

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. A joint venture is a contractual arrangement whereby two or more parties undertake an economic

activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venture has an interest.

The company recognises its interest in the joint venture using the equity method.

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

The statement of profit or loss reflects the company’s share of the results of operations of the joint venture. Unrealised gains and losses resulting from transactions between the company and the joint venture are eliminated to the extent of the interest in the joint venture.

The aggregate of the company share of profit or loss of a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax of the joint venture

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

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

Based on the contractual terms (Joint Venture agreements), the company assessed that AEN Palm Oil Processing (Pvt) Ltd is as a joint venture.

### 3.6 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.

#### 3.6.1 Financial assets

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

#### 3.6.2 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 amortization 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.

##### (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.

### 3.6.3 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 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.

### 3.6.4 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.

### 3.6.4.1 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.

### 3.6.4.2 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 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.

## 3.7 Financial liabilities

### 3.7.1 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.

### 3.7.2 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.

### 3.7.3 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.

### 3.7.4 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

### 3.7.5 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.

### 3.7.6 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.

### 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.

The maximum exposure to credit risk for trade receivables at the reporting date is Rs. 64 Mn (2015/16 – Rs. 49 Mn).

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

### 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.

Maximum liquidity risk on Trade and other payable balance is Rs. 403 Mn as at 31st March 2017 (2015/16 - 405 Mn) and Interest bearing loans & borrowing amounting to 134 Mn (2015/16 – 197 Mn.) and 99 Mn (2015/16 - 134 Mn.), will mature in within 01 year and more than 01 year respectively.

### 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.

The company held long term borrowings with floating interest rates of Rs. 155 Mn (2015/16 – Rs. 188 Mn) which represents its maximum credit exposure on these liabilities.

## 3.8 Investments

### 3.8.1 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.

### 3.8.2 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.

### 3.9 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.

### 3.10 Trade and Other Receivables

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

### 3.11 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.

### 3.12 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.

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 recognized 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 recognized 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 recognized. 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 recognized for the asset in prior years. Such reversal is recognized 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 recognized. 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

### 3.13 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.

### 3.14 Employees Benefits

#### (a) 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 actuarial valuation was carried out by a professionally qualified actuary firm Messrs. Actuarial & Management Consultants (Pvt) Ltd as at 31 March 2017. The company expects to carry out actuarial valuation in every year. Provision made for the year is in compliance with the actuarial valuation report as at 31 March 2017.

Key assumptions used by the actuary is as follows,

• Rate of discount	12.25 % p.a. (2015/16 – 11.50 % )
• Salary increment rate	Workers - 16 % p.a every two years (Next increment due on April 2018)  Staff - 8% p.a (Next increment due on 01 April 2018)
• Retirement age	Workers (Male & Female) - 60 years Estate staff (Male & Female) - 58 years Head office staff (Male & Female) - 55 years
• The Company will continue in business as a going concern.	

This item is grouped under Retirement Benefit Obligations in the Statement of Financial Position. The liability is not externally funded.

#### (b) Defined Contribution Plans – Employees’ Provident Fund & Employees’ Trust Fund

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

The company contributes 12% on gross emoluments 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 (ETF), to which the company contributes 3% on the consolidated salary of such employees.

### 3.15 Trade and Other Payables

Trade and other payables are stated at their costs.

### 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, Sanitation & Water Supply	40 years
Plant & equipment	13 years
Grants received for Rubber replanting	20 Years

### 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.
- (f) Other Income is recognized on an accrual basis.

### 3.19 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.

### 3.19.1 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.

### 3.19.2 Taxes

#### 3.19.2.1 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.

#### 3.19.2.2 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.

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 recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized 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 recognized 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 recognized in profit or loss.

### 3.20 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.

### 3.21 Segment Reporting

Segmental information is provided for the different business segments of the company. Business segmentation has been determined based on the nature of goods provided by the company after considering the risk and rewards of each type of product.

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

The activities of the segments are described on the Note 6 to the Financial Statements.

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

Assets and liabilities directly attributable to each segment are allocated to the respective segments. Assets and liabilities, which are not directly attributable to a segment, are allocated on a reasonable basis wherever possible. Unallocated items comprise mainly Long term investments (Unquoted), Financial Assets, Goodwill on business combination and deferred tax liability.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one accounting period.

## 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 25 - Measurement of the Retiring Benefit Obligations
- Note 10.4 - Deferred Taxation
- Note 15 - Consumable Biological Assets

#### 4.1 Taxation

The Company is subject to income taxes and other taxes. Significant Judgement was required to determine the total provision for current, deferred and other taxes pending the issue of tax guidelines on the treatment of the adoption of SLFRS in the financial statements and the taxable profit for the purpose of imposition of taxes. Uncertainties exist, with respect to the interpretation of the applicability of tax laws, at the time of the preparation of these financial Statements.

The Company recognized assets and liabilities for current deferred and other taxes based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income, deferred and tax amounts in the period in which the determination is made.

#### 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 25. 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 15.

## 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.

For the year ended 31 March 2017

**6 REVENUE****6.1 Summary****Sale of Goods**

	2017 Rs. '000	2016 Rs. '000
Tea	1,253,767	1,025,243
Rubber	313,135	285,885
Oil Palm	897,501	566,079
Coconut	25,847	22,003
Cinnamon	22,024	13,867
	2,512,274	1,913,076

**6.2 Segment Information**

Industry	Tea		Rubber		Oil Palm		Coconut		Cinnamon		Total	
	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Revenue	1,253,767	1,025,243	313,135	285,885	897,501	566,079	25,847	22,003	22,024	13,867	2,512,274	1,913,076
Revenue Expenditure	(1,286,222)	(1,168,004)	(299,961)	(281,237)	(231,563)	(164,402)	(15,149)	(12,408)	(15,885)	(9,465)	(1,848,780)	(1,635,515)
Depreciation / Amortization	(32,745)	(31,556)	(37,225)	(38,582)	(49,531)	(41,962)	(4,771)	(5,021)	(5,569)	(4,995)	(129,840)	(122,116)
Gratuity	(55,136)	(57,382)	(19,565)	(18,901)	(14,208)	(12,776)	(910)	(817)	(556)	(762)	(90,376)	(90,639)
<b>Gross Profit/(Loss)</b>	<b>(120,336)</b>	<b>(231,699)</b>	<b>(43,616)</b>	<b>(52,835)</b>	<b>602,200</b>	<b>346,939</b>	<b>5,017</b>	<b>3,757</b>	<b>14</b>	<b>(1,355)</b>	<b>443,278</b>	<b>64,807</b>
Other Income											117,131	90,947
Gain on change in fair value of biological assets											15,715	4,088
Administrative Expenses											(55,495)	(44,340)
Management Fees											(91,524)	(25,478)
Finance Cost											(58,825)	(52,798)
Impairment Loss on goodwill											(4,000)	(8,500)
Share of Profit from the Joint Venture											70,000	31,240
											436,280	59,966

Segment Assets	Tea		Rubber		Oil Palm		Other Crops		Unallocated		Total	
	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Cost	1,051,488	1,078,709	1,378,235	1,313,959	1,542,185	1,369,188	288,751	259,395	855,062	865,316	5,115,722	4,886,568
Accumulated Depreciation / Amortization	(424,557)	(423,009)	(487,537)	(452,205)	(371,497)	(286,902)	(61,545)	(52,683)	(22,173)	(21,181)	(1,367,308)	(1,235,979)
Current Assets	255,334	196,237	22,402	26,122	36,988	16,339	4,045	3,908	74,412	132,281	393,180	374,887
<b>Total Assets</b>	<b>882,265</b>	<b>851,938</b>	<b>913,100</b>	<b>887,876</b>	<b>1,207,676</b>	<b>1,098,625</b>	<b>231,250</b>	<b>210,621</b>	<b>907,302</b>	<b>976,416</b>	<b>4,141,594</b>	<b>4,025,475</b>

**Segment Liabilities**

Non Current Liabilities	548,589	608,414	203,961	299,614	130,113	107,481	19,844	13,467	132,133	26,348	1,034,640	1,055,324
Current Liabilities	285,978	301,663	73,018	67,758	92,300	130,831	10,891	12,788	82,951	149,580	545,137	662,620
<b>Total Liability</b>	<b>834,567</b>	<b>910,077</b>	<b>276,979</b>	<b>367,372</b>	<b>222,413</b>	<b>238,312</b>	<b>30,735</b>	<b>26,255</b>	<b>215,084</b>	<b>175,928</b>	<b>1,579,778</b>	<b>1,717,945</b>

**Segment Capital Expenditure**

Cost	16,110	27,295	65,787	63,302	132,512	159,557	13,741	15,361	228	1,285	228,377	266,800
<b>Total Capital Expenditure</b>											<b>228,377</b>	<b>266,800</b>

For the year ended 31 March 2017

<b>7. OTHER INCOME</b>	<b>2017</b>	<b>2016</b>
	<b>Rs. '000</b>	<b>Rs. '000</b>
Amortisation of Government Grants	3,719	3,605
Profit on Sale of Refuse Tea	10,161	7,596
Income from Refuse Tea Re-Processing Project	16,143	3,355
Interest Income	31,271	28,399
Income from Consumable biological assets	24,654	11,156
Sale of Uprooting Rubber Trees	16,943	28,048
Profit on Disposal of Property, Plant & Equipment	4,273	1,062
Sundry Income	9,966	7,725
	<b>117,131</b>	<b>90,947</b>
<b>8. FINANCE COST</b>	<b>2017</b>	<b>2016</b>
	<b>Rs. '000</b>	<b>Rs. '000</b>
Variable lease Rental	34,505	33,524
Interest on Lease rental	8,999	9,160
Term Loan Interest	21,049	18,308
Short Term Loan Interest	9,240	5,938
Bank Charges & Debit Tax	1,278	599
	<b>75,069</b>	<b>67,528</b>
Less : Amount Capitalized	(16,245)	(14,730)
	<b>58,825</b>	<b>52,798</b>

**8.1 Sensitivity Analysis on Floating Interest rate changes**

The following table demonstrates the sensitivity effect from reasonably possible change in floating interest rates on relevant portion of loans and borrowings. With all other variables held constant, the company Profit before tax is affected through the impact on floating rate borrowings is as follows.

<b>Variable</b>	<b>Effect on Profit Before tax Rs. '000</b>
1 % Increase in Interest rate	(2,602)
1 % Decrease in Interest rate	2,602

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.

<b>9. 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	2,799	2,592
Directors' Remuneration	1,020	804
Depreciation / Amortisation	133,109	125,452
Defined benefit plan costs	92,176	92,439
Defined Contributions Plan Costs - EPF & ETF	110,250	120,307
Staff Costs (Workers & Staff)	1,016,276	1,054,636

For the year ended 31 March 2017

**10. INCOME TAX EXPENSE**

	<b>2017</b>	<b>2016</b>
<b>10.1 Statement of Profit or Loss</b>	<b>Rs. '000</b>	<b>Rs. '000</b>
<b>(a) Current Tax Expense</b>		
Current Income Tax (Expense)/ Reversal	(12,369)	502
Tax on Joint Venture Dividend	(1,050)	-
	(13,419)	502
<b>(b) Deferred Tax Expense</b>		
Deferred Tax (Charge)/ Reversal	(20,911)	7,000
	(20,911)	7,000
<b>Tax charge reported in the Statement of profit or loss</b>	<b>(34,330)</b>	<b>7,502</b>
<b>10.2 Statement of Comprehensive Income</b>		
Net actuarial Gain/(Loss) on defined benefit plans	(5,699)	(13,190)
<b>Tax charge directly to Comprehensive Income</b>	<b>(5,699)</b>	<b>(13,190)</b>
<b>10.3 Reconciliation between tax expenses and the product of accounting profit multiplied by the statutory tax rate of as follows</b>	<b>2017</b>	<b>2016</b>
	<b>Rs. '000</b>	<b>Rs. '000</b>
<b>Accounting Profit/(Loss) Before Tax</b>	436,280	59,966
Aggregate Disallowed Items	304,559	262,364
Aggregate Allowable Expenses	(541,691)	(463,630)
Tax Exempt Income	-	-
<b>Taxable Business Profit/ (Loss)</b>	199,147	(141,300)
Liabe Interest Income	3,184	235
<b>Total Statutory Income</b>	202,331	(141,065)
Tax Losses brought forward/ utilized	(71,014)	(82)
<b>Assessable Income</b>	131,317	(141,147)
Qualifying Payments	(7,623)	(153)
<b>Taxable Income</b>	123,694	(141,300)
Taxable Income from Agriculture	123,694	-
<b>Total Taxable Income</b>	123,694	-
Income Tax @ 10%	12,369	-
<b>Income Tax on Current Year Profits</b>	12,369	-
Previous Year Income Tax adjustment	-	(502)
<b>Provided in the Accounts</b>	12,369	(502)

For the year ended 31 March 2017

10.4 DEFERRED TAX ASSET/(LIABILITY)	2017		2016	
	Temporary Differences	Tax Effect	Temporary Differences	Tax Effect
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
As at 1 April	(810,205)	(26,348)	(724,477)	(20,158)
Amount originating during the year	(370,094)	(26,609)	(85,728)	(6,190)
<b>As at 31 March</b>	<b>(1,180,299)</b>	<b>(52,958)</b>	<b>(810,205)</b>	<b>(26,348)</b>
<b>Temporary difference on,</b>				
Property, Plant and Equipment	(211,859)	(45,725)	(186,679)	(37,318)
Biological Assets	(2,524,197)	(252,420)	(2,252,918)	(225,292)
Trade and Other Receivables	4,742	747	-	-
Retirement Benefit Obligation	534,771	84,280	545,170	79,050
Carried forward tax losses	1,016,244	160,160	1,084,222	157,212
<b>As at 31 March</b>	<b>(1,180,299)</b>	<b>(52,958)</b>	<b>(810,205)</b>	<b>(26,348)</b>

The effective tax rate used to calculate deferred tax liability for all the Temporary Differences except Biological Assets and Plant & Machinery as at March 31, 2017 is 15.76% for the company.

The effective tax rate used to calculate deferred tax liability for Biological Asset and for Plant & Machinery as at March 31, 2017 is 10% and 28% respectively.

## 11. EARNINGS PER SHARE AND DIVIDEND PER SHARE

### 11.1 Basic/Diluted Earnings per share

- (A) The calculation of the basic earnings per share is based on after tax profit for the year divided by the weighted average number of ordinary shares outstanding during the period.
- (B) Diluted earnings per share is calculated by dividing the profit attributable to ordinary share holders by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.
- There were no potentially dilutive shares outstanding at any time during the period/previous year.

#### 11.1.1 The following reflects the income and share data used in the basic and diluted earnings per share computations.

	2017 Rs. '000	2016 Rs. '000
<b>Amounts used as the Numerator :</b>		
Net Profit applicable to ordinary share holders for basic and diluted earnings per share	401,950	67,468
	401,950	67,468
<b>Amounts used as the Denominator :</b>		
Weighted average number of ordinary shares in issue applicable to basic earnings per share	23,750,001	23,750,001
Weighted average number of ordinary shares adjusted for the effect of dilution	23,750,001	23,750,001

For the year ended 31 March 2017

<b>11.2 Dividend per Share</b>	<b>2017</b>	<b>2016</b>
	<b>Rs. '000</b>	<b>Rs. '000</b>
Interim Dividend Paid		
- Interim Dividend	178,125	-
	178,125	-
Number of ordinary shares	23,750,001	23,750,001
Dividend per share (Rs.)	7.50	-

<b>12. LEASEHOLD PROPERTY, PLANT &amp; EQUIPMENT</b>	<b>Notes</b>	<b>2017</b>	<b>2016</b>
		<b>Rs. '000</b>	<b>Rs. '000</b>
Right to use of Land	12.1	105,467	109,198
Immovable Leased Bearer Biological Assets	12.2.1	82,406	93,174
Immovable Leased assets (other than right to use of land and bearer biological assets)	12.2.2	1,653	4,643
		189,525	207,016

### 12.1 Right to use of Land

“Right-To-Use of Land on Lease” as above was previously titled “Leasehold Right to Bare Land”. The change is in order to comply with Statement of Recommended Practice (SoRP) issued by the Institute of Chartered Accountants of Sri Lanka dated 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.

	<b>Revaluation</b>	<b>Amortisation</b>	<b>Amortisation</b>	<b>Amortisation</b>	<b>Written Down</b>	<b>Written Down</b>
	<b>as at</b>	<b>as at</b>	<b>for the</b>	<b>as at</b>	<b>Value as at</b>	<b>Value as at</b>
	<b>22.06.1992</b>	<b>01.04.2016</b>	<b>year</b>	<b>31.03.2017</b>	<b>31.03.2017</b>	<b>31.03.2016</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>
Right to use of Land	197,763	88,565	3,731	92,296	105,467	109,198
	197,763	88,565	3,731	92,296	105,467	109,198

The unexpired period of the lease as at the reporting date is 28 years.

### 12.2 Immovable Leased Assets

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

For the year ended 31 March 2017

**12.2.1 Immovable Leased Bearer Biological Assets**

	<b>Immature Plantations</b>	<b>Mature Plantations</b>	<b>Total</b>
	<b>Rs. '000</b>	<b>Rs. '000</b>	<b>Rs. '000</b>
Revaluation as at 22.06.92	213,332	103,652	316,984
Transfers	(213,332)	213,332	-
Government Acquisition (2005/06)	-	(6,449)	(6,449)
Disposals (2006/07)	-	(45,690)	(45,690)
Re Acquisition (2013/14)	-	15,075	15,075
<b>Balance as at 31.03.2017</b>	<b>-</b>	<b>279,920</b>	<b>279,920</b>
Accumulated amortisation as at 01.04.2016 (Restated)	-	186,746	186,746
Amortisation during the year	-	10,768	10,768
<b>Accumulated amortisation as at 31.03.2017</b>	<b>-</b>	<b>197,514</b>	<b>197,514</b>
<b>Written down value as at 31.03.2017</b>	<b>-</b>	<b>82,406</b>	<b>82,406</b>
<b>Written down value as at 31.03.2016 (Restated)</b>	<b>-</b>	<b>93,174</b>	<b>93,174</b>

Note:

Investment in plantation assets which were immature at the time of handing over to the Company by way of estate leases are shown under immature plantations, all of which have been transferred to mature plantations as at the reporting date.

These mature tea and rubber were 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.

**12.2.2 Immovable Leased assets (other than right-to-use of land and bearer biological assets)**

	<b>Improvement to Land</b>	<b>Buildings</b>	<b>Plant &amp; Machinery</b>	<b>Total</b>
	<b>Rs. '000</b>	<b>Rs. '000</b>	<b>Rs. '000</b>	<b>Rs. '000</b>
Revaluation as at 22.06.92	6,984	42,429	3,514	52,927
Re Acquisition (2013/14)	-	4,146	83	4,229
<b>Balance as at 31.03.2017</b>	<b>6,984</b>	<b>46,575</b>	<b>3,597</b>	<b>57,156</b>
Accumulated amortisation as at 01.04.2016 (Restated)	5,560	43,356	3,597	52,513
Amortisation during the year	233	2,758	-	2,991
<b>Accumulated amortisation as at 31.03.2017</b>	<b>5,793</b>	<b>46,114</b>	<b>3,597</b>	<b>55,503</b>
<b>Written down value as at 31.03.2017</b>	<b>1,191</b>	<b>461</b>	<b>-</b>	<b>1,653</b>
<b>Written down value as at 31.03.2016 (Restated)</b>	<b>1,424</b>	<b>3,219</b>	<b>-</b>	<b>4,643</b>

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

For the year ended 31 March 2017

**13. FREEHOLD PROPERTY, PLANT & EQUIPMENTS**

	Balance as at 01.04.2016	Additions	Disposals/ Transfer out	Balance as at 31.03.2017
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>COST</b>				
Buildings	233,395	18,519		251,914
Motor Vehicles	125,704	-	(1,781)	123,923
Plant & Machinery	289,252	59,726	-	348,978
Furniture & Fittings	5,833	-	-	5,833
Equipment	18,369	3,641	-	22,010
Computers	14,398	228	-	14,626
Computer Software	1,769	-	-	1,769
	688,719	82,114	(1,781)	769,052

	Balance as at 01.04.2016	Charge for the Year	Accumulated depreciation on disposals	Balance as at 31.03.2017
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>DEPRECIATION</b>				
Buildings	48,009	6,372	-	54,381
Motor Vehicles	105,840	7,746	(1,781)	111,805
Plant & Machinery	196,102	11,732	-	207,834
Furniture & Fittings	5,090	76	-	5,167
Equipment	16,429	969	-	17,398
Computers	13,619	449	-	14,068
Computer Software	1,769	-	-	1,769
	386,857	27,344	(1,781)	412,421

<b>Written Down Value</b>	301,861			356,632
---------------------------	---------	--	--	---------

ASSETS ACQUIRED ON FINANCE LEASE	Balance as at 01.04.2016	Additions during the year	Disposals / Adjustments during the year	Balance as at 31.03.2017
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Cost</b>				
Plant & Machinery	35,233	-	-	35,233
	35,233	-	-	35,233

	Balance as at 01.04.2016	Charge for the year	Disposals during the year	Balance as at 31.03.2017
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Depreciation</b>				
Plant & Machinery	32,882	2,351	-	35,233
	32,882	2,351	-	35,233
<b>Written Down Value</b>	2,351			-

For the year ended 31 March 2017

	Balance as at 01.04.2016 Rs. '000	Additions for the Year Rs. '000	Transferred during the Year Rs. '000	Balance as at 31.03.2017 Rs. '000
Capital Work-in-Progress	83,378	1,433	(78,245)	6,565
<b>TOTAL WRITTEN DOWN VALUE</b>	387,591			363,197

The assets shown above are those movable assets vested in the Company by gazette notification at the date of formation of the Company (22 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 notes 12.1 & 12.2.

The cost of fully depreciated Property, Plant & Equipment of the Company which are still in use as at the date of the Statement of Financial Position is Rs. 290,411,299/- (2015/16 - Rs. 246,402,611/-).

#### 14. BEARER BIOLOGICAL ASSETS

Cost	Immature Plantations Rs. '000	Mature Plantations Rs. '000	Total Rs. '000
At the beginning of the year	912,229	1,829,106	2,741,335
Additions	223,076	-	223,076
Transfers	(353,716)	353,716	-
<b>At the end of the year</b>	781,589	2,181,822	2,964,411
<b>Depreciation</b>			
At the beginning of the year	-	488,417	488,417
Charge for the year	-	85,923	85,923
<b>At the end of the year</b>	-	574,340	574,340
<b>Written Down Value - as at 31.03.2017</b>	781,589	1,608,482	2,390,071
<b>Written Down Value - as at 31.03.2016</b>	912,229	1,340,689	2,252,918

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 12.1 and 12.2. 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. A corresponding movement from immature to mature of the investment undertaken by JEDB/SLSPC on the same plantation prior to the leases is shown under Note 12.2. Borrowing costs amounting to Rs. 16,244,597/- (2015/16 - Rs. 14,730,141/-) incurred to meet expenses relating to immature plantations have been capitalised as a part of the cost of immature plantations.

For the year ended 31 March 2017

**15 CONSUMABLE BIOLOGICAL ASSETS - TIMBER PLANTATIONS**

	<b>Immature</b>	<b>Mature</b>	<b>2017</b>	<b>2016</b>
	<b>Rs. '000</b>	<b>Rs. '000</b>	<b>Rs. '000</b>	<b>Rs. '000</b>
Beginning of the year	94,350	19,335	113,684	111,108
Gain/(loss) arising from changes in fair value of biological assets	12,448	-	12,448	6,240
Increase due to development	-	-	-	-
Transfers	(3,038)	3,038	-	-
Decrease due to harvest/disposals	-	(814)	(814)	(3,663)
End of the year	103,760	21,558	125,318	113,684

The Managed timber plantation include commercial timber plantations cultivated in the estates of administrative district of badulla & managed timber plantations is measured at fair value other than young trees which are recorded at cost as the significant biological transformation has not taken place.

Accordingly, the fair value of timber plantations at the date of financial position is determined based on the net present value of future cash flows discounted at the rate of 14% (2015/16 - 13%).

Valuation was carried by M/s Ariyatillake & Co. (Pvt) Ltd, independent Chartered Valuers (UK) using discounted cash flow (DCF) method which is the accepted practice of valuation in the field of professional valuation for timber plantation.

**15.1 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**

<b>Assets measured at fair value</b>	<b>Date of valuation</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>2016</b>
		<b>Rs. '000</b>	<b>Rs. '000</b>	<b>Rs. '000</b>	<b>Rs. '000</b>
Consumable Biological Assets - Timber	31st March 2017	-	-	125,318	113,684

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.

For the year ended 31 March 2017

**15.2 Information about Fair Value Measurements Using Significant Unobservable Inputs (Level 3)**

Non Financial Assets	Valuation Techniques	Unobservable Inputs	Range of Unobservable Inputs	Relationship of Unobservable inputs to Fair Value
Consumable Biological Assets - Timber	Discounted Cash Flow Method	Discounting Rate	14% (2015/16 - 13%)	The higher the discount rate, the lower the fair value
		Optimum rotation (Maturity)	20 - 25 Years	Lower the rotation period, the higher the fair value
		Price per Cubic ft.	Rs.260/- to 900/-	The higher the price per cu. ft., the higher the fair value

Other Key assumption used in the Valuation:

1. The haversting is approved by the PMMD and Forestry Department Based on the Forestry Department Plan.
2. The Current Market Prices used are net of selling expenditure.
3. Discount rate is 14%
4. Though the replanting is a condition precedent for harvesting , yet the costs are not taken into consideration.

**15.3 Sensitivity Analysis**

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. The Board of Directors retains their view that commodity markets are inherently volatile and that long term price projections are highly unpredictable. Hence, the sensitivity analysis regarding 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.

It does, nevertheless, concern the directors that no estimate of fair value can ever be completely accurate. Moreover, in the case of the group's biological assets, small differences in valuation assumptions can have a quite disproportionate effect on results. Another concern is that, as shown from an international benchmark, there is currently no uniform approach within the plantation sector when it comes to defining the major variables, such as selling price and/or discount rates, in the DCF models resulting in the LKAS 41 values taken to financial statements.

For the year ended 31 March 2017

**a) Sensitivity Analysis - discount rate**

Values as appearing in the Statement of Financial Position are very sensitive to changes of the discount rate applied and price changes with regard to average sale prices applied. Simulations made for timber trees show that a rise or decrease by 1.5 % of the discount rate and rise or decrease by 10% of estimated future selling prices have the following effect on the net present value of biological assets:

Variable	Sensitivity Effect on,	
	Statement of Financial Position (Consumable Biological Assets)	Statement of Profit or Loss (Gain on change in F/V of Biological assets)
	Rs.'000	Rs.'000
1.5 % Increase in discounting Rate	(7,817)	(7,817)
1.5 % Decrease in discounting Rate	10,771	10,771
10 % Increase in Selling Price	11,339	11,339
10 % Decrease in Selling Price	(12,856)	(12,856)

**15.4 PRODUCE ON BEARER BIOLOGICAL ASSETS**

	2017 Rs. '000	2016 Rs. '000
Beginning of the year	5,542	-
Impact of the amendments of LKAS 16 and LKAS 41	-	7,693
As at 1st April - Restated	5,542	7,693
Gain/(loss) arising from change in fair value of biological assets	3,267	(2,151)
End of the year	8,809	5,542

**15.5 FAIR VALUE HIERARCHY**

Assets measured at fair value	Date of valuation	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	2016 Rs. '000
Produce on Bearer Biological Assets	31st March 2017	-	8,809	-	5,542

**15.6 GAIN/(LOSS) ON FAIR VALUE CHANGES OF BIOLOGICAL ASSETS**

	2017 Rs. '000	2016 Rs. '000
Gain/(loss) on fair value changes of consumable biological assets (Note 15)	12,448	6,240
Gain/(loss) on fair value changes of produce on bearer biological assets (Note 15.4)	3,267	(2,151)
	15,715	4,088

For the year ended 31 March 2017

**16. LONG TERM INVESTMENTS (UNQUOTED)**

		<b>2017</b>	<b>2016</b>
<b>Investee</b>			
<b>AEN Palm Oil Processing (Pvt) Ltd.</b>	<b>Holding %</b>	33.33%	33.33%
	<b>No .of Shares Invested</b>	699,027	1,312,830
		<b>2017</b>	<b>2016</b>
		<b>Rs. '000</b>	<b>Rs. '000</b>
At the beginning of the year		107,365	116,850
Previous year tax adjustment (Note 36)		-	(17,392)
Restated Balance		-	99,458
Share of Profit from the Joint Venture		70,000	31,240
Share buy back		(64,578)	(23,333)
Dividend Received		(10,499)	-
<b>Total Carrying Value of Investment</b>		<b>102,288</b>	<b>107,365</b>

The above represents investment in AEN Palm Oil Processing (Pvt) Ltd, which is a joint venture established with Elpitiya Plantations PLC and Agalawatta Plantations PLC.

Summarised Financial Information of AEN Palm Oil Processing (Pvt) Ltd is as follows,

	<b>2017</b>	<b>2016</b>
	<b>Rs. '000</b>	<b>Rs. '000</b>
Turnover	2,476,615	1,589,283
Net Profit for the year	210,001	93,720
Share of profit of Namunukula Plantations PLC	70,000	31,240
Total Assets	430,937	412,810
Total Liabilities	124,071	90,514

**17. FINANCIAL ASSETS - DEBENTURE**

	<b>2017</b>	<b>2016</b>
	<b>Rs. '000</b>	<b>Rs. '000</b>
<b>Held to maturity</b>		
Quoted Debentures	250,000	250,000
	250,000	250,000

In May 2014, the Company invested in 2.5Mn, Rs.100 each Five year Fixed Rated Listed Debenture (11.25% p.a.) payable semi annually issued by the ultimate parent company (Richard Pieris & Company PLC) amounting to Rs. 250 Mn.

<b>Fair Value Hierarchy</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
	<b>Rs. '000</b>	<b>Rs. '000</b>	<b>Rs. '000</b>
Quoted Debentures	250,000	-	-

For the year ended 31 March 2017

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 above, 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.

## 18. Intangible Assets (Goodwill on Business combinations)

	2017	2016
	Rs. '000	Rs. '000
Goodwill on business combinations (Note 18.1)	332,015	340,515
Impairment (Note 18.2)	(4,000)	(8,500)
As at 31 March	328,015	332,015

### 18.1 Goodwill arising on business combinations

Company had a sub lease agreement with Tusker Bottling Company (Pvt) Ltd where estates of the Uva Region has sub leased to said company. However, the Sub Lease agreement with Tusker Bottling company (Pvt) Ltd (Under Liquidator) has been terminated for breach effective from 05 July 2013. Consequently, Assets and Liabilities are reacquired passing a Board Resolution by the company. Based on the information available, the Board is of the opinion that this reacquisition of subleased assets will not have any further contingent Liabilities as at the reporting date except disclosed under Note 33. The above balance represent the Goodwill on acquisition of Sub leased Property.

### 18.2 Impairment testing of goodwill

The recoverable amount of Rs. 328,014,894/- (2015/16 - Rs.332,014,894 /-) as at 31 March 2017, has been determined based on the value in use calculation using expected future cash flow projections based on financial budgets which are approved by management and 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. As a result of this analysis, management has recognised an impairment charge of Rs. 4.0 Mn (2015/16 - 8.5 Mn) in the current year against goodwill arise on business combination. The impairment charge is recorded as a separate line item in the statement of profit or loss.

The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and to the company. The key assumptions used to determine the recoverable amount are as follows,

#### Discount rates

Discount rate represent the current market assessment of the risks specific to CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the company and its operating

For the year ended 31 March 2017

segments and is derived from its weighted average cost of capital (WACC). The WACC of 18.12 % (2015/16 - 15.07 %) takes into account both debt and equity. Segment-specific risk is incorporated by applying individual beta factors. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.

### General inflation

The basis used to determine the value assigned to the estimated cost inflation, is the current inflation rate of 4.3% (2015/16 - 2.02 %), based on projected economic condition.

### Growth rate estimates

Volume growth of 5 % (2015/16 - 5%) has been budgeted on a reasonable and realistic basis by taking into account the growth rates of one to five years immediately subsequent to the budgeted year based on industrial growth rates. Cash flows beyond five year period are extrapolated using 0% growth rate.

### Gross margins

Gross margins are based on average values achieved in the preceeding years beginning of the budget period. These are adjusted over the estimate period for anticipated efficiency improvements and projected market conditions.

The rise in general inflation rate, discounting rate and decrease in gross margin & growth rates, individually or jointly will result in a further impairment.

<b>19</b>	<b>INVENTORIES</b>	<b>2017</b>	<b>2016</b>
		<b>Rs. '000</b>	<b>Rs. '000</b>
	Produce Stock	182,222	180,738
	Biological Assets - Nurseries	26,408	7,738
	Spares & Consumables	22,875	23,854
		<u>231,505</u>	<u>212,330</u>
<b>20</b>	<b>TRADE AND OTHER RECEIVABLES</b>	<b>2017</b>	<b>2016</b>
		<b>Rs. '000</b>	<b>Rs. '000</b>
	Produce Debtors	63,667	48,588
	Advances & Prepayments	49,881	45,670
	Staff Debtors	509	246
	Other Debtors	44,460	24,951
		<u>158,518</u>	<u>119,456</u>
	Provision for doubtful receivable	(43,634)	-
		<u>114,884</u>	<u>119,456</u>
	<b>Receivable from Liquidator - for uva range</b>		
	Current account balance	533,052	533,052
	Less: Provision for Doubtful Receivable	(533,052)	(533,052)
		<u>114,884</u>	<u>119,456</u>

For the year ended 31 March 2017

The above “receivable from the liquidator - Uva range” amount, is the due balance from the liquidator appointed by the court in the winding up proceeding of Tusker Bottling Company (Pvt) Ltd to which the company has sub leased 6 estates. These expenses were incurred by the company net of income on behalf of the liquidator who has acknowledged the fact.

The amount outstanding from liquidator was Rs. 533,052,236/- , for which total provision has been made.

<b>21</b>	<b>AMOUNTS DUE FROM RELATED COMPANIES</b>	<b>Relationship</b>	<b>2017</b>	<b>2016</b>
			<b>Rs. '000</b>	<b>Rs. '000</b>
	Kegalle Plantations PLC	Fellow Subsidiary Company	18,385	7,075
	Richard Pieris & Company PLC	Ultimate Parent Company	948	-
	Maskeliya Plantations PLC	Fellow Subsidiary Company	456	-
			<b>19,790</b>	<b>7,075</b>
<b>22</b>	<b>CASH AND CASH EQUIVALENTS</b>		<b>2017</b>	<b>2016</b>
			<b>Rs. '000</b>	<b>Rs. '000</b>
<b>22.1</b>	<b>Favourable balance</b>			
	<b>Cash at Bank and in Hand</b>		10,108	20,977
			<b>10,108</b>	<b>20,977</b>
<b>22.2</b>	<b>Unfavourable balance</b>			
	<b>Bank Overdraft</b>		(77,902)	(44,280)
			<b>(67,794)</b>	<b>(23,304)</b>
<b>23</b>	<b>STATED CAPITAL</b>		<b>2017</b>	<b>2016</b>
	<b>Issued and Fully Paid Number of Shares</b>			
	Fully paid ordinary shares including One Golden Share		23,750,001	23,750,001
	<b>Value of Issued and Fully Paid Shares</b>			
	23,750,000 Ordinary Shares and a Golden Share which has special rights, held by the Secretary to the Treasury (Rs.)		350,000,010	350,000,010

For the year ended 31 March 2017

**24 INTEREST BEARING LOANS AND BORROWINGS**

	"Repayable within 01 year Rs. '000"	"Repayable after 01 year less than 05 years Rs. '000"	"Repayable after 05 years Rs. '000"	"Repayable after 01 year Rs. '000"	"Total as at 31.03.2017 Rs. '000"	"Repayable within 01 year Rs. '000"	"Repayable after 01 year less than 05 years Rs. '000"	"Repayable after 05 years Rs. '000"	"Repayable after 01 year Rs. '000"	"Total as at 31.03.2016 Rs. '000"
24.1 Term Loans	55,700	99,576	-	99,576	155,276	53,473	134,276	-	134,276	187,750
24.2 Bank Overdraft	77,902	-	-	-	77,902	144,280	-	-	-	144,280
	133,602	99,576	-	99,576	233,178	197,754	134,276	-	134,276	332,030

**24.1 LONG TERM LOANS**

	Repayable within 1 year Rs. '000	Repayable after 1 year Less than 5 years Rs. '000	Repayable After 5 years Rs. '000	Repayable After 1 year Rs. '000	Total as at 31.03.2017 Rs. '000	Total as at 31.03.2016 Rs. '000	Rate of Interest %
24.1.1 Lanka Orix Leasing Co. PLC (ADB Credit Line)	212	-	-	-	212	1,481	i
24.1.2 Lanka Orix Leasing Co. PLC (ADB Credit Line)	-	-	-	-	-	933	ii
24.1.3 Lanka Orix Leasing Co. PLC (ADB Credit Line)	628	-	-	-	628	1,705	iii
24.1.4 Lanka Orix Leasing Co. PLC (ADB Credit Line)	2,554	213	-	213	2,766	5,320	iv
24.1.5 National Development Bank PLC	8,040	8,430	-	8,430	16,470	24,510	v
24.1.6 Indian Bank	19,800	37,300	-	37,300	57,100	76,900	vi
24.1.7 Indian Overseas Bank	19,800	37,300	-	37,300	57,100	76,900	vii
24.1.8 Sri Lanka Tea Board	4,667	16,333	-	16,333	21,000	-	viii
	55,700	99,576	-	99,576	155,276	187,750	
24.2.1 Bank Overdraft	77,902	-	-	-	77,902	44,280	
24.2.2 NTB Money Market Loan	-	-	-	-	-	100,000	ix
	77,902	-	-	-	77,902	144,280	
	133,602	99,576	-	99,576	233,178	332,030	

For the year ended 31 March 2017

	<b>Rate of Interest %</b>	<b>Terms of Repayment</b>
i	10.43%	Monthly Installments Rs. 105,807/- commenced from 30.06.2007.
ii	11.49%	Monthly Installments Rs. 233,321/- commenced from 30.08.2008.
iii	14.85%	Monthly Installments Rs. 89,724/- commenced from 30.11.2009.
iv	13.32%	Monthly Installments Rs. 212,809/- commenced from 31.05.2010.
v	AWPLR+0.5%	Monthly Installments Rs.670,000/- commenced from 31.05.2012.
vi	AWPLR+0.9%	Monthly Installments Rs 1.65 Mn commenced from 27.02.2015
vii	AWPLR+0.9%	Monthly Installments Rs 1.65 Mn commenced from 27.02.2015
viii	AWPLR + 1%	Monthly Installments Rs 583,333.33 commenced from 31.08.2017
ix	AWPLR + 1%	Maximum of 180 days

## 25 RETIRING BENEFIT OBLIGATIONS

	<b>2017</b>	<b>2016</b>
	<b>Rs. '000</b>	<b>Rs. '000</b>
At the beginning of the year	545,170	595,402
Interest Cost	62,695	61,029
Current Service Cost	29,481	31,410
Actuarial (Gain) / Loss	(36,160)	(90,968)
Gratuity Payments for the year	(66,415)	(51,702)
At the end of the year	534,771	545,170

The employee benefit liability is based on the actuarial valuation carried out by Messrs Actuarial & Management Consultants (Pvt) Ltd .

The actuarial Valuation had been carried out for retiring gratuity of estate workers and estate staff as at 31 March 2017, which amount to Rs.534,770,746 /- (2015/16 - Rs. 545,169,837/-). If the Company had provided for gratuity for workers on the basis of 14 days wages and for staff and executive 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. 850,171,648 /- (2015/16 - Rs.829,473,869/-), Hence, there is a contingent liability of Rs. 315,400,902 /- (2015/16 - Rs. 284,304,032 /-) which would crystallise only if the Company ceases to be a going concern, or the resignation or termination of employees which ever is earliest.

The following payment are expected from defined benefit plan obligation on annual basis.

	<b>Staff</b>	<b>Workers</b>	<b>Company</b>
	<b>Rs. '000</b>	<b>Rs. '000</b>	<b>Rs. '000</b>
Within the next 12 Months	34,380	86,523	120,903
Between 02 to 05 Years	22,389	140,962	163,351
After 05 Years	18,719	231,798	250,517
	75,488	459,283	534,771

The weighted average duration of defined benefit obligation for the Namunukula plantation PLC is 6.29 years (2015/16 - 6.79 years).

For the year ended 31 March 2017

### 25.1 Sensitivity of Assumptions Employed in Actuarial Valuation

The following tables are demonstrates the sensitivity to a reasonably possible change in the key assumptions employed with all other variables held constant in the employment benefit liability measurement.

Simulation made for retirement obligation show that, a rise or decrease by 1% of the rate of salary & wage or discount rate has the following effect on the retirement benefit obligation.

Variable	Sensitivity Effect on,			
	Statement of Profit or Loss			Statement of Financial Position
	Benefit Obligation to staff	Benefit Obligation to Workers	Total	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
1 % Increase in discounting Rate	2,283	25,837	28,120	(28,120)
1 % Decrease in discounting Rate	(2,501)	(29,058)	(31,560)	31,560
1 % Increase in salary/Wages escalation rate	(1,063)	(13,332)	(14,395)	14,395
1 % Decrease in salary/Wages escalation rate	1,025	12,749	13,773	(13,773)

### 26 DEFERRED GRANTS AND SUBSIDIES

	2017	2016
	Rs. '000	Rs. '000
<b>At the beginning of the year</b>	130,438	125,876
Add : Grants received for the year - Monetary	5,880	8,167
Less : Amortisation for the year	(3,719)	(3,605)
<b>At the end of the year</b>	<b>132,598</b>	<b>130,438</b>

The Company has received funds from Asian Development Bank - Plantation Reform Project (ADB - PRP), Plantation Development Support Programme (PDSP) and Plantation Human Development Trust (PHDT) for the development of worker facilities such as construction of worker housing, re-roofing of line rooms, latrines, water supply and sanitation etc. Funds received from Rubber Development Department are utilized for Rubber replanting.

The amounts spent are included under the relevant classification of property, plant & equipment and the grant component is reflected under Deferred Grants and Subsidies.

For the year ended 31 March 2017

<b>27 LIABILITY TO MAKE LEASE PAYMENT</b>	<b>2017</b>	<b>2016</b>
	<b>Rs. '000</b>	<b>Rs. '000</b>
<b>Repayable after 5 years</b>		
Gross Liability	306,574	319,760
Less : Finance Charges	(111,070)	(126,221)
Net Liability	195,504	193,539
<b>Repayable after 1 year less than 5 years</b>		
Gross Liability	52,744	52,744
Less : Finance Charges	(33,511)	(27,191)
Net Liability	19,233	25,553
<b>Repayable after 1 year</b>	214,737	219,092
<b>Repayable within 1 year</b>		
Gross Liability	13,186	13,186
Less : Finance Charges	(8,831)	(8,999)
Net Liability	4,355	4,187
<b>Total</b>	<b>219,092</b>	<b>223,280</b>

The leases of the estates have been amended with effect from 22 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. 13.186 Mn from 22 June 1996 to 21 June 1997. This amount is to be inflated annually by the Gross Domestic Product (GDP) deflator, and is in the form of a contingent rental.

The contingent rental charged during the current year to the Statement of Profit or Loss amounted to Rs. 34,505,070/- (2015/16 - Rs. 33,524,160/-) and is based on GDP deflator of 2.1% (2015).

The Statement of Recommended Practice (SoRP) for Right-to-use of Land on Lease was approved by the Council of the Institute of Chartered Accountants of Sri Lanka on 19th December 2012. Subsequently, the amendments to the SoRP along with the modification to the title as Statement of Alternative Treatment (SoAT) were approved by the Council on 21st August 2013. The Company has not reassessed the Right-to-use of Land because this is not 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.

	<b>2017</b>
	<b>Rs. '000</b>
Gross Liability	2,526,019
Finance Charges	(1,684,957)
Net Liability	841,062

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

For the year ended 31 March 2017

**28 TRADE AND OTHER PAYABLES**

	<b>2017</b>	<b>2016</b>
	<b>Rs. '000</b>	<b>Rs. '000</b>
Trade Creditors	45,590	49,792
Accrued Expenses	139,744	152,594
Payable to Employees	83,577	84,878
Others	134,598	117,710
	<b>403,509</b>	<b>404,974</b>

**29 AMOUNTS DUE TO RELATED COMPANIES**

	<b>Relationship</b>	<b>2017</b>	<b>2016</b>
		<b>Rs. '000</b>	<b>Rs. '000</b>
RPC Plantation Management Services (Pvt) Ltd	Parent Company	2,836	53,831
Richard Pieris & Company PLC	Ultimate Parent Company	-	254
Maskeliya Plantations PLC	Fellow Subsidiary Company	-	73
RPC Logistics (Pvt) Ltd	Fellow Subsidiary Company	258	47
Richard Pieris Distributors (Pvt) Ltd	Fellow Subsidiary Company	399	1,500
Richard Pieris Tyre Company (Pvt) Ltd	Fellow Subsidiary Company	178	-
		<b>3,672</b>	<b>55,705</b>

**30 SECURITIES PLEDGED**

Following assets have been pledged as security for liabilities.

Nature of Liability	Facility Rs. Mn	Loan Outstanding Rs. Mn	Security	Carrying amount pledged	
				2017 Rs.Mn	2016 Rs.Mn
<b>Overdraft</b>					
Bank of Ceylon	90	-	Floating mortgage bond over stock in trade and movables of the Company	182.22	180.74
Sampath Bank PLC	50	-	Corporate guarantee	-	-
Hatton National Bank PLC	150	-	Corporate guarantee	-	-
Nations Trust Bank PLC	150	-	Floating mortgage bond over stock in trade and movables of the Company	182.22	180.74
<b>Long Term Loans</b>					
National Development Bank PLC	56	16.47	Primary mortgage over machinery purchase under this project.	42.39	49.30
LOLC Loan (ADB Credit Line)	64	3.61	Corporate guarantee	-	-
Indian Bank Indian Overseas Bank }	200	114	Primary mortgage over leasehold rights of Yatadola estate.	8.54	14.27

For the year ended 31 March 2017

**31 CAPITAL EXPENDITURE COMMITMENTS**

Followings are the capital expenditure commitments as at the reporting date,

	<b>2017</b>	<b>2016</b>
	<b>Rs. '000</b>	<b>Rs. '000</b>
Approved by the Board & Contracted for	Nil	Nil
Approved by the Board & not Contracted for	417,925	345,295

**32 RELATED PARTY DISCLOSURES**

The details of the significant related party disclosures are as follows.

**32.1 Transactions with the Parent and Related entities.****32.1.1 Parent Company**

	<b>2017</b>	<b>2016</b>
	<b>Rs. '000</b>	<b>Rs. '000</b>
Amounts Payable	(2,836)	(53,831)
Management Fee	(91,524)	(25,478)
Settlements of Dues	142,519	(34)

**32.1.2 Management Fee**

The Management agent shall be paid for each fiscal year fifteen percent (15%) of the earnings of the Company before interest received/paid corporate tax, depreciation and amortization of land and management fees (EBIDTA) applicable in that fiscal year.

**32.1.3 Group Companies**

	<b>2017</b>	<b>2016</b>
	<b>Rs. '000</b>	<b>Rs. '000</b>
Amounts Receivable	269,333	257,002
Amounts Payable	(835)	(1,874)
Sale of Goods	96,725	58,770
Settlements of Dues	(80,572)	(47,626)
Salary Cost & Other Charges charged	7,565	257
Purchase of goods, Salary Cost & Other Charges	(20,531)	(11,280)
Current Account Settlement	8,361	7,596
Debenture & Interest income Receivable (RPC & Co)	29,908	28,439
Debenture Interest Settlement	(28,086)	(28,164)
Insurance claim Received	264	220
Insurance premium Paid	(1,974)	(1,621)

**32.1.4 Joint Venture**

Amounts Receivable	8,726	10,248
Sale of Goods	897,501	555,947
Reimbursement of Transport Cost	30,765	12,412
Settlements of dues	(929,788)	(575,296)

For the year ended 31 March 2017

During the year company was supplied Rs. 897.5 Mn worth of oil palm FFB to AEN Palm oil processing (Pvt) Ltd in day to day operations of the company and aggregate value of these transactions are exceed 10% (46%) of the gross revenue/income of the company as per latest audited financial statements.

**32.1.5 Maskeliya Plantations PLC - Fellow Subsidiary Company**

	<b>2017</b>	<b>2016</b>
	<b>Rs. '000</b>	<b>Rs. '000</b>
Amounts Receivable	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	-

During the year company was given short term loan facilities to Maskeliya Plantations PLC and Interest was charged at Market Rate & aggregate value of these transactions are exceed 10% (24%) of the gross revenue/income of the company as per latest audited financial statements.

**32.2 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

**32.3 Transactions with the key management personnel of the Company and parent**

There were no material 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 management fee expenses.

**33 CONTINGENCIES**

**33.1** There are more than 30 cases outstanding filed by the Commissioner of Labour (Badulla) against Tusker Bottling Co. (Pvt) Ltd, the Company and the Superintendent of the Estate regarding the payment of employees' statutory dues, which the Sub Lessee has failed to pay in respect of the said 6 estates. The Company has filed objections that the Company is not liable to pay such dues. However Magistrate has ordered NPL to pay. The company filed revision to that in High court. Further company was deposited 14.75 Mn as refundable security deposit in the court. Next day of hearing is 02 June 2017.

**33.2** Contingent liabilities that may result, depending on the timing of the taxability of certain fair value adjustments is amounted to approximately Rs. 1,571,482/- (2015/16 - Rs.408,847/-).

For the year ended 31 March 2017

**34. EVENTS OCCURRING AFTER THE REPORTING PERIOD**

There have been no material events occurring after the reporting date that require adjustments or disclosure in the financial statements.

**35. RELATED PARTY TRANSACTIONS**

There are no related party transactions other than those disclosed in Notes 16, 17, 21, 29 & 32 to the Financial Statements.

**36. PRIOR YEAR ADJUSTMENTS**

The prior year figures have been restated due to the following adjustments and total effect to the financial statements is summarized below,

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.

Further, WHT amounting to Rs. 17,392,196/- paid in respect of dividend income received from Joint Venture company namely AEN Palm Oil Processing (Pvt) Ltd prior to 01.04.2015 adjusted to the retained earnings and Joint Venture investment.

	<b>Previously Reported Amount Rs. '000</b>	<b>Adjustment Amount Rs. '000</b>	<b>Restated Amount Rs. '000</b>
<b>STATEMENT OF PROFIT OR LOSS</b>			
Change in Fair Value of Biological Assets	6,240	(2,151)	4,088
<b>STATEMENT OF FINANCIAL POSITION</b>			
<b>Produce on Bearer Biological Assets ( Note No 15.4 )</b>			
Balance as at 1st April 2015	-	7,693	7,693
Balance as at 31st March 2016	-	5,542	5,542
<b>Long Term Investment (Note No - 16)</b>			
Balance as at 1st April 2015	116,850	(17,392)	99,458
<b>Accumulated Profit / (Loss)</b>			
Balance as at 1st April 2015	1,843,890	(9,699)	1,834,191
Balance as at 31st March 2016	1,951,989	5,542	1,957,531





### *Future Story of True Diversification.....*

*The management of Namunukula Plantations has invested heavily in diversifying all uneconomical tea, rubber land as well as uncultivated land into Oil Palm, having undertaken industrial training for its plantation executives and staff locally and overseas on oil palm cultivation and harvesting techniques.*

*Being the second largest producer of Oil Palm in Sri Lanka, the company has been a benchmark for most of the competitors in the industry.*

*As a committed and responsible entity towards the nature and for the nation, Namunukula Plantations will continue its operations in the future for the purpose to optimize return on investment to all its stakeholders.*

## **SUPPLEMENTARY INFORMATION**

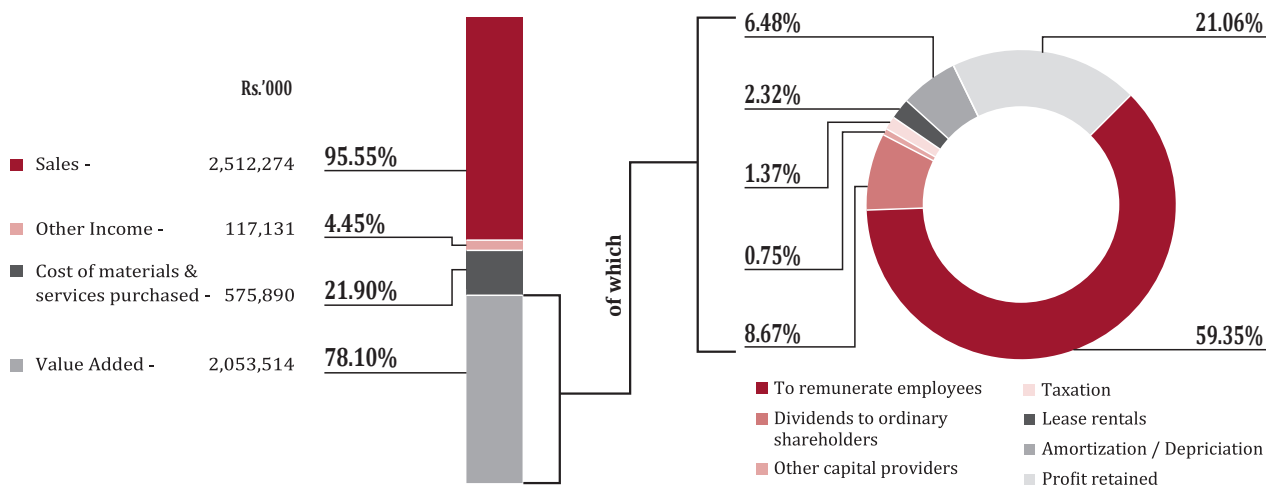
Value Added Statement	140
Sources of Income & Utilisation	141
Shareholders & Investor -	
- Relations Information	142
Historical Landmarks	150
Pingarawa/Tonacombe Estate	152
Decade at a Glance	154
Glossary	155
Notice of Meeting	160
Form of Proxy	161

## VALUE ADDED STATEMENT

Financial statement which shows how much value (wealth) has been created by an enterprise through utilization of its capacity, capital, manpower, and other resources, and how it is allocated among different stakeholders (employees, lenders, shareholders, government, etc.) in an accounting period.

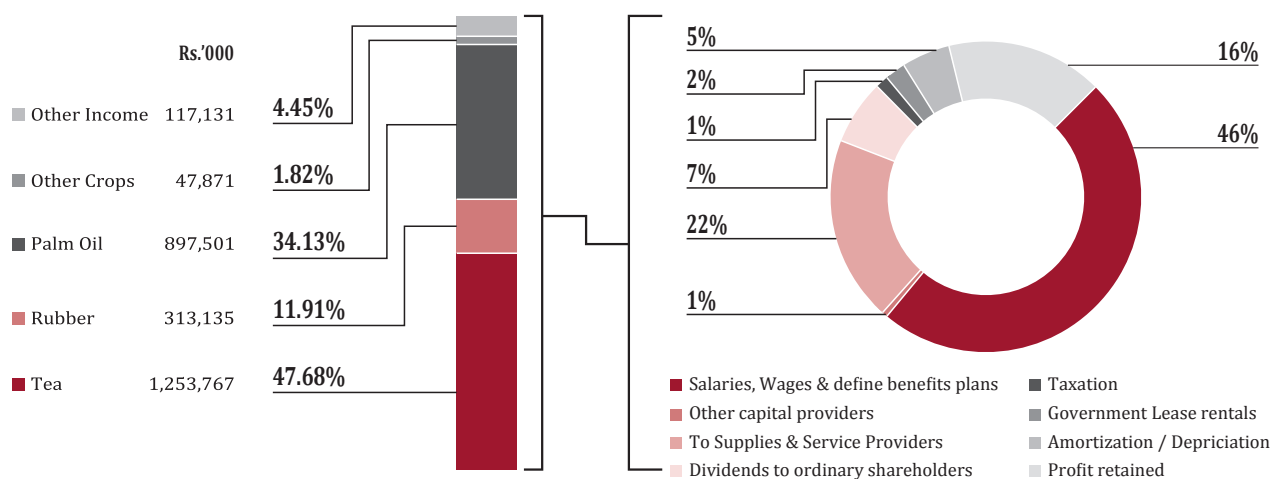
	2016/17		2015/16	
	Rs. '000	%	Rs. '000	%
Sales	2,512,274		1,913,076	
Other income	117,131		90,947	
	2,629,404		2,004,023	
Cost of materials & services purchased	575,890		376,885	
<b>Total Value Added</b>	<b>2,053,514</b>		<b>1,627,138</b>	
Applied as follows :				
<b>To remunerate employees</b>				
Salaries, Wages & define benefits plans	1,218,702	59.35	1,267,381	77.89
<b>To reward providers of capital</b>				
Dividends to ordinary shareholders	178,125	8.67	-	0.00
Other capital providers	15,321	0.75	10,115	0.62
<b>To the Government</b>				
Taxation	28,155	1.37	32,234	1.98
Government Lease rentals	47,691	2.32	46,710	2.87
<b>To Replace assets</b>				
Amortization / Depreciation	133,109	6.48	125,452	7.71
<b>To expand the Company</b>				
Profit retained	432,411	21.06	145,246	8.93
<b>Total</b>	<b>2,053,514</b>	<b>100</b>	<b>1,627,138</b>	<b>100</b>

<b>Value Added per Employee - Rs.'000</b>	<b>354.05</b>	<b>259.76</b>
<b>Value Added % of Turnover</b>	<b>81.74</b>	<b>85.05</b>



## SOURCES OF INCOME & UTILISATION

Source of Income	2016/17		2015/16		2014/15		2013/14		2012/13	
	Rs '000	%	Rs '000	%	Rs '000	%	Rs '000	%	Rs '000	%
Tea	1,253,767	47.68	1,025,243	51.16	1,312,932	56.31	1,015,203	46.33	753,136	40.00
Rubber	313,135	11.91	285,885	14.27	288,067	12.36	480,464	21.93	591,315	31.41
Palm Oil	897,501	34.13	566,079	28.25	553,206	23.73	556,708	25.40	439,678	23.35
Other Crops	47,871	1.82	35,869	1.79	40,702	1.75	40,407	1.84	34,427	1.83
<b>Total</b>	<b>2,512,274</b>		<b>1,913,076</b>		<b>2,194,906</b>		<b>2,092,782</b>		<b>1,818,556</b>	
Other Income	117,131	4.45	90,947	4.54	136,545	5.86	98,606	4.50	64,231	3.41
<b>Total</b>	<b>2,629,404</b>	<b>100</b>	<b>2,004,023</b>	<b>100</b>	<b>2,331,451</b>	<b>100</b>	<b>2,191,388</b>	<b>100</b>	<b>1,882,787</b>	<b>100</b>
<b>Utilisation of Income</b>										
<b>To remunerate employees</b>										
Salaries, Wages & define benefits plans	1,218,702	46.35	1,267,381	63.24	1,319,585	56.60	840,087	38.34	733,159	38.94
<b>To providers of funds</b>										
Other capital providers	15,321	0.58	10,115	0.50	6,666	0.29	8,668	0.40	11,612	0.62
To Supplies & Service Providers	575,890	21.90	376,885	18.81	673,218	28.88	858,440	39.17	573,187	30.44
<b>To Providers of Capital</b>										
Dividends to ordinary shareholders	178,125	6.77	-	-	47,500	2.04	249,375	11.38	-	-
<b>To the Government</b>										
Taxation	28,155	1.07	32,234	1.61	7,614	0.33	21,694	0.99	35,731	1.90
Government Lease rentals	47,691	1.81	46,710	2.33	44,444	1.91	41,653	1.90	38,249	2.03
<b>To Replace assets</b>										
Amortization / Depreciation	133,109	5.06	125,452	6.26	113,758	4.88	92,072	4.20	81,690	4.34
<b>To expand the Company</b>										
Profit retained	432,411	16.45	145,246	7.25	118,667	5.09	79,399	3.62	409,159	21.73
<b>Total</b>	<b>2,629,404</b>	<b>100</b>	<b>2,004,023</b>	<b>100</b>	<b>2,331,451</b>	<b>100</b>	<b>2,191,388</b>	<b>100</b>	<b>1,882,787</b>	<b>100</b>



## SHAREHOLDERS AND INVESTOR RELATIONS INFORMATION

The company is maintaining healthy relationship 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, principal methods of communication of company include the corporate website, the annual report, quarterly Financial Statements and press releases.

Also the company wants to maintain an effective dialogue with its valued investors is an important part of stakeholder engagement in recognition of their vital support to the success of the company. We believe that investors will actively seek to influence the behavior of the entity to improve the performance of areas such as environmental, social and governance using the stakeholder engagement structures in place. Consequently, company provides timely, transparent, accurate and consistent information to the

investing public to create a productive dialogue to address their concerns and thereby, improve long term corporate performance. Information provided in this section provides useful insights as to the performance of investors' investment in the company.

### Compliance Report on the Contents of Annual Report in Terms of the Listing Rules of the CSE

The Company is pleased to inform you that company has duly complied with all the requirements of the Section 7.6 of the Listing Rules of the CSE on the contents of the Annual Report and Accounts of a listed entity.

The table below provides reference to the relevant sections of this Annual Report where specified information is disclosed together with page references for the convenience of the readers.

Rule No:	Disclosure requirement	Section reference	Pages
7.6 (i)	Names of persons who hold directorate of the company during the financial year.	Annual report of the Board of Directors	54 to 57
7.6 (ii)	Principal activities of the Company during the year and any changes therein.	Note 1.2 of the Accounting Policies.	95
7.6 (iii)	The names and the number of shares held by the 20 largest holders and the percentage of such shares held.	Item 9 of the Shareholders & Investor relations information.	147
7.6 (iv)	The Public Holding percentage	Item 8 of the Shareholders & Investor relations information.	146
7.6 (v)	Each Director's holding and Chief Executive Officer's holding in shares of the entity at the beginning and end of each financial year.	Annual report of the Board of Directors.	86
7.6 (vi)	Information pertaining to material foreseeable risk factors of the company.	Risk Management	69 to 79
7.6 (vii)	Details of material issues pertaining to employees and Industrial relations of the company.	Item 16 of the Shareholders & Investor relations information.	149
7.6 (viii)	Extents, Locations, Valuations and Number of buildings of the Entity's land holdings and investment properties.	Note 12,13,14 & 15 of the Financial Statement and Operational footprint & Our Estate and Locations	119 to 125 & 6 to 9

7.6 (ix)	Number of shares representing the company’s stated capital.	Note 23 of the Financial Statement relations information. Item 8 of the Shareholders & Investor relations information.	129 146
7.6 (x)	A distribution schedule of the number of holders in each class of equity securities and the percentage of their total holdings.	Item 7 of the Shareholders & Investor relations information.	145
7.6 (xi)	Ratios and Market Price Information	Item 6 of the Shareholders & Investor relations information.	145
7.6 (xii)	Significant changes in the company’s fixed assets and the market value of land, if the value differs substantially from the book value.	Note 12,13,14 & 15 of the Financial Statement	119 to 125
7.6 (xiii)	Details of fund raised through a public issue, right issue and private placement (If any)	Item 17 of the Shareholders & Investor relations information.	149
7.6 (xiv)	Information in respect of Employee Share Option Schemes and Employee Share Purchase Scheme.	Item 18 of the Shareholders & Investor relations information.	149
7.6 (xv)	Disclosures pertaining to Corporate Governance practices in terms of Rules 7.10.3, 7.10.5.c and 7.10.6.c of Section 7 of the Rules.	Item 9 of the Annual report of the board of Directors Profile of Directors Remuneration Committee Report Audit Committee Report	85 to 86 54 to 57 67 65 to 66
7.6 (xvi)	Disclosures on Related Party Transactions Exceeding 10% of the Equity or 5% of the Total Assets of the company as per audited financial statements, whichever is lower.	Note 32.1 – 32.3 of the Financial Statement.	135 to 136

## 1. Stock Exchange

The issued Ordinary Shares of Namunukula Plantations PLC is listed on the Main Board of the Colombo Stock Exchange (CSE) of Sri Lanka under the ticker symbol of “NAMU.NOOO”.

The company duly submitted the unaudited Interim Financial Statements for the year 2016/17 to CSE within applicable statutory deadlines as required by the Rule No. 7.4 (a) (i) of the Listing Rules of the CSE. The Audited Accounts of the Company for the year ended 31 March 2017 have been submitted to the Colombo Stock Exchange within three months from the year end, which is well within the required deadline as required by the Rule No 7.5. (a) of the Listing Rules of the CSE.

## 2. NPL Share Information

NPL share Information from CSE website:  
- Log on to Colombo Stock Exchange - website: [www.cse.lk](http://www.cse.lk)

- Enter company code (NAMU.N0000) in the box at the top right hand corner of CSE home page and go to the company description.

## 3. Public Holding

The percentage of shares held by the public is 35.09% of the issued Share Capital of the Company.

## 4. 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 or by a 100% Government owned 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.

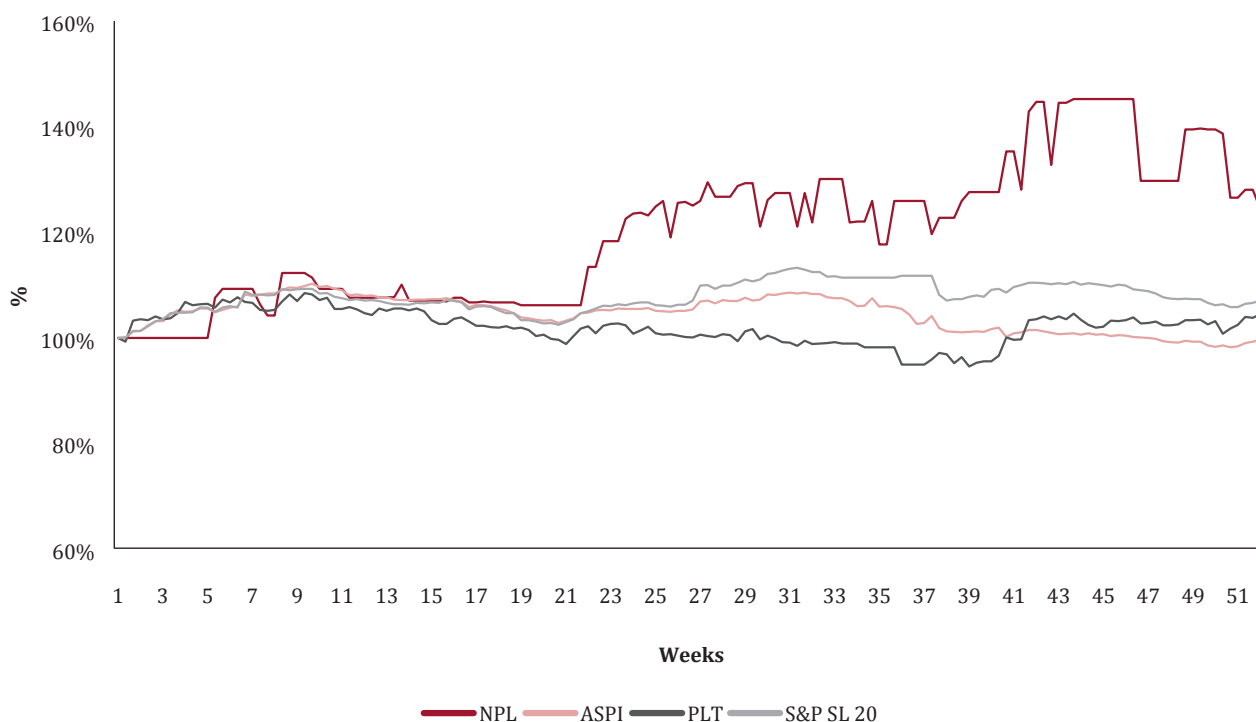
- 2) The concurrence of the Golden Shareholder will be required to amend any clause in the Article of Association of the Company which grants specific right to the Golden Shareholders.
- 3) The Golden Shareholder or his nominee will have the right to examine the books and accounts of the Company at any time with two weeks of written notice.
- 4) The Company will be required to submit a detailed quarterly accounts report to the Golden Shareholder in a specified format within 60 days of the end of each fiscal year.

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

**5. The NAMU.N0000 Share**

The Performance of Namunukula Plantations PLC’s Share is as follows compared to the Performances of All Share Price Index (ASPI) in the Share Market during the year.

**NPL Share Price Vs Market Indices**



## 6. Key Information

		2016/17	2015/16	2014/15	2013/14	2012/13
<b>Market Value per Share</b>						
Highest	Rs.	87.00	85.00	100.00	97.80	90.00
Lowest	Rs.	55.00	51.00	70.00	43.00	51.00
As at the year end	Rs.	74.00	59.50	70.90	83.80	76.60
<b>Trading Activities</b>						
Market Capitalization	Rs. Million	1,758	1,413	1,684	1,990	1,819
No. of Transaction	No. of times	815	905	1,355	2,405	2,121
No. of Shares Traded	Million	0.32	0.23	4	1	2
Value of Shares Traded	Rs. Million	24	16	82	77	114
<b>Investor Ratios</b>						
Earnings per share	Rs.	16.92	2.84	6.37	14.14	17.23
Dividend per share	Rs.	7.50	-	2.00	10.50	-
Dividend Pay out Ratio	%	44%	-	31%	74%	-
Price earnings Ratio	No. of times	4.37	20.95	11.13	5.92	4.45
Earnings Yield	%	23%	5%	9%	17%	22%
Net Assets per share	Rs.	107.87	97.16	92.37	87.38	84.03
Gearing Ratio	%	8%	13%	10%	13%	13%
Debt equity Ratio	%	62%	74%	78%	53%	56%
Interest Cover	No. of times	7.23	1.54	3.77	9.16	11.16
Current Ratio	No. of times	0.72	0.56	0.67	3.34	3.40
Quick Ratio	No. of times	0.30	0.24	0.28	2.47	2.76
<b>Exchange Rates - US\$</b>						
As at the year end	Rs.	150.79	145.43	132.76	130.73	126.90

## 7. Distribution of Shareholding

	As at 31st March 2017				As at 31st March 2016			
	No of shareholders	%	No of shares held	%	No of shareholders	%	No of shares held	%
Less than or equal to 1,000	11,507	98.86%	1,776,625	7%	11,584	98.77%	1,799,429	8%
1,001 - 10,000	102	0.88%	387,758	2%	115	0.98%	407,506	2%
10,001 - 100,000	23	0.20%	818,504	3%	22	0.19%	861,107	4%
100,001 - 1000,000	6	0.05%	1,591,077	7%	5	0.04%	1,505,922	6%
1,000,001 & above	2	0.02%	19,176,037	81%	2	0.02%	19,176,037	81%
<b>Grand total</b>	<b>11,640</b>	<b>100%</b>	<b>23,750,001</b>	<b>100%</b>	<b>11,728</b>	<b>100%</b>	<b>23,750,001</b>	<b>100%</b>

## 8. Composition of Shareholders

### (a). Resident & Non -Resident

	As at 31st March 2017				As at 31st March 2016			
	No. of shareholders	%	No. of shares held	%	No. of shareholders	%	No. of shares held	%
Resident	11,624	99.86%	23,589,124	99.32%	11,711	99.86%	23,585,909	99.31%
Non Resident	16	0.14%	160,877	0.68%	17	0.14%	164,092	0.69%
<b>Total Shareholding</b>	<b>11,640</b>	<b>100%</b>	<b>23,750,001</b>	<b>100%</b>	<b>11,728</b>	<b>100%</b>	<b>23,750,001</b>	<b>100%</b>

### (b). Individuals & Institutions

	As at 31st March 2017				As at 31st March 2016			
	No. of shareholders	%	No. of shares held	%	No. of shareholders	%	No. of shares held	%
Individuals	11,572	99.42%	2,982,675	12.56%	11,663	99.45%	3,169,061	13.34%
Institutions	68	0.58%	20,767,326	87.44%	65	0.55%	20,580,940	86.66%
<b>Total Shareholding</b>	<b>11,640</b>	<b>100%</b>	<b>23,750,001</b>	<b>100%</b>	<b>11,728</b>	<b>100%</b>	<b>23,750,001</b>	<b>100%</b>

### (c).

#### Public & Other Holding

	As at 31st March 2017				As at 31st March 2016			
	No. of shareholders	%	No. of shares held	%	No. of shareholders	%	No. of shares held	%
Public Holding	11,638	99.98%	8,334,264	35.09%	11,726	99.98%	8,334,264	35.09%
Other Holding	2	0.02%	15,415,737	64.91%	2	0.02%	15,415,737	64.91%
<b>Total Shareholding</b>	<b>11,640</b>	<b>100%</b>	<b>23,750,001</b>	<b>100%</b>	<b>11,728</b>	<b>100%</b>	<b>23,750,001</b>	<b>100%</b>

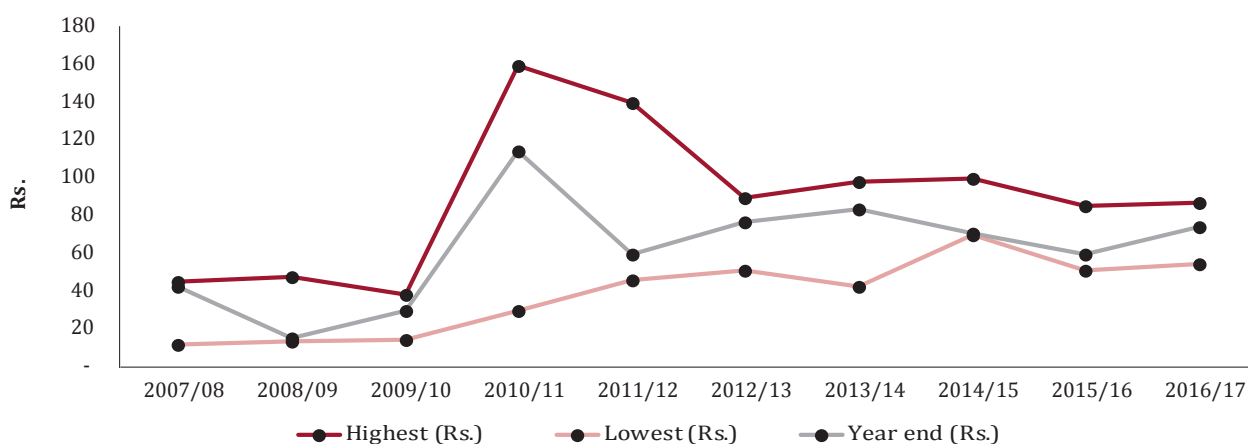
## 9. Twenty Largest Shareholders

	As at 31st March 2017		As at 31st March 2016 (*)	
	No. of shares held	% of the holding	No. of shares held	% of the holding
1 RPC Plantation Management Services (Pvt) Ltd	15,412,737	64.90%	15,412,737	64.90%
2 The Secretary to the Treasury	3,763,300	15.85%	3,763,300	15.85%
3 Mr. T.T.T. Al Nakib	395,000	1.66%	395,000	1.66%
4 National Development Bank PLC/Sakuvi Investment Trust (Pvt) Ltd	368,000	1.55%	368,000	1.55%
5 Bank of Ceylon A/C Ceybank Century Growth Fund	263,612	1.11%	345,349	1.45%
6 Seylan Bank PLC/Mr. Thirugnanasambandar	256,328	1.08%	247,573	1.04%
7 Sampath Bank PLC/Mr.T. Senthilverl	158,137	0.67%	96,487	0.41%
8 National Savings bank	150,000	0.63%	150,000	0.63%
9 Bank of Ceylon No .1 Account	80,000	0.34%	80,000	0.34%
10 Mr. H.A.A.H. Algharabally	77,000	0.32%	77,000	0.32%
11 Mr. K.C. Vignarajah	74,604	0.31%	74,538	0.31%
12 Cocoshell Activated Carbon Co. Ltd	57,387	0.24%	57,387	0.24%
13 Mrs. K.S. Cooray	50,000	0.21%	50,000	0.21%
14 Mrs. J.K.P. Singh	50,000	0.21%	50,000	0.21%
15 Pershing LLC S/A Averbach Grauson & Co.	50,000	0.21%	-	0.00%
16 Elgin Investments Limited	44,735	0.19%	-	0.00%
17 Mr. Z.G. Carimjee	43,200	0.18%	43,200	0.18%
18 T.S.T.T.T. Sathe Secretary to the Treasury-Sundry	38,298	0.16%	38,298	0.16%
19 Mr. N.A. Withana	34,351	0.14%	34,351	0.14%
20 Northstar Holdings (Pvt) Ltd	29,900	0.13%	29,900	0.13%
<b>Sub Total</b>	<b>21,396,589</b>	<b>90.09%</b>	<b>21,313,120</b>	<b>89.74%</b>
Balance held by 11,620 shareholders ( 2016- 11,710 shareholders )	2,353,412	9.91%	2,436,881	10.26%
<b>Total No. of Shares</b>	<b>23,750,001</b>	<b>100.00%</b>	<b>23,750,001</b>	<b>100.00%</b>

\* Comparative shareholdings as at March 31, 2016 of the twenty largest shareholders as at March 31, 2017.

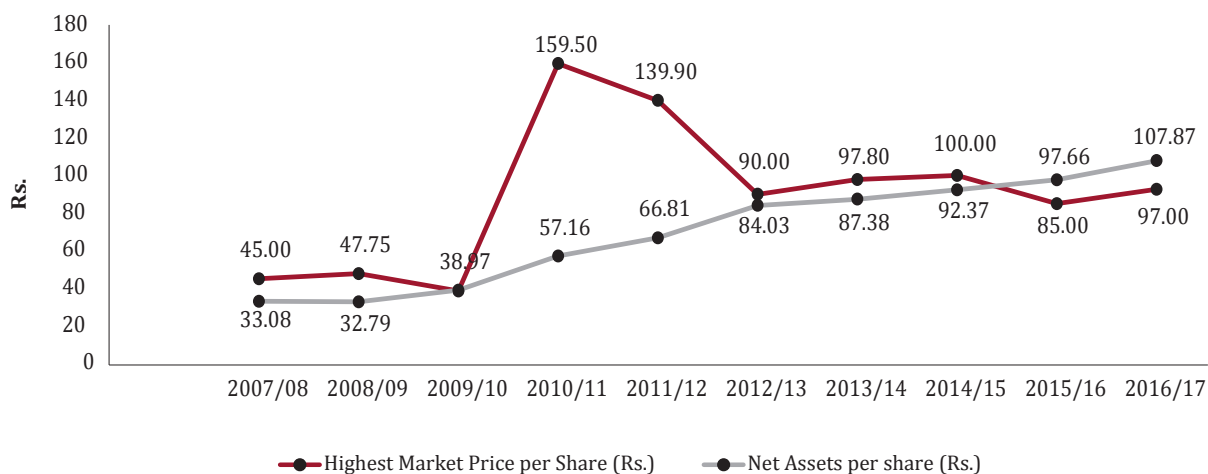
## 10. Market Value

Market Value	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Highest (Rs.)	45.00	47.75	38.50	159.50	139.90	90.00	97.80	100.00	85.00	87.00
Lowest (Rs.)	12.00	13.50	14.75	29.75	46.00	51.00	43.00	70.00	51.00	55.00
Year end (Rs.)	42.50	15.00	29.75	114.60	60.00	76.60	83.80	70.90	59.50	74.00



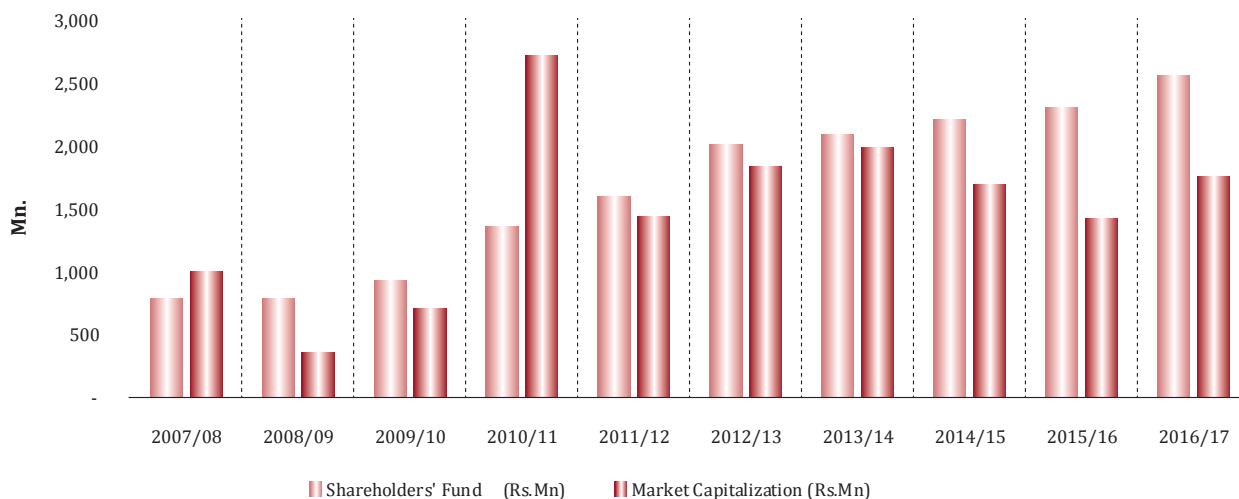
### 11. Net Asset Per Share Vs Highest Market Price Per Share

Market Value	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Highest (Rs.)	45.00	47.75	38.50	159.50	139.90	90.00	97.80	100.00	85.00	97.00
Net Assets per share (Rs.)	33.08	32.79	38.97	57.16	66.81	84.03	87.38	92.37	97.66	107.87

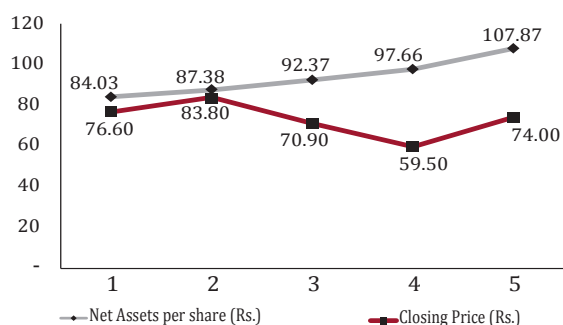


### 12. Shareholders' Fund and Market Capitalization

Year	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Shareholders' Fund (Rs.Mn)	785.70	778.80	925.50	1,357.50	1,586.70	1,995.80	2,075.20	2,193.90	2,319.40	2,561.82
Market Capitalization (Rs.Mn)	1,009.40	356.30	706.60	2,721.80	1,425.00	1,819.30	1,990.30	1,683.90	1,413.10	1,757.50

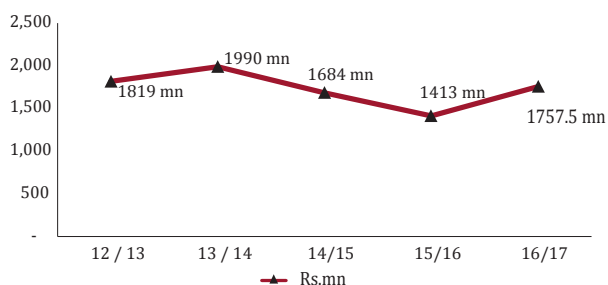


### 13. Net Assets & Closing Price per Share (Rs.)



	2012/13	2013/14	2014/15	2015/16	2016/17
Net Assets per share (Rs.)	84.03	87.38	92.37	97.66	107.87
Closing Price (Rs.)	76.60	83.80	70.90	59.50	74.00

### 14. Market Capitalization (Mn)



Year	2012/13	2013/14	2014/15	2015/16	2016/17
Rs.mn	1,819	1,990	1,684	1,413	1,758

### 15. Share Trading (Nos.)

		2012/13	2013/14	2014/15	2015/16	2016/17
Transaction- No. of times	No. of times	2,121	2,405	1,355	905	815
No. of Shares Traded- million	Million	2	1	2	0.23	0.32

### 16. Details of material issues pertaining to employees and Industrial relations of the company.

There were no material issues pertaining to employees and industrial relations pertaining to the company that occurred during the year under review.

### 17. Details of fund raised through a public issue, right issue and private placement (If any)

As per the Rule No. 7.6 (xiii) of the Listing Rules of CSE company should disclosed details relevant to fund raised through a public issue, right issue and private placement (If any) in the Annual report of the company. However during the year of 2016/17 company does not raised funds through any public issue, right issue and private placement.

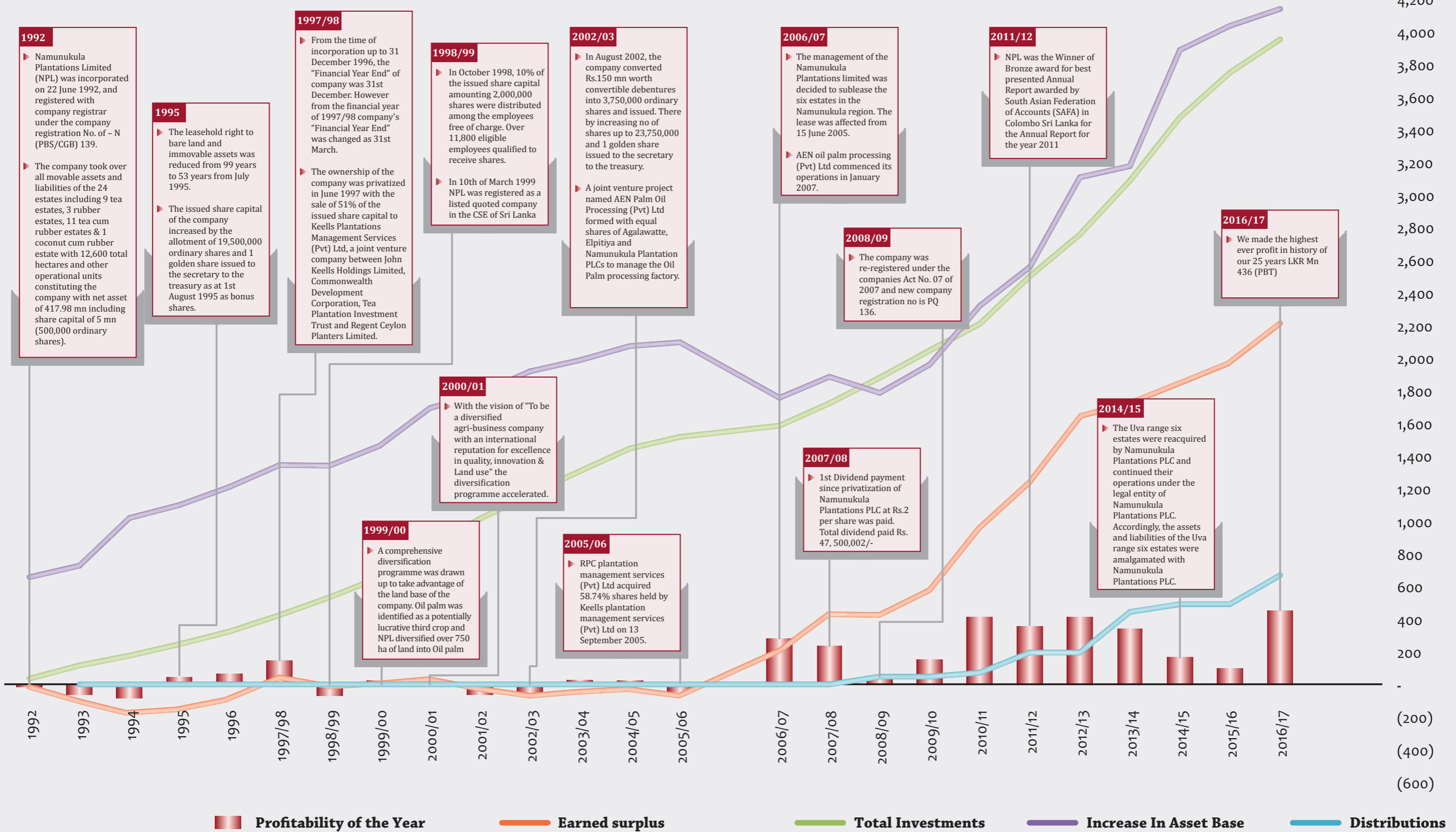
### 18. Information in respect of Employee Share Option Schemes and Employee Share Purchase Scheme.

As per the Rule No. 7.6 (xiv) of the Listing Rules of CSE company should disclosed details relevant to Employee Share Option Schemes and Employee Share Purchase Scheme(If any) in the Annual Report of the company. However company does not have any Employee Share Option Schemes and Employee Share Purchase Scheme.



# HISTORICAL LANDMARKS

Mn



# PINGARAWA/TONACOMBE ESTATE

Pingarawa is one of the largest and prime Estates in Uva range of Namunukula estates, famed for its unique character in tea and pristinely beautiful panoramic view.

Pingarawa and Tonacombe Estates had been two separate estates owned by Mrs. L. St. G. Carey and Martyn W. Waddon respectively since 1893. These two estate had a total extent of 703 Ha. With the nationalization these two estates were managed by SLSPC and JEDB respectively, and subsequently amalgamated as one Estate.



*Camping in the 1930s*



After privatization in June 1992 Bartleets & Co managed these estates up to 1997. John Keells Holdings took over the estates thereafter managed until 2005, since then the company is managed by RPC Plantations Management Services PLC, a fully owned subsidiary of the Richard Pieris Group.



*Mr. Tonacombe*



The land base of Pingarawa/Tonacombe Estate situated under three divisional secretariats namely Passara, Ella & Badalkumbura and well spread within an elevation of 900 mtrs to 1300 mtrs of agro climatic region of Uva province, nourished by salubrious Namunukula mountain range of Badulla District.

The Estate was initially comprised with seven divisions namely Pingarawa, Badullawatte, Factory division, Upper, Middle, Magalawatte and Kaloogala. Later in 1992, iconic Kaloogala division was amalgamated to Hindagala estate.



Pingarawa/Tonacombe consists of two tea factories named Pingarawa and Tonacombe that was built in 1903 and only Pingarawa Factory is in operation at present which re-processes the refuse tea of all manufacturing estates of the NPL Uva range. Tonacombe factory is out of operation since 1990 and the company has focused it to be restored and cater into a high end tourism project.



(Tonacombe Tea Factory)



(Tonacombe Bungalow in 1944)



(Tonacombe Bungalow in 2017)

The tonacombe bungalow of the estate is situated in a most attractive location, bordering the slope with the garden falling away in lawns and flowerbeds to a pond framed with eucalypts, beyond which is a view across the low elevation area up to the sea. At the night the Great Bassetts lighthouse and the lights of ships at sea can be seen from this location.

In the Financial year 2016/17 the estate has recorded a operational profit of Rs.19.9 Mn With the ongoing implementation of good agriculture practices and development programs, this estate is well focused to be the flagship estate in the range.

During the year 2016/17 Superintendent of this Estate was Mr. Jagath Kalansooriya assisted by Mr. Ranjan Madugalle Asst. Superintendent.



During the year, the estate has conducted several welfare activities

- Medical Camps to the worker families and Villagers.
- Dental Camps to the worker families and Villagers.
- Education Training programs to workers on social and career development Camping nt.
- Construction of a new Child Development Centre to be declared open in June 2016.



## DECADE AT A GLANCE

Year Ended 31st march		2016/17	2015/16	2014/15	2013/14	2012/13	2011/12	2010/11	2009/10	2008/09	2007/08
<b>OPERATING RESULTS</b>											
Turnover	Rs.'000	2,512,274	1,913,076	2,194,906	2,092,782	1,818,556	1,858,540	2,074,678	1,516,375	1,272,252	1,767,989
Gross profit	Rs.'000	443,278	64,807	86,973	503,048	475,426	532,036	666,343	319,597	256,558	400,561
Earnings before interest and taxation (EBIT)	Rs.'000	425,104	81,524	178,017	388,958	377,688	376,002	479,457	179,589	94,619	313,848
EBIT before management fee	Rs.'000	516,628	107,002	223,233	478,413	456,353	462,357	583,857	229,454	128,535	390,025
Profit/(loss) before taxation	Rs.'000	436,280	59,966	130,779	380,436	415,595	416,157	435,421	158,730	38,743	234,810
Profit/(loss) after taxation	Rs.'000	401,950	67,468	151,261	335,928	362,962	352,621	409,329	146,655	40,670	229,705
Retained profit/(loss)	Rs.'000	2,211,817	1,957,531	1,834,191	1,725,224	1,645,825	1,236,665	1,007,544	575,492	428,837	435,668
<b>FINANCIAL POSITION</b>											
Stated capital	Rs.'000	350,000	350,000	350,000	350,000	350,000	350,000	350,000	350,000	350,000	350,000
Revenue reserves	Rs.'000	2,211,817	1,957,531	1,834,191	1,725,224	1,645,825	1,236,665	1,007,544	575,492	428,837	435,668
Total equity	Rs.'000	2,561,817	2,307,531	2,184,191	2,075,224	1,995,825	1,586,665	1,357,544	925,492	778,837	785,668
Total debt	Rs.'000	233,178	332,030	254,946	270,637	308,654	130,339	205,249	321,776	381,205	466,121
Total capital employed	Rs.'000	2,794,995	2,639,561	2,439,137	2,345,861	2,304,479	1,717,004	1,562,793	1,247,268	1,160,043	1,251,789
<b>ASSETS EMPLOYED</b>											
Leasehold property, plant & equipment	Rs.'000	189,525	207,016	224,687	222,713	237,149	251,625	266,109	280,601	295,093	309,585
Freehold property, plant & equipment	Rs.'000	363,197	387,591	405,319	284,358	290,268	286,936	256,757	239,661	246,683	212,709
Bearer biological assets	Rs.'000	2,390,071	2,252,918	2,076,171	1,724,981	1,492,925	1,286,567	1,138,640	1,061,582	985,300	938,754
Other non current assets	Rs.'000	805,621	803,064	801,081	142,653	116,709	184,819	170,743	86,374	64,673	106,475
Total current assets	Rs.'000	393,180	374,887	371,456	801,725	963,065	572,809	535,001	292,785	194,497	318,399
Total liabilities net of debt	Rs.'000	1,346,599	1,385,915	1,439,877	830,569	803,880	865,752	804,457	713,735	626,204	634,133
<b>KEY RATIOS</b>											
Equity/Asset ratio	No of times	0.62	0.57	0.56	0.65	0.64	0.61	0.57	0.47	0.44	0.42
<b>KEY INDICATORS</b>											
<b>Revenue extent</b>											
Tea	hectares	2,285	2,357	2,444	396	374	439	464	479	500	509
Rubber	hectares	1,606	1,660	1,780	1,851	1,898	2,013	2,061	2,108	2,187	2,256
Oil palm	hectares	1,510	1,331	1,215	1,128	1,061	1,106	1,106	1,056	1,013	935
Other	hectares	364	357	347	368	383	366	357	350	353	336
		5,765	5,705	5,786	3,743	3,716	3,923	3,988	3,993	4,053	4,036
<b>Production</b>											
Tea	kg'000	2,684	3,011	3,230	2,284	1,942	2,118	2,572	1,805	2,065	3,546
Rubber	kg'000	1,275	1,160	1,179	1,482	1,573	1,670	1,689	1,820	1,889	2,155
Oil palm	kg'000	20,169	16,588	14,833	16,505	14,453	14,368	12,135	14,653	14,238	10,582
<b>Yield</b>											
Tea	kg/ha	570	715	674	822	917	908	979	850	815	1,184
Rubber	kg/ha	793	699	661	796	829	830	818	864	864	955
Oil palm	kg/ha	13,358	12,466	12,203	14,634	13,620	12,994	10,975	13,880	14,059	11,318
<b>NSA</b>											
Tea	Rs./kg	445.49	343.59	413.21	450.32	394.43	338.49	362.27	384.60	285.02	294.36
Rubber	Rs./kg	245.05	242.91	240.68	326.58	370.89	449.92	491.26	265.75	206.69	231.53
Oil palm	Rs./kg	44.50	34.13	37.30	33.73	30.42	25.49	23.24	21.37	18.29	20.34
<b>COP</b>											
Tea	Rs./kg	464.58	397.22	439.28	430.76	378.00	341.86	346.70	349.53	296.31	270.62
Rubber	Rs./kg	237.71	242.91	262.32	263.69	238.31	236.55	185.13	152.28	131.27	115.90
Oil palm	Rs./kg	11.62	10.28	9.70	7.32	6.67	6.37	7.05	6.38	5.84	6.20



# GLOSSARY

## A

### Accounting Policies

The specific principles, bases, conventions, rules and practices adopted by an enterprise in preparing and presenting financial statements.

### Accrual Basis

Recording revenues & expenses in the period in which they are earned or incurred regardless of whether cash is received or disbursed in that period.

### Actuarial Gains and losses

Is the effects of difference between the previous actuarial assumptions and what has actually occurred and the effects of changes in actuarial assumptions.

### Agricultural Activity

Agricultural activity is the management by an entity of the biological transformation and harvest of biological assets for sale or for conversion into agricultural produce or into additional biological assets.

### Agricultural Produce

Agricultural produce is the harvested produce of the entity's biological assets.

### AGM

Annual General Meeting.

### ASPI

All Share Price Index, a stock indices of the Colombo Stock Exchange in Sri Lanka.

### Amortization

The systematic allocation of the depreciable amount of an intangible asset over its useful life.

### Available for Sale

All non-derivative financial assets that are designated as available-for-sale or are not classified as loans and receivables, financial investments –Held-to-maturity and financial investments at fair value through profit or loss.

### AWPLR

Average Weighted Prime Lending Rate.

## B

### Basic Earnings per Share (EPS)

Profit after tax divided by the weighted average number of ordinary shares outstanding during the period.

### Bearer Biological Assets

Biological assets those are not to be harvested as agricultural produce or sold as biological assets. The biological assets other than the consumable biological assets.

### Biological Assets

Is a living animal or plant.

### Biological Transformation

It comprises the process of growth, degeneration, production, and procreation that cause qualitative or quantitative change in a biological assets.

### Borrowing Costs

Borrowing Costs are interest and other costs incurred by an enterprise in connection with borrowing of funds.

### BOP

Balance of Payment.

## C

### Cash Equivalents

Short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### CASL

The Institute of Chartered Accountants of Sri Lanka.

### Capital Employed

Total equity and interest bearing borrowings.

### Capital Reserves

Part of earnings reserved without distributing in current year, for future specified purpose or future business commitment or distributions.

### CIS

Common wealth of Independent states.

### CGU

Cash Generating Units.

### Consumable Biological Assets

The biological assets those that are to be harvested as agricultural produce or sold as biological assets.

### Contingent Liabilities

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

### Cost of production (COP)

Cost of producing a kilo/unit of tea/rubber/coconut/oil palm at estate level.

### CRTA

Colombo Rubber Trader's Association.

### CRI

Coconut Research Institute.

### CSR

Corporate Social Responsibility.

### CTC

Crush, Tear and Curl - Method of Black Tea Processing.

### CTR

Colombo Tea Auction

### Current ratio

Current assets divided by Current liabilities.

## D

### DCF

Discounted Cash Flow.

### Deferred taxation

The tax effect of timing differences deferred to/ from other periods, which would only qualify for inclusion on a tax return at a future date.

### Derivative

Is a financial instrument or other contract whose prices is dependent upon or derived from one or another underline asset.

### Dividends

Distribution of profits to holders of equity investments.

### Dividend cover

Profits after tax divided by dividends.

### Dividend Payout

The Percentage of Earnings paid to shareholders in dividends.

## E

### EBIT

Earnings before Interest and Tax

### EBITDA

Earnings before Interest, Tax, Depreciation, and Amortization.

### Earnings Yield

The earnings per share for the most recent 12 months period divided by the current market price per share.

### EPS

Profit attributable to ordinary shareholders divided by the number of ordinary shares in ranking for dividend.

### Equity

The value of an ownership interest in property, including shareholders' equity, in a business. Equity or shareholders' equity is part of the total capital of a business.

### Equity / Assets ratio

Shareholders' funds divided by Non-current assets plus current assets.

### Equity method

The equity method is a method of accounting whereby the investment is initially recognized at cost and adjusted thereafter for the post acquisition changes in the investor's share of net assets of the investee. The profit or loss of the investor includes the investor's share of the profit or loss of the investee.

## F

### Fair value

Fair value is the amount for which an asset could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in arm's length transaction.

### Fair Value Through Profit and Loss

A financial asset/liability acquired/incurred principally for the purpose of selling or repurchasing it in the near term, part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking, or a derivative (except for a derivative that is a financial guarantee contract).

### Fellow Subsidiary

A subsidiary is an entity, including an unincorporated entity such as a partnership that is controlled by another entity (known as the parent).

### FFB

Fresh Fruit Bunch

### Financial Asset

Any asset that is cash, an equity instrument of another entity or a contractual right to receive cash or another financial asset from another entity.

### Financial Instrument

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

### Financial liability

Any liability that is a contractual obligation to deliver cash or another financial asset to another entity.

## G

### GDP

Gross Domestic Production.

### Gearing ratio

Total interest bearing loans & borrowings as a percentage of total Shareholders' funds plus total interest bearing loans & borrowings.

### Goodwill

Goodwill in accounting is an intangible asset that arises when a buyer acquires an existing business.

### Gross dividends

Portion of profits inclusive of tax withheld, distributed to shareholders during the year.

### GSA

Gross Sale Average. Average sale price obtained (over a period of time, for a kilo of produce) before any deductions such as brokerage, etc.

## H

### HACCP

Hazard Analysis Critical Control Point system. Internationally accepted food safety standard.

## I

### IAS

International Accounting Standards.

### IFRS

International Financial Reporting Standards.

### Immature plantation

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

### Infilling

A method of field development whereby planting of individual plants is done in order to increase the yield of a given field, whilst allowing the field to be harvested.

### Interest cover ratio

Profit before tax and interest divided by interest charge.

### ISO

International Standards Organization.

## J

### JEDB

Janatha Estate Development Board.

## K

### Key management personnel

Key management personnel are those persons having

authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.

## M

### Mature plantation

The area of land developed with a perennial crop, which has been brought into bearing ready for commercial harvesting. A perennial crop is a crop with a useful economic life which extends over more than one accounting period.

### Market capitalization

Number of shares in issue multiplied by the market value of each share at the reporting date.

## N

### NAMU.N0000 Share

CSE stock code for the company.

### Net assets

Total assets less Current liabilities and non-current liabilities.

### Net assets per share

Net assets at the end of period divided by the number of Ordinary Shares issued.

### Net sale average (NSA)

This is the average sale price obtained (Over a period of time) after deducting brokerage fees and cost of gratis from Gross Sale Average (GSA).

### NIPM

National Institute of Plantation Management.

## O

### Other Comprehensive Income

Items of income and expenses that are not recognized in profit or loss as required or permitted by other SLFRS's.

## P

### PHDT

Plantation Human Development Trust.

### PMMD

Plantation Management Monitoring Division.

### Price earnings

Market price of a share divided by Earnings per Share.

### Public shareholding

Shares of a listed entity held by any person other than those directly or indirectly held by;

- a) its parent, subsidiary or associate companies or any subsidiaries or associates of its parent company; and,
- b) its directors who are holding office as directors of the entity, their spouses and children under 18 years of age; and'
- c) Chief Executive Officer, his/her spouse and children under 18 years of age; and'
- d) Any single shareholder who holds 10% or more of the shares.

### PLT

Plantations share price index, a stock indices of the Colombo stock exchange in sri lanka

## Q

### Quick Ratio

Current asset other than inventory divided by current liability

## R

### Related parties

One party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions, directly or indirectly.

### Retirement Benefits

Present value of a defined benefit obligation is the present value of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

- Interest Cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.
- Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period

**Return on assets**

Profit after tax as a percentage of total assets.

**Return on capital employed**

Profit before interest and tax as a percentage of total Capital Employed. (Shareholders' funds plus total Interest bearing borrowings).

**Return on equity**

Profit after tax as a percentage of shareholder's funds.

**Revenue Reserves**

Reserves considered as being available for distributions and investments.

**ROI**

Return on Investment.

**RRI**

Rubber Research Institute.

**RSS - 1**

Ribbed Smoked Sheet - Grade 1.

**S****Segments**

Constituent business units grouped in terms of similarity of operations and location.

**Shareholders' funds**

Funds attributable to Shareholders and comprising of share capital, reserves and retained profit.

**SIC**

Standard Interpretations Committee.

**SLFRS/LKAS**

Sri Lanka Accounting standards corresponding to international Financial Reporting Standards.

**SLSPC**

Sri Lanka State Plantations Corporation.

**SoRP**

Statement of Recommended Practice issued by the Institute of Chartered Accountants of Sri Lanka.

**S&P SL20**

Standard & Poor's Sri Lanka 20 covers the largest and most liquid stocks from the Sri Lankan Equity market.

**T****TASL**

Tea Association of Sri Lanka.

**TRI**

Tea Research Institute.

**U****UITF**

Urgent Issues Task Force of the Institute of Chartered Accountants of Sri Lanka.

**V****Value addition**

The quantum of wealth generated by the activities of the Company and its application.

**W****WACC**

Weighted average cost of capital.

**Working capital**

Capital required financing the day to day operations computed as the excess of current assets over current liabilities.

**Y****Yield (YPH)**

Average Periodical output of produce from hectare of plantation.



## NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Twenty Fourth (24th ) Annual General Meeting of Namunukula Plantations PLC will be held at the Registered Office, No. 310, High Level Road, Nawinna, Maharagama on Friday, 30th June 2017 at 11.30 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 Yaddhige 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 Plantation Management Services (Private) Limited, 310, High Level Road, Nawinna, Maharagama, a shareholder of the Company.

“That Dr. Sena Yaddhige 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 Yaddhige ”

3. To approve the appointment of Mr. Neville Peiris 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 Plantation Management Services (Private) Limited, 310, High Level Road, Nawinna, Maharagama, a shareholder of the Company.

“That Mr. Neville Peiris of No. 284/2, Thimbirigasyaya Road, Colombo 05, 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 Mr. Neville Peiris ”

4. To elect Mr. Shirly Gerard Amerasinghe, 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
- c) 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 NAMUNUKULA PLANTATIONS PLC , hereby  
 appoint.....of.....

whom failing DR. SENA YADDEHIGE whom failing NEVILLE CHRYSOSTON PEIRIS whom failing SUNIL SOMINDRANATH  
 POHOLIYADDE whom failing SHAMINDA YADDEHIGE whom failing SHIRLY GERARD DEVINDA AMERASINGHE whom failing  
 BASTIYANKORALALAGE ANTONY THUSHARA RODRIGO \*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 the Annual General Meeting, a Director.	<input type="checkbox"/>	<input type="checkbox"/>
3. To approve under and in terms of Section 211 of the Companies Act No. 07 of 2007, the appointment of Mr. Neville Peiris at the Annual General Meeting, a Director.	<input type="checkbox"/>	<input type="checkbox"/>
4. To elect Mr. Gerard Amerasinghe, 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 11.30 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	: Namunukula Plantations PLC
Legal Form	: A Quoted Public Limited Liability Company Incorporated in Sri Lanka
Date of Incorporation	: 22 June 1992
Company Registration No.	: PQ 136
Tax Identification No.	: 294001395
Principal Business Activities	: Cultivation, manufacture & sale of Tea, Rubber, Oil palm, Coconut & Cinnamon Plantations
Ultimate Parent Enterprise	: Richard Pieris & Company PLC
Board of Directors	: Dr. S. Yaddehige - Chairman : Mr. S.S. Poholiyadde - Managing Director - Plantations : Mr. N.C. Peiris - Independent Non Executive Director : Mr. B.A.T Rodrigo - Independent Non Executive Director : Mr. Shaminda Yaddehige - Non Executive Director : Mr. Gerard Amarasinghe - Independent Non Executive Director (Appointed w.e.f 19.10.2016) : Mr. Nick Thopmson - Independent Non Executive Director (Resigned w.e.f 05.04.2017) : Dr. H.J.de Costa - Independent Non Executive Director (Resigned w.e.f 30.06.2016) : Mr. E.P.I Fernando - Non Executive Director (Resigned w.e.f 25.08.2016)
Stated Capital	: Rs. 350,000,010/- represented by 23,750,001 shares
Group Holding	: 64.90 %
Stock Exchange Listings of Sri Lanka.	: The Ordinary Shares of the Company are listed with the Colombo Stock Exchange
Senior Management	: Mr. S.S. Poholiyadde - Managing Director-Plantations : Mr. S. A. Eriyagama - Chief Executive Officer : Mr. M. P. S. Pathiraja - Chief Executive Officer - NPL - Uva Range Estates : Mr. S. Epitakumbura - Financial Controller : Mr. P.de S.A. Gunasekara - General Manager : Mr. D. Sivaraj - Senior Manager : Mr. H.M.M.J. Herath - Accountant : Mr. R.M.S.S. Herath - Manager Information Systems
Registered / Head Office	: No: 310, High Level Road, Nawinna, Maharagama, Sri Lanka.
Company Secretaries	: Richard Pieris Group Services (Pvt) Ltd Secretaries, No: 310, High Level Road, Nawinna, Maharagama, Sri Lanka. Telephone: + (94) 11 4310564
Auditors	: Messrs. Ernst & Young, Chartered Accountants 201, De Saram Place, P.O Box 101, Colombo 10. Sri Lanka.
Bankers	: Bank of Ceylon - Corporate Branch & Regional Branches : People's Bank - Pelawatta Branch : Hatton National Bank - City Branch : Sampath Bank - Head Office Branch : Development Finance Corporation of Ceylon : National Development Bank : Indian Overseas Bank / Indian Bank : Nations Trust Bank PLC
Contact Details	: Telephone : + (94) 114310500 : Facsimile : + (94) 11 2801400 : Internet : www.arpico.com : E-mail : npl.rpk@arpico.com

## **Namunukula Plantations PLC**

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

Tel : + 94 11 4310500  
Fax : + 94 11 2801400  
Website : [www.arpico.com](http://www.arpico.com)  
Email : [npl.rpk@arpico.com](mailto:npl.rpk@arpico.com)