



Horana Plantations PLC

Annual Report 2016-17



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Financial Calendar

	2016/17	2015/16
Interim Financial Statements:		
Three months ended 30th June	29-Jul-16	30-Jul-15
Six months ended 30th September	25-Oct-16	02-Nov-15
Nine months ended 31st December	27-Jan-17	03-Feb-16
Twelve months ended 31st March	24-May-17	24-May-16
Annual Report	05-Jun-17	06-Jun-16
23rd Annual General Meeting		29-Jun-16
24th Annual General Meeting	29-Jun-17	

Chairman's Review

As we complete 25 years of operations, it is with much pride that I look back at the achievements and milestones that Horana Plantations PLC has reached over the years. Despite multiple challenges on varying fronts, the Company continued to forge ahead and create an establishment of sound repute and a brand of distinct value. Our people, who have been an integral part of this journey, have created our story. I am therefore pleased to present to you the Annual Report and the Audited Financial Statements of Horana Plantations PLC for the year ended 31st March 2017.

The year under review proved to be a very challenging one for the tea and rubber industries of Sri Lanka. Macroeconomic volatility due to political and economic unrest on a global scale brought forward from 2015, coupled with adverse weather in the second quarter of Financial Year 2016/17 contributed towards sluggish growth within the tea sector. On a parallel front, the oversupply of rubber in the global markets in combination with the decline in crude oil prices led to a drop in the export of natural rubber. This in turn led to a slump in prices at the Colombo Auctions which did not translate well for the commodity. As a result, both tea and rubber industries struggled to cope once again in terms of production and exports, a constraint shared by the industry as a whole. It is in this backdrop, that the Company reported a loss of Rupees 30.3 Mn for the Financial Year under review. This however was a notable reduction from a loss of Rupees 73.1 Mn in the previous year.

Economic Outlook

Sri Lanka's drop in Gross Domestic Product (GDP) growth to 4.4% in 2016 from 4.8% in 2015 was attributable to many extenuating factors during the year. Although the economy moved into 2017 at a slower pace with tighter fiscal policies, lower exports, and Foreign Direct Investment inflows, the Government remains optimistic of a rebound and is of the view that tighter fiscal policy, a floating exchange rate and a soft inflation target will augur well for the economy in the medium to long term.

Tea

Sri Lanka's total tea production for the year 2016 amounted to 292.6 million kgs, a 11% decrease from 328.8 million kgs in the

previous year which represented a seven year low. The decline stemmed from all three elevations and categories particularly in the orthodox tea segment mainly due to erratic weather which contributed towards dry and wet conditions. This decline in production together with an adverse weather pattern resulted in a 6% dip in tea exports to 288.8 million kgs versus 306.9 million kilograms in 2015. However in revenue terms, a growth of Rupees 2.7 Bn was recorded on account of improved tea prices, while total revenue increased to Rs 184 Bn for the year 2016. Accordingly, the Company experienced a decline in production to 2.96 million kgs from 3.36 million kgs previously. The recently negotiated productivity linked wage structure is expected to contribute positively moving forward.

On the global front, the Russian market showed signs of recovery and emerged as the largest importer of Sri Lankan tea although India displaced Sri Lanka's position as key exporter considering that they supply volumes at considerably lower prices. The strengthening of the Rouble against the US Dollar and a significant improvement in crude oil prices during 2017 contributed towards increased buying from Russia. Iran and Iraq followed in second and third place respectively. Export volumes to the United Arab Emirates, Kuwait, Syria and Libya also fell significantly due to political unrest within the region.

Rubber

The erratic weather together with a depressed market that prevailed during the year saw national production decline to 79.1 Mn kgs from 88.6 Mn kgs in 2015. Prices remained low due to the oversupply in the market that spilled over from 2015 together with lower crude oil prices that reduced demand for natural rubber. Natural rubber prices witnessed only a slight rebound towards the end of the Financial Year due to a recovery in the crude oil market which was led by OPEC agreeing to cut output for a period of 6 months. The oversupply of natural rubber stemming from 2012 together with sluggish global economic growth is expected to continue into 2017.

The Natural Rubber Producing Countries recorded a 2.7% decline in rubber production to 10.7 million tonnes in 2016 primarily due to

Chairman's Review (Contd...)

floods in Southern Thailand, the largest natural rubber producer as well as early wintering in the key rubber producing countries. While, Indonesia, Vietnam, India and Cambodia witnessed growth, Thailand, China, Malaysia, the Philippines and Sri Lanka saw production declines. The upside is that the improvement in crude oil prices will suppress the demand for synthetic rubber and create a competitive advantage for natural rubber. In an effort to regulate and stabilize prices, Thailand, Indonesia and Malaysia, have agreed to increase domestic demand of natural rubber, and reduce exports. The third largest industry in Sri Lanka, rubber contribution amounted to only 1% of global production although the country continued to dominate the global solid industrial tyre market.

Company Performance

The Financial Year under review saw the Company record a 7.8% increase in turnover to Rs 1.9Bn while its post-tax results amounted to a notably reduced loss of Rs 30.3 Mn versus a loss of Rs. 73.1Mn in the previous Financial Year. This stemmed from a favourable tea sector profit of Rs 102.6Mn, an improvement from a loss of Rs 7.6Mn reported in Financial Year 2015/16, and a reduced loss of Rs. 272,000 from the rubber sector. Although, a recurring loss, it is noteworthy that the rubber sector loss was marginal compared to the significant loss of Rs. 20Mn in the comparative period of the previous Financial Year. In addition, the Company's crop diversification initiative encompassing Oil Palm, and other ancillary crops served to mitigate the risk of its sole reliance on tea and rubber, while increasing revenue potential.

Outlook

Unfavourable weather conditions are expected to continue into 2017. In its efforts to revive, strengthen, make profitable the rubber industry, and capitalize on capturing global markets, the Sri Lankan Government has formulated a 'Rubber Master Plan' which is being implemented. The reduction in cess on natural rubber exports has added significant value in terms of aiding local industrialists and small holders to maintain competitive pricing. The export cutback by Thailand, Indonesia and Malaysia is expected to regulate prices. Political, economic and social conditions of

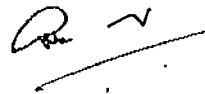
Middle Eastern tea importing nations, as well as crude oil prices remain key to revival of tea exports. A drawback lies in the increased dependence on these markets and as such, China has been identified as a new growth area in terms of Orthodox Black Ceylon Tea exports.

Directorate

I thank Mr. W.D.N.H Perera, the former Chairman who resigned during the year for his guidance and support extended, and warmly welcome Mr. W.G.R Rajadurai, who has extensive management and technical expertise in the Plantations sector, as the Managing Director of the Company.

Acknowledgement

The year under review saw a strain on the Company's resources considering the very volatile environment in which the business operated. Nevertheless, our continuity amidst the challenges rested on the commitment, hard work and loyalty of our people at every level of the organization, while we remain optimistic of our future and continue to forge ahead. Therefore, I would like to extend my sincere appreciation and gratitude to the Board of Directors for their guidance and direction, Management team, Estate managers and all our employees for their continued support and dedication. I thank our shareholders for their unwavering support and confidence in the Company.



Mohan Pandithage
Chairman

26th May 2017

Managing Director's Review

The year under review did not augur well for tea and rubber sectors. High cost of production, low yields as a result of unfavourable weather, price depression and a negative political and economic climate in key tea importing destinations contributed towards a general slump. Horana Plantations PLC reported a loss of Rupees 30.3 Mn, a notable reduction from Rupees 73.1 Mn in the previous Financial Year. It is in this backdrop that I present to you a review of the Company's performance for its Financial Year ended 2016/2017.

Sector Review-Tea

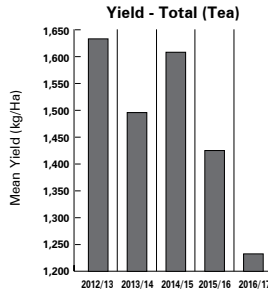
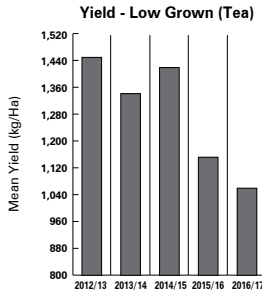
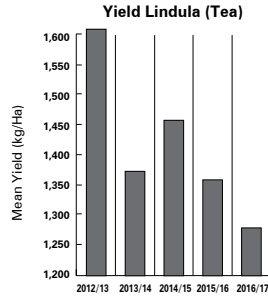
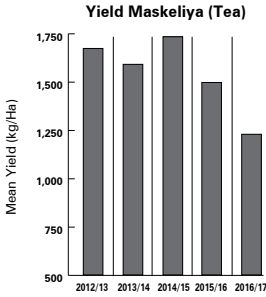
Tea crop losses commenced in the second half of 2015 when the country lost approximately 9 Mn kgs of tea due to unfavourable weather. This loss was carried forward into 2016. The total tea production for 2016 declined by 36.4 Mn kg to 292.4 Mn kgs, from 328.8 Mn kgs in 2015, a trend which continued into the first quarter of 2017. As the largest supplier of Orthodox black tea, Sri Lanka's supply to the world has seen a drop since 2013. Accordingly the Company also experienced a year on year production decline to 2.9 Mn kgs from 3.3 Mn kgs in 2015. Although national tea exports

declined by 18.9 Mn kgs to 288.77 Mn kgs for the period of January to December 2016, total export earnings rose by 2.7 Bn to Rs 184.7 Bn on account of improved tea prices towards the last quarter of Financial Year 2016/17. Russia remained the largest importer of Sri Lankan tea followed by Iraq and Iran.

Tea Prices

Unfavourable weather locally and weak economic conditions in key tea importing nations kept prices depressed in the first two quarters of Financial Year 2016/17. However, the price trend improved in line with the production of higher quality tea in the last two quarters of the Financial Year under review resulting in most of the gains accruing during this period. The National Average of tea sold was the highest ever recorded for a calendar year. In this backdrop, Horana Plantations PLC witnessed an improved Net Sale Average of Rs 502.30 per kg for its Financial Year versus Rs. 406.44 previously. Alton Estate won a Bronze award at the recently concluded Ceylon Specialty Tea of the year competition held in Beijing in China.

Managing Director’s Review (Contd...)



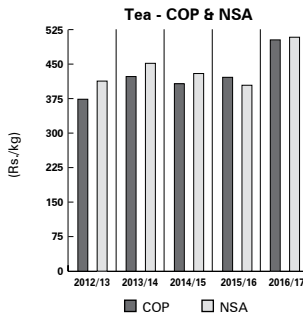
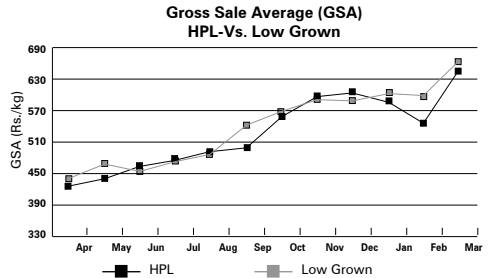
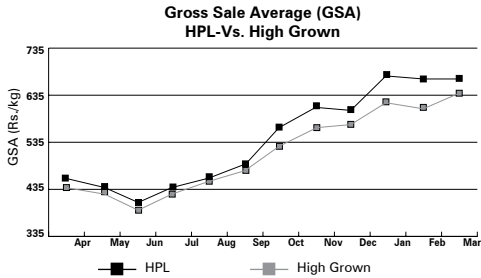
Cost of Production (COP) - Tea

A new wage agreement was signed between the Regional Plantation Companies and Trade unions for a productivity based daily wage of Rs. 730/- an increase of 18% from the previous wage structure. Managing the Cost of Production continues to be one of the bigger challenges faced by the majority of players within the industry. Lower company yields contributed towards a higher cost of production of Rs. 498.84. In addition to this, the adverse weather which continued to pose a challenge, the Government ban on the use of glyphosate and the ‘Go - slow’ campaign by estate workers during wage negotiations also contributed towards a higher cost of production.

Profitability - Tea

Despite the numerous uncontrollable variables that affected the tea crop, Horana Plantations was able to leverage on the rise in prices towards the last quarter of Financial Year 2016/17. As such, the Company reported an improved Net Sale Average of Rs. 502.30 per kg, despite a lower yield per hectare and ultimately a segmental profit of Rs. 102.6 Mn versus a loss of Rs. 7.6 Mn in the previous Financial Year. The Company continues to work towards improving its operational efficiencies in an effort to reduce costs and enhance it’s profitability.

Managing Director’s Review (Contd...)



Sector Review – Rubber

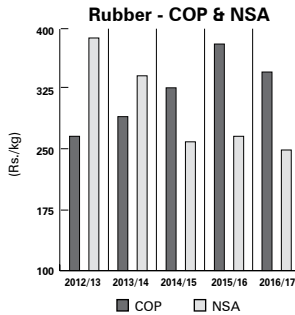
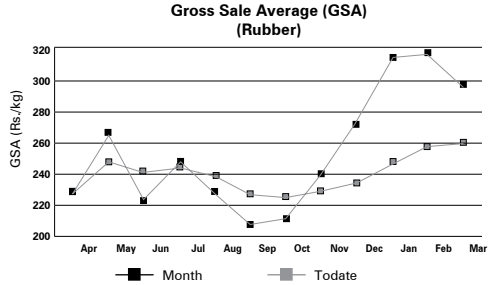
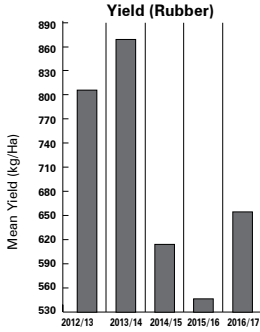
The weather proved to be advantageous for Rubber which witnessed a higher number of tapping days against the previous year. As a result, the Company recorded a 19% increase in yield against the previous year. National production of rubber declined to 79,100 metric tonnes in 2016 from 88,600 metric tonnes in the previous year. Rubber Sector posted a marginal loss of Rs 272,000 versus a loss of Rs 20 Mn in the previous year.

Rubber Prices/Cost of Production & Profitability

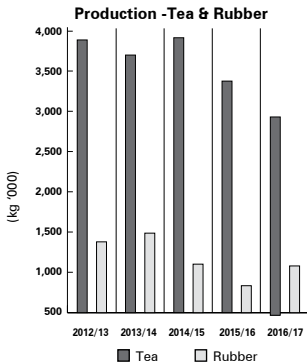
Asia continued to dominate the world supply of natural rubber accounting for 92% of the global rubber output, while Thailand, Indonesia and Vietnam continued to lead the

rankings in terms of production. The glut of natural rubber which was prevalent in 2015, spilled over in to 2016. This combined with a weak global economy especially that of China, the largest consumer of natural rubber, contributed towards depressed rubber prices. An increased demand for synthetic rubber from within the tyre industry combined with lower crude oil prices served to overshadow the demand for natural rubber. Sri Lanka faces many constraints in relation to rubber productivity and managing its cost of production. Rubber prices continued to be low recording a price of Rs 248.78 per kg against Rs 264.46 per kg in the previous year.

Managing Director’s Review (Contd...)



Main Crop Production



Field Development/Crop Diversification

With the two key commodities performing poorly due to external factors, crop diversification has served to minimize the risk of dependency on tea and rubber while minimizing the Company’s financial losses. Horana Plantations PLC has since diversified in to the planting of Oil palm, Cinnamon, Coconut, timber and other fruit crops.

Crop Diversification - Oil Palm

Comprising an extent of 108.53 hectares of Oil Palm in the Neuchatel, Mirishena, and Halwatura estates, 56.40 hectares is in the productive stage. The Company became the first to receive the ‘Certified Oil Palm’ accreditation. This global recognition is a reflection of the sustainable forest management practices of Horana Plantations PLC as well as its compliance with being environmentally friendly, socially acceptable and Oil Palm being economically viable. The Company intends planting 229 hectares of Oil Palm during 2017 for which the plants are being propagated in its nurseries, while an extent of 250 hectares have been earmarked for planting during the Financial Year 2018/2019.

Cinnamon / Coconut

The Company continued to invest in Cinnamon and Coconut cultivations. Sri Lanka’s Cinnamon continues to be the best in the world and is a highly lucrative crop given the high prices it commands in the world export market. There is also a significant

Managing Director's Review (Contd...)

demand for coconuts in both domestic and international markets. The Company's Cinnamon plantation spans an extent of 62.95 hectares of which 18.49 is in the productive stage. An extent of 56.54 hectares have been planted in Coconut of which 22.09 hectares is in the productive stage.

Capital Expenditure/Factory Development

In an effort to optimize internal efficiencies and minimize its cost of production, Horana Plantation PLC ensures that its plant and machinery engaged in the production process remain up to date with minimal down time. The Company continued its Field and Factory development program despite its numerous challenges and limited resources. The total capital expenditure for the year under review amounted to Rs. 224 Mn.

Timber and Fuel Wood Planting

Company faced constraints in achieving its budgeted revenue from its previous investments and contributes to the local demand for wood/timber due to restrictions on harvesting of timber imposed by the authorities.

Human Resource Development and Social Welfare

The Company recognizes that effective management of human capital is essential for the growth and sustenance of the Company. The need to recruit, train and essentially retain manpower is imperative to productivity especially in relation to the plantation community considering that one of the key challenges within the Plantation sector is the migration of skilled labour. However, Horana Plantations PLC has been successful in reducing the rate of attrition by way of its community projects and employee welfare schemes in order to ensure that its employees remain satisfied. Company also engages with its staff at all levels especially within the plantation sector as they remain a core component of the production process.

The Company understands the need for labour empowerment and assists to increase employability of youth on the plantations, as well as improving access to their infrastructure facilities. Horana Plantations PLC trains and develops its staff which is an ongoing process

to build and enhance their competencies as a means to improve productivity. Safety is of paramount importance, and the Company invests in appropriate gear and secure working conditions to ensure a high degree of safety is maintained at all times. In collaboration with Adventist Development and Relief Agency (ADRA) a large gravity fed water system was constructed to provide safe water to 280 families in Alton Estate. Thirty housing units were completed under the Ministry of Livestock and Rural community Development Program in Tillicoultry Estate, Lindula in an effort to enhance the living standards of the estate workers. This project was the first project to achieve full completion under Green Gold Housing Programme.

Compliance/Quality Certifications and Awards

The Company takes pride in the fact that all its business processes are structured around quality, safety, and sustainability, within an ethical framework. This has been reflected in the numerous certifications, and international recognition awarded to the Company. Reaccreditation with ISO 22000:2005/HACCP is an indicator of the Company's commitment towards food safety and purity using sound agricultural practices. In fact Horana Plantations PLC advocates the use of Good Manufacturing Processes (GMP) and Good Agricultural Practices (GAP) in all of its Plantations. The 9001:2008/QMS accreditation on the other hand symbolizes the maintenance of a sound quality management system. As a means to retain these accreditations, the Company's manufacturing processes, and output is audited periodically to ensure compliance with the criteria set out. Our staff is educated to ensure that all guidelines and standards are adhered to and followed on an ongoing basis. A fairer, socially just and environmentally sustainable tea industry is driven by the Ethical Tea Partnership (ETP) which Horana Plantations PLC has partnered. The Company ensures that the livelihoods of the workers on the respective estates and small holder farmers are of sound and acceptable standard. All our plantations are ETP accredited and is a reflection of the Company being a responsible player within the tea plantation industry.

Managing Director's Review (Contd...)

Horana Plantations PLC ensures that sustainable environmental practices are closely intertwined with its business operations. Biodiversity, conservation of wildlife, safeguarding the general environment by way of protecting soil and waterways, improving the livelihood of the workers are of paramount importance and the Rainforest Alliance certification is a representation of this. In addition to all our Upcot estates the Rain Forest Alliance certification was also awarded to the estates in the Lindula cluster inclusive of Bambarakelly, Tillicoultry and Eildon Hall during the year under review. The Fair Trade certification was revalidated in respect of the Alton and Stockholm estates which reflect the sustainable nature of the processes of the Company including the provision of a safe and healthy working environment for its people.

Future Strategy and Outlook

The Sri Lankan tea and rubber industry is faced with multiple challenges such as uncertainty of weather patterns, high cost of production due to low yields, high cost of wages and other inputs as well as the downturn trend of rubber prices. Sri Lanka's share of world production and world exports are gradually decreasing which is a sign that competitiveness is being lost. In the case of tea, there is a dire need to find new export markets for tea considering 68% of our tea is routed to Russia and the Middle East, our primary export markets all of which have political tensions, economic slowdown and cross border ramifications. As a result, Company too is exploring the option of exporting tea to Taiwan and China as a means to diversify its export base. A weaker global economy following these factors, the 'Brexit' issue a key consumer of rubber has served to be constraints for these two key commodities tea and rubber.

The diversification of Horana Plantations PLC in to Oil palm, Cinnamon, Coconut and other ancillary crops have served to reduce its losses

and mitigate risk while the introduction of newer varieties of crops are also being looked at for feasibility. The Company continues to invest in its multiple commodities, improve upon its agricultural practices as a means to improve productivity and lower its cost of production. As another unique initiative, Company has identified two bungalows that are to be upgraded and opened to visitors for a boutique experience although this is still in the preliminary stages.

Acknowledgement

The Financial Year has been yet another challenge considering the multiple factors that affected tea and rubber, both from a local and global context. Despite all of it, Horana Plantations PLC continued to manage its operations efficiently and approach all of its challenges positively which helped in terms of reducing its bottom line loss. None of this would have been achievable without the support of our workforce at every level who remained committed and driven. The confidence placed in us by our stakeholders and shareholders throughout the years has been a driving force and the motivation to move ahead during very trying times. While thanking Mr. W.D.N.H Perera, former Chairman, for steering Horana Plantations PLC during his tenure of office, my respect, recognition and acknowledgement extends to Chairman and the Board of Directors for their guidance and direction and all employees for their loyalty and commitment during a very challenging year and our stakeholders as well as shareholders who have placed confidence in us.



Roshan Rajadurai
Managing Director

26th May 2017

Board of Directors

Mr. Mohan Pandithage **Chairman**

Appointed to the Board and as Chairman of Horana Plantations PLC effective March 2017.

Joined Hayleys Group in 1969. Appointed to the Board of Hayleys PLC in 1998. Chairman & Chief Executive of Hayleys PLC since July 2009.

Fellow of the Chartered Institute of Logistics and Transport (UK). Honorary Consul of United Mexican States (Mexico) to Sri Lanka. Committee Member of the Ceylon Chamber of Commerce. Council Member of the Employers' Federation of Ceylon. Member of the Maritime Advisory Council of the Ministry of Ports & Shipping. Member of the Advisory Council of the Ceylon Association of Ships' Agents. Member of the National Steering Committee on Skills Sector Development of the Department of National Planning.

Mr. Dhammika Perera **Deputy Chairman**

Mr. Dhammika Perera is the quintessential strategist and business specialist with interests in a variety of key industries including Manufacturing, Banking and Finance, Hospitality & Hydropower generation. He has three decades of experience in building formidable business through unmatched strategic foresight.

Mr. Perera is the Chairman of Vallibel One PLC, Royal Ceramics Lanka PLC, Lanka Ceramic PLC, Lanka Tiles PLC, Lanka Walltiles PLC, The Fortress Resorts PLC, Vallibel Power Erathna PLC and Delmege Limited. He is the Co-Chairman of Hayleys PLC, The Kingsbury PLC and Executive Deputy Chairman of LB Finance PLC. He is also the Executive Director of Vallibel Finance PLC and serves on the Boards of Amaya Leisure PLC, Haycarb PLC, Hayleys Fabric PLC, Dipped Products PLC, Sun Tan Beach Resorts Limited and Hayleys Global Beverages (Pvt) Limited.

Mr. W G Roshan Rajadurai **Managing Director**

Appointed as Managing Director of Horana Plantations PLC and as a Director of Vallibel Plantations Management Limited effective March 2017.

Managing Director of Talawakelle Tea Estates PLC and Kelani Valley Plantations PLC from January 2013 and a member of the Hayleys Group Management Committee. Director of Maborc Teas (Pvt) Ltd and Hayleys Global Beverages (Pvt) Ltd. Prior to rejoining, served as Director/CEO of Kahawatta Plantations PLC and held Senior Plantation Management positions in Kelani Valley Plantations PLC from 1993 to 2001. He has a Diploma in Marketing (UK), National Diploma in Plantation Management (NIPM), BSc., in Plantation Management and an MBA from the Post Graduate Institute of Agriculture, Peradeniya. He is a Fellow Member of the National Institute of Plantation Management and Institute of Management, Sri Lanka. He was the Chairman of the Planters' Association of Sri Lanka, Member of the Tea Board, Member of the Rubber Research Board and also currently a member of the Tea Research Institute Board, Tea Small Holder Development Authority Board and a member of the Tea Council of Sri Lanka. He was appointed to the Tea Advisory Boards on Manufacturing and Cultivation and Production of the Sri Lanka Quality Charter for Tea. He is the Chairman of the Consultative Committee on Estate and Advisory Services, Experiment and Extension Forum of the Tea Research Institute and is a Member of the Consultative Committee on Research of the TRI. He is also a member of the Standing Committee on Agriculture, Veterinary and Animal Sciences of the University Grant Commission as well as a Member of the Arbitration and Mediation Steering Committee of the Chamber of Commerce.

Board of Directors (Contd...)

Mr.J. Manuja Kariapperuma Director/Chief Executive Officer

Director/Chief Executive Officer of Horana Plantations PLC since December, 2013 and serves in the Board of Directors of Vallibel Plantation Management Ltd., and Uni-Dil Packaging Ltd.

He is in continuous service for 34 years in the Plantation Industry of which 25 years in the Senior Management capacity in the Corporate Sector.

He has functioned as Head of Produce/Marketing at Hapugastenne Plantations PLC and Udupussellawa Plantations PLC managed by Finlays Tea Estates Lanka Ltd., as well as the Manufacturing Advisor of Balangoda Plantations PLC.

He is commissioned as Lieutenant Colonel in the Sri Lanka Army Volunteer Force as a Professional Officer and also has successfully completed a course in General Management Programme conducted by the Business School of National University of Singapore.

Mr.L J A Fernando Director

Mr. Lalin Fernando was appointed as a Director of Horana Plantations PLC on 4th May 2001. He is also the Managing Director of Standard Trading Company (Pvt) Ltd., and a Director of LF Teas (Pvt) Ltd., STC Logistics (Pvt) Ltd., STC Trading House (Pvt) Ltd., and Marlinkspike Property Developers (Pvt) Ltd.

Dr. Sivakumar Selliah (MBBS, M.Phil) Director

Dr. Selliah holds an MBBS degree and a Master's Degree (M.Phil). He has over two decades of diverse experience in various fields which include areas of manufacturing, healthcare, plantations, packaging, logistics and retail.

He currently holds the position of Deputy Chairman of Asiri Hospitals Holdings PLC, Deputy Chairman of Asiri Surgical Hospital PLC and Central Hospitals (Pvt) Ltd. He is a Director of Lanka Tiles PLC, Softlogic Holdings PLC, ODEL PLC, Lanka Walltiles PLC, HNB Assurance PLC, ACL Cables PLC, Lanka Ceramic PLC, Swisstek (Ceylon) PLC and Swisstek Aluminium Limited. Dr. Selliah is the Chairman of JAT Holdings (Pvt) Ltd, Cleanco Lanka (Pvt) Ltd. Dr. Selliah serves on the Audit Committee, Investment committee, Risk committee, Strategic planning committee, Related Party Transaction committee and Remuneration Committee of some of the companies listed above.

Mr. K D H Perera Director

Mr. Harendra Perera joined the Board of Horana Plantations PLC in 2013. He is also a Director of Vallibel Leisure (Pvt) Ltd and holds directorships in other private sector companies which are under the Vallibel Group.

Mr. A N Wickremasinghe Director

Mr. Wickremasinghe was appointed to Horana Plantations PLC in December, 2013. He also serves as a Director of Udupussellawa Plantations PLC and Hapugastenne Plantations PLC.

Until early 2012, Mr Wickremasinghe was General Manager of Finlay Tea Estates Sri Lanka PLC an integral part of a most respected business conglomerate in Sri Lanka, which commenced operations in 1893. It is owned by the global Swire Group, which has tea estate holdings in Kenya and Sri Lanka.

Board of Directors (Contd...)

Mr Wickremasinghe has extensive senior management experience and technical expertise in the plantation sector in Sri Lanka. His specialised training includes: Logging and harvesting trees in Germany's Black Forest; Plant breeding at the Ravi Shankar University in Raipur, India, and in Sloping Agriculture Land Technology in Mindanao, Philippines.

Mr. K D G Gunaratne

Alternate Director

Mr. Gunaratne studied at St. Thomas' College Mt. Lavinia and was a member of the Western Province Council during the period 1989 to 2009.

He currently holds the position of Chairman Lanka Hotels & Residences (Pvt) Ltd and Urban Investments & Development Company (Pvt) Ltd. He also serves as a Director of Lanka Tiles PLC, Lanka Walltiles PLC, Lanka Ceramic PLC and Dipped Products PLC.

Dr. N T Bogahalande

Alternate Director

Appointed to the Board of Horana Plantations PLC on 4th October 2013.

Dr. Bogahalande counts over 25 years of Managerial experience in Plantation, Manufacturing, Trading and Financial sectors. Member of the Institute of Certified Management Accountants Australia, Associate Member of the Institute of Personnel Management (Inc) Sri Lanka, received his PhD from Management and Science University, Malaysia and published articles in international refereed journals and conference proceedings. He served as an Advisory Council Member and was conferred with the most prestigious 'Pride of HR Profession' award by World HRD Congress in 2006 and 2010 respectively.

He serves as the Group Head of Human Resources of Vallibel One PLC and Royal Ceramics Lanka PLC. He is also the Director of Talawakelle Tea Estates PLC, Vallibel Plantation Management Ltd., LB Management Services (Pvt) Ltd., Delmege Coir (Pvt) Ltd. and Uni-Dil Packaging Ltd.

Management Team

CORPORATE MANAGEMENT TEAM

W. G. Roshan Rajadurai

Managing Director

J. Manuja Kariapperuma

Executive Director/Chief Executive Officer

U. K. Nawaratne

Deputy Chief Executive Officer

U. K. P. P. Silva

Deputy General Manager - Lindula Cluster

B. H. Weerakoon

**Deputy General Manager - Low Country
Region (Tea, Rubber & Administration)**

G. N. Ratnayake

**Deputy General Manager - Oil Palm, Ancillary
Crop & Other Projects**

Ms. P. M. Ediriweera

Assistant General Manager - Finance

P. S. Samarakoon

Manager - Human Resource & Administration

J. R. Gunathilake

Manager - Finance

T. I. Wijekulasooriya

Accountant

Ms. Y. C. Abeyawardena

Agricultural Economist

C. J. K. Rupasinghe

Manager - Information Technology

D. Gunathillake

Manager - Forestry & Ancillary Crop

C. Jeewantha

Manager - Estate Accounts/Financial Analyst

ESTATE MANAGEMENT TEAM

Upcot Cluster:

Alton Estate

Fairlawn Estate

Gouravilla Estate

Mahanilu Estate

Stockholm Estate

H. I. B. Herath

K. A. I. Silva

B. L. W. Gunawardene

B. L. W. Gunawardene

M. Munasinghe

Lindula Cluster:

Bambrakelly Estate

Eildon Hall Estate

Tillicoultry Estate

S. Jegathesan

M. A. G. Perera

U. K. P. P. Silva

Low Country Cluster:

Millakanda Estate

Dumbara Estate

Halwatura Estate

Hillstream Estate

Kobowella Estate

Neuchatel Estate

Mirishena Estate

Frocester Estate

K. A. D. G. Kulanayake

I. D. Weerakoon

D. M. T. Dissanayake

C. D. W. Kirinda

W. N. M. Wijenayake

G. N. Ratnayake

C. D. W. Kirinda

W. N. M. Wijenayake

Sustainability Report

The sustainability framework of your Company is centered on value creation for its stakeholders and the environment it operates in, the ultimate objective being to give back while achieving higher productivity and a favourable bottom line. Accordingly, the business model of Horana Plantations PLC, its corporate governance structure, and the formulation of its business strategy are aligned with this approach. Our plantation community comprises a significant component of our workforce. We understand the need to maintain sound and sustainable relationships with them, while recognizing and upholding labour rights. As such we place a significant emphasis on our people and the provision of a safe environment for them to work in. Our estates have received numerous awards and international certifications over the years which is testimony to the focus we place on our processes and essentially our product. In all of our operations, we strive to provide due consideration to the environment in an effort to safeguard and conserve our natural resources.

Empowerment and Participation

Our diverse workforce comprises 6200 employees with the larger component comprising the plantation community workforce whose contribution remains crucial to our operations. Managing the latter, although a complex and sensitive process has proved to be successful due to the level of empowerment and engagement involved. This has served to contribute towards the continuity of business operations despite trying economic and political conditions on a local and global scale. The estate worker segment is resident on the plantations and your Company remains committed to ensuring that their living conditions and social amenities are met. Horana's initiative to develop Community Development Forums in several estates has given ownership of the development work to communities and

become a model for success. Estate Worker Housing Corporative Societies established on the estates assist in providing and disbursing loans for housing, construction, and distress assistance.

Training and Development

Our Company believes in the continuous Training and Development of our employees. Prior to the commencement of each year, the various training needs are identified and incorporated in to the training calendar for the year. In house training sessions, and group training initiatives extend to the workforce at a corporate worker level as well as at a plantation level. Encompassing general management, agricultural operations, occupational health and safety as well as product certifications, this key area of investment, has helped in employee retention, improved productivity levels and greater value addition to the Company.

Social and Community Welfare

Uplifting the living conditions and standards of our estate worker base and their families is integral to our business. We believe that the provision of adequate basic facilities to our workforce will ensure a stronger incentive to add value. Horana has in place a dedicated resource team of Medical Assistants, Welfare Officers and Child Development Officers who provide support and guidance in relation to maternal and child health, family counseling services to discourage child abuse, domestic violence and teenage pregnancies. Health related services including immunizations, optical and dental care are provided and extended to those outside of the workforce as a measure of goodwill and also to build up the health of the community. Adequate housing and sanitation infrastructure is provided together with a safe working environment at all times. The Company has taken several measures to address occupational health risks by way of specific awareness programs,

Sustainability Report (Contd...)

and educating its staff on prevention and management of hazards. Workers are also educated by way of providing them with health and safety instructions and Personal Protective Equipment to ensure their safety at their work place. A series of training sessions on health and safety for workers were also conducted during the year.

In collaboration with the Adventist Development and Relief Agency (ADRA), a large gravity fed water system was constructed to provide safe water to 280 families at the Alton Estate. Thirty housing units were constructed in Tillicoultry Estate, Lindula under Green Gold Housing project in an effort to enhance the living standards of the estate workers there. This initiative was carried out in collaboration with the Ministry of Livestock and Rural Community Development Program, and was commended as being the first project to achieve full completion by the Plantation Housing Development Authority. The Company is presently engaged in providing 545 housing units on a combined 11 estates under the Green Gold Housing Program in partnership with the Plantation Housing Development Authority. Re-roofing of worker houses is ongoing in association with World Vision Lanka.

Environmental Stewardship

Over the years we have made a conscientious effort to identify key environmental aspects relevant to our business and proactively strategize to help conserve and protect our environment. We remain committed and comply with all the guidelines laid out by the Central Environmental Authority, and are aligned with the code of ethics of the Rainforest Alliance, Forest Stewardship Council and the Ethical Tea Partnership. In our efforts to protect our ecosystem, awareness programs are carried out for the employees and people living in the area.

Awards and Certificates

Horana Plantations PLC became the first Company to be accredited for " Certified Oil Palm " in the world. This global recognition was awarded by the Forest Stewardship Council (FSC) which certifies sustainable forest management practices after a thorough evaluation of all three pillars namely being environmentally friendly , socially acceptable and economically viable.

The Company has in place prestigious product purity accreditations such as the ISO 22000:2005/ HACCP Certification and the ISO 9001:2008 /QMS Certification. The products from our tea factories are periodically tested and the process is also regularly evaluated by way of internal and external audits, to ensure its conformity to safe and hygienic parameters.

Ethical Tea Partnership (ETP) and Fair Trade

Company's collaboration with other players within the Tea Industry both local and foreign has helped the Company to position itself as a responsible manufacturer. Having such a certification in place has augured well for the Company in terms of it being a preferred supplier who provides due consideration for its people and the planet. ETP certification has become highly sought after in international markets and ensures that one's Company's produce remains competitive as a trading commodity.

Fair Trade certification was revalidated in respect of Alton and Stockholm estates during the year under review which reflected the sustainable nature of our processes including the provision of a safe and healthy working environment for our people.

Rainforest Alliance Certification (RA)

In addition to the certification of Rain Forest Alliance in respect of our Upcot five estates, RA Certification was awarded to our estates in the Lindula Cluster namely Bambarakelly,

Sustainability Report (Contd...)

Tillicoultry and Eildon Hall during the year under review. The Rainforest Alliance mandates Company's conformance to good agricultural biodiversity and ethical business practices. Many of our leading buyers insist on the Rainforest Alliance Certification as a key requirement prior to purchase and the Company has been able to successfully comply and retain its buyers as well. As responsible players in the industry, the worker community is continually educated on the need to adhere to the guidelines surrounding the RA certification.

Horana Plantations PLC strives to incorporate sustainable business practices in every aspect of its operation. Its significant emphasis on uplifting the social standards of its workforce at every level, investing in adequate and relevant training, protecting and conserving the environment as well as being a responsible player by way of its ethical agricultural practices have reflected in the going concern of its business. Your Company believes that this approach will stand itself in good stead and contribute towards its success and continuity going forward.

Statement of Corporate Governance

The Board of Directors of Horana Plantations PLC values the guiding principles of good corporate governance to adopt best practices and maintain high standards of business ethics and integrity in all our activities. The Company complies with standards of sound business and accounting codes, which conform to the best practices set out by the institute of Chartered Accountants of Sri Lanka and Securities Exchange Commission of Sri Lanka.

Board of Directors

The Company's Board consists of eight (8) Directors, of whom three (3) are Executive Directors, two (02) Non - Executive Directors and three (3) are Independent Non - Executive Directors.

An Audit Committee, Remuneration Committee and Related Party Transaction Review Committee function as Board Sub Committees. The composition of the said Committees is as follows:

Audit Committee

Mr J.D.N Kekulawala - Chairman
Dr S. Selliah
Mr T.De Zoysa
Mr T.G Thoradeniya

Remuneration Committee

Mr A.M Weerasinghe - Chairman
Mr K.D.G Gunaratne
Mr T . De Zoysa

Related Party Transaction Review Committee

Dr. S Selliah - Chairman
Mr. T de Zoysa
Mr. J D N Kekulawala
Mr. T G Thoradeniya

The Board meetings are held on a regular basis and have a formal schedule of matters reserved to it. The Board is supplied with full and timely information to enable it to discharge its responsibilities, effectively. During the past year the Board held eight (8) scheduled meetings.

Corporate Management

The management of the business of the Company have been contracted to the Managing Agent of the Company, Vallibal Plantation Management Ltd, which is also the parent company. The Board has delegated the primary authority to implement policy and the strategic objectives of the Company to the Managing Director who is appointed by the Parent Company. He is assisted by Executive Director / Chief Executive Officer, Deputy Chief Executive Officer, Assistant General Manager - Finance, Manager - Human Resource & Administration, Deputy General Manager Lindula Cluster, Deputy General Manager - Low Country (Tea, Rubber and Administration) and Deputy General Manager - Oil Palm, Ancillary crop and other projects. Management committee meetings are held monthly to ensure that the Company's strategies and plans are carried out effectively to the satisfaction of the Board. Managing Director, Executive Director / Chief Executive Officer and the Management Committee are responsible for the establishment and monitoring financial controls on operations, annual budgets, monthly operational reviews, capital expenditure proposals and quarterly performance appraisals prior to recommending to the Board.

Disclosure of information and compliance

The Financial Statements of the Company are prepared in accordance with the Sri Lanka Accounting Standards are in accordance with the requirements of the Colombo Stock Exchange.

PW Corporate Secretarial (Pvt) Ltd who act as Secretaries to the Company advise the Board on appropriate procedures for the management of its meetings and duties, as well as the compliance of Corporate Governance in the Company.

Statement of Corporate Governance (Contd...)

Levels of compliance with the CSE's Listing Rules - Section 7.10 Rules on Corporate Governance are given in the following table:-

Section		Subject	Applicable Rule	Compliance Status
7.10.1	(a)	Non-Executive Directors	At least one-third of the total number of Directors should be Non-Executive Directors	Complied
7.10.2	(a)	Independent Directors	Two or one third of Non-Executive Directors whichever is higher, should be Independent.	Complied
	(b)	Independent Director's Declaration	Each Non-Executive Director should submit a declaration of independence / non- independence in the prescribed format.	Complied
7.10.3	(a)	Disclosure relating to Directors	The Board shall annually make a determination as to the independence or otherwise of the Non-Executive Directors and names of Independent Directors should be disclosed in the Annual Report	Complied
	(b)	Disclosure relating to Directors	The basis of the Board to determine a Director is Independent, if criteria specified for Independence is not met.	Complied
	(c)	Disclosure relating to Directors	A brief resume of each Director should be included in the Annual Report and should include the Director's areas of expertise	Complied
	(d)	Disclosure relating to Directors	Forthwith provide a brief resume of new Directors appointed to the Board with details specified in 7.10.3 (a), (b) and (c) to the Exchange	Complied
7.10.5	Remuneration Committee		A listed Company shall have a Remuneration Committee.	Complied
	(a)	Composition of Remuneration Committee	Shall comprise of Non-Executive Directors a majority of whom will be independent.	Complied
	(b)	Functions of Remuneration Committee	The Remuneration Committee shall recommend the remuneration of the Chief Executive Officer and Executive Directors	Complied
	(c)	Disclosure in the Annual Report relating to Remuneration Committee	The Annual Report should setout; a) Names of the Directors comprising the Remuneration Committee b) Statement of Remuneration Policy c) Aggregated remuneration paid to Executive and Non-Executive Directors	Complied

Statement of Corporate Governance (Contd...)

Section	Subject	Applicable Rule	Compliance Status
7.10.6	Audit Committee	The Company shall have an Audit Committee	Complied
	(a) Composition of Audit Committee	a) Shall comprise of Non-Executive Directors a majority of whom will be Independent b) One Non- Executive Director shall be appointed as Chairman of the Committee c) Chief Executive Officer and Chief Financial Officer shall attend Committee meetings d) The Chairman of the Audit Committee or one member should be a member of a professional accounting body	Complied
	(b) Audit Committee Functions	Functions shall include: a) Overseeing of the preparation, presentation and adequacy of disclosures in the financial statements in accordance with Sri Lanka Accounting Standards. b) Overseeing of the compliance with financial reporting requirements, information requirements of the Company's Act and other relevant financial reporting related regulations and requirements. c) Overseeing the processes to ensure that the internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards. d) Assessment of the independence and performance of the External Auditors. e) Make recommendations to the Board pertaining to appointment, re-appointment and removal of External Auditors and approve the remuneration and terms of engagement of the External Auditors.	Complied
	(c) Disclosure in the Annual Report relating to Audit Committee	a) Names of Directors comprising the Audit Committee. b) The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination. c) The Annual Report shall contain a Report of the Audit Committee setting out of the manner of compliance with their functions.	Complied

By Order of the Board
Horana Plantations PLC



P W Corporate Secretarial (Pvt) Ltd
Secretaries

Colombo
26th May 2017

Risk Management

The Board of Directors places special emphasis on management of business risks together with the management committee ensures that the sound system of controls including financial operational and compliance are in place to safeguard shareholder investment and assets and reviews regularly the effectiveness of such controls.

The following are some of the major risk factors and actions implemented reduced to eliminate risk.

Operational Risk

A sound internal control system is a key factor in safeguarding tangible and intangible assets. The Company has satisfactory system of internal control in place and periodic checks are carried out at estate level and regular reviews are undertaken to ensure the Company's assets are safeguarded and to minimize financial losses. The Company has designed internal control and training programmes for employees at all levels. The Company has implemented a centralized purchasing policy in order to get the best advantage of the cost benefit.

Interest Rate Risk

Adverse effect on fluctuating interest rates need to be minimized as it has a significant impact on profitability and cash flow. Company manages and mitigates interest rate risk by utilizing concessionary and advantageous lending rates.

Liquidity Risk

Availability of sufficient funds is crucial as the industry is cyclical and the returns are long term. In order to mitigate the risk Company's borrowings are suitably structured to ensure the availability of sufficient liquidity to meet debt commitments and other operational requirements.

Weather

The Company's product portfolio being Tea and Rubber in equal proportion has mitigated the adverse effects on climatic changes. The Company adopts prudent agricultural practices such as TRI recommended clones and also rain guards for rubber trees in order to minimize the loss on crop due to adverse weather conditions. The Company's crop diversification initiative encompassing Oil Palm and other Ancillary crop served to mitigate the risk of its sole reliance on Tea and Rubber.

Legal and Regulatory Risk

Legal risks are those risks resulting from legal consequences causing financial losses. The Company with the assistance of its legal advisers and secretaries ensures compliance of all legislative and regulatory requirements including corporate governance, labour relations and requirements of Security and Exchange Commission and Colombo Stock Exchange. The Company also obtain expert advice from Independent Auditors, Tax consultants, Actuaries and advisory services of Tea Research Institute and Rubber Research Institute.

Reputation Risk

Reputation is considered as most valuable asset of the Company as non-compliance may lead to loss of reputation and financial loss. The Company's systems and procedures cover the areas such as maintenance of quality, health and safety and environmental issues and ensure that best practices are followed. The Company maintains international standardization accreditations such as HACCP, Ethical Tea Partnership (ETP), Rainforest Alliance and FairDeal Trade certifications held at present by our estates.

Human Resource

The Plantation sector employs a large workforce and they are highly unionized. In order to mitigate the risk of industrial disputes and work stoppages a collective agreement is signed between the Trade Unions and the Employers' Federation of Ceylon, which our Company is a member. The Company considers Human resource management is vital for the business continuity. Training, Development and performance management, motivation and empowerment are practiced to reduce the impact.

Information Risk

Accurate and timely information is vital for decision-making and control. The Company has a fully integrated information system with our estates and head office in order to produce accurate and reliable information. The system integrity is reviewed constantly and maintained by the software provider and uses licensed software.

Annual Report of the Board of Directors on the Affairs of the Company

The Directors of Horana Plantations PLC have pleasure in presenting their Annual Report together with the Audited Financial Statements of the Company for the year ended 31st March 2017.

General

Horana Plantations PLC is a public limited liability company which was incorporated under the Companies Act No. 17 of 1982 on 22nd June 1992, and re-registered as per the Companies Act, No.7 of 2007 on 18th March 2008 and bears registration number PQ 126. Accordingly, the name of the Company has changed to Horana Plantations PLC.

Principal activities of the Company and review of performance during the year

The principal activity of the Company, which is cultivation and processing of Tea and Rubber, remained unchanged.

A review of the business of the Company and its performance during the year with comments on financial results and future strategies and prospects are contained on the Chairman's Review and Managing Director's Review (pages 1 to 8).

This report together with the Financial Statements reflect the state of affairs of the Company.

Financial Statements

The complete Financial Statements of the Company duly signed by two Directors on behalf of the Board and the Auditors are given on pages 29 to 80.

Summarized Financial Results

	31st March 2017 Rs. '000	31st March 2016 Rs. '000
Revenue	1,947,278	1,806,106
Total Comprehensive Income for the year	(3,194)	(29,272)
Retained Earnings	1,106,369	1,109,563

Auditors' Report

The Report of the Auditors on the Financial Statements of the Company is given on page 29.

Accounting Policies

The Financial Statements of the Company have been prepared in accordance with the revised Sri Lanka Financial Reporting Standards (SLFRS/LKAS) and the policies adopted thereof are given on pages 34 to 46.

Directors

The names of the Directors who held office as at the end of the accounting period are given below and their brief profiles appear on pages 9 to 11.

Executive Directors

Mr. A M Pandithage	- Executive Chairman (appointed on 10th March 2017)
Mr. W G R Rajadurai	- Managing Director (appointed on 10th March 2017)
Mr. J M Kariapperuma	- Executive Director/ Chief Executive Officer

Non - Executive Directors

Mr. Dhammika Perera	- Deputy Chairman*
Mr. K D H Perera	- Director**

Independent Non - Executive Directors

Dr. S Selliah	- Director
Mr. L J A Fernando	- Director
Mr. A N Wickremasinghe	- Director

* Mr. K D G Gunaratne	- Alternate Director to Mr. Dhammika Perera
**Mr. N T Bogahalande	- Alternate Director to Mr. K D H Perera

Mr. W D N H Perera resigned from the position of Chairman / Director on 8th March 2017.

Mr. A M Pandithage was appointed Chairman of the Board and Mr. W G R Rajadurai was appointed Managing Director on 10th March 2017.

Annual Report of the Board of Directors on the Affairs of the Company (Contd...)

Mr. A N Wickremasinghe and Mr. Dhammika Perera retire by rotation at the conclusion of the Annual General Meeting in terms of Articles 92 of the Articles of Association and being eligible are recommended by the Directors for re-election.

Interests Register

The Company maintains an Interests Register in terms of the Companies Act, No. 7 of 2007, which is deemed to form part and parcel of this Annual Report and available for inspection upon request.

All related party transactions which encompasses the transactions of Directors who were directly or indirectly interested in a contract or a related party transaction with the Company during the accounting period are recorded in the Interests Register in due compliance with the applicable rules and regulations of the relevant Regulatory Authorities.

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

The relevant interests of Directors in the shares of the Company as at 31st March 2017 as recorded in the Interests Register are given in this Report under Directors' shareholding.

Directors' Remuneration

The Directors' remuneration is disclosed under key management personnel compensation in Note 35.3 to the Financial Statements on page 71.

Directors' Interests in Contracts

Directors' interests in contracts with the Company are stated in Note 35.2 to the Financial Statements. The Directors have no direct or indirect interest in any other contract or proposed contract with the Company. Except for the transactions referred to in Note 35.2 to the Financial Statements, the Company

did not carry out any transaction with any of the Directors. The Company carried out transactions during the year in the ordinary course of its business at commercial rates with the following director related entities.

Directors' responsibility for Financial Reporting

The Directors are responsible for the preparation of Financial Statements of the Company to reflect a true and fair view of the state of its affairs. A further statement in this regard is included on page 24.

Auditors

Messrs KPMG, Chartered Accountants served as the Auditors during the year under review. Based on the written representations made by the Auditors, they do not have any interest in the Company other than as Auditors.

The audit fee payable to the Auditors for the year under review is Rs. 2,033,000.00.

The Auditors have expressed their willingness to continue in office. The Audit Committee at a meeting held on 24th May 2017 recommended that they be re-appointed as Auditors. A resolution to re-appoint the Auditors and to authorise the Directors to determine their remuneration will be proposed at the Annual General Meeting.

Stated Capital

The Stated Capital of the Company is Rs.250,000,010/- divided into Twenty Five Million (25,000,000) Ordinary Shares and One (01) Golden Share.

Directors' Shareholding

The Directors have not held any shares in the Company as at 31st March 2017 and 31st March 2016.

Major Shareholders, Distribution Schedule and other information

Information on the distribution of shareholding, analysis of shareholders, twenty largest shareholders of the Company and

Annual Report of the Board of Directors on the Affairs of the Company (Contd...)

percentage of shares as per the Listing Rules of the Colombo Stock Exchange are given on pages 84 to 85 under Share Information. Market values per share, earnings, dividends and net assets per share are given on page 82.

Employment Policy

The Company's employment policy is totally non-discriminatory which respects individuals and provides career opportunities irrespective of the gender, race or religion.

As at 31st March 2017, 6,477 persons were in employment (6,731 persons as at 31st March 2016).

Reserves

The reserves of the Company with the movements during the year are given in Note 22 to 23 to the Financial Statements on page 58.

Land holdings

The Company does not own any freehold property.

Property, Plant & Equipment

Details and movements of property, plant and equipment are given under Notes 13 to 16 to the Financial Statements on pages 51 to 56.

Capital Expenditure

The total capital expenditure during the year including the capitalization of borrowing cost amounted to Rs. 224.287 Million compared to Rs. 202.189 Million incurred in the previous year.

Dividends

No dividends were declared during the period under review.

Donations

The Company has not made any donations to approved charities during the year under review. (2016 - Nil)

Risk Management

An ongoing process is in place to identify and manage the risks that are associated with the business and operations of the Company. The Directors review this process through the Audit Committee.

Specific steps taken by the Company in managing the risks are detailed in the section on Risk Management on pages 19.

Statutory Payments

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company, all contributions, levies and taxes payable on behalf of, and in respect of employees of the Company and all other known statutory dues as were due and payable by the Company as at the Balance Sheet date have been paid or, where relevant provided for, except for certain assessments where appeals have been lodged.

Contingent Liabilities

Except as disclosed in Note 32 to the Financial Statements on page 68, there were no material Contingent Liabilities as at the Balance Sheet date.

Events occurring after the Balance Sheet date

Except for the matters disclosed in Note 34 to the Financial Statements on page 68 there are no material events as at the date of the Auditor's report which require adjustment to, or disclosure in the Financial Statements.

Corporate Governance

The Board of Directors confirm that the Company is compliant with section 7.10 of the Listing Rules of the CSE.

An Audit Committee, Remuneration Committee and Related Party Transaction Review Committee function as Board sub committees, with Directors who possess the requisite qualifications and experience. The composition of the said committees is as follows.

Annual Report of the Board of Directors on the Affairs of the Company (Contd...)

Audit Committee

Up to 31st August 2016

Mr. M D S Goonatilleke - Chairman
(Resigned on 12/05/2016)

Mr. L T Samarawickrama
Mr. R N Asirwatham
Mr. S H Amarasekera - Appointed Chairman
on 27/05/2016

With effect from 1st September 2016

Mr. J D N Kekulawala - Chairman
Dr. S Selliah
Mr. T de Zoysa
Mr. T G Thoradeniya

Remuneration Committee

Up to 31st August 2016

Mr. W D N H Perera - Chairman
Mr. M D S Goonatilleke (Resigned on 12/05/2016)
Mr. A M Weerasinghe

With effect from 1st September 2016

Mr. A M Weerasinghe - Chairman
Mr. K D G Gunaratne
Mr. T de Zoysa

Related Party Transaction Review Committee

Up to 31st August 2016

Mr. R N Asirwatham - Chairman
Mr. M D S Goonatilleke (Resigned on 12/05/2016)
Mr. A M Weerasinghe

With effect from 1st September 2016

Dr. S Selliah - Chairman
Mr. T de Zoysa
Mr. J D N Kekulawala
Mr. T G Thoradeniya

The Corporate Governance of the Company is reflected in its strong belief in protecting and enhancing stakeholder value in a sustainable manner, supported by a sound system of policies and practices. Prudent internal controls ensure professionalism, integrity and commitment of the Board of Directors, Management and employees.

The Corporate Governance Statement on pages 16 to 18 explains the measures adopted by the Company during the year.

Corporate Social Responsibility

The Company continued its Corporate Social Responsibility Programme, details of which are set out on pages 13 to 15 of this Report.


Annual General Meeting

The Notice of the Twenty Fourth (24th) Annual General Meeting appears on page 90.

This Annual Report is signed for and on behalf of the Board of Directors by



A. M. Pandithage
Chairman



W. G. R. Rajadurai
Managing Director



P W Corporate Secretarial (Pvt) Ltd
Secretaries

Colombo
26th May 2017

Statement of Directors' Responsibilities

The Directors are required by the Companies Act to prepare financial statements for each Financial Year, which give a true and fair view of the state of affairs of the Company and the Group as at the end of the Financial Year and of the profit and loss for that period.

In preparing the financial statements, suitable accounting policies have been used and applied consistently, and reasonable and prudent judgments and estimates have been made. Relevant accounting standards have been followed.

The Directors are responsible for maintaining adequate accounting records, for safe guarding the assets of the Group and for preventing and detecting fraud and other irregularities.

Accordingly, the Directors have taken all reasonable steps to ensure that proper books of accounts of the Company and its subsidiaries and associates have been maintained and that the financial statements have been prepared in compliance with the Sri Lanka Accounting Standards.

By Order of the Board
HORANA PLANTATIONS PLC



P W Corporate Secretarial (Pvt) Ltd
Secretaries

Colombo
26th May 2017

Report of the Remuneration Committee

The Remuneration Committee appointed by the Board of Directors comprises of one(1) Non-Executive Director and two(2) Independent Non-Executive Directors as follows:

With effect from 1st September 2016

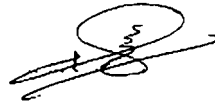
Mr. A M Weerasinghe - Chairman
Mr. K D G Gunaratne
Mr. T de Zoysa

The following members served on the Audit Committee upto 1st September 2016

Mr. W D N H Perera - Chairman
(Resigned on 08/03/2017)
Mr. M D S Goonatilleke (Resigned on 12/05/2016)
Mr. A M Weerasinghe

The Remuneration Policy on remuneration packages is to attract and retain the best professionals and an experienced workforce and motivate, encourage high levels of performance in a competitive environment bearing in mind the business performance and stakeholder expectations.

The Committee met once during the year. The meetings were for the purpose of examining the remuneration package of Director/ Chief Executive Officer and the Management Staff, their respective performances and deciding on appropriate remuneration packages as well as determining incentives based on performance of all management staff. Performance Evaluation method to compensate employees is in place and succession plans have been defined.



A M Weerasinghe
Chairman
Remuneration Committee

Colombo
26th May 2017

Related Party Transactions Review Committee Report

ADOPTION OF THE CODE OF BEST PRACTICES ON RELATED PARTY TRANSACTIONS

The Board of Directors of Horana Plantations PLC (HP-PLC) adopted the Code of Best Practices on related party transactions issued by the Securities and Exchange Commission of Sri Lanka (SEC) and established the Related Party Transactions Review Committee (RPTRC) in March 2016.

PURPOSE OF THE COMMITTEE

The purpose of the RPTRC of HP-PLC is to conduct an independent review approval and oversight of all related party transactions of HP-PLC and to ensure that the Company complies with the rules set out in the Code. The primary objectives of the said rules are to ensure that the interests of the shareholders as a whole are taken into account when entering into related party transactions, and to prevent Directors, key management personnel or substantial shareholders from taking advantage of their positions. To exercise this purpose the Committee has adopted the related party transaction Policy which contains the company's Policy governing the review, approval and oversight of related party transactions.

COMPOSITION OF THE COMMITTEE

With effect from 1st September 2016

Dr S Selliah - Chairman
Mr T. De Zoysa
Mr J.D.N Kekulawala
Mr T.G Thoradeniya

Upto 30th August 2016

Mr. R N Asiriwatham - Chairman
Mr A M Weerasinghe
Mr. M D S Goonatilleke

PW Corporate Secretarial (Pvt) Ltd, the Company Secretary functions as the Secretary to the Committee.

The Director/Chief Executive Officer and the Head of Finance attend meetings by invitation.

MEETINGS

The Committee held four (4) meetings during the year under review. All the members attended the meeting and the minutes of the Committee meeting were tabled at Board meeting, for the review of the Board.

RESPONSIBILITIES OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The following are key responsibilities have been set out in the Charter for RPTRC;

- a) Ensure that the Company complies with the rules set out in the Code
- b) Subject to the exceptions given under Rule 27 of the Code, review, in advance all proposed related party transactions
- c) Perform other activities related to the Charter as requested by the Board
- d) Have meetings every fiscal quarter and report to the Board on the Committee's activities
- e) Share information with the Audit Committee as necessary and appropriate, to permit the Audit Committee to carry out its statutory, regulatory and other responsibilities with regard to related party transactions
- f) Review the Charter and Policy at least annually and recommend amendments to the Charter and Policy to the Board as and when determined to be appropriate by the Committee.

PROCEDURES FOR REPORTING RPT'S

The Director / Chief Executive Officer is responsible for reporting to the Committee, for its review and approval the information set out under Rule 30 of the Code at the minimum, in respect of each related party transaction proposed to be entered into other

Related Party Transactions Review Committee Report (Contd...)

than the exceptions given in Rule 27 of the code. Moreover, on a quarterly basis, the Director / Chief Executive Officer is required to report to the Committee on the approved related party transactions actually entered into by the Company.

The Committee has approved the Related Party Transactions Declaration Form required to be filled by the Directors and key management personnel of the Company. The Company uses this form to capture the related party transactions at the end of every quarter.

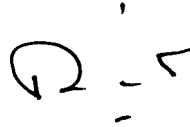
REVIEW OF RELATED PARTY TRANSACTIONS

The Committee reviewed all related party transactions of the Company for the Financial Year 2016/17. It was observed that all related party transactions entered during the year were of a recurrent, trading nature and were necessary for the day-to-day operations of the Company.

In the opinion of the Committee, the terms of these transactions were not more favourable to the related parties than those generally available to the public. The details of related party transactions entered into during the year are given in Note 35 to the Financial Statements, on pages 69 to 71 of this Annual Report.

DECLARATION

A declaration by the Board of Directors on compliance with the rules pertaining to related party transactions appears on the report of the Board of Directors on page 21 of this Annual Report.



Dr S. Selliah

Chairman - Related Party Transactions Review Committee

Colombo
26th May 2017

Audit Committee Report

In accordance with the Corporate Governance Guidelines, the Board of Directors appointed the Audit Committee. The Audit Committee is empowered by the Board of Directors to oversee the financial reporting, legal, and regulatory compliance, internal controls, risk management and assessment of independence and performance of external auditors. The Audit Committee comprises of four Non - Executive Directors chaired by a Chartered Accountant who are also Audit Committee members of the parent Company. Present Audit Committee is as follows:

Mr J.D.N Kekulawala - Chairman
Dr S. Selliah
Mr T. De Zoysa
Mr T.G Thoradeniya

The following members served on the Audit Committee upto 1st September 2016

Mr M.D.S Gunathillake - Chairman
(Resigned on 12/05/2016)
Mr L.T Samarawickrama
Mr R.N Asirwatham
Mr S. H Amarasekera - Appointed Chairman
on 27/05/2016

Role of the Committee

The Committee reviews the operations and effectiveness of Internal Control Systems, ensuring that a good financial reporting system is in place, and oversees the preparation, presentation and adequacy of disclosures in the Financial Statements in accordance with Sri Lanka Accounting Standards, Companies Act and other relevant financial reporting regulations. The Committee monitors the internal and external audit functions of the Company.

Internal Audit

The internal Audit division comprises of the Group Internal Auditor ,Assistant Internal Audit Manager and one Audit Assistant who report directly to the Executive Director / Chief Executive Officer. Internal Audits of estates are carried out by BDO Partners, Chartered Accountants. During the period under review the internal audit of all estate locations were carried out including special audits as required by the senior management.

External Audit


The Committee reviewed the Management Letter submitted by the External Auditors with the Management response. The management implements these recommendations and the Audit Committee follows up on the implementation of these recommendations.

The Committee makes recommendations to the Board on appointment, re-appointment and removal of External Auditors and approval of terms of engagement and remuneration.

Meetings and Activities

The Committee held 04 meetings during the year. The Director/Chief Executive Officer and Assistant General Manager - Finance attend meetings by invitation. During the year, the Committee reviewed 07 reports forwarded by the Internal Auditor .The reports are submitted monthly as they carry out the audits according to a scheduled programme. In addition, they carry out special audits on a need basis. During its meetings the committee reviewed the adequacy of internal controls and procedures in place to provide reasonable assurance that the Company's assets are safeguarded. The Committee also 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.

The Audit Committee has recommended to the Board of Directors that Messrs KPMG, Chartered Accountants be reappointed as Auditors subject to the approval of the shareholders.



Mr J.D.N Kekulawala
Chairman
Audit Committee

Colombo
26th May 2017

Independent Auditors' Report



KPMG
 (Chartered Accountants)
 32A, Sir Mohamed Macan Markar Mawatha,
 P. O. Box 186,
 Colombo 00300, Sri Lanka.

Tel : +94 - 11 542 6426
 Fax : +94 - 11 244 5872
 +94 - 11 244 6058
 +94 - 11 254 1249
 Internet : www.kpmg.com/lk

Independent Auditors' Report to the Shareholders of Horana Plantations PLC Report on the Financial Statements

We have audited the accompanying financial statements of Horana Plantations PLC, ("the Company"), which comprise the statement of financial position as at 31st March 2017, and the statement of profit or loss and other comprehensive income, statement of changes in equity and, cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion

on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31st March 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:

- The basis of opinion and scope and limitations of the audit are as stated above.
- 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 section 151 of the Companies Act.

CHARTERED ACCOUNTANTS

Colombo
 26th May 2017

M.R. Mithular FCA	P.Y.S. Perera FCA	C.P. Jayatilaka FCA
T.J.S. Rajakaner FCA	W.W.J.C. Perera FCA	Ms. S. Joseph FCA
Ms. S.M.B. Jayasekara ACA	W.K.D.C. Abeyratne FCA	S.T.D.L. Perera FCA
G.A.U. Karunaratne FCA	R.M.D.B. Rajapakse FCA	Ms. B.K.D.T.N. Rodrigo FCA
R.H. Rajan ACA		

Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA
 Ms. C.T.K.N. Perera ACMA(UK)

Statement of Profit or Loss and Other Comprehensive Income

For the Year ended 31st March

	Note	2017 Rs'000	2016 Rs'000 (Restated)
Revenue	4	1,947,278	1,806,106
Cost of Sales		(1,831,450)	(1,807,680)
Gross Profit	5	115,828	(1,574)
Other Operating Income	6	14,431	5,047
Change in Fair Value of Biological Assets	7	28,871	49,493
		159,130	52,966
Administrative Expenses		(90,123)	(83,691)
Management Fees	8	(9,940)	(5,160)
Profit/(Loss) from Operations		59,067	(35,885)
Net Finance Expenses	9	(88,656)	(39,859)
Loss before Taxation	10	(29,589)	(75,744)
Tax Reversal/(Expense)	11.1	(700)	2,625
Loss for the year		(30,289)	(73,119)
Other Comprehensive Income/(Expense):			
Actuarial Gain on Employee Benefits		31,506	50,985
Tax Expense on Other Comprehensive Income	11.4.1	(4,411)	(7,138)
Other Comprehensive Income for the year after tax		27,095	43,847
Total Comprehensive Loss for the year		(3,194)	(29,272)
Loss per Ordinary Share (Rs.)	12	(1.21)	(2.92)

The accounting policies and explanatory notes form an integral part of these Financial Statements

Figures in brackets indicate deductions.

Statement of Financial Position

As at 31st March

	Note	2017 Rs'000	2016 Rs'000
(Restated)			
ASSETS			
Non-Current Assets			
Property, Plant & Equipment:-			
Leasehold Right to Bare Land of JEDB/SLSPC Estates	13	109,119	112,985
Immovable JEDB/SLSPC Estate Assets			
on Finance Lease(Other than Bare Land)	14	54,821	64,002
Bearer Biological Assets	15.1	2,085,018	1,960,187
Consumable Biological Assets	15.2	490,535	453,884
Other Tangibles	16	476,129	513,850
		<u>3,215,622</u>	<u>3,104,908</u>
Other Non-Current Assets:-			
Advance Company Tax (ACT) Recoverable	17	27,285	27,285
Total Non-Current Assets		<u>3,242,907</u>	<u>3,132,193</u>
Current Assets			
Non-harvested Produce on Bearer Biological Assets	15.4	6,860	2,566
Inventories	18	230,211	173,343
Trade and Other Receivables	19	100,476	90,320
Holding Company Receivable	35.1.1	16,636	20,476
Other Related Company Receivables	35.1.1	8,636	681
Cash and Cash Equivalents	20	10,177	7,861
Total Current Assets		<u>372,996</u>	<u>295,246</u>
Total Assets		<u>3,615,903</u>	<u>3,427,439</u>
EQUITY & LIABILITIES			
Equity			
Stated Capital	21	250,000	250,000
Sinking Fund	22	35,000	35,000
Development Reserve	23	35,000	35,000
Retained Profits		1,106,369	1,109,563
Total Equity		<u>1,426,369</u>	<u>1,429,563</u>
Non-Current Liabilities			
Interest bearing Borrowings payable after one year	24.1	730,943	598,058
Net Liabilities to Lessor of JEDB/SLSPC Estates	25	84,564	86,292
Other Finance Lease Creditors	26	4,003	10,148
Employee Benefits	27	393,480	428,009
Deferred Income	28	138,189	134,299
Deferred Tax Liability	29	133,248	129,532
Total Non-Current Liabilities		<u>1,484,427</u>	<u>1,386,338</u>
Current Liabilities			
Trade and Other Payables	30	224,250	203,143
Payable to Other Related Companies	35.1.2	40,487	18,234
Interest bearing Borrowings payable within one year	24.1	150,115	145,632
Net Liabilities to Lessor of JEDB/SLSPC Estates	25	1,728	1,662
Other Finance Lease Creditors	26	6,144	7,878
Short Term Borrowings	31	282,380	234,990
Total Current Liabilities		<u>705,106</u>	<u>611,539</u>
Total Equity and Liabilities		<u>3,615,903</u>	<u>3,427,439</u>

The accounting policies and explanatory notes form an integral part of these Financial Statements. Figures in brackets indicate deductions.

These Financial Statements have been prepared in compliance with the requirements of the Companies Act No.7 of 2007.


Ms. P. M. Ediriweera
 Assistant General Manager - Finance

The Board of Directors are responsible for the preparation and presentation of these Financial Statements. Approved and Signed for and on behalf of the Board of Directors of Horana Plantations PLC.


A. M. Pandithage
 Chairman
 Colombo
 26th May 2017


W. G. R. Rajadurai
 Managing Director

Statement of Changes in Equity

	Stated Capital	Sinking Fund	Develop- -ment Reserve	Retained Profit	Total
For the year ended 31st March 2017	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Balance as at 1st April 2015 -previously reported	250,000	35,000	35,000	1,104,224	1,424,224
Prior Year Adjustments (Refer Note No. 38)					
Change in Fair Value of Consumable Biological Assets	-	-	-	51,591	51,591
Change in Fair Value of Non-harvested Crop on Bearer Biological Assets	-	-	-	3,189	3,189
Provision on Deferred Tax	-	-	-	(7,669)	(7,669)
Balance as at 1st April 2015 -restated	250,000	35,000	35,000	1,151,335	1,471,335
Loss for the year	-	-	-	(73,119)	(73,119)
Other Comprehensive Income	-	-	-	43,847	43,847
Final Dividend of Rs.0.50 per Ordinary Share, paid for the year ended 31st March 2015	-	-	-	(12,500)	(12,500)
Balance as at 31st March 2016 (Restated)	250,000	35,000	35,000	1,109,563	1,429,563
Loss for the year	-	-	-	(30,289)	(30,289)
Other Comprehensive Income	-	-	-	27,095	27,095
Balance as at 31st March 2017	250,000	35,000	35,000	1,106,369	1,426,369

The accounting policies and explanatory notes form an integral part of these Financial Statements

Figures in brackets indicate deductions.

Statement of Cash Flows

For the year ended 31st March

	Note	2017 Rs'000	2016 Rs'000 (Restated)
Cash Flows from Operating Activities			
Loss before Taxation		(29,589)	(75,744)
Adjustments for non-cash items :			
Change in Fair Value of Biological Assets		(28,871)	(49,493)
Depreciation and Amortisation		131,575	129,876
Provision for Retiring Gratuity - Net of Actuarial Gain		73,292	76,634
Net Finance Expenses		88,646	39,527
Finance Lease Interest		5,016	6,487
Profit on Disposal of Property, Plant and Equipment and Redundant Materials		(9,671)	(94)
Amortisation of Capital Grants		(4,760)	(4,953)
Field Development Expenditure written-off		745	-
Operating Profit before Working Capital Changes		226,383	122,240
(Increase)/Decrease in Debtors, Deposits & Prepayments		(4,746)	27,302
(Increase)/Decrease in Inventories		(54,303)	50,310
(Increase)/Decrease in Related Party Receivables		(4,116)	15,837
Increase/(Decrease) in Related Party Payables		22,252	8,884
Increase/(Decrease) in Creditors, Provisions & Accrued Charges		27,267	(12,026)
Cash Generated from Operations		212,737	212,547
Interest paid		(81,674)	(30,610)
Payments made for Employee Benefits		(75,899)	(65,084)
Payment of Income Tax (Economic Service Charge & Withholding Tax)		(6,798)	(1,345)
Payment of Super Gain Tax		-	(4,015)
Net Cash Inflow from Operating Activities		48,366	111,493
Cash Flows from Investing Activities			
Purchase/Construction of Property, Plant and Equipment		(11,673)	(11,972)
Expenditure incurred on Biological Assets		(209,348)	(193,831)
Capital Grants and Subsidies received		8,649	17,639
Proceeds on Disposal of Property, Plant and Equipment and Redundant Materials		9,671	95
Interest Income		129	201
Net Cash Outflow from Investing Activities		(202,572)	(187,868)
Cash Flows from Financing Activities			
Receipt of Project Loans		250,000	-
Repayment of Project Loans		(86,250)	(43,906)
Receipt of Other Term Loans		133,000	130,114
Repayment of Other Term Loans		(159,382)	(32,374)
Receipt of Short Term Advances		204,000	-
Repayment of Short Term Advances		(204,000)	-
Payment of Finance Lease Rentals		(28,236)	(33,341)
Payment of Dividend		-	(12,500)
Net Cash Inflow from Financing Activities		109,132	7,993
Net Cash Outflows for the Year		(45,074)	(68,382)
Change in Cash and Cash Equivalents			
At the beginning of the Year		(227,129)	(158,747)
Net Cash Outflows for the Year		(45,074)	(68,382)
At the End of the Year	20	(272,203)	(227,129)

The accounting policies and explanatory notes form an integral part of these Financial Statements
 Figures in brackets indicate deductions.

Significant Accounting Policies

For the Year ended 31st March 2017

1. REPORTING ENTITY

Horana Plantations PLC (hereafter mentioned as “the Company”), is a Public Limited Liability Company, 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 Public Corporation of Government Owned Business Undertakings into Public Companies Act No. 23 of 1987. The registered office of the Company is situated at No 400, Deans Road, Colombo 10, and the plantations are situated in the planting districts of Nuwara-Eliya, Kalutara and Ratnapura.

During the year, the principle activities of the Company were the cultivation, manufacturing and sale of tea, rubber and other agricultural produce.

The Company’s parent undertaking is Vallibel Plantation Management Limited, which is incorporated in Sri Lanka and the Company’s ultimate parent is Vallibel One PLC.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The financial statements of the Company such comprise Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and Statement of Cash Flows together with the Significant Accounting Policies and Notes to the Financial Statements. These statements are prepared in accordance with Sri Lanka Accounting Standards (LKASs & SLFRSs) promulgated by the Institute of Chartered Accountants of Sri Lanka (ICASL) and with requirements of the Companies Act No.07 of 2007.

The Financial Statements were authorized for issue by the Board of Directors on 26th May 2017.

2.2 Basis of Measurement

These Financial Statements have been prepared in accordance with the historical cost convention basis except for the following material items in the statement of financial position.

- Lease hold right to Bare Land and leased assets of JEDB/SLSPC, which have been revalued as morefully described in Note 13.
- Consumable Mature Biological Assets are measured at fair value less cost to sell as per LKAS 41 - Agriculture.
- Non derivative financial instruments measured at fair value.
- Employee Benefits recognized based on actuarial valuation (LKAS 19).

The Directors have made an assessment of the Company’s ability to continue as a going concern in the foreseeable future and they do not foresee a need for liquidation or cessation of trading.

2.3 Functional and Presentation Currency

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

2.4 Use of Estimates and Judgments

The preparation of the Financial Statements in conformity with Sri Lanka Accounting Standards (LKAS and SLFRS) requires the

Significant Accounting Policies (Contd...)

For the Year ended 31st March 2017

management to make judgments, estimates and assumptions that effect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates and judgmental decisions. Estimates are underlying assumptions that are reviewed on an on going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future period affected.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements unless otherwise stated.

3.1 Foreign Currency

3.1.1 Foreign Currency Transactions

Transactions in foreign currencies are translated to Sri Lankan Rupees at the rates of exchange prevailing at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into local currencies at the rates of exchange prevailing at the reporting date while non-monetary items are reported at the rates prevailing at the date of the transactions were affected.

The exchange difference arising on the translations are recognized in the Statement of Profit or Loss and Other Comprehensive Income.

3.2 Assets and Bases of their Valuation

Assets classified as Current Assets in the Statement of Financial Position are Cash and Bank balances and those which are expected to be realized in cash during, the normal operating cycle of the Company's business, or within one year from the reporting date whichever is shorter. Assets

other than current assets are those which the Company intends to hold beyond a period of one year from the reporting date.

3.2.1 Property, Plant and Equipment

a) Recognition & Measurement

Property, Plant and Equipment are stated at cost or valuation less accumulated depreciation and accumulated impairment losses. The cost of Property, Plant and Equipment is the cost of acquisition or construction together with any incidental expenditure incurred in bringing the asset to its working condition for its intended use. Capital work in progress is transferred to the respective asset accounts when the assets are available for use.

b) Subsequent Expenditure

The Cost of replacing part of an item of Property, Plant and 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 cost of the day-to-day servicing of Property, Plant and Equipment are recognized in Statement of Profit or Loss and Other Comprehensive Income as incurred.

c) De-recognition

The carrying amount of an item of Property, Plant and Equipment is de-recognized on disposal; or when no future economic benefits are expected from its use or disposal. Gains or losses on de-recognition are recognized in Statement of Profit or Loss and Other Comprehensive Income.

Significant Accounting Policies (Contd...)

For the Year ended 31st March 2017

d) Permanent Land Development Cost

Permanent land development costs are cost 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 and Other Comprehensive Income in full and reduced to the net carrying amounts of such assets in the year of occurrence after ascertaining the loss.

3.2.2 Biological Assets

a) Bearer Biological Assets & Consumer Biological Assets

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

The cost of land preparation, rehabilitation, new planting, re-planting, crop diversifying, 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.

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

The expenditure incurred on bearer biological assets (tea and/or rubber) fields, which come in to bearing during the year, has been transferred to mature plantations. Expenditure incurred on consumable biological assets is recorded at cost at initial recognition and thereafter at fair value at the end of each reporting period.

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.

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 option provided by the ruling issued by Institute of Chartered Accountants of Sri Lanka.

The managed timber trees are measured on initial recognition and at the end of each reporting period at its fair value less cost to sell in terms of LKAS 41 - Agriculture. The cost is treated as approximation to

Significant Accounting Policies (Contd...)

For the Year ended 31st March 2017

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 Discounted Cash Flow (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.

The main variables in DCF model concerns

Variable	Comment
Currency valuation	Sri Lankan Rupees
Timber content	Estimate based on physical verification of girth, height and considering the growth of the each spices.
	Factor all the prevailing statutory regulations enforced against harvesting of timber coupled with forestry plan of the Company.
Economic useful life	Estimated based on the normal life span of each spices by factoring the forestry plan of the Company
Selling price	Estimated based on prevailing Sri Lankan market price. Factor all the conditions to be fulfil in bringing the trees in to saleable condition
Discount Rate	Discount rate reflects the possible variations in the Cash flows and the risk related to the biological assets.

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

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

b) Infilling Cost on Biological Assets

The land development costs incurred in the form of infilling have been capitalized to the relevant mature field, only 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 and Other Comprehensive Income in the year in which they are incurred.

c) 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.

Significant Accounting Policies (Contd...)

For the Year ended 31st March 2017

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 capitalization are determined in accordance with LKAS 23 - "Borrowing Costs".

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

d) Produce on Bearer Biological Asset

The Company recognises its agricultural produce prior to harvest separately from its bearer plant. Such agricultural produce prior to harvest continues to be in the scope of LKAS 41 and measured at fair value less costs to sell. Changes in the fair value of such agricultural produce is recognised in profit or loss at the end of each reporting period.

When deriving the estimated quantity the Company limits it to one harvesting cycle and the quantity is ascertained based on the last day of the harvest in the immediately preceding cycle. In order to ascertain the fair value of produce growing on trees, 50% of the estimated crop in that harvesting cycle is considered."

3.2.3. Depreciation and Amortization

a) Amortization of Assets on JEDB / SLSPC Lease

The leasehold rights to JEDB/SLSPC are amortized in equal amounts over the following years. (Lower of lease period and economic useful life)

	No. of Years	Rate
Bare Land	53	1.9%
Mature Plantations	30	3.3%
Permanent Land Development Cost	30	3.3%
Buildings	25	4.0%
Plant and Machinery	15	6.7%

b) Amortization of Other Mature Plantations (Re-planting and New Planting)

	No. of Years	Rate
Mature Plantations (Tea)	33	3.00%
Mature Plantations (Rubber)	20	5.00%
Mature Plantations (Oil Palm)	20	5.00%
Mature Plantations (Coconut)	50	2.00%
Mature Plantations (Cinnamon)	15	6.67%
Mature Plantations (Coffee & Pepper)	4	25.00%
Mature Plantations (Pineapple)	3	33.33%

Significant Accounting Policies (Contd...)

For the Year ended 31st March 2017

Depreciation of an asset begins when it is available for use and ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is de-recognized.

Depreciation methods, useful lives and residual values are re-assessed at the reporting date. Mature plantations are depreciated over their useful lives or unexpired lease period, whichever is lower.

c) Depreciation

Depreciation is charged on a straight line basis over the estimated useful economic life of such assets based on the cost or re-valued amount of all Property, Plant and Equipment. Assets are depreciated over the shorter of the lease term or their useful lives.

	No. of Years	Rate
Buildings	40	2.50%
Permanent Land Development Costs	40	2.50%
Plant and Machinery	13	7.50%
Equipment	10, 8, 5	10%, 12.5%, 20%
Furniture and Fittings	10	10.00%
Motor Vehicles	5, 4	20.00%, 25.00%
Computer Hardware and Software	8, 4	12.50%, 25.00%

3.2.4. 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 such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's value in use and its fair value less cost to sale and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset 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 pre-tax discount rates that reflect current market assessments of the time value of money and the risk specific to the asset. In determining fair value less cost to sell, recent market transactions are taken into account, if available. If no such transaction can be identified, an appropriate valuation model is used.

Impairment loss of continuing operations are recognized in the Statement of Profit or Loss and Other Comprehensive Income in those expense categories consistent with the function of the impaired asset.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the

Significant Accounting Policies (Contd...)

For the Year ended 31st March 2017

case, carrying amount of the asset is increased to its recoverable amount. That increased amount cannot '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 and Other Comprehensive Income.

3.2.5. Leased Assets

Assets obtained under 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 present value and the minimum lease payments.

Assets held under finance lease are amortized 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 is 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 elements outstanding.

The cost of improvements or on leased property is capitalized, disclosed as improvements to leasehold property and depreciated over the unexpired period of the lease, or the estimated

useful lives of the improvements, whichever is shorter.

3.2.6. Intangible assets

An Intangible Assets is recognized if it is probable that economic benefits are attributable to the assets will flow to the entity and cost of the assets can be measured reliably. Such items with finite useful life are carried at cost less accumulated amortization and accumulated impairment losses.

a) Software

All computer software cost incurred, which are not internally related to associate hardware, which can be clearly identified, reliably measured and its probable that they will lead to future economic benefits, are included in the Statement of Financial Position under the category of Intangible Assets.

b) Subsequent Expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred.

c) Amortization

Amortization is recognized in the profit or loss on a straight line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful life is as follows:

Significant Accounting Policies (Contd...)

For the Year ended 31st March 2017

	No. of Years	Rate
Computer Software	4	25.00%

3.2.7. Inventories

Agricultural Produce harvested from Biological Assets

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

Agricultural Produce after further processing

Further processed output of Agricultural Produce 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 price at which stocks can be sold in the normal course of business after allowing for estimated costs of conversion and the estimated costs necessary to bring them to a saleable condition.

The cost incurred in bringing the inventories to its present location and conditions are accounted using the following cost formulas.

Input Material

At actual cost on first-in-first-out basis.

Spares and Consumables

At actual cost on first-in-first-out basis.

Produced Stocks

Valued at cost or NRV.

3.2.8. Trade and Other Receivables

Trade receivables are stated at the amounts they are estimated to realize inclusive of provisions for bad & doubtful debts. Other receivables and dues from related parties are recognized at cost less provision for bad and doubtful receivables.

3.2.9. Cash and Cash Equivalents

Cash and Cash Equivalents are defined as cash in hand, demand deposits and short-term highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

Liabilities classified as current liabilities on the Statement of Financial Position are those which fall due for payment on demand or within one year from the reporting date.

All known liabilities have been accounted for in preparing these Financial Statements. Provision and liabilities are recognized when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of economic benefits will be required to settle the obligation.

3.3.1. Employee Benefits

3.3.1.1. Defined Benefit Plan

The retirement benefit plan adopted is as required under the Payment of Gratuity Act No.12 of 1983 and the Indian Repatriate Act No.34 of 1978 to eligible employees. This item is grouped under Employee Benefits in the Statement of Financial Position. Provision for Gratuity on the Employees of the Company is based on an actuarial valuation, using the Projected Unit Credit (PUC) method as recommended

Significant Accounting Policies (Contd...)

For the Year ended 31st March 2017

by Sri Lanka Accounting Standards No.19 "Employee Benefits". The actuarial valuation was carried out by a professionally qualified firm of actuaries, Messers Actuarial and Management Consultants (Private) Limited as at 31st March 2017.

The key assumptions used by the actuary include the following:

- | | |
|---|---|
| (i) Rate of Interest | 12.00% per annum |
| (ii) Rate of Salary Increase | |
| - Workers | 15.00% every two years |
| - Estate Staff | 12.50% every three years & 2% per annum |
| - Head Office Staff | 10.00% per annum |
| (iii) Retirement Age | |
| - Workers | 60 years |
| - Estate Staff | 60 years |
| - Head Office Staff | 55 years |
| (iv) Daily Wage Rate | |
| - Tea | Rs. 500.00 |
| - Rubber | Rs. 500.00 |
| (v) The Company will continue as a going concern. | |

However, according to the Payment of Gratuity Act No.12 of 1983, the liability for payment to an employee arises only after the completion of 5 years continued services.

The liability is not externally funded.

3.3.1.2. Defined Contribution Plans - Provident Funds and Trust Fund

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

All the employees of the Company are members of the Employees'

Trust Fund, to which the Company contributes 3% on the consolidated salary of such employees.

3.3.2. Trade and Other Payables

Trade and other payables are stated at their costs.

3.3.3. Deferred Income

Grants and Subsidies

Grants related to Property, Plant and Equipment other than grants received for consumer biological assets are initially deferred and allocated to income on a systematic basis over the useful life of the related Property, Plant and Equipment, more fully mentioned in Note 28 to the Financial Statements.

Grants related to income are recognized in the Statement of Profit or Loss and Other Comprehensive Income in the year which it is receivable.

Unconditional grants received for Consumer Biological Assets measured at fair value less cost to sell are recognized in the Statement of Profit or Loss and Other Comprehensive Income when, and only when such grants become receivable.

3.4. Financial Instruments

a) Initial Recognition

The Company initially recognizes loans and receivables and deposits on the date that they are originated.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive

Significant Accounting Policies (Contd...)

For the Year ended 31st March 2017

the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

b) Held to Maturity Assets

If the Company has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held to maturity. Held-to-maturity financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, Held To Maturity financial assets are measured at amortized cost using the effective interest method, less any impairment losses.

c) Loans and Receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less

any impairment losses. Loans and receivables comprise cash and cash equivalents, and trade and other receivables.

d) Other Financial Liabilities

Such financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. Other financial liabilities comprise loans and borrowings, bank overdrafts, and trade and other payables.

3.5. Statement of Profit or Loss and Other Comprehensive Income

3.5.1. Revenue and Income Recognition

a) Recognition of Revenue

Revenue is recorded at invoice value net of brokerage, sale expenses and other levies related to revenue. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

Significant Accounting Policies (Contd...)

For the Year ended 31st March 2017

b) Gain and Losses on Disposal

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 recognized within 'other operating income' in the Statement of Profit or Loss and Other Comprehensive Income.

c) Interest Income

Interest income is recognized on an accrual basis.

d) Other Income

Other income is recognized on an accrual basis.

3.5.2. Expenditure Recognition

All expenses incurred in running the business and in maintaining the Property, Plant and Equipment in a state of efficiency is charged to the Statement of Profit or Loss and Other Comprehensive Income.

For the purpose of the presentation of the Statement of Profit or Loss and Other Comprehensive Income, the Directors are of the opinion that function of expenses method presents fairly the elements of the enterprise's performance; hence such presentation method is adopted.

3.5.3. Net Finance Income / Expense

Interest income is recognized as it accrues, using the effective interest method

Finance costs comprise interest expense on borrowings, impairment losses recognized on financial assets and borrowing costs that are not directly attributable to the acquisition, construction or production of a

qualifying asset. These are recognized in profit or loss using the effective interest method.

3.5.4. Income Tax

Income tax expense comprises current and deferred tax. Income tax expense is recognized in Statement of Profit or Loss and Other Comprehensive Income except to the extent that it relates to items recognized directly in equity or in Other Comprehensive Income.

a) Current Taxes

The provision for income tax is based on the elements of income and expenditure as reported in the Financial Statements and computed in accordance with the provisions of the Inland Revenue Act No.10 of 2006 and amendments thereto. Relevant details are disclosed in Note 11 to the Financial Statements.

The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted on the reporting date.

b) Deferred Taxation

Deferred tax is recognized using the liability method, providing for temporary differences between the carrying amounts and tax bases used for taxation purposes. Deferred tax is not recognized for the following temporary differences: The initial recognition of assets or liabilities in a transaction that is not a business combination and that effects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable

Significant Accounting Policies (Contd...)

For the Year ended 31st March 2017

future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantially enacted by the reporting date.

The principal temporary differences arise from depreciation on Property, Plant & Equipment, tax losses carried forward and provisions for defined benefit obligations.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3.6. Segmental Information

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' operating results are reviewed regularly by the Company's Managing Director to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

3.7. Related Party Transactions

Disclosure has been made in respect of the transaction in which one party has the ability to control or exercise

significant influence over the financial and operating policies/ decisions of the other, irrespective of whether a price is being charged or not.

3.8. Statement of Cash Flows

The Statement of Cash Flows has been prepared using the "indirect method". Interest paid is classified as operating cash flows, interest and dividends received and government grants received are classified as investing cash flows while dividends paid is classified as financing cash flows for the purpose of presenting the Statement of Cash Flows.

3.9. Earnings Per Share (EPS)

Earnings per Share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of shares outstanding during the period.

3.10. Events Occurring After the Reporting Period

All material post Reporting Period events have been considered & where appropriate adjustments or disclosure have been made in the respective notes to the Financial Statements.

3.11. Commitment and Contingencies

Contingencies are possible assets or obligations that arise from a past event and would be confirmed only on the occurrence or non occurrence of one or more uncertain future events, which are beyond the company's control. Contingent Liabilities are disclosed in Note 32 to the Financial Statements. Commitments are disclosed in Note 33 to the Financial Statements.

Significant Accounting Policies (Contd...)

For the Year ended 31st March 2017

3.12. New Standards and Interpretations not yet Adopted

SLFRS 9 - Financial Instruments: Classification and Measurement

SLFRS 9 replaces LKAS 39 and applies to classification and measurement of financial assets and liabilities as defined in LKAS 39. The standard is effective for annual periods beginning on or after 01st January 2018. The adoption of the first phase of SLFRS 9 will have an effect on the classification and measurements of financial liabilities. The Company will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

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 the existing revenue recognition guidance including LKAS 18 Revenue and LKAS 11 Construction Contracts. SLFRS 15 is effective for annual reporting periods beginning on or after 01st January 2017, with early adoption permitted.

SLFRS 16 - Leases

SLFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). SLFRS 16 is effective from 1 January 2019. A company can choose to apply SLFRS 16 before that date but only if it also applies SLFRS

15-Revenue from Contracts with Customers (which is effective from 01st January 2018). SLFRS 16 replaces the existing leases Standard, LKAS 17 Leases, and related interpretations, IFRIC 4 - Determining whether an Agreement contains a lease, SIC 15 - Operating Leases - Incentives and SIC 27 - Evaluating the Substance of Transactions Involving Legal form of a lease.

3.13. Critical Accounting Estimates and Judgments

Information about assumptions and estimates uncertainties that have a significant risk of resulting in a material adjustment in the financial statements are included in the table below:

Critical Accounting Estimate / Judgment	Disclosure Note	Reference Page
Biological Assets	15	52 - 54
Inventories	18	57
Income Tax Expense	11.1	49
Deferred Tax Assets / Liabilities	29	66
Employee Benefits	27	63 - 64

Notes to the Financial Statements

For the Year ended 31st March		2017	2016
		Rs'000	Rs'000
			(Restated)
4 Revenue			
Segmental Analysis of Revenue:			
Main Sectors - Tea		1,532,680	1,471,498
- Rubber		380,862	301,476
		1,913,542	1,772,974
Diversified Crops		16,752	9,065
Sale of Timber Trees		12,672	15,011
Other Operating Revenue		4,312	9,056
		1,947,278	1,806,106
5. Gross Profit			
Segmental Analysis of Gross Profit:			
Main Sectors - Tea		102,614	(7,603)
- Rubber		(272)	(20,050)
		102,342	(27,653)
Diversified Crops		(3,140)	3,334
Sale of Timber Trees		12,672	15,011
Other Operating Revenue		3,954	7,734
		115,828	(1,574)
Segmental Revenue, Expenses, Assets and Liabilities are more fully described in Note 39 to the Financial Statements.			
6. Other Operating Income			
Profit on Disposal of Property, Plant & Equipment		4,650	-
Proceeds on Disposal of Redundant Materials		5,021	94
Amortisation of Capital Grants	<i>(Refer Note No.28)</i>	4,760	4,953
		14,431	5,047
7. Change in Fair Value of Biological Assets			
Change in Fair Value of Consumable Biological Assets (Managed Timber Plantations)	<i>(Refer Note No.15.2)</i>	22,011	46,927
Gain on Fair Value of Non-harvested produce on Bearer Biological Assets	<i>(Refer Note No.15.5)</i>	6,860	2,566
		28,871	49,493
8. Management Fees			
Management Fee		8,651	4,649
Value Added Tax on Management Fee (Unclaimed)		1,289	511
		9,940	5,160

As per the Management Agreement signed between the Company and the Managing Agent, Vallibel Plantation Management Ltd., on 15th July 2005, the basis of computing management fee is on Earnings Before Interest Received/ Paid, Corporate Tax, Depreciation, Amortisation and Management Fees (EBIDTA). The rate applicable for the year under review is 5% of EBIDTA or Rs.15 Million, whichever is lower (same basis has been applied for the year ended 31st March 2016).

Notes to the Financial Statements (Contd...)

For the Year ended 31st March

	2017	2016
	Rs'000	Rs'000
9. Net Finance Expenses		
Finance Expenses		
Project Loan Interest	56,251	42,339
Term Loan Interest	38,651	15,196
Bank Overdraft Interest	37,277	14,526
Interest on Short Term Advances	2,057	-
Interest on Government Lease & Other Finance Leases	13,690	13,626
Debit Tax, Stamp Duty and Other Finance Charges	770	1,546
Sub-Total	148,696	87,233
Capitalisation of Borrowing Costs on Immature Plantations	(60,013)	(46,886)
Total Finance Expense	88,683	40,347
Finance Income :-		
Interest Income	(129)	(201)
Foreign Exchange (Gain)/Loss	102	(287)
Total Finance Income	(27)	(488)
Net Finance Expenses	88,656	39,859

10. Loss before Taxation is stated after charging all expenses including the following

Auditors Fees -Statutory Audit	2,033	1,900
-Other audit related services	-	65
Finance Lease Interest on JEDB/SLSPC Lease and Others	5,016	6,487
Operating Lease Rentals	838	838
Secretarial Fees and Expenses	358	378
Legal Fees and Expenses	3,890	2,328
Donations	6	250
Depreciation and Amortisation:-		
- Leasehold Rights to Bare Land	3,866	3,867
- Immovable Estate Assets on Finance Lease	9,181	9,158
- Bearer Biological Assets	69,133	58,401
- Other Tangibles	49,393	58,450
- Write-off of Biological Assets - Tea Immature Plantation	743	-
- Provision/(Reversal) for other receivables	(412)	1,284
Personnel Costs include:-		
- Provision for Retiring Gratuity:-		
- Current Service Cost	26,210	27,745
- Interest Cost	47,081	48,890
- Defined Contribution Plan Costs (Provident Funds & ETF)	120,775	118,172
- Other Staff Costs	1,095,273	1,047,663

Notes to the Financial Statements (Contd...)

For the Year ended 31st March

2017	2016
Rs'000	Rs'000
	(Restated)

11. Tax Reversal/(Expense)**11.1 Current Taxes on Continuing Operations:**

In terms of Section 16 of the Inland Revenue Act No.10 of 2006 and subsequent amendments there to, "Profits from any Agricultural Undertaking" is liable for income tax at 10%, commencing from 1st April 2011. Manufacturing profits and other income are liable for income tax at 28%.

Income Tax on Profits for the year	<i>(Refer Note No.11.2)</i>	-	-
Deferred Tax on Profit Loss	<i>(Refer Note No.11.4.1)</i>	(695)	(7,900)
Economic Service Charge (non-claimable)		1,395	5,275
Tax Expense on Profit or Loss		700	(2,625)
Differred Tax on other Comprehensive Income		4,410	7,138
Tax on Total Comprehensive Income		5,110	4,513

11.2 Reconciliation between Profit before Taxation and Current Tax on Ordinary Activities:

Loss before Taxation		(29,588)	(75,744)
Disallowable Items		191,153	220,421
Loss attributable to the Manufacture	(1)	167,391	143,100
Allowable Items		(280,672)	(330,680)
Trade receipt on Disposal of Capital Assets		1,416	94
Profit/(loss) from Agriculture, Trade or Business		49,700	(42,809)
Other Sources of Income (Interest Income)		102	201
Total Statutory Income		49,802	(42,608)
Loan Interest Paid		(60,013)	(46,886)
Ground Rent Paid		(18,909)	(18,519)
Taxable Income/(loss) for the period	(2)	(29,120)	(108,013)

Tax Rates Applicable	10% & 28% 10% & 28%
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Current Income Tax Expense	-
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11.3 Tax Losses:

Tax Loss Brought Forward		1,350,792	1,099,679
Loss incurred during the year	(1 + 2)	196,511	251,113
Tax Losses set off during the year		-	-
Tax Loss Carried Forward		1,547,303	1,350,792

Under the Section 32 of the Inland Revenue Act No.10 of 2006, tax losses can be claimed only up to a maximum limit of 35% of total Statutory Income and there is no restrictions for carrying forward of any tax losses, which cannot be deducted from total statutory income, for future years of assessments.

Notes to the Financial Statements (Contd...)

For the Year ended 31st March		2017		2016	
		Rs'000	Rs'000	Rs'000 (Restated)	Rs'000 (Restated)
11.4	Deferred Taxation:	Temporary Differences	Tax Effect	Temporary Differences	Tax Effect
	On Property, Plant & Equipment	339,230	47,492	316,066	44,249
	On Biological Assets	2,582,413	361,538	2,416,637	338,329
	On Employee Benefits	(422,568)	(59,160)	(456,681)	(63,935)
	On Tax Loss Carried Forward	(1,547,303)	(216,622)	(1,350,792)	(189,111)
		<u>951,772</u>	<u>133,248</u>	925,230	129,532
	Tax Rates Applicable (Refer Note 11.4.2)		<u>14.00%</u>		<u>14.00%</u>
	Provision/(Reversal) of Deferred Taxation (Refer Note 29)		<u>3,716</u>		<u>(762)</u>
11.4.1	On Operating Profit		(695)		(7,900)
	On Other Comprehensive Income		4,411		7,138
			<u>3,716</u>		<u>(762)</u>

11.4.2 Since the Company's income is liable for income tax at different rates, the deferred tax liability is arrived at by applying the income tax rates of 28% and 10% applicable for the manufacture income and agricultural income respectively. The effective tax rate (weighted average) applicable is 14.00% (2016-14.00%).

12. Loss per Share

Loss per Share has been calculated by dividing the profit/(loss) attributable to ordinary shareholders of the Company by the weighted average number of shares In Issue during the year. There were no diluted potential ordinary shares outstanding at any time during the year.

For the Year ended 31st March		2017	2016
Loss for the year	-Rs'000	<u>(30,289)</u>	(73,119)
Weighted Average Number of Ordinary Shares in issue during the year	-Numbers (in Thousands)	<u>25,000</u>	25,000
Loss per Share	-Rs.	<u>(1.21)</u>	(2.92)

Notes to the Financial Statements (Contd...)

As at 31st March

	2017 Rs'000	2016 Rs'000
13. Leasehold Rights to Bare Land of JEDB/SLSPC Estates		
Capitalised Value :		
As at 22.06.1992	204,931	204,931
Amortisation :		
At the beginning of the year	91,946	88,079
Charge for the year	3,866	3,867
At the end of the year	95,812	91,946
Carrying Amount :		
At the end of the year	109,119	112,985

The leasehold rights to the bare land on all estates (except for Dumbara Estate which is under an operating lease) have been taken into the books of the Company as at 22nd June 1992, immediately after the formation of the Company. The leasehold rights to land is recorded in accordance with the statement of alternate treatment for the right to use of land on lease which was approved by the council of the Institute of Chartered Accountants of Sri Lanka on the 21st August 2013, corresponding liability is shown as a lease payable to JEDB/SLSPC. For this purpose lands have been revalued at Rs. 204.931 Million being the value established for these lands by Valuation Specialist, D.R.Wickremasinghe just prior to the formation of the Company.

14. Immovable JEDB/SLSPC Estate Assets on Finance Lease (Other than Bare Land)

	Bearer Biological Assets (Immature) Rs'000	Bearer Biological Assets (Mature) Rs'000	Permanent Land Development Costs Rs'000	Buildings Rs'000	Plant & Machinery Rs'000	Total as at 2017 Rs'000	Total as at 2016 Rs'000
Capitalised Value :							
As at 22.06.1992	145,993	68,817	4,014	47,173	6,818	272,815	272,815
Transfers to Mature :							
At the beginning of the year	(145,993)	145,993	-	-	-	-	-
During the Period	-	-	-	-	-	-	-
At the end of the year	-	214,810	4,014	47,173	6,818	272,815	272,815
Amortisation :							
Opening Balance	-	153,964	3,161	44,870	6,818	208,813	199,654
Charge for the year	-	7,161	133	1,887	-	9,181	9,159
At the end of the year	-	161,125	3,294	46,757	6,818	217,994	208,813
Carrying Amount :							
As at 31.03.2017	-	53,685	720	416	-	54,821	
As at 31.03.2016	-	60,846	853	2,303	-		64,002

All immovable estate Property, Plant and Equipment under finance leases have been taken into the books of the Company retroactive to 22nd June 1992. For this purpose all estate immovables have been revalued at their book values as they appear in the books of the lessor (JEDB/SLSPC), as the case may be on the day immediately preceding the date of formation of the company.

Investments in Bearer Biological Assets which were immature, at the time of handing over to the Company by way of estate leases, are shown under Bearer Biological Assets-Immature (revalued as at 22.06.92). Further investments in such Bearer Biological Assets (Immature) to bring them to maturity are shown under "Note 15.1.1 - Bearer Biological Assets (Immature Plantations)". When these plantations become mature the additional investment to bring them to maturity will be moved from the Note 15.1.1 - Bearer Biological Assets (Immature Plantations) to Note 15.1.2 - Bearer Biological Assets (Mature Plantations) shown under Note 15.1, and a corresponding move from Bearer Biological Assets (Immature) to Bearer Biological Assets (Mature) will be made in the above category, namely cost incurred before take over.

Notes to the Financial Statements (Contd...)

As at 31st March 2017

15. Biological Assets

15.1 Bearer Biological Assets

	Tea	Rubber	Oil Palm	Diversi- -fication	Total as at 2017	Total as at 2016
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
15.1.1 Immature Plantations						
Cost :						
At the beginning of the year	155,101	476,221	51,825	34,135	717,282	767,755
Additions	52,943	87,056	26,797	27,911	194,708	187,979
Transfers to Mature	(60,605)	(187,649)	(19,822)	(6,008)	(274,084)	(238,451)
Write-off	(743)	-	-	-	(743)	-
At the end of the year	<u>146,696</u>	<u>375,628</u>	<u>58,800</u>	<u>56,038</u>	637,163	<u>717,283</u>
15.1.2 Mature Plantations						
Cost :						
At the beginning of the year	637,393	945,496	30,397	25,218	1,638,504	1,400,053
Transfers from Immature	60,605	187,649	19,822	6,008	274,084	238,451
At the end of the year	<u>697,998</u>	<u>1,133,145</u>	<u>50,219</u>	<u>31,226</u>	1,912,588	<u>1,638,504</u>
Amortisation :						
At the beginning of the year	123,544	264,890	-	7,166	395,600	337,199
Charge for the year	19,121	47,276	1,519	1,217	69,133	58,401
At the end of the year	<u>142,665</u>	<u>312,166</u>	<u>1,519</u>	<u>8,383</u>	464,733	<u>395,600</u>
Carrying Amount	<u>555,333</u>	<u>820,979</u>	<u>48,700</u>	<u>22,843</u>	1,447,855	<u>1,242,904</u>
15.1.3 Total Bearer Biological Assets	702,029	1,196,608	107,499	78,881	2,085,018	1,960,187

These are investments in immature/mature plantations since the formation of the company. The assets (including plantations) taken over by way of estate leases are set out in Note 13 and 14. Further investments in the immature plantations taken over by way of these leases are also shown in the above. When such plantations become mature, the additional investments since take over to bring them to maturity have been (or will be) moved from immature to mature under this category as and when fields become mature.

15.2 Consumable Biological Assets

As at 31st March 2017

	2017 Rs'000	2016 Rs'000 (Restated)
15.2.1 Immature Plantations		
Cost :		
At the beginning of the year	-previously reported	- 23,436
Prior Year Adjustment	(Refer Note No.38)	- 6,425
At the beginning of the year	-restated	29,288 29,861
Additions		14,640 5,852
Transfers to Mature		(4,589) (6,425)
At the end of the year		39,339 29,288
15.2.2 Mature Plantations		
Fair Value less Cost to sell :		
At the beginning of the year	-previously reported	- 326,078
Prior Year Adjustment	(Refer Note No.38)	- 45,166
At the beginning of the year	-restated	424,596 371,244
Increase due to new plantations		4,589 6,425
Change in Fair Value less costs to sell		22,011 46,927
At the end of the year		451,196 424,596
15.2.3 Total Consumable Biological Assets	490,535	453,884

Notes to the Financial Statements (Contd...)

As at 31st March 2017

15.2 Consumable Biological Assets (Contd.....)

15.2.4 Basis of Valuation

Under LKAS 41 the company has valued its managed plantations at fair value less cost to sell. Managed timber plantations as at 31st March 2017 comprised approximately 304.52 hectares.

Managed trees which are less than five years old are considered to be immature consumable biological assets, amounting Rs.39.339 Million as at 31st March 2017. The cost of immature trees is treated as approximate fair value, particularly on the ground that little biological transformation has taken place and the impact of the biological transformation on price is not material. When such plantation become mature, the additional investments since taken over to bring them to maturity are transferred from immature to mature.

The mature consumable biological assets were valued by Chartered Valuer, Ariyatillake and Company (Pvt) Ltd., for 2016/17 using Discounted Cash Flow (DCF) method. In ascertaining the fair value of timber, physical verification was carried covering all the estates.

Key assumptions used in valuation are;

15.2.4.1 The prices adopted are net of expenditure

15.2.4.2 Discounted rates used by the Valuer are within the range of 13% - 15%.

The valuation, as presented in the external valuation model based on the net present value, takes into accounts the long-term exploitation of the timber plantation. 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 realisation value. The Board of Directors retains their view that commodity markets are inherently volatile and their long-term price projection are highly unpredictable. Hence, the sensitivity analysis regarding the selling price and discount rate variation as included in this note allows every investor to reasonably challenge the financial impact of the assumptions used in the valuation against his own assumptions.

The biological assets of the Company are mainly cultivated in leased lands. When measuring the fair value of the biological assets it was assumed that these concession can and will be renewed at normal circumstances. Timber content expects to be realised in future and is included in the calculation of the fair value that takes into account the age of the timber plants and not the expiration date of the lease.

15.2.5 The Company is exposed to the following risks relating to its timber plantation:-

15.2.5.1 Regulatory and Environmental Risks

The Company is subject to laws and regulations in Sri Lanka. The Company has established environmental policies and procedures aimed at compliance with local environmental and other laws. Management performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage those risks.

15.2.5.2 Supply and Demand Risks

The Company is exposed to risks arising from fluctuations in the price and sales volume of timber. When possible the Company manages this risk by aligning its harvest volume to market supply and demand. Management performs regular industry trend analyses to ensure that the Company's pricing structure is in line with the market and to ensure that projected harvest volumes are consistent with the expected demand.

Notes to the Financial Statements (Contd...)

As at 31st March 2017

15.2 Consumable Biological Assets (Contd.....)

15.2.5.3 Climate and Other Risks

The Company's timber plantations are exposed to the risk of damage from climatic changes, diseases, forest fires and other natural forces. The Company has extensive processes in place aimed at monitoring and mitigating those risks, including regular forest health inspections and industry pest and disease surveys.

15.2.6 Sensitivity Analysis

15.2.6.1 Sensitivity Variation on Sales Price

Net Present Value of the Biological Assets as appearing in the Statement of Financial Position are very sensitive to changes in the average sales price applied. Simulations made for timber show that an increase or decrease by 10% of the estimated future selling price has the following effect on the Net Present Value of the Biological assets.

	-10%		10%
Managed Timber (Rs'000)	406,076	451,196	496,315

15.2.6.2 Sensitivity Variation on Discount Rate

Net Present Value of the Biological Assets as appearing in the Statement of Financial Position are very sensitive to changes in the discount rate applied. Simulations made for timber show that an increase or decrease by 1% of the estimated future discount rate has the following effect on the Net Present Value of the Biological assets.

	-1%		1%
Managed Timber (Rs'000)	465,507	451,196	437,774

15.3 Capitalisation of Borrowing Costs

Borrowing costs amounting to Rs. 60.013 Million (Rs. 46.886 Million in 2015/16) directly relating to investment in Biological Assets (Immature Plantations) have been capitalised during the period, at an average borrowing rate of 11.92% (7.50% in 2015/16).

As at 31st March	2017 Rs'000	2016 Rs'000 (Restated)
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15.4 Non-harvested Produce on Bearer Biological Assets

At the beginning of the year	-Previously reported	-	-
Prior Year Adjustment	(Refer Note No.38)	-	3,189
At the beginning of the year	-Restated	2,566	3,189
Gain on Fair Value of Non-harvested Produce		6,860	2,566
Transferred to Profit or Loss		(2,566)	(3,189)
At the end of the year		6,860	2,566

The volume of produce growing on bearer plants are measured considering the estimated crop of the last harvesting cycle of the year as follows:-

Tea-three days crop(50% of 6 days cycle), Oil Palm-five days crop(50% of 10 days cycle), Rubber-one day crop (50% of 2 days cycle), Coconut - one month crop (50% of 2 months cycle) and Cinnamon - three months crop (50% of 6 months cycle)

Produce that grows on mature bearer plantations are measured at fair value less cost of harvesting and transport. The fair value of the unharvested green leaves is measured using the bought leaf formula recommended by the Sri Lanka Tea Board, the fair value of unharvested fresh fruit bunches(FFB) of Oil Palm is measured using the Bought Mill Price and the rubber crop is fair valued using 95% of RSS 1 Price. Cinnamon and Coconut is fair valued using 50% of Farm Gate Price.

Notes to the Financial Statements (Contd...)

As at 31st March 2017

16. Other Tangibles

Infrastruc- -ture and Buildings	Plant & Machinery (Freehold)		Plant & Machinery (Leasehold)		F & F / Equipment (Freehold)		Computer Software		Motor Vehicles (Freehold)		Motor Vehicles (Leasehold)		Capital Work in Progress		Total as at	
	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
Opening Balance	347,475	379,571	9,368	92,376	16,159	138,856	62,329	11,464	1,057,597	1,045,623						
Additions	7,923	3,728	-	2,925	-	364	-	4,646	19,584	14,996						
On disposals	-	-	-	-	-	(5,790)	-	-	(5,790)	-						
Transfers (from)/to	-	-	-	-	-	5,134	-	(7,912)	(7,912)	(3,023)						
At the end of the year	355,398	383,299	9,368	95,301	16,159	138,564	57,195	8,198	1,063,479	1,057,596						
Depreciation :																
Opening Balance	71,018	213,104	4,582	70,527	15,914	119,880	48,723	-	543,747	485,296						
Charge for the year	8,704	22,964	-	5,778	199	11,750	-	-	49,393	58,450						
On disposals	-	-	-	-	-	(5,790)	-	-	(5,790)	-						
Transfers (from)/to	-	-	-	-	-	5,134	-	-	(5,134)	-						
At the end of the year	79,722	236,068	4,582	76,305	16,113	130,974	43,589	-	587,350	543,746						
Carrying Amount :																
As at 31.03.2017	275,676	147,231	4,786	18,996	46	7,590	13,606	8,198	476,129	476,129						
As at 31.03.2016	276,457	166,467	4,787	21,849	244	18,976	13,606	11,464	513,850	513,850						

(a) These Property, Plant and Equipment are those movable assets vested in the company by Gazette Notification on the date of formation of the company (i.e.22nd June 1992), and all investment in tangible assets(both movables and immovables) by the Company since its formation, other than plantation improvements.

(b) The cost of fully depreciated Property, Plant & Equipment of the Company which are still in use as at the year end is Rs.314.524 Million (2016-Rs.289.820 Million).

(c) Details of assets pledged as mortgage are morefully described under Note No 24 "Interest Bearing Borrowings".

Notes to the Financial Statements (Contd...)

As at 31st March 2017

16.1 Extents, Locations, Valuations and Number of Buildings of the Company's Land Holdings

Location	Planting District	Leasehold Lands		Buildings			
		Extents Hects.	Valuation Rs'000	Numbers	Leasehold Valuation Rs'000	Freehold Cost Rs'000	Total Rs'000
Upcot/Maskeliya							
Alton	Nuwara Eliya	350	12,914	269	4,368	22,393	26,761
Fairlawn	Nuwara Eliya	448	17,132	228	3,753	21,761	25,514
Gouravilla	Nuwara Eliya	380	13,912	770	7,700	24,004	31,704
Mahanilu	Nuwara Eliya	236	9,058	145	4,923	8,146	13,069
Stockholm	Nuwara Eliya	305	11,393	521	5,034	26,613	31,647
Regional Total		1,719	64,409	1,933	25,778	102,917	128,696
Lindula							
Bam-brakelly	Nuwara Eliya	591	19,728	357	4,347	21,779	26,126
Eildon Hall	Nuwara Eliya	162	6,301	303	2,941	18,113	21,054
Tillicoultry	Nuwara Eliya	377	13,807	691	3,608	11,533	15,141
Regional Total		1,129	39,836	1,351	10,895	51,425	62,321
Up-Country Total		2,849	104,244	3,284	36,673	154,343	191,016
Ingiriya/Bulathsinghala							
Millakande	Kalutara	387	14,822	177	1,680	17,857	19,537
Dumbara	Ratnapura	1,017	-	87	1,253	30,393	31,646
Halwatura	Kalutara	612	16,110	80	1,198	12,517	13,715
Hillstream	Kalutara	400	12,317	24	562	2,814	3,376
Kobowela	Kalutara	217	8,187	38	821	13,476	14,297
Neuchatel	Kalutara	902	20,172	105	1,361	30,629	31,991
Mirishena	Kalutara	487	12,908	152	1,376	10,115	11,491
Frocester	Kalutara	664	16,171	102	2,249	15,276	17,525
Low-Country Total		4,686	100,687	765	10,500	133,077	143,577
Total		7,534	204,931	4,049	47,173	287,420	334,593

Notes to the Financial Statements (Contd...)

As at 31st March	2017 Rs'000	2016 Rs'000
17. Advance Company Tax (ACT) Recoverable		
At the beginning of the year	27,285	27,285
At the end of the year	27,285	27,285
18. Inventories		
Harvested Crops (Tea & Rubber)	189,715	142,645
Input Materials	276	3,272
Consumables and Spares	40,022	27,229
Growing Crop Nurseries	198	197
	230,211	173,343
19. Trade and Other Receivables		
Trade Receivables	39,705	37,357
Staff Debtors	40,019	42,332
Income/Value Added Tax Recoverable (ESC & VAT)	15,561	5,459
Other Receivables	2,045	2,519
Deposits, Advances and Prepayments	4,756	4,675
	102,086	92,342
Less: Impairment of Other Receivables	(1,610)	(2,022)
	100,476	90,320
20. Cash and Cash Equivalents		
20.1. Favourable Balances		
Short Term Monetary Investments	4,081	3,808
Cash at Bank and in Hand	2,583	2,578
Cash in Transit	3,513	1,475
Cash and Cash Equivalents shown in the Statement of Financial Position	10,177	7,861
20.2. Unfavourable Balances		
Less : Bank Overdrafts (Refer Note No.31.1)	(282,380)	(234,990)
Cash and Cash Equivalents shown in the Statement of Cash Flows	(272,203)	(227,129)

Notes to the Financial Statements (Contd...)

As at 31st March	2017	2016
	Rs.	Rs.

21. Stated Capital**Issued and Fully Paid :-**

25,000,000 Ordinary Shares	250,000,000	250,000,000
1 Golden Share held by Secretary to the Treasury (Refer Note 21.1)	10	10
	<u>250,000,010</u>	<u>250,000,010</u>

21.1. Rights of the Golden Shareholder :

The concurrence of the Golden Shareholder will be required for the Company to sub-lease any of the estate lands/to be leased to the company by the Janatha Estate Development Board/Sri Lanka State Plantations Corporation.

The concurrence of the Golden Shareholder will be required to amend any clause in the Articles of Association of the company which grant specific rights to the Golden Shareholder.

The Golden Shareholder or his nominee, will have the right to examine the books and accounts of the company at any time with two weeks written notice.

The company will be required to submit a detailed quarterly report to the Golden Shareholder in a specified format within 60 days of the end of each quarter. Additional information relating to the company in a specified format must be submitted to the Golden Shareholder within 90 days of the end of each fiscal year.

The Golden Shareholder can request the Board of Directors of the company to meet with him/his nominee, once every quarter to discuss issues of interests to the Government relating to the company's operations.

The Golden Share must be owned either directly by the Government or by a 100% Government owned public company.

22. Sinking Fund

Sinking Fund represents the amount set a side by the Directors for general application.

23. Development Reserve

Development Reserve represents the amount set a side by the Directors for capital expenditure.

As at 31st March	2017	2016
	Rs'000	Rs'000

24. Interest bearing Borrowings

At the beginning of the year	743,690	689,856
Loans obtained during the year	383,000	130,114
Less: Repayment during the year	(245,632)	(76,280)
At the end of the year	<u>881,058</u>	<u>743,690</u>

24.1 Payable as follows:-

Amount repayable within one year	150,115	145,632
Amount repayable after one year	730,943	598,058
Total Payable	<u>881,058</u>	<u>743,690</u>

Notes to the Financial Statements (Contd...)

As at 31st March

2017	2016
Rs'000	Rs'000

24.2 Project Loans repayable in seventy two (72) monthly installments, after a twenty four (24) months grace period:-

Purpose	Date of Receipt	Hatton National Bank PLC			
		<i>Capital (Rs'000)</i>	<i>Interest Rate (p.a.)</i>		
Replanting of Main & Minor Crops	23-Jan-13	150,000	AWPLR + 1.00%	95,400	120,60
Replanting of Main & Minor Crops	04-Sep-13	200,000	AWPLR + 1.00%	150,050	183,350
Replanting of Main & Minor Crops	19-May-14	200,000	AWPLR + 0.75%	172,250	200,000
Replanting of Main & Minor Crops	24-Mar-17	250,000	AWPLR + 3.00%	250,000	-
		800,000		667,700	503,950

Security Offered :

Primary Floating Mortgage for Rs.550.00 Million, over leasehold rights of Frocester Estate.

Primary Floating Mortgage for Rs.300.00 Million, over leasehold rights of Bambrakelly Estate.

24.3 Other Term Loans (Securitized Debt Facility):-

Institution	Security Offered	Repayment Terms	Rate of Interest (p.a.)	Amount Rs'000		
			% Month			
Indian Bank	Primary mortgage over leasehold rights of Tillicoultry Estate Undertaking from Tea Brokers to recover and remit from future Tea Sales Proceeds	54 monthly instalments w.e.f. 26th April 2013	AWPLR+0.65% (with a Cap of 12.00% p.a. and a floor of 9.75% p.a.)	75,000	8,400	25,200

Interest bearing Borrowings (Balance Carried Forward)

676,100	529,150
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Notes to the Financial Statements (Contd...)

As at 31st March

2017	2016
Rs'000	Rs'000

24. Interest bearing Borrowings (Balance Brought Forward)	676,100	529,150
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24.4 Other Term Loan repayable in sixty (60) monthly installments :

Purpose	Date of Receipt	Hatton National Bank PLC			
		Capital (Rs'000)	Interest Rate (p.a.)		
Borrowing Restucture Facility	04-Dec-14	100,000	AWPLR + 0.75%	76,540	93,100

Security Offered :

Primary Floating Mortgage over leasehold rights of Alton, Bambrakelly, Eildon Hall and Gouravilla Estates.

24.5 Other Term Loan repayable in sixty (60) monthly installments :

Purpose	Date of Receipt	Hatton National Bank PLC			
		Capital (Rs'000)	Interest Rate (p.a.)		
Relief Package Scheme for Tea Sector introduced by the Government	16-Nov-15	130,114	AWPLR + 1.50% (Less Government Subsidy of 2.00% for the first 2 years)	95,418	121,440

Security Offered :

Primary Floating Mortgage over leasehold rights of Bambrakelly Estate.

24.6 Project Loans repayable in forty eight (48) monthly installments, after a twenty four (24) months grace period:

Purpose	Date of Receipt	Sri Lanka Tea Board			
		Capital (Rs'000)	Interest Rate (p.a.)		
Financing facility for payment of Labour Interim Allowance	27-Jul-16	33,000	11.96%	33,000	-

Security Offered :

No security has been offered for this loan.

Total Payable

881,058	743,690
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Notes to the Financial Statements (Contd...)

As at 31st March 2017

24.7 Maturity Analysis :

Financial Institution	Within 1 Year Rs'000	Between 1 Year & 2 Years Rs'000	Between 2 Years & 5 Years Rs'000	Over 5 Years Rs'000	Total Rs'000
Hatton National Bank PLC (Refer Note 24.2)	25,200	25,200	45,000	-	95,400
	33,300	33,300	83,450	-	150,050
	33,300	33,300	99,900	5,750	172,250
	-	-	130,680	119,320	250,000
Indian Bank (Refer Note 24.3)	8,400	-	-	-	8,400
Hatton National Bank PLC (Refer Note 24.4)	16,560	16,560	43,420	-	76,540
Hatton National Bank PLC (Refer Note 24.5)	26,022	26,022	43,374	-	95,418
Sri Lanka Tea Board (Refer Note 24.6)	7,333	11,000	14,667	-	33,000
Total	150,115	145,382	460,491	125,070	881,058

As at 31st March

2017

2016

Gross Liability Rs'000	Future Finance Cost Rs'000	Net Liability Rs'000	Gross Liability Rs'000	Future Finance Cost Rs'000	Net Liability Rs'000
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25. Net Liability to Lessor of JEDB/SLSPC Estates**25.1. Movement :**

As at 1st April	151,612	(63,659)	87,953	156,840	(67,289)	89,551
GDP Deflator Due	13,681	-	13,681	13,292	-	13,292
Repayments	(18,909)	-	(18,909)	(18,520)	-	(18,520)
Transferred to Statement of Profit or Loss	-	3,567	3,567	-	3,630	3,630
As at 31st March	146,384	(60,092)	86,292	151,612	(63,659)	87,953

25.2. Payable as follows :**Payable within One Year**

Payable by due dates	5,228	(3,500)	1,728	5,228	(3,567)	1,662
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Payable after One Year :-

Payable within Two to Five Years	20,912	(13,281)	7,631	20,912	(13,575)	7,337
Payable after Five Years	120,244	(43,311)	76,933	125,472	(46,517)	78,955
	141,156	(56,592)	84,564	146,384	(60,092)	86,292

Total Payable

	146,384	(60,092)	86,292	151,612	(63,659)	87,953
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Notes to the Financial Statements (Contd...)

As at 31st March 2017

25.3. The lease rentals have been amended with effect from 22nd June 1996 to an amount substantially higher than the previous nominal lease rental of Rs.500/- per estate per annum. The basic rental payable under the revised basis is Rs.5.228 Million per annum. This amount is to be inflated annually by the Gross Domestic Product(GDP) deflator in the form of contingent rent.

This lease agreement was further amended on 10th June 2005, freezing the annual lease rental at Rs.7.472 Million for a period of six years commencing from 22nd June 2002. Hence, the GDP Deflator adjustment will be frozen at Rs.2.244 Million per annum until 21st June 2008. Accordingly, the Financial Statements have been adjusted, in order to reflect the future net liability in the following manner:-

25.3.1 Future liability on the revised annual lease payment of Rs.7.472 Million continued until 21st June 2008, and thereafter from 22nd June 2008, annual lease payment remained at Rs.5.228 Million, until 21st June 2045. The Net Present Value of this liability at a 4% discounting rate would result in a liability of Rs.86.292 Million.

25.3.2 The Net Present Value as at date is represented by:-

		Rs.Million
Gross Liability	-Overdue Rentals/GDP Deflator (Contingent Rent)	-
	-28 Years @ Rs.5.228 Million per annum	146.384
		<u>146.384</u>
Less: Interest in Suspense		(60.092)
Net Present Value		<u>86.292</u>

25.3.3 The contingent rental charged during the current year to Statement of Profit or Loss amounted to Rs. 13.681 Million and the gross liability to make contingent rentals for the remaining 28 years of lease term at the current rate would be estimated to Rs. 383.068 Million as at 31st March 2017.

As at 31st March	2017			2016		
	Gross Liability	Future Finance Cost	Net Liability	Gross Liability	Future Finance Cost	Net Liability
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000

26. Other Finance Lease Creditors

26.1. Movement :

As at 1st April	20,360	(2,335)	18,025	35,181	(5,191)	29,990
Facilities Obtained	-	-	-	-	-	-
Repayments	(9,327)	-	(9,327)	(14,822)	-	(14,822)
Transferred to Statement of Profit or Loss	-	1,450	1,450	-	2,857	2,857
As at 31st March	<u>11,033</u>	<u>(885)</u>	<u>10,148</u>	20,359	(2,334)	18,025

26.2. Payable as follows :

Payable within One Year	6,877	(733)	6,144	9,327	(1,450)	7,877
Payable after One Year :-						
Payable within Two to Five Years	4,155	(151)	4,003	11,032	(884)	10,148
Payable after Five Years	-	-	-	-	-	-
	<u>4,155</u>	<u>(151)</u>	<u>4,003</u>	11,032	(884)	10,148
Total Payable	11,032	(885)	10,148	20,360	(2,334)	18,025

Notes to the Financial Statements (Contd...)

As at 31st March

	2017	2016
	Rs'000	Rs'000

27. Employee Benefits

Balance as at 1st April	456,681	496,116
Provision made during the Year	41,786	25,649
Payments made during the Year	<u>(75,899)</u>	<u>(65,084)</u>
Balance at the end of the Year	422,568	456,681

Payable for retired employees included under current liabilities (**Refer Note 30**)

Present Value of Obligation as at 31st March	<u>(29,088)</u>	<u>(28,672)</u>
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An Actuarial Valuation of the retirement benefit obligation was carried out as at 31st March 2017 by Mr. M. Poopalanathan, Actuarial & Management Consultants (Pvt) Ltd.

The valuation method used by the actuaries to value the benefit is the "Project Unit Credit (PUC) Method", the method recommended by the Sri Lanka Accounting Standards (LKAS) No.19 "Employee Benefits".

	2017	2016
	Rs'000	Rs'000
27.1. The amount recognised in the Statement of Financial Position is as follows:-		
Present Value of Unfunded Obligation	393,480	428,009
Present Value of Funded Obligation	-	-
Total Present Value of Obligation	<u>393,480</u>	<u>428,009</u>
Fair Value of Plan Assets	-	-
Present Value of Net Obligation	393,480	428,009
Unrecognised Actuarial (Gain)/Losses	-	-
Recognised liability for Defined Benefit Obligation	<u>393,480</u>	<u>428,009</u>
27.2. Movement in the Present Value of Defined Benefit Obligation:-		
Liability for Defined Benefit Obligation as at 1st April	428,009	465,617
Actuarial (Gain)/Loss	(31,505)	(50,984)
Benefit payable by the Plan	(76,315)	(63,258)
Current Service Cost	26,210	27,744
Interest Cost	47,081	48,890
Liability for Defined Benefit Obligation as at 31st March	<u>393,480</u>	<u>428,009</u>
27.3. Expenses recognised in Statement of Profit or Loss and Other Comprehensive Income:-		
Current Service Cost	26,210	27,745
Interest Cost	47,081	48,890
Actuarial (Gain)/Loss during the year	<u>(31,506)</u>	<u>(50,985)</u>
	<u>41,786</u>	<u>25,650</u>
27.4. The Key Assumptions used by the actuary include the following:-		
27.4.1. Rate of Interest	-12.00% per annum	
27.4.2. Rate of Salary Increase		
-Workers	-15.00% for every two years beyond	
-Estate Staff	-12.50% for first three years & 2.00% per annum beyond	
-Head Office Staff	-10.00% per annum beyond	
27.4.3. Retirement Age		
-Workers	-60 years	
-Estate Staff	-60 years	
-Head Office Staff	-55 years	

Notes to the Financial Statements (Contd...)

As at 31st March 2017

27.4.4. Daily Wage Rate	
-Tea	-Rs.500.00
-Rubber	-Rs.500.00

27.4.5. The Company will continue as a going concern.

The Actuarial Present Value of all benefits accrued to the existing employees of the scheme based on the current labour wage rate as at 31st March 2017, was Rs.393.48 Million (31st March 2016 -Rs.428.009 Million).

27.5. Sensitivity Analysis:-

The following sensitivity analysis shows the significance of the change in liability of Present Value of the Defined Benefit Obligation due to change in salary/wage escalation rate and discount rate assumed in this valuation, for all employees as at 31st March 2017 :-

Discount Rate	Salary Escalation Rate	Present Value of the Defined Benefit Obligation Rs'000
Increase of 1%	As per Note No.27.4.2.	365,654
Decrease of 1%	As per Note No.27.4.2.	425,327
As per Note No.27.4.1.	Increase of 1%	410,385
As per Note No.27.4.1.	Decrease of 1%	377,661

27.6. Maturity Profile of the Defined Benefit Obligation :-

Future Working Life Time	Present Value of the Defined Benefit Obligation Rs'000
Within the next 12 months	38,823
Between 1 - 5 years	143,868
Between 5 - 10 years	96,369
Beyond 10 years	114,420
Total	393,480

As at 31st March

2017
Rs'000

2016
Rs'000

28. Deferred Income

28.1. Deferred Capital Grants & Subsidies

28.1.1. Movement :

Grant Received :

At the beginning of the year	184,331	166,692
Received during the year	8,649	17,639
At the end of the year	<u>192,980</u>	<u>184,331</u>

Accumulated Amortisation :

At the beginning of the year	50,032	45,079
Amortisation for the year	4,760	4,953
At the end of the year	<u>54,792</u>	<u>50,032</u>

Net Grant Received

138,189 134,299

Notes to the Financial Statements (Contd...)

As at 31st March 2017

28.1. Deferred Capital Grants & Subsidies (Contd...)

28.1.2. Category wise details on Deferred Capital Grants & Subsidies

Granted By	Purpose of the Grant	Amount Received (todate) Rs'000	Basis of Amortisation	Balance as at 31-Mar-16 Rs'000	Received During the Year Rs'000	Amortised During the Year Rs'000	Balance as at 31-Mar-17 Rs'000
Sri Lanka Tea Board	Tea Factory Mod-ernization	701	Rate of Depreciation applicable to Plant & Machinery (7.50% p.a.)	167	287	(31)	423
	Tea Replanting Subsidy	4,866	Will be amortised at rate ap-licable to Tea Mature Plantations, after become mature (3.00% p.a.)	3,976	890	-	4,866
Plantation Development Project (PDP) -Asian De-velopment Bank (ADB)	Improvement of workers living environment	31,588	Rate of Depreciation applicable to Buildings (2.50% p.a.)	19,619	-	(790)	18,829
Plantation Human Devel-opment Trust (PHDT)	Improvement of workers living environment	45,143	Rate of Depreciation applicable to Buildings and Furniture & Fittings (2.50% and 10.00% p.a.)	31,457	-	(1,120)	30,337
Estate Infrastructure Development Project (EIDP)	Improvement of workers living environment	489	Rate of Depreciation applicable to Buildings (2.50% p.a.)	317	-	(12)	305
Plantation Development Project (PDP) -ADB/JBIC	Improvement of workers living environment	20,051	Rate of Depreciation applicable to Buildings (2.50% p.a.)	15,833	-	(501)	15,332
	Ergonomic Equip-ment	5,854	Rate of Depreciation applicable to Equipment (12.50% p.a.)	-	-	-	-
	Internal Road Development and Boundry Posts	4,622	Rate of Depreciation applicable to Permanent Land Development Cost (2.50% p.a.)	3,745	-	(115)	3,630
	Minor Factory Development	10,099	Rate of Depreciation applicable to Buildings (2.50% p.a.)	8,266	-	(253)	8,013
Rubber Development Department (RDD)	Rubber Replanting Subsidy	61,519	Will be amortised at rate applicable to Rubber Mature Plantations, after become mature (5.00% p.a.)	50,602	7,448	(1,888)	56,162
	Rubber Factory Development	675	Rate of Depreciation applicable to Plant & Machinery (7.50% p.a.)	211	-	(50)	161
Export Agriculture Department (EAD)	Cinnamon Replant-ing Subsidy	131	Will be amortised at rate ap-licable to Cinnamon Mature Plantations, after become mature (6.67% p.a.)	106	24	-	131
		168,095		134,299	8,649	(4,760)	138,189

Notes to the Financial Statements (Contd...)

As at 31st March		2017 Rs'000	2016 Rs'000 (Restated)
29. Deferred Tax Liability			
At the beginning of the year	-previously reported	-	122,625
Prior Year Adjustment	(Refer Note No.38)	-	7,669
At the beginning of the year	-restated	129,532	130,294
Charge/(Reversed) during the period	(Refer Note 11.4.1)	3,716	(762)
Balance at the End		133,248	129,532
30. Trade and Other Payables			
Trade and Service Creditors		32,383	31,944
Retiring Benefit Obligations (Current)	(Refer Note 27)	29,088	28,672
Bank Interest Payable		10,592	17,174
Other Payables and Accrued Charges	(Refer Note 30.1)	152,187	125,353
		224,250	203,143
30.1 Other Payables and Accrued Charges :			
Staff Creditors		67,205	44,146
Government Departments and Statutory Bodies		27,463	24,076
Capital Grant Repayable to Ceylon Electricity Board		2,642	2,641
Others including Provisions and Accrued Charges		54,877	54,489
		152,187	125,352

Notes to the Financial Statements (Contd...)

As at 31st March

2017	2016
Rs'000	Rs'000

31. Short Term Borrowings**31.1 Bank Overdrafts (Secured) :**

The following facilities were granted to the Company, during the year under review :-

Financial Institution	Type of Securities	Rate of Interest	Facility Available Rs'000		
Seylan Bank PLC, Millennium Branch, Colombo 1	Primary Mortgage for - Rs. 3.50 Million Secondary Mortgage for - Rs. 2.45 Million Tertiary Mortgage for - Rs.30.00 Million over leasehold rights of Mahanilu Estate	13.55% p.a. [Average Weighted Prime Lending Rate (AWPLR) plus 2.00%]	10,000	9,563	-
Commercial Bank of Ceylon PLC, Foreign Branch, Colombo 1	Mortgage over leasehold rights of Stockholm Estate and Fairlawn Estate, including buildings, fixed and floating assets.	12.11% p.a. [Average Weighted Prime Lending Rate (AWPLR) plus 0.75%]	230,000	222,210	168,496
Hatton National Bank PLC, Dehiwala.	Mortgage over leasehold rights of Eildon Hall Estate, including buildings, fixed and floating assets.	12.11% p.a. [Average Weighted Prime Lending Rate (AWPLR) plus 0.75%]	100,000	50,607	66,494
			340,000	282,380	234,990

Notes to the Financial Statements (Contd...)

As at 31st March 2017

32. Contingent Liabilities

There were no material contingent liabilities outstanding as at the year end.

32.1 Legal Proceedings on Labour and Other Disputes: -

Several other cases and disputes are pending against the company in Labour Tribunal and Courts. All these cases are being vigorously contested /prosecuted and our lawyers have advised that an evaluation of the likelihood of an unfavourable outcome and the amount or range of potential loss cannot be quantified or commented upon at this stage.

32.2 Contingent Rent on Government Annual Lease Rental: -

Refer Note 25.3 to these Financial Statements.

32.3 Unfulfilled Conditions on Capital Grants: -

Capital Grant received from the Ceylon Electricity Board (CEB) for Stand by Power Generators is subject to a condition of minimum usage of CEB Power as against the Generator Power. A liability will arise only if the above condition is not fulfilled.

33. Commitments

33.1 Financial Commitments:-

33.1.1. Operating Lease Rentals on Dumbara Estate :

1 - 10 years	Rs. 0.552 Million per annum
11 - 20 years	Rs. 0.698 Million per annum
21 - 30 years	Rs. 0.838 Million per annum

Future minimum lease payments

At 31 March, the future minimum lease payments under non-cancellable operating lease of Dumbara Estate were payable as follows,

	2017 Rs'000	2016 Rs'000
Less than one year	838	838
Between one to five years	3,352	4,190
More than five years	-	-

Amount recognized in the profit/loss

Lease expense	838	838
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The operating lease will be renewed following its expiration in 2022

33.1.2. Finance Lease Rentals Payable to the Secretary to the Treasury:

22.06.2017 to 21.06.2045 Rs. 5.228 Million per annum

33.2 Capital Commitments:-

There were no capital commitments outstanding as at the year end.

34. Events Occurring After the Reporting Period

No material event has occurred subsequent to the Reporting Period, which require adjustments to or disclosures in the Financial Statements.

Notes to the Financial Statements (Contd...)

As at 31st March

2017 2016
Rs'000 Rs'000

35. Related Party Transactions and Balances

35.1 The following balances were outstanding as at the year end: -

35.1.1 Amounts due from Related Companies:

Holding Company:-

Vallibel Plantation Management Ltd.	16,636	20,476
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Other Related Companies:-

Royal Ceramics Lanka PLC	46	178
Royal Porcelain (Pvt) Ltd	26	11
Rocell Barthware Ltd	64	50
Lanka Ceramic PLC	148	4
Swisstek Aluminium Ltd	158	32
Uni-Dil Pakaging Ltd.	116	96
Mabroc Teas (Pvt) Ltd	10	2
Dipped Products PLC	1,003	-
Delmage Forsyth & Co., Ltd.	7,065	-
N Capital(Pvt) Ltd	-	308
	8,636	681

35.1.2 Amounts due to Related Companies:

Other Related Companies:-

Royal Ceramics Lanka PLC	29	647
Rocell Barthware Ltd	90	-
Royal Porcelain (Pvt) Ltd	2	-
Hayleys Agriculture Holdings Limited	19,464	6,586
Hayleys Agro Fertilizer (Pvt) Ltd	18,477	8,482
Hayleys Agro Product (Pvt) Ltd	88	72
Uni-Dil Packaging Ltd.	146	152
Uni-Dil Packaging Solutions Ltd	2,191	2,295
	40,487	18,234

35.2 Transactions with Related Companies:

As per the Para 23 of Sri Lanka Accounting Standard (LKAS) 24 "Related Party Disclosure", a disclosure shall be made stating that related party transactions were made on terms equivalent to those that prevail in arm's length transactions only if such terms can be substantiated.

The transactions carried out in the ordinary course of its business with parties who are defined as related parties as per Sri Lanka Accounting Standard (LKAS) 24 "Related Party Disclosure". The details of which are reported below:-

Notes to the Financial Statements (Contd...)

For the Year ended 31st March 2017

35. Related Party Transactions and Balances (Contd...)

Name of Company	Name of Director	Nature of Interest	Details of Transactions	2017 Rs'000	2016 Rs'000
Valibel Plantation Management Ltd	Mr. A.M.Pandithage Mr. W.D.N.H.Perera Mr. W.G.R.Rajadurai Mr. J. Manuja Kariapperuma Mr. N. T. Boghalanda	Executive Chairman Chairman Director Director	Management Fee (net of VAT)	8,651	4,649
Uni-Dil Packaging Ltd.	Mr. A.M.Pandithage Mr. W.D.N.H.Perera Mr. W.G.R.Rajadurai Mr. J. Manuja Kariapperuma	Chairman Chairman Director Director	Sale of Tea Purchase of Packing Materials	(443) 469	(289) 264
Uni-Dil Paper Solutions Ltd	Mr. A.M.Pandithage Mr. W.D.N.H.Perera Mr. W.G.R.Rajadurai Dr. S. Selliah Mr. J. Manuja Kariapperuma	Chairman Chairman Director Director Director	Purchase of Packing Materials	8,402	9,721
Lanka Ceramic PLC	Mr. Dhammika Perera Mr. W.D.N.H.Perera Dr. S. Selliah Mr. K.D.G.Gunaratne	Chairman Chairman Director Director	Sale of Tea Reimbursement of Expenses	(39) (1,492)	(36) -
Lanka Walltile PLC	Mr. Dhammika Perera Mr. W.D.N.H.Perera Dr. S. Selliah Mr. K.D.G.Gunaratne	Chairman Chairman Director Director	Sale of Tea	-	(81)
Lanka Tiles PLC	Mr. Dhammika Perera Mr. W.D.N.H.Perera Dr. S. Selliah Mr. K.D.G.Gunaratne	Chairman Chairman Deputy Chairman Director	Purchase of Tiles	-	(33)
Royal Ceramics Lanka PLC	Mr. Dhammika Perera Mr. W.D.N.H.Perera	Chairman Managing Director	Sale of Tea Income on Hiring of Vehicles Office Rent Purchase of Tiles	(206)	(177)
Royal Porcelain (Pvt) Ltd	Mr. Dhammika Perera Mr. W.D.N.H.Perera	Chairman Managing Director	Sale of Tea Purchase of Sanitaryware	- 3	(900)
Rocell Bathware Ltd	Mr. Dhammika Perera Mr. W.D.N.H.Perera	Chairman Managing Director	Sale of Tea Purchase of Sanitaryware	(292) 221	(205) -

Notes to the Financial Statements (Contd...)

For the Year ended 31st March 2017

35. Related Party Transactions and Balances (Contd...)

Name of Company	Name of Director	Nature of Interest	Details of Transactions	2017 Rs'000	2016 Rs'000
The Kingsbury PLC	Mr. A.M.Pandithage Mr. Dhammika Perera Mr. W.D.N.H.Perera (resigned w.e.f. 10-Mar-2017)	Executive Chairman Co-Chairman Director	A.G.M.Expenses	333	340
Swisstek Aluminium Ltd	Dr. S. Selliah Mr. W.D.N.H.Perera (resigned w.e.f. 10-Mar-2017)	Director Chairman	Sale of Tea	(447)	(251)
Hayleys Agriculture Holdings Limited	Mr. A.M.Pandithage Mr. Dhammika Perera Mr. W.D.N.H.Perera (resigned w.e.f. 10-Mar-2017)	Executive Chairman Co-Chairman Director	Purchase of Chemicals & Machinery	39,076	10,038
Hayleys Agro Fertilizer (Pvt) Ltd	Mr. A.M.Pandithage Mr. Dhammika Perera Mr. W.D.N.H.Perera (resigned w.e.f. 10-Mar-2017)	Executive Chairman Co-Chairman Director	Purchase of Fertilizer	86,894	43,802
Agro Technica Ltd	Mr. A.M.Pandithage Mr. Dhammika Perera Mr. W.D.N.H.Perera (resigned w.e.f. 10-Mar-2017)	Executive Chairman Co-Chairman Director	Purchase of Chemicals	-	3,208
Dipped Products PLC	Mr. A.M.Pandithage Mr. Dhammika Perera Mr. W.D.N.H.Perera (resigned w.e.f. 10-Mar-2017)	Executive Chairman Co-Chairman Director	Sale of Latex	(23,014)	(4,292)
N Capital (Pvt) Ltd	Mr. W.D.N.H.Perera (resigned w.e.f. 10-Mar-2017)	Chairman	Office Rent Reimbursement of Expenses	4,500	4,500
Mabroc Teas (Pvt) Ltd	Mr. A.M.Pandithage Mr. W.G.R.Rajadurai Mr. W.D.N.H.Perera (resigned w.e.f. 10-Mar-2017)	Chairman Managing Director	Reimbursement of Expenses	(11)	(8)
Delmege Forsyth & Co.,Ltd	Mr. A.M.Pandithage Mr. Dhammika Perera Mr. W.D.N.H.Perera (resigned w.e.f. 10-Mar-2017)	Chairman Co-Chairman Director	Sale of Tea	(38,607)	-
Amaya Leisure PLC	Mr. A.M.Pandithage Mr. Dhammika Perera Mr. W.D.N.H.Perera (resigned w.e.f. 10-Mar-2017)	Chairman Director Director	Sale of Pinnacle	(22)	(135)

35.3 Transactions with Key Management Personnel

According to Sri Lanka Accounting Standard (LKAS) 24, "Related Party Disclosure", Key Management Personnel are those having authority and responsibility for planning, directing and controlling activities of the entity. Accordingly members of the Board of Directors (including Executive and Non-Executive Directors) has been classified as Key Management Personnel of the Company.

For the year ended

2017	2016
Rs'000	Rs'000
11,393	12,16

Fees paid to Directors

Notes to the Financial Statements (Contd...)

As at 31st March 2017

36. Financial Risk Management

36.1 Overview :

The Company has exposure to the following risks from its use of financial instruments:-

- * Credit risk
- * Liquidity risk
- * Market risks (Including currency risk and interest rate risk)

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, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

36.2 Credit Risk :

Credit risk is the risk of financial loss to the company if a customer or counter party to a financial instrument fails to meet its contractual obligation, and arises principally from the company's receivables from customer, investment securities etc.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows :-

	31st March 2017	31st March 2016
Note	Rs'000	Rs'000
36.2.1 Loans and Receivables		
Trade and Other Receivables	80,159	80,186
Amount Due From Related Companies	35.1.1 25,273	21,157
Cash and Cash Equivalents	20 10,177	7,861
	115,609	109,204

36.2.2 Management of Credit Risk

Trade Receivables

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

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

Notes to the Financial Statements (Contd...)

As at 31st March 2017

36. Financial Risk Management (Contd...)

Impairment losses

The aging of trade receivables at the reporting date that were not impaired was as follows;

Carrying value

	31st March 2017	31st March 2016
	Rs'000	Rs'000
Below 30 days	39,698	36,964
30 - 45 days	4	393
46 - 60 days	-	-
46 - 60 days	3	-
Less: provision made	-	-
	39,705	37,357

The movement in the provision for impairment in respect of trade and other receivables during the year was as follows.

	Impairment Rs'000
Balance at 1 April 2015	738
Impairment loss recognised	1,284
Amounts written off	-
Balance at 31 March 2016	2,022
Impairment loss reversed	(412)
Amounts written off	-
Balance at 31 March 2017	1,610

The company believes that the unimpaired amounts that are past due by more than 45 days are still to be collected in full, based on historic payment behaviour and extensive analysis of customer credit risk. Based on the Company's monitoring of customer credit risk, the Company believes that, except as indicated above, no impairment allowance is necessary in respect of trade receivables not past due.

36.2.3 Cash & Cash Equivalents

The company held cash and cash equivalents of Rs. 10.177 Mn at 31 March 2017 (2016: Rs. 7.861 Mn.), which represents its maximum credit exposure on these assets.

36.3 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 is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under normal or stressed conditions, without incurring unacceptable losses or damage to the company's reputation.

Notes to the Financial Statements (Contd...)

As at 31st March 2017

36. Financial Risk Management (Contd...)

The following are the contractual maturities of financial liabilities, including estimated interest:

The maturity analysis of Liabilities

As at 31 March 2017

	Current		Non Current		
	Carrying value	Upto 1 year	Upto 2 years	Upto 5 years	Above 5 years
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Bank overdrafts	282,380	-	-	-	-
Bank borrowings	-	150,115	145,382	460,491	125,070
Lease liability	-	7,872	5,800	5,834	76,933

As at 31 March 2016

	Current		Non Current		
	Carrying value	Upto 1 year	Upto 2 years	Upto 5 years	Above 5 years
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Bank overdrafts	234,990	-	-	-	-
Bank borrowings	-	145,632	142,782	389,076	66,200
Lease liability	-	9,539	11,876	5,608	78,955

36.4 Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, Interest rates and etc; will affect the Company's income or the value of its holdings of financial instruments. The objective of the market risk management is to manage and control market risk exposures within acceptable parameters while optimising the returns.

36.4.1 Interest Rate Risk :

The principal risk to which non-trading portfolios are exposed is the loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates.

At the end of the reporting period the interest rate profile of the company's interest-bearing financial instruments as reported to the management of the company was as follows;

	Nominal amount	
	31st March 2017	31st March 2016
	Rs'000	Rs'000
Variable rate instruments		
Financial assets	4,082	3,808
Financial liabilities	1,130,438	978,680

Notes to the Financial Statements (Contd...)

As at 31st March 2017

36. Financial Risk Management (Contd...)

A reasonable possible change of 100 basis points in interest rates at the reporting date would have increased/(decreased) profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular, foreign currency exchange rates, remain constant.

	Nominal amount	
	31st March 2017 Rs'000	31st March 2016 Rs'000
Variable rate instruments		
100 bp increase	(11,264)	(9,749)
100 bp decrease	11,264	9,749

36.4.2 Capital Management

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Company monitors the return on capital, which the company defines as result from operating activities divided by total shareholders' equity. The Company also monitors the level of dividends to ordinary shareholders.

The company's debt to adjusted capital ratio at the end of the reporting period was as follows.

	Nominal amount	
	31st March 2017 Rs'000	31st March 2016 Rs'000
Total liabilities	1,259,878	1,084,658
Less: cash and cash equivalents	(10,177)	(7,861)
Net debt	1,249,701	1,076,797
Total equity	1,429,369	1,429,563
Net debt to equity ratio at 31 March	47%	43%

There were no changes in the company's approach to capital management during the year.

The Company is not subject to externally imposed capital requirements.

Notes to the Financial Statements (Contd...)

As at 31st March 2017

36. Financial Risk Management (Contd...)

36.5 Analysis of financial instruments by measurement basis

The fair values of financial assets and liabilities, together with carrying amounts shown in the Statement of Financial Position, are as follows.

As at 31st March 2017	Note	Fair Value through Profit or Loss Rs. '000	Available for Sale Rs. '000	Loans and receivables Rs. '000	Held to Maturity Rs. '000	Other financial assets and liabilities Rs. '000	Total Rs. '000
Financial Assets							
Trade and other receivables		-	-	80,159	-	-	80,159
Amounts due from related parties	35.1.1	-	-	25,272	-	-	25,272
Cash and cash equivalents	20	-	-	10,177	-	-	10,177
Financial Liabilities							
Loans and borrowings	24	-	-	881,058	-	-	881,159
Finance lease liabilities	25-26	-	-	-	-	96,440	96,440
Trade and other payables	30	-	-	224,250	-	-	224,250
Amounts due to related parties	35.1.2	-	-	40,487	-	-	40,487
Bank overdraft	31	-	-	-	-	282,380	282,380

As at 31st March 2016	Note	Fair Value through Profit or Loss Rs. '000	Available for Sale Rs. '000	Loans and receivables Rs. '000	Held to Maturity Rs. '000	Other financial assets and liabilities Rs. '000	Total Rs. '000
Financial Assets							
Trade and other receivables		-	-	80,186	-	-	80,186
Amounts due from related parties	35.1.1	-	-	21,157	-	-	21,157
Cash and cash equivalents	20	-	-	7,861	-	-	7,861
Financial Liabilities							
Loans and borrowings	24	-	-	743,690	-	-	743,690
Finance lease liabilities	25-26	-	-	-	-	105,978	105,978
Trade and other payables	30	-	-	203,143	-	-	203,143
Amounts due to related parties	35.1.2	-	-	18,234	-	-	18,234
Bank overdraft	31	-	-	-	-	234,990	234,990

The company does not anticipate the fair value of the above to be significantly different to their carrying values and considers the impact as not material for the disclosure.

Notes to the Financial Statements (Contd...)

As at 31st March 2017

36. Financial Risk Management (Contd...)

36.6 Fair value hierarchy for assets carried at fair value

	Note	Level 1	Level 2	Level 3	Total
2017					
Consumable biological assets	15.2	-	-	451,196	451,196
2016					
Consumable biological assets	15.2	-	-	424,596	424,596

Valuation technique and significant unobservable inputs

The following table shows the valuation techniques used in measuring the fair value of consumable biological assets, as well as the significant unobservable inputs used.

	Valuation Technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Consumable Biological Assets	Discounted Cashflows	The interest rates used by the company for discounting the cashflows varied between 13% - 15% which were derived as risk free interest rate plus a risk premium An average timber price increment rate of 5.6% is used in the valuation based on the annual inflation rate. The timber price is based on the historical average selling price.	The fair value decreases/ increases when discount rate is increased/decreased The fair value increases/ decreases when the price increment rate is increased/ decreased

37. Comparative Information

The fair value gain or loss arising on the valuation of harvested crop of tea and rubber has been reclassified as part of cost of production.

To facilitate comparison and where relevant, balances pertaining to the previous period have been reclassified as follows,

	Reclassified	As per Audited Accounts	Change
	Rs.'000	Rs.'000	Rs.'000
Revenue	1,806,106	1,799,830	6,276
Cost of Sales	(1,804,492)	(1,798,215)	(6,276)

38. Prior Year Adjustments

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

Amendment to LKAS 16 and LKAS 41, on bearer plants, are effective for annual reporting periods beginning on or after 1st January 2016. Accordingly, harvestable biological assets growing on the bearer plants are measured at their fair value less cost to harvest and accounted retrospectively.

The age at which immature timber plantations are transferred to mature plantations was amended to four years from three years and was rectified retrospectively.

Notes to the Financial Statements (Contd...)

For the year ended 31st March 2017

38. Prior Year Adjustments (Contd...)

Further, eight(8) blocks of managed timber plantations were erroneously unaccounted as at 31st March 2016. Therefore, the company has accounted these timber plantations during the year with retrospective adjustments according to LKAS 8 Accounting Policies, Changes in Accounting Estimates & Errors.

	2016 Previously Reported Amount Rs.'000	2016 Adjustment Amount Rs.'000	2016 Restated Amount Rs.'000
Statement of Comprehensive Income			
Change in Fair Value of Consumable Biological Assets	40,768	6,159	46,927
Change in Fair Value of Non-harvested Crop on Bearer Biological Assets	-	2,566	2,566
Tax Expense	3,401	(775)	2,626
Cost of sales (Refer Note 37)	(1,804,492)	(3,189)	(1,807,680)
Profit for the Year	(77,881)	4,762	(73,119)
Statement of Financial Position			
Consumable Biological Assets			
Balance as at 1st April 2015	349,514	51,591	401,105
Balance as at 31st March 2016	396,133	57,751	453,884
Inventories (Non-harvested Crop on Bearer Biological Assets)			
Balance as at 1st April 2015	-	3,189	3,189
Balance as at 31st March 2016	-	2,566	2,566
Deferred Tax Liability			
Balance as at 1st April 2015	122,625	7,669	130,294
Balance as at 31st March 2016	121,088	8,444	129,532
Retained Earnings			
Balance as at 1st April 2015	1,104,224	47,111	1,151,335
Balance as at 31st March 2016	1,057,690	51,873	1,109,563

Notes to the Financial Statements (Contd...)

39. Information on Business Segments

	Tea		Rubber		Unallocated		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Segmental Revenue								
Main Crops	1,532,680	1,471,498	380,862	301,476			1,913,542	1,772,975
Diversified Crops					16,752	9,065	16,752	9,064
Sale of Timber (Live) Trees					12,672	15,011	12,672	15,011
Other Operating Revenue					4,311	9,056	4,312	9,056
	1,532,680	1,471,498	380,862	301,476	33,735	33,132	1,947,278	1,806,106
Segmental Gross Profit/(Loss)	102,615	(7,603)	(272)	(20,050)	13,486	26,079	115,828	(1,574)
Other Operating Income					14,431	5,047	14,431	5,047
Change in Fair Value of Biological Assets					28,871	49,493	28,871	49,493
Administrative Overheads					(90,123)	(83,691)	(90,123)	(83,691)
Management Fees					(9,940)	(5,160)	(9,940)	(5,160)
Profit/(Loss) from Operations							59,067	(35,885)
Interest and Finance Charges					(88,656)	(39,859)	(88,656)	(39,859)
Profit before Taxation							(29,589)	(75,744)
Income Tax Expense					(700)	2,626	(700)	2,625
Profit for the year							(30,289)	(73,119)
Other Comprehensive Income:								
Actuarial Gain/(Loss) on Retiring Gratuity					31,506	50,985	31,506	50,985
Tax Expense on Other Comprehensive Income					(4,411)	(7,138)	(4,411)	(7,138)
Other Comprehensive Income for the year							27,095	43,847
Total Comprehensive Income for the year							(3,194)	(29,272)

OTHER INFORMATION

Segmental Assets

Non-current Assets	1,135,609	1,133,752	1,396,042	1,372,885	711,257	625,557	3,242,907	3,132,193
Current Assets	278,499	204,362	37,845	44,650	56,652	46,233	372,996	295,246
Total Assets	1,414,108	1,338,114	1,433,887	1,417,535	767,909	671,790	3,615,903	3,427,439

Segmental Liabilities

Non-current Liabilities	358,725	397,304	104,111	110,737	1,021,592	878,297	1,484,427	1,386,338
Current Liabilities	147,159	124,223	33,348	36,039	524,598	451,276	705,106	611,538
Total Liabilities	505,884	521,527	137,459	146,776	1,546,190	1,329,573	2,189,533	1,997,876

Capital Expenditure

	63,323	56,446	87,774	97,347	69,924	52,010	221,021	205,803
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Amortisation and Depreciation

	61,471	65,302	64,178	58,678	5,925	5,896	131,575	129,876
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Non-Cash Expenditure other than

Amortisation and Depreciation	60,270	63,534	14,576	16,045	49,550	(11,474)	124,396	68,106
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Notes to the Financial Statements (Contd...)

For the year ended 31st March 2017

39. Information on Business Segments (Contd...)

39.1. Basis for Segmentation

The company has the following two strategic divisions, which are its reportable segments. These sectors offer different products and services.

Reportable Segments	Operations
Tea	Cultivation, processing and sale of tea leaves
Rubber	Cultivation, processing, sale of rubber and sale of rubber trees

The Company's Managing Director and Director/Cheif Executive Officer reviews the internal management reports of each division at least quarterly.

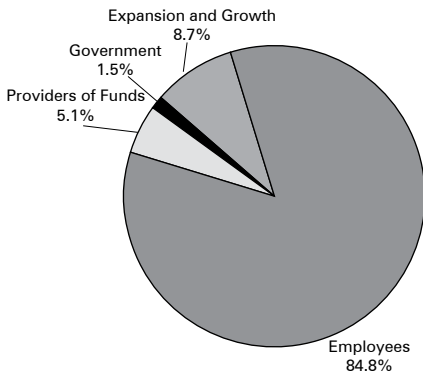
Other operations include the cultivation and sale of diversified crops such as oil palm, cinnamon and coconuts, and cultivation and sale of timber trees.

There are varying levels of integration between each segments. Inter-segment pricing is determined on an arm's length basis.

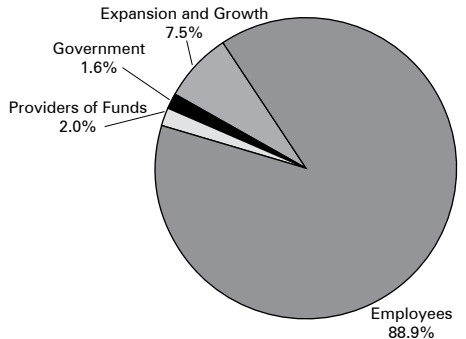
Value Added Statement

For the year ended 31st March	2017 Rs'000	%	2016 Rs'000	%
Revenue	1,947,278		1,806,106	
Other Income	43,302		54,540	
	<u>1,990,580</u>		<u>1,860,646</u>	
Cost of Materials and Services obtained	(507,031)		(520,555)	
Value Addition	1,483,549		<u>1,340,091</u>	
Distribution of Value Addition:-				
To Employees				
Salaries and Other Benefits	1,257,834	84.8	1,191,486	88.9
To Providers of Funds				
Interest Cost	74,975	5.1	26,567	2.0
To Government				
Income Tax	5,111		4,512	
Lease Interest	17,247		16,922	
	22,358	1.5	21,434	1.6
To Shareholders				
Dividends to Shareholders	-	-	-	-
To Expansion and Growth				
Loss incurred	(3,194)		(29,272)	
Depreciation	131,575		129,876	
	128,381	8.7	100,604	7.5
	<u>1,483,549</u>	100.0	<u>1,340,091</u>	100.0

Distribution of Value Addition - 2017



Distribution of Value Addition - 2016



Ten Year Summary

	Year Ended 31-Mar-08 Rs'000	Year Ended 31-Mar-09 Rs'000	Year Ended 31-Mar-10 Rs'000	Year Ended 31-Mar-11 Rs'000	Year Ended 31-Mar-12 Rs'000	Year Ended 31-Mar-13 Rs'000	Year Ended 31-Mar-14 Rs'000	Year Ended 31-Mar-15 Rs'000	Year Ended 31-Mar-16 Rs'000	Year Ended 31-Mar-17 Rs'000
Operating Results :										
Revenue	1,630,740	1,388,687	1,781,125	2,079,720	2,068,933	2,220,225	2,269,092	2,164,859	1,806,106	1,947,278
Gross Profit	271,010	147,738	204,345	464,708	209,955	369,330	271,161	141,575	(1,574)	115,828
Profit from Operations	190,761	96,692	148,876	392,246	154,526	305,138	212,961	115,827	(35,885)	59,067
Interest	(35,435)	(41,348)	(49,295)	(53,878)	(44,110)	(61,623)	(50,399)	(28,848)	(39,859)	(88,656)
Extra-ordinary Items	(1,733)	-	-	-	-	-	-	-	-	-
Profit/(Loss) before Taxation	153,593	55,344	99,581	338,368	110,416	243,515	162,562	86,979	(75,744)	(29,589)
Tax Expense	(1,613)	(113)	(5,013)	(8,770)	96	(38,652)	(25,325)	(25,003)	2,626	(700)
Profit/(Loss) for the year	151,980	55,231	94,568	329,598	110,512	204,863	137,237	61,976	(73,119)	(30,289)
Other Comprehensive Income	-	-	-	-	(23,192)	19,403	(66,451)	14,709	43,847	27,095
Total Comprehensive Income	151,980	55,231	94,568	329,598	87,320	224,266	70,786	76,685	(29,272)	(3,194)
Net Assets Employed :										
Property, Plant & Equipment	1,344,351	1,493,630	1,606,535	2,106,924	2,182,175	2,400,057	2,692,466	2,930,464	3,104,908	3,215,622
Other Non-Current Assets	27,285	27,285	27,285	27,285	27,285	27,285	27,285	27,285	27,285	27,285
Current Assets	300,119	216,569	279,715	475,203	329,584	358,053	362,557	393,361	295,246	372,996
Current Liabilities excluding Borrowings	(154,293)	(131,491)	(160,299)	(242,541)	(239,628)	(299,692)	(278,147)	(234,539)	(221,379)	(264,739)
Provisions and Deferred Income	(402,039)	(393,879)	(503,438)	(566,573)	(563,891)	(570,590)	(675,551)	(709,856)	(691,840)	(664,917)
	1,115,423	1,212,114	1,249,798	1,800,298	1,735,525	1,915,113	2,128,610	2,406,715	2,514,221	2,686,247
Financed By :										
Stated Capital	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000
Capital Reserves	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000
Revenue Reserves	336,725	341,955	436,523	967,505	836,502	1,035,768	1,056,554	1,104,224	1,109,563	1,106,369
Shareholders' Funds	656,725	661,955	756,523	1,287,505	1,156,502	1,355,768	1,376,554	1,424,224	1,429,563	1,426,369
Borrowings	458,698	550,159	493,275	512,793	579,023	559,345	752,056	982,491	1,084,658	1,259,877
	1,115,423	1,212,114	1,249,798	1,800,298	1,735,525	1,915,113	2,128,610	2,406,715	2,514,221	2,686,247
Cash Flow :										
Net Cash Inflow from										
Operating Activities	272,045	144,053	243,797	386,992	240,707	358,517	235,388	105,620	111,493	48,366
Net Cash Outflow from Investing Activities	(181,423)	(171,028)	(172,912)	(253,000)	(267,280)	(276,282)	(361,631)	(261,167)	(187,868)	(202,572)
Net Cash Inflow/(Outflow) from										
Financing Activities	(50,487)	(78,681)	3,388	36,652	(186,027)	6,228	8,798	147,154	7,992	109,132
Net Cash Inflow/(Outflow) for the period	40,135	(105,656)	74,273	170,644	(212,600)	88,463	(117,445)	(8,393)	(68,383)	(45,074)
Cash and Cash Equivalents at the beginning	(88,167)	(48,032)	(153,688)	(79,415)	91,229	(121,371)	(32,908)	(150,353)	(158,746)	(227,129)
Cash and Cash Equivalents at the end	(48,032)	(153,688)	(79,415)	91,229	(121,371)	(32,908)	(150,353)	(158,746)	(227,129)	(272,203)

Ten Year Summary (Contd...)

	Year Ended 31-Mar-08	Year Ended 31-Mar-09	Year Ended 31-Mar-10	Year Ended 31-Mar-11	Year Ended 31-Mar-12	Year Ended 31-Mar-13	Year Ended 31-Mar-14	Year Ended 31-Mar-15	Year Ended 31-Mar-16	Year Ended 31-Mar-17
Key Indicators :										
Earnings per Share (Rs.)	6.08	2.21	3.78	13.18	4.42	8.19	5.49	2.48	(2.92)	(1.21)
Market Value per Share (Rs.)	32.00	10.50	28.00	72.30	25.10	26.50	22.90	22.50	16.90	16.50
Dividend per Share (Rs.)	1.50	0.50	1.00	4.00	1.00	2.00	1.00	0.50	-	-
Net Assets per Share (Rs.)	26.27	26.48	30.26	51.50	46.26	54.23	55.06	56.97	57.18	57.05
Price-Earnings Ratio (times)	5.26	4.75	7.40	5.48	5.68	3.23	4.17	9.08	(5.78)	(13.62)
Earnings Yield (%)	19.00	21.04	13.51	18.24	17.61	30.92	23.97	11.02	(17.31)	(7.34)
Interest Cover (times covered)	5.38	2.34	3.02	7.28	3.50	4.95	4.23	4.02	(0.90)	0.67
Dividend Cover (times covered)	4.05	4.42	3.78	3.30	4.42	4.10	5.49	4.96	-	-
Dividend Payout (%)	24.67	22.63	26.44	30.34	22.62	24.41	18.22	20.17	-	-
Effective Dividend Rate (%)	15.00	5.00	10.00	40.00	10.00	20.00	10.00	5.00	-	-
Dividend Yield (%)	4.69	4.76	3.57	5.53	3.98	7.55	4.37	2.22	-	-
Current Ratio (times)	1.08	0.60	0.82	1.41	0.71	0.75	0.70	0.79	0.48	0.53
Revenue to Capital Employed (times)	1.46	1.15	1.43	1.16	1.19	1.16	1.07	0.90	0.72	0.72
Return after Taxation on Net Assets (%)	23.14	8.34	12.50	25.60	7.55	16.54	5.14	5.38	(2.05)	(0.22)
Property, Plant & Equipment to										
Shareholders' Funds (times)	2.05	2.26	2.12	1.64	1.89	1.77	1.96	2.06	2.17	2.25
Debt to Equity Ratio (%)	69.85	83.11	65.20	39.83	50.07	41.26	54.63	68.98	75.87	88.33
Equity to Total Assets Ratio (%)	39.28	38.10	39.54	49.34	45.55	48.67	44.66	42.50	41.71	39.45

Shareholder and Investor Information

1. Share Distribution

1.1 Shareholding as at 31st March 2017

From	To	No of Holders	No of Shares	%
1	1,000	9,984	2,002,313	8.02
1,001	10,000	314	1,116,464	4.46
10,001	100,000	60	1,764,843	7.06
100,001	1,000,000	11	2,273,336	9.09
Over 1,000,000		4	17,843,045	71.37
		10,373	25,000,001	100.00

2. Categories of Shareholders

	No of Holders	No of Shares	%
Local Individuals	10,253	4,489,113	17.96
Local Institutions	92	20,049,280	80.20
Foreign Individuals	26	266,208	1.06
Foreign Institutions	2	195,400	0.78
	10,373	25,000,001	100.00

3. Directors' and CEO's Shareholding as at 31st March 2017

Names of Directors	No. of Shares	%
Mr. A. M. Pandithage	-	-
Mr. Dhammika Perera	-	-
Mr. W. G. R. Rajadurai	-	-
Mr. J. Manuja Kariapperuma	-	-
Mr. L. J. A. Fernando	-	-
Dr. S. Selliah	-	-
Mr. K. D. H. Perera	-	-
Mr. A. N. Wickremasinghe	-	-
Mr. K. D. G. Gunaratne (Alternate Director to Mr. Dhammika Perera)	-	-
Dr. N. T. Bogahalande (Alternate Director to Mr. K.D.H.Perera)	-	-

4. Share Prices for the year

Market Price per Ordinary Share

	31st March 2017		31st March 2016	
	Rs. Cts.	Date	Rs. Cts.	Date
Highest during the year	25.00	09-Jun-16	24.50	17-Jul-15
Lowest during the year	15.00	28-Mar-17	14.00	14-Mar-16
Closing during the year	16.50		16.90	

Shareholder and Investor Information (Contd...)

5. Share Trading Statistics

	Year ended 31st March 2017	Year ended 31st March 2016
Number of Transactions during the year	488	809
Number of Shares traded during the year	421,451	706,725
Value of Shares traded during the year (Rs.)	8,344,545	14,878,089

6. Public Holding

	As at 31st March 2017	As at 31st March 2016
Public Holding Percentage	49.00%	49%
Number of Shareholders	10,372	10,430

7. Twenty (20) Major Shareholders of the Company

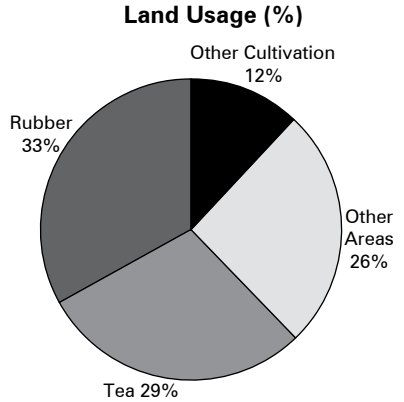
Name	31st March 2017		31st March 2016	
	No. of shares	(%)	No. of shares	(%)
VALLIBEL PLANTATION MANAGEMENT LTD	12,750,000	51.000	12,750,000	51.000
NARATHA VENTURES PRIVATE LIMITED	2,153,733	8.615	2,107,733	8.431
SAMPATH BANK PLC / DR. T SENTHILVERL	1,882,012	7.528	500,000	2.000
ASSOCIATED ELECTRICAL CORPORATION LTD	1,057,300	4.229	1,057,300	4.229
BANK OF CEYLON NO. 1 ACCOUNT	513,000	2.052	513,000	2.052
SEYLAN BANK PLC / THIRUGNANASAMBANDAR SENTHILVERL	275,000	1.100	235,322	0.941
MRS. N H ABDUL HUSEIN	237,000	0.948	293,199	1.173
ALMAR HOLDINGS (PVT) LIMITED	230,000	0.920	230,000	0.920
ALMAR TRADING CO (PVT) LTD	211,300	0.845	211,300	0.845
MR.K C VIGNARAJAH	197,205	0.789	197,205	0.789
GULF EAST FINANCE LIMITED	150,000	0.600	150,000	0.600
MR. H A A H ALGHARABALLY	131,500	0.526	131,500	0.526
MR. P F NANDASIRI	113,320	0.453	113,320	0.453
DEE INVESTMENTS (PVT) LTD	110,011	0.440	110,011	0.440
MR.P H D WAIDYATILAKA	105,000	0.420	105,000	0.420
MR. A A PAGE	100,000	0.400	100,000	0.400
DFCC VARDHANA BANK LTD/MR.B A D H C MAHIPALA	100,000	0.400	100,000	0.400
ALPHA TOURS PRIVATE LIMITED	100,000	0.400	100,000	0.400
MR. R GAUTAM	77,000	0.308	75,000	0.300
EAST WEST PROPERTIES PLC	71,400	0.286	71,400	0.286
SUB TOTAL	20,564,781	82.259	19,151,290	76.605
OTHERS	4,435,220	17.741	5,848,711	23.395
TOTAL	25,000,001	100.000	25,000,001	100.000

Statistical Information

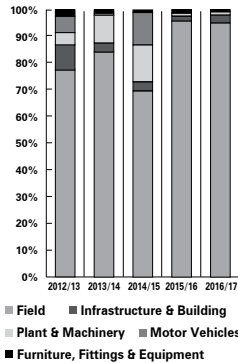
		Year Ended 31-Mar-13	Year Ended 31-Mar-14	Year Ended 31-Mar-15	Year Ended 31-Mar-16	Year Ended 31-Mar-17
PRODUCTION (kgs'000)						
Tea	- Estate Crop	3,454	3,155	3,295	2,876	2,539
	Bought Crop	436	526	711	483	420
		3,890	3,681	4,007	3,359	2,959
Rubber	- Estate Crop	1,393	1,487	1,102	843	1,072
	Bought Crop	-	-	-	-	-
		1,393	1,487	1,102	843	1,072
YIELD (kgs / Hectare)						
Tea		1,632	1,494	1,606	1,418	1,236
Rubber		807	871	615	548	657
COST OF PRODUCTION (Rs / kg)						
Tea		375.42	425.64	409.91	424.32	498.84
Rubber		267.48	284.39	324.35	374.25	344.71
NET SALE AVERAGE (Rs / kg)						
Tea		415.30	453.42	432.89	406.44	502.30
Rubber		383.28	341.54	257.14	264.46	248.78
CONTRIBUTION FROM MAIN SECTORS						
Tea	- Rs'000	171,292	109,565	142,427	(7,603)	102,615
	- Margin (%)	10.55	6.45	8.00	(0.52)	6.70
Rubber	- Rs'000	163,338	106,921	(36,856)	(20,050)	(272)
	- Margin (%)	28.03	19.78	(10.66)	(6.65)	(0.07)
EMPLOYMENT						
Workers		7,140	6,861	6,406	6,309	6,045
Clerical & Allied Staff		415	407	402	377	383
Executives		43	43	39	45	49
Total		7,598	7,311	6,847	6,731	6,477
CAPITAL EXPENDITURE (Rs'000)						
Field		238,057	288,736	240,801	193,831	209,348
Infrastructure and Building		29,513	10,106	12,667	3,393	7,923
Plant & Machinery		14,006	38,077	48,207	1,725	3,727
Motor Vehicles		17,730	228	42,864	-	364
Furniture, Fittings & Equipment		8,186	5,472	2,021	3,240	2,925
		307,492	342,619	346,560	202,189	224,287

Statistical Information (Contd...)

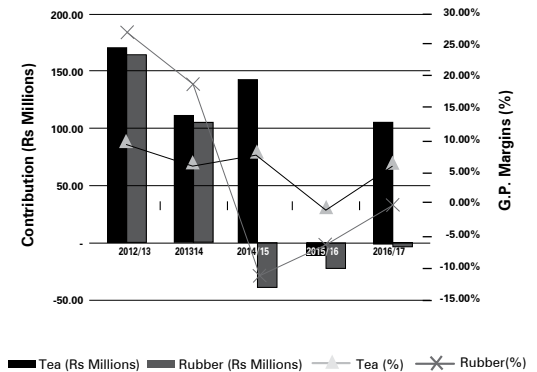
HECTARAGE		Hectares
Tea	Mature	2,054
	Immature	32
	Others	117
	Total Tea	2,202
Rubber	Mature	1,632
	Immature	428
	Others	394
	Total Rubber	2,454
Other Cultivation	Oil Palm	109
	Coconut	57
	Spices & Fruits	134
	Fuelwood/Timber Forestry	506
	Others	95
	Total Other Cultivation	900
Other Areas	1,978	
Total Hectarage	7,534	



Composition of Capital Expenditure (%)



Contribution & G.P. Margins



Our Plantations

Estate	Planting District	EXTENTS (Ha)				ELEVATION (ft)	CROP (kg'000)		Employee Strength		
		Tea	Rubber	Others	Total		Tea	Rubber	Workers	Staff	Total
Upcot/Maskeliya											
Alton	Nuwara Eliya	261	-	89	350	4,700-5,550	288		640	26	666
Fairlawn	Nuwara Eliya	306	-	142	448	4,500-4,870	309		618	30	648
Gouravilla	Nuwara Eliya	285	-	96	381	3,600-5,300	375		837	31	868
Stockholm	Nuwara Eliya	227	-	78	305	4,800	291		500	26	526
Mahanilu	Nuwara Eliya	163	-	73	236	4,500-5,000	162		327	15	342
Regional Total		1,241	-	478	1,719		1,425		2,922	128	3,050
Lindula											
Bambrakelly	Nuwara Eliya	371	-	219	591	4,200-5,400	437		667	34	701
Eildon Hall	Nuwara Eliya	129	-	33	162	4,430	192		283	16	299
Tillicoultry	Nuwara Eliya	275	-	102	377	4,200-5,000	305		398	24	422
Regional Total		775	-	354	1,129		934		1,348	74	1,422
Up-Country Total		2,017	-	832	2,849		2,359		4,270	202	4,472
Ingiriya/Bulathsinghala											
Millakande	Kalutara	124	-	263	387	100	322	-	268	28	296
Dumbara	Ratnapura	62	416	540	1,017	1,750	278	154	364	35	399
Halwatura	Kalutara	-	324	289	612	396-825	-	99	158	16	174
Hillstream	Kalutara	-	187	213	400	429	-	123	125	13	138
Kobowela	Kalutara	-	142	75	217	310	-	85	92	12	104
Neuchatel	Kalutara	-	586	316	902	172-495	-	265	351	29	380
Mirishena	Kalutara	-	283	204	487	246-330	-	127	187	16	203
Frocester	Kalutara	-	517	147	664	165-330	-	219	230	26	256
Low-Country Total		186	2,454	2,046	4,686		600	1,072	1,775	175	1,950
Plantation Total		2,202	2,454	2,878	7,534		2,959	1,072	6,045	377	6,422

Quarterly Results

	2016/17	2015/16	Change
	Rs'000	Rs'000	%
Revenue :			
1st Quarter	416,008	475,936	(13)
2nd Quarter	420,377	390,527	8
3rd Quarter	458,048	382,270	20
4th Quarter	652,845	557,374	17
Year	1,947,278	1,806,106	8
Gross Profit :			
1st Quarter	(27,470)	(20,640)	(33)
2nd Quarter	(55,130)	(14,178)	(289)
3rd Quarter	65,671	3,795	1,631
4th Quarter	132,758	29,450	351
Year	115,829	(1,574)	7,461
Profit for the period :			
1st Quarter	(65,037)	(49,209)	(32)
2nd Quarter	(84,163)	(38,177)	(120)
3rd Quarter	26,092	(23,325)	212
4th Quarter	92,820	37,593	147
Year	(30,289)	(73,119)	59
Other Comprehensive Income/(Expense) :			
1st Quarter	-	(5,364)	100
2nd Quarter	-	(5,364)	100
3rd Quarter	-	(5,364)	100
4th Quarter	27,095	59,940	(55)
Year	27,095	43,847	(38)
Total Comprehensive Income/(Expense) :			
1st Quarter	(65,037)	(54,574)	(19)
2nd Quarter	(84,163)	(43,542)	(93)
3rd Quarter	26,092	(28,691)	191
4th Quarter	119,915	97,533	23
Year	(3,193)	(29,272)	89

Notice of Meeting

NOTICE IS HEREBY GIVEN that the Twenty Fourth Annual General Meeting of Horana Plantations PLC will be held at Hayleys PLC, No. 400, Deans Road, Colombo 10, on Thursday 29th June 2017 at 4.00 p.m. and the business to be brought before the Meeting will be:

1. To receive and consider the Annual Report of the Board of Directors on the affairs of Company and the Financial Statements for the year ended 31st March 2017 and the Report of the Auditors thereon.
2. To re-elect as a Director Mr. A N Wickremasinghe who retires by rotation in terms of Article 92 of the Articles of Association of the Company.
3. To re-elect as a Director Mr. Dhammika Perera who retires by rotation in terms of Article 92 of the Articles of Association of the Company.
4. To authorise the Directors to determine donations for the ensuing year.
5. To re-appoint Messrs KPMG, Chartered Accountants as Auditors of the Company and to authorise the Directors to determine their remuneration.

By Order of the Board
Horana Plantations PLC



P W CORPORATE SECRETARIAL (PVT) LTD
Director/Secretaries

Colombo
2nd June 2017

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend and vote instead of him/her.
2. A Proxy need not be a member of the Company.
3. A Form of Proxy is enclosed for this purpose.
4. The completed form of Proxy should be deposited at the Registered Office of the Company, No. 400, Deans Road, Colombo 10, not less than forty-five (45) hours before the time fixed for the commencement of the Meeting.

Form of Proxy

I/We the undersignedNIC No.....
of

being a member/s* of Horana Plantations PLC hereby appoint:

- | | | |
|---|---------------|---------------|
| Mr. Abeyakumar Mohan Pandithage | of Colombo or | failing him * |
| Mr. Dhammika Perera | of Colombo or | failing him * |
| Mr. Weerakoon Godfrey Roshan Rajadurai | of Colombo or | failing him * |
| Mr. Janak Manuja Kariyapperuma | of Colombo or | failing him * |
| Mr. Lalin Joseph Ainsley Fernando | of Colombo or | failing him * |
| Dr. Sivakumar Selliah | of Colombo or | failing him * |
| Mr. Kulappuarachchige Don Harendra Perera | of Colombo or | failing him * |
| Mr. Anthony Nishantha Wickremasinghe | of Colombo or | failing him * |

.....of.....

my/our * Proxy to vote and speak as indicated hereunder for me/us* and on my/our* behalf at the Twenty Fourth Annual General Meeting of the Company to be held at Hayleys PLC, No. 400, Deans Road, Colombo 10 on Thursday 29th June 2017 at 4.00 p.m. and at every poll which may be taken in consequence of the aforesaid Meeting and at any adjournment thereof:

For Against

Resolution 1

To re-elect as a Director Mr. A N Wickremasinghe who retires in terms of Article No. 92 of the Articles of Association of the Company.

Resolution 2

To re-elect as a Director Mr. Dhammika Perera who retires in terms of Article No. 92 of the Articles of Association of the Company.

Resolution 3

To authorise the Directors to determine donations for the ensuing year.

Resolution 4

To re-appoint Messrs KPMG, Chartered Accountants as Auditors of the Company and authorise the Directors to determine their remuneration.

In witness my/our* hands this day of Two Thousand and Seventeen

.....
 Signature of Shareholder/s

* Please delete the inappropriate words.
 Instructions as to completion appear on the reverse.

Instructions as to Completion

1. This Form of Proxy must be deposited at No. 400, Deans Road, Colombo 10 not less than forty five (45) hours before the time fixed for the Meeting.
2. In perfecting the Form of Proxy please ensure that all details are legible.
3. If you wish to appoint a person other than a Director of the Company as your proxy, please insert the relevant details in the space provided.
4. Please indicate with an 'X' in the space provided, how your proxy is to vote on the resolution. If no indication is given, the proxy in his discretion will vote as he thinks fit.
5. In the case of a Company/Corporation, the proxy must be under its Common Seal, which should be affixed and attested in the manner prescribed by its Articles of Association.
6. In the case of a Proxy signed by an Attorney, the Power of Attorney must be deposited at The Secretaries' Office (i.e. P W Corporate Secretarial (Pvt) Ltd, 3/17, Kynsey Road, Colombo 8) for registration.
7. In the case of joint holders the Form of Proxy must be signed by the first holder.

Corporate Information

DOMICILE AND LEGAL FORM

Horana Plantations PLC is a Quoted public Company with limited liability, Incorporated and domiciled in Sri Lanka, under the Companies Act No.17 of 1982 in terms of the provisions of the Conversion of Public Corporations of Government Owned Business Undertakings into Public Companies Act No.23 of 1987 and re-registered under the Companies Act No.7 of 2007

DATE OF INCORPORATION

22nd June 1992

REGISTRATION NUMBER

PQ 126

DIRECTORS

Mr. A. M. Pandithage- Chairman
Mr. Dhammika Perera- Deputy Chairman
(Alternate Director Mr.K.D.G.Gunaratne)
Mr. W.G.R.Rajadurai-Managing Director
Mr. J. Manuja Kariapperuma-Director/Chief Executive Officer
Mr. L. J. A. Fernando
Dr. S. Selliah
Mr. K. D. H. Perera
(Alternate Director Dr. N. T. Bogahalande)
Mr. A. N. Wickremasinghe

REGISTERED OFFICE

No. 400, Deans Road,
Colombo 10.
Telephone 011 2627000, 011 2627301-7322
Facsimile 011 2627323
E Mail: horanap@hplnet.com
horanapl@hplnet.com
Web: www.horanaplantations.com

PARENT COMPANY

Vallibel Plantation Management Ltd
No. 400, Deans Road,
Colombo 10.

ULTIMATE PARENT COMPANY OF THE GROUP

Vallibel One PLC
Level 29, West Tower,
World Trade Centre, Echelon Square,
Colombo 1.

SECRETARIES

P W Corporate Secretarial (Pvt) Ltd
3/17, Kynsey Road, Colombo 8.
Telephone 011 4640360-3

INDEPENDENT AUDITORS

KPMG
Chartered Accountants
No.32A, Sir Mohamed Macan Markar Mawatha,
Colombo 3.

LEGAL ADVISORS

Nithi Murugesu & Associates
Attorneys-at-Law & Notaries Public
No.28 (Level 2) W.A.D.Ramanayake Mawatha,
Colombo 2.

TAX ADVISORS

Nanayakkara & Company
Chartered Accountants
3rd Floor, Yathama Building
No.142 Galle Road,
Colombo 3.

BANKERS

Commercial Bank of Ceylon PLC
Hatton National Bank PLC
People's Bank
Seylan Bank PLC
Indian Bank



Horana Plantations PLC

No. 400, Deans Road,
Colombo 10,
Sri Lanka.

Telephone 011 2627000, 011 2627301-7322

Facsimile 011 2627323

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