SUSTAINABLE AGRIBUSINESS FOR SOCIOECONOMIC PROGRESS

17/18 ANNUAL REPORT

Watawala Plantations PLC

a sunshine enterprise

SUSTAINABLE AGRIBUSINESS FOR SOCIOECONOMIC PROGRESS

Sri Lanka imported 229,633 MT of edible oil and fats in 2017 of which palm oil is a key constituent. Growth of oil palms and production of palm oil enabled savings of LKR 8 Bn in 2017. We are sharpening our focus on this vital strategy to create sustainable value for our stakeholders. As a later entrant in to the oil palm cultivation, Sri Lanka is a beneficiary of the learnings of other countries such as Malaysia and can implement its strategy avoiding many potential pitfalls. This year our report showcases our initiatives to ensure that palm oil delivers sustainable socioeconomic growth for Sri Lankans.

ABOUT THIS REPORT

This is our 4th Integrated Annual Report setting out the performance for the financial year ended 31 March 2018. Our quest for excellence in corporate reporting continues to drive change in how we report our performance and this year's report is organised as given below:

ANNUAL REPORT 2017/18					
AN OVERVIEW	**MANAGEMENT DISCUSSION & ANALYSIS**			**FINANCIAL STATEMENTS**	**SUPPLEMENTARY INFORMATION**
■ About Us: ■ An Introduction ■ Performance Highlights ■ Chairman's Message ■ Managing Director's Message	■ A Clear Path: Provides insights in to our strategic planning process and how we manage downside risks	■ Accounting for Our Capitals : Sets out our resources and how we managed them to deliver sustainable value to stakeholders	■ Corporate Governance: Insights in to how we do business and shape our culture	■ Audited Financial Statements	■ Notice of Annual General Meeting ■ Proxy Form ■ Corporate Information

The following standards, frameworks and guidelines were used in preparing the report to ensure regulatory compliance and incorporate best practice in to our reporting processes.

Regulatory Requirements	Voluntary Frameworks
■ Companies Act No.7 of 2007 ■ Continued Listing Requirements of the Colombo Stock Exchange ■ Sri Lanka Accounting & Auditing Standards Act No.15 of 1995 ■ Sri Lanka Accounting Standards	■ Code of Best Practice on Corporate Governance 2013 ■ Integrated Reporting Framework ■ GRI Standards "In Accordance" Option

Information set out in this report have been sourced as given below:

Information	Source
Financial statements including accounting policies and notes to the accounts	Watawala Plantations PLC
Operational and sustainability information	Watawala Plantations PLC
Information on the Global economy and market trends	World Economic Outlook April 2018 published by International Monetary Fund
Information on the Sri Lankan economy and Plantation and Dairy Industries	Central Bank of Sri Lanka, Ministry of Plantations and National Livestock Development Board websites

We continue to refine our processes for holistic reporting within the Company, enhancing the quality and quantity of information available for decision making and facilitating optimum allocation of resources.

Notable changes to this year's report include the following:

- Clear linking of strategy and KPIs strengthening the strategic focus of the report
- Enhance connectivity of information by signposting to key areas through the value creation model and strategy.
- We continue to provide comparable information throughout the report using external sources

For inquiries about this report, please contact
Mr. Prasanna Pahalagamage - *Deputy General Manager – Finance.*
(Tel. : 0771453142/0114702404
e-mail : prasanna.pahalagamage@sunshineholdings.lk)

Our Future

"To be the most admired Plantation company in Sri Lanka"

Our Purpose

"Growing Watawala Plantations to be the Industry Leaders"

Our Values

Trust -
Walk the Talk

Integrity -
Do the right thing

Perseverance -
Never give up

Innovation -
Think out of the box

Responsibility -
Accountable to all stakeholders

Contents

ABOUT US

Watawala Plantations PLC is an agribusiness company focussed on palm oil and dairy operations. With a market capitalisation of Rs. 5.8 Bn, we have the highest market capitalisation among all plantation companies in the Colombo Stock Exchange.

Our Business

Watawala Plantations	+	Subsidiary	=	Group
3 Oil Palm Estates 1 Palm Oil Mill	+	Dairy Farm	=	Watawala Plantations PLC

Strategic Alliances

Sunshine Holdings PLC 60% + Pyramid Wilmar Plantations (Pvt) Ltd. 40% → Estate Management Services Ltd. 74.24% → Watawala Plantations PLC 68% + Duxton Asset Management Pte Ltd, Singapore 32% → Watawala Dairy Ltd

Our Business in Numbers

Employees	Total Assets	Property, Plant & Equipment	Carbon Footprint	Investment in Communities
1,887	LKR 6,411 Mn	2,072 Mn	16,558 tCO2e	LKR 44 Mn

How we add value

- **3** Oil Palm Estates
- **2,655.53** Ha Cultivated
- **1** Palm Oil Mill
- **10,775 MT** Palm Oil produced
- **1** Dairy Farm
- **1,128** dairy cattle
- State of the art milking parlour
- **2.02 Mn** Liters of fresh milk produced

Relevance to economy

		2018	2017
Employment generated	Nos	1,887	1,554
Residents on estates	%	36	42
Contribution to national palm oil production	%	46	47
Economic value added	LKR Mn	4,385	5,006
Taxes paid to government	LKR Mn	283	307
Employee benefit liability as of 31st March	LKR Mn	194	908
Community services and infrastructure projects	LKR Mn	44.3	6.0
Foreign Exchange Saved from Import Substitution of Palm Oil & Milk	LKR Bn	4 .5	4.0
Proportion of purchases from suppliers within Sri Lanka	%	90	100

Membership of Associations

* The Ceylon Chamber of Commerce

* The Employer's Federation of Ceylon

* The Planters Association of Ceylon

* Spices & Allied Products Producers' & Traders' Association

* The Spice Council

* The National Chamber of Commerce of Sri Lanka

* Indo Lanka Chamber of Commerce & Industry

* American Chamber of Commerce in Sri Lanka

* National Chamber of Exporters in Sri Lanka

* The Ceylon National Chamber of Industries

* The Colombo Tea Traders Association

*The Dairy Association of Sri Lanka

Operational Locations

PERFORMANCE HIGHLIGHTS

FINANCIAL

		2018	2017
Earnings Highlights and Ratios			
Group revenue	LKR Mn	4,949	6,502
GP Margin	%	25	26
Results from Operating Activities	LKR Mn	1,150	1,494
Profit before tax	LKR Mn	1,163	1,446
Profit after tax	LKR Mn	939	1,226
Dividends	LKR Mn	352	331
Share repurchased	LKR Mn	1,178	-
Diluted earnings per share	LKR	4.16	5.18
Cash earnings per share	LKR	6.33	5.82
Interest cover	Times	11.02	31.37
Return on equity (ROE)	%	28.69	20.26
Pre-tax return on capital employed (ROCE)	%	24	18
Balance Sheet Highlights and Ratios			
Total assets	LKR Mn	6,411	9,113
Total debt	LKR Mn	1,505	443
Net debt (cash)	LKR Mn	1,324	(445)
Total shareholders' funds	LKR Mn	3,635	6,050
No. of shares in issue	Nos	200,962,556	236,666,671
Net assets per share	LKR	16.78	24.33
Debt / equity	%	27	3
Debt / total assets	%	23	6
Current Ratio	Times	1.7	2.1
Quick Assets Ratio	Times	1.1	1.5
Market / Shareholder Information			
Market price of share as at 31 March	LKR	28.90	24.40
Market capitalisation	LKR Mn	5,808	5,775
Enterprise value	LKR Mn	5,311	5,621
Total shareholder return	%	23	21
Price earnings ratio (PER)	Times	7	4
Dividend payout	%	38	25
Dividend paid per share	LKR	1.60	1.40
Dividend yield	%	6	6

NON - FINANCIAL

		2018	2017
Human Capital and Community Integration			
Employees	Nos	1,887	1,554
Average training hours per employee	Hrs	85	60
Retention ratio	%	94	96
Injuries	Nos	4	2
Employees resident on estates	%	36%	42%
Investment in communities	LKR Mn	44.3	6.0
Beneficiaries	Nos	3,026	3,115
Natural Capital			
Land extent	Ha	4,826.97	4,826.97
Land Cultivated	Ha	2,655.53	2,547.46
Plantations Age <6 years	Ha	1,042.54	811.68
Plantations Age > 6 years	Ha	1,612.99	1,735.78
CPO Yield	MT/Ha	3.678	3.786
Renewable energy*	kWh	544,006	444,459
Energy Intensity*	kwh/MT CPO	141.73	N/A
Carbon footprint *	tC02e /MT	16558.72	N/A
BOD5 at 20 0C *	MG O2/L	20	N/A
IUCN Red list – endangered/ critically endangered (threatened)*	Nos	48	N/A
Manufactured Capital			
Production capacity	FFB MT	55,000	55,000
Capacity utilization	%	75%	73%
Capital expenditure during the year	LKR Mn	1,808	1,106
Social and Relationship Capital			
No of strategic partners	Nos	02	02
No of Accreditations	Nos	01	01
Intellectual capital			
No of Innovations	Nos	03	N/A

* Comparative Indicators not available due to change in measurement mechanism adopted in 2017/18

SUPPORTING THE SUSTAINABLE DEVELOPMENT GOALS

Our operations impact the UN Sustainable Development Goals and here we report on our impact on those goals which are most relevant to our operations ranked according to relevance.

Sustainability Development Goal	Initiatives Implemented	Our Impact in 2017/18
8 DECENT WORK AND ECONOMIC GROWTH	Our team of 1,887 employees are provided opportunities to realise their potential through implementation of a comprehensive HR policy and related initiatives, in an environment conducive to dignity, harmony, mutual respect and health and safety	■ Employee remuneration LKR 2,702Mn ■ Investment in training LKR 3 Mn ■ Zero industrial actions ■ Improved levels of employee health and safety with a decrease in injuries and disease ■ Zero child labour ■ Zero forced labour ■ 40% women workforce
3 GOOD HEALTH AND WELL-BEING 6 CLEAN WATER AND SANITATION 11 SUSTAINABLE CITIES AND COMMUNITIES 7 AFFORDABLE AND CLEAN ENERGY 2 ZERO HUNGER 4 QUALITY EDUCATION	46% of our employees are resident on the estates and we invest to uplift the living standards of our employees and their families, who largely represent the local community ■ Operate 9 child development centres ■ LKR 717,400 student scholarships ■ LKR 15.67 Mn contribution to PHDT ■ 5 medical camps and programmes ■ LKR 4.47 Mn investment in road networks	■ Zero anaemia in children under 5 years ■ Encouragement of school children to pursue education. ■ 1,158 beneficiaries of new houses ■ 1,408 Beneficiaries of new latrines and sanitation facilities ■ 942 Beneficiaries from access to clean water supply from new wells, hand pumps ■ General improvement in health and well being from access to medical attention ■ 100% electrification of estate housing ■ infrastructure development of roads, bridges, places of worship ■ Improved earnings from micro entrepreneurship
14 LIFE BELOW WATER 15 LIFE ON LAND	Biodiversity. ■ No deforestation ■ Zero open burning ■ Shade management ■ Chemical buffer zones near water bodies	■ Identified 29 new species of fish from 12 families of which 10 are on the National Red List as Critically Endangered, Endangered or Vulnerable
13 CLIMATE ACTION	■ Converts trapped methane to CO2 by flaring ■ Increased use of organic fertilizer, focused fertilizer plan. ■ Increase forest coverage by planting trees	■ Net Emissions :tCO2 e /MT of CPO - 5.58

CHAIRMAN'S MESSAGE

Dear Shareholder,

It is my privilege to announce that Watawala Plantations PLC delivered a profit after tax of Rs.1.050 Bn for the financial year ended 31 March 2018 in a year that was marked by strategic changes for the company, positioning it on a new growth trajectory. Group profit after tax of Rs.939 million reflects expected losses from our fledgling investment in Watawala Dairy Ltd., which commenced commercial operations during the year, and which will take more time to reach break-even. Despite these changes, your company continues to be the most profitable plantation company in the Colombo Stock Exchange as we continue to embrace change as a key driver of sustainable shareholder value.

Profit after tax

Rs. 1.050Bn

Sharpening Our Focus

Strategy, operational excellence and agility have shaped our growth and has been the hallmark of our success. Our deliberations on our way forward pointed to diverse strategies for tea and palm oil without compromising the needs of one to support growth of the other. This rationale gave rise to the arrangement to segregate assets and liabilities pertaining to the tea business and other agribusinesses which was completed in the 3rd quarter of this financial year with your approval and as sanctioned by the capital markets regulators and the Supreme Court. Shareholding was mirrored with shareholders receiving one share of the new company, Hatton Plantations PLC valued at LKR 7.62 for every share held in Watawala Plantations with the segregation of net assets amounting to LKR 1.86 Bn.

In January 2018, we effected a share repurchase which would enable the company to optimise its capital structure in view of the significant changes to its value creation model. Accordingly, we purchased 35,704,115 shares at a price of LKR 33/- per share in the ratio of one for every six shares held, once again distributing value to shareholders.

These structural changes have positioned the company for growth in agri business in a challenging macroeconomic environment. Palm oil prices are a key determinant of our fortunes and are impacted by a complex number of factors ranging from the strength of the Malaysian ringgit, international crude oil prices, to import duties and government policy. While the prices declined during the financial year due to a strong ringgit and an excess of supply, we are now seeing the prices moving up on the strength of increased crude oil prices as palm oil serves as feedstock for bio-diesels. However, volatility is the order of the day in any agribusiness and we focus on driving competitive advantages to deliver value to shareholders.

Value to Shareholders

Our shareholders received value in the form of dividends, shares in Hatton Plantations and the repurchase price of shares during the year which resulted in a return of LKR 89 for every six shares or LKR 14.8 per share as inset in this page. The numbers have been computed for 6 shares at the beginning of the year to capture the impact of the share repurchase enabling us to clearly demonstrate how value was derived.

Our share price also increased by 18% from LKR 24.40 to LKR 28.90 strongly supported by earnings and the repurchase of shares while market capitalization increased only marginally by 1% from LKR 5.78 Bn to LKR 5.81 Bn reflecting the decrease in number of shares in issue.

Accordingly, total yield to shareholders was 59.42% as inset in this page for the financial year comparing extremely well with a risk free rate of 9.7% as indicated by the 1 year Treasury Bill rate. This marks a milestone in the history of the company as we put the highest value in the hands of shareholders since inception.

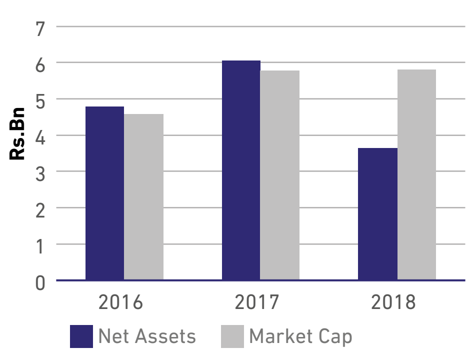
Market capitalization now factors a premium over Net Assets reflecting positive market perception of structural changes as set out in the graph.

Value to Shareholders

	Rate per share	No of shares	LKR
Dividend returns			
Final dividend for FY 17	0.85	6	5.10
Shares in Hatton Plantations PLC	7.84	6	47.04
Shares repurchased	33	1	33.00
Interim dividend	0.75	5	3.75
Value received for 6 shares			88.89
Capital appreciation			
Price per share at beginning of the year	24.4	6	146.4
Price per share at close of the year	28.9	5	144.5
			(1.90)
Value received including capital appreciation			86.99
% Yield realised			59%

"While leverage at Company level is minimal at 3.1%, Group leverage increased to 26.7% as growth of Dairy operations is partly funded by debt although it remains within prudent levels....."

Market Capitalisation & Net Assets



Performance

Despite the headline events described above, it was business as usual for the company which delivered a profit of LKR 1.0 Bn during the year, reflecting the impact of the aggregation and decreasing margins on Palm Oil operations. The Statement of financial position reflects the changes as net assets declined LKR 5.76 Bn to LKR 3.45 Bn for the Company and LKR 6.05 Bn to LKR 3.63 Bn for the Group. While leverage at Company level is minimal at 3.1%, Group leverage increased to 26.7% as growth of Dairy operations is partly funded by debt although it remains within prudent levels and additional capacity for borrowings in case of need.

Your directors recommend a final dividend of LKR 0.25 per share for the financial year having considered the cashflow for business needs and shareholder concern for returns.

Poised for Growth

Watawala Plantations is now poised for growth as a diversified agri business supported by strong strategic alliances and sufficient resources to invest in growth. Sunshine Holdings PLC, Pyramid Wilmar Plantations and PADC Holdings which is a 100% subsidiary of Duxton Asset Management of Singapore are all leaders in their respective fields and contribute significantly to our growth with expertise and networks.

Sri Lanka continues to import edible oils to meet consumer needs and Palm Oil is supported by the government as an import substitution industry to conserve valuable foreign exchange. This industry is now the main focus of

Watawala Plantations and will be the prime source of earnings for shareholders until the Dairy project matures in to a viable business which is expected to take another 3-4 years. As in the past, we are committed to delivering sustainable value to shareholders in the long term and will continue to drive growth through planned investments in dairy and our core businesses, Palm Oil.

Governance Matters

The reporting year was one of significant change requiring due process for execution of the arrangement and the repurchase of shares. I take this opportunity to thank our shareholders for their participation at the Extraordinary General meeting and unanimous approval of the resolutions necessary for the segregation of tea business from other operations discussed above. The Board monitored progress on the same and provided direction and guidance in formulation of plans and then in ensuring that it was executed meticulously. I wish to thank the Company Secretaries for their role in facilitating the process

The shareholding of our parent company Estate Management Services (Pvt) Ltd, changed during the year as Tata Global Beverages sold its stake to Sunshine Holdings as they revised strategy placing greater emphasis on international branding and marketing of TATA Tea. The Board joins me in thanking them for sharing our journey over two decades as we celebrated milestones and accolades for Watawala Plantations with an unblemished legacy of trust and co-operation. Accordingly, Mr.A. Misra, Mr.K.Venkataraman and Mr.C.P.Thomas resigned with effect from 28 December 2017 and we thank them for their invaluable contributions and diligent oversight of performance during their tenure.

Acknowledgements

I commend the team at Watawala Plantations led by the Managing Director Vish Govindasamy for their impeccable execution of strategy, and delivering on multiple goals in a challenging year. I also thank our strategic partners and their representatives on the Board for their insights and wise counsel in charting our course. To our brokers, customers, suppliers and other stakeholders who have played an important role in shaping our business, I extend my appreciation of their efforts. I conclude by thanking you, our shareholders, for your continued confidence and co-operation in transforming Watawala Plantations to a diversified agribusiness company.

Sunil G Wijesinha
Chairman

25 May 2018

MANAGING DIRECTOR'S MESSAGE

Dear Shareholder,

Watawala Plantations delivered a commendable performance as we sharpened focus on our core business to record a Group profit of LKR.939 Bn for the financial year ended 31 March 2018, recording the highest profits in the plantation sector for the 6th consecutive year. We also delivered strategic changes, shifting gears to drive growth in Palm Oil and Dairy operations, enabling these ventures to realise their full potential with the optimal resource allocation. As in the past, we invested LKR.1.5 Bn in our future as we increased our capital expenditure on PPE and biological assets, enhancing our capacity to grow with a long term vision for this dynamic Group. Your company is now poised for growth in two key import substitution industries which are expected to save valuable foreign exchange for the country.

Revenue

LKR 4.9Bn

Performance

The Chairman's Message serves as a prologue, describing the extensive changes to our business model and giving context to our performance. Revenue of LKR 4.90 Bn for the current year comprises LKR.2.48 Bn from a full year's operations of Palm Oil Export and Dairy which will continue as we move forward, with the balance attributable to tea operations now segregated and divested to Hatton Plantations PLC through the arrangement. Palm oil accounts for 82% of revenue from continuing operations amounting to LKR 2.03 Bn which reflects a 6% decline vis a vis the previous year due to revisions in import duties of Palm Oil and volatility in global markets as a strengthening Malaysian ringgit impacted demand. The price volatility masks a 1% growth in volume achieved owing to good agricultural practices. Our new venture in to Dairy operations through our subsidiary Watawala Dairy Limited contributed 7% to the group revenue.

Similarly profit for the year of LKR.939 Mn for the reporting year comprises 85% of operations amounting to LKR 801 Mn that will continue with Watawala Plantations while the remainder is from 6 months operations of our divested tea operations. Palm Oil contributed LKR 776 Mn to Profit after tax cushioning losses of LKR 91 Mn from the new venture in dairy which was in line with expectations. PAT from palm oil reflects a decline from the previous year contribution of LKR 1,025 Mn due to revenue pressures described above and higher costs of production reflected in gross margins which declined from 60% to 54%. The overall PAT was also impacted by LKR 103 Mn extra provision for deferred tax owing to the higher income tax rate applicable as per the new Inland Revenue Act with effect from 1 April 2018. We are now able to focus a higher level of attention to growth and productivity of this sector, carefully balancing long term business interests and stakeholder concerns.

Sri Lanka spends US$ 190 Mn on edible oil imports and US$249 Mn on imports of milk powder, making these two segments of agribusiness a focus area for import substitution. .....

Positive net asset growth stemming from increased biological assets of Watawala Dairy amounting to LKR 1.1 Bn and investments of LKR 334 Bn in capital expenditure of Oil Palm operations are masked by the impact of the segregation. Balance sheet of the company consequent to the segregation of the tea segment remained stagnent despite significant capital expenditure in the diary segment due to the distributions made to shareholders amounting to LKR 1.5 Bn during the year,in the form of share repurchse and dividends. Growth prospects for the company remains strong with a further 327 hectares maturing during the next 3 years increasing volumes and productivity. Dairy operations are also forecast to grow with the onset of lactation cycles following the first lactation for the existing herd. The Statement of Financial Position of the company remains strong even with increased borrowings to support growth of the dairy business which resulted in a higher leverage of 26%.

These results reflect our commitment to creating sustainable profitable growth for all stakeholders. They also reflect the challenging operating environment which impacted our top line and profitability as climate change, volatile markets, fiscal and monetary policy combined to moderate the same. Performance of the country's agriculture sector which recorded a decline of 3.4% serves as a benchmark moderating the country's GDP to 3.1% in 2017.

Employee productivity and wages remain a key legacy issue for the entire plantation industry with employee costs accounting for 53% of revenue. While the productivity element introduced in to the Collective Bargaining Agreement was a positive step in the right direction, there is a need to broaden its scope with a higher weightage of remuneration to be linked to productivity.

Sustainable Agribusiness

Watawala Plantations is committed to economic, environment and social sustainability as we feel the need to maintain its balance throughout our operations and have developed high levels of awareness within the organisation. We are directly impacted by climate change and depend on the commitment of 1,887 employees to deliver performance making sustainability a key business imperative. Responsible consumption is a way of life while significant resources are devoted to reducing inequalities and supporting the socioeconomic progress of our employees. Accordingly, we are now seeking certification of the Roundtable on Sustainable Palm Oil (RSPO) to become the first company in Sri Lanka to be awarded this prestigious certification affirming our commitment and investments in sustainability. As described in the report, a framework of

HIGHLIGHTS 2017/18

- Watawala Dairy Ltd commenced commercial operations at year end, a herd of 1,128 cattle in the farm.
- Divesting net assets of LKR 1.856 Bn relating to Tea operations in September 2017 in a mirrored shareholding of new company Hatton Plantations PLC

Net Assets Divested	Divested LKR. Mn	Retained LKR. Mn
Total Assets	3,549	6,734
Total Liabilities	1,693	1,965
Net Assets	1,856	4,768

- Share repurchase offer of 1 for every six shares
- Profit After Tax LKR.939 Mn

Analysis of Key Performance Indicators	Total LKR Mn	Continuing Operations LKR Mn
Revenue	4,949	2,486
Gross Profit	1,254	990
Operating Profit	1,150	1,036
PBT	1,163	1,046
PAT	939	801

- Balance Sheet Growth of Retained Assets

Balance Sheet movement of Continuing Operations	2018 LKR Mn	2017 Sep LKR Mn
Total Assets	6,411	6,734
Total Liabilities	2,777	1,965
Equity	3,635	4,768
Debt:Equity	41%	7%

policies and systems underpin integration of sustainability in to our day to day activities and shapes our culture to further extend its scope.

Outlook

Sri Lanka spends US$ 190 Mn on edible oil imports and US$249 Mn on imports of milk powder, making these two segments of agribusiness a focus area for import substitution. After many years, Watawala Plantations is now focussing attention on import substitution instead of exports, having tested the waters with palm oil and we are confident that we can make a meaningful impact on these two industries.

Vagaries of weather play a key role in our performance determining yields and productivity. Performance is also sensitive to government policy which has a significant impact as it can take many forms from regulation of inputs to taxes on inputs and outputs impacting performance. The bi-annual wage negotiations scheduled for the latter part of this year will be a key determinant of our performance as well.

Agribusiness is critical to the socio economic development of our country as observed this year as GDP growth moderated due to food supply disruptions and resulted in driving up inflation which impacted most sectors of the economy. A stable food supply is a vital for economic stability of the country and supporting economic growth and our ventures support two large segments. However, a stable policy environment is necessary to drive investments to optimise land and labour productivity.

Watawala Plantations is committed to a long term vision of a diversified agribusiness company supporting the food supply requirements of the country. We are also committed to setting benchmarks for excellence in responsible agricultural practices and driving meaningful change in the Plantation sector. Our strategic alliances strengthen our business model, underpinning our success. We are well positioned for growth having set in place the necessary structures that enable us to implement strategy for growth.

Acknowledgements

I commend the team at Watawala for their synchronised performance which enabled us to deliver another successful year while shifting gears. I also express my sincere appreciation of the support and counsel of the Board who have guided implementation of strategy.   We are deeply appreciative of the support provided by our shareholders, customers, brokers, suppliers and strategic partners who have shared our journey and look to their continued support as we move forward.

Vish Govindasamy
Managing Director

25 May 2018

Zero Deforestation/ Responsible planting

Our oil palm plantations are cultivated by replacing ageing rubber plantations which have become unprofitable over the years as demand declined globally. The main environmental concern with palm oil has been the deforestation and we are able to avoid this by repurposing rubber plantations with an economically viable crop which can be harvested for over 3 decades.

BOARD OF DIRECTORS

	Mr. Sunil G. Wijesinha Chairman *(Non-Executive/independent)* Age : 69	**Mr. G. Sathasivam** Director *(Non-Executive/non-independent)* Age : 70	**Mr. V. Govindasamy** Managing Director *(Executive/non-independent)* Age : 54	**Mr. A. K. Misra** Director *(Non-Executive/non-independent)* Age : 61 ***Resigned w.e.f 28/12/2017***
Qualifications/ Business Experience	MBA from Postgraduate Institute of Management, University of Sri Jayawardenapura. Fellow Member of the Chartered Institute of Management Accountants (UK). Fellow Member of the Institute of Management Services (UK). Associate Member of the Institution of Engineers, Sri Lanka.	Fifty one years experience in pharmaceutical Industries and plantation. Initiated & spearheaded joint venture with Tata Group.	Holds a MBA from University of Hartford,USA. Bachelor of Science in Electrical Engineering. University of Hartford,USA.	Holds a MBA in Marketing from Delhi University. Holds a Degree in Civil Engineering from BITS, Pilani.
Other Key Positions	**Chairman** Hatton Plantations PLC Watawala Dairy Ltd United Motors Lanka PLC RIL Property PLC SC Securities (Pvt) Ltd **Director** Unimo Enterprises Ltd Orient Motor Company Ltd BizEx Consultancy (Pvt) Ltd Sampath Centre Ltd UML Property Development Ltd UML Heavy Equipment Ltd	**Chairman** Estate Management Services (Pvt) Ltd **Director** Sunshine Holdings PLC Sunshine Energy Ltd Sunshine Healthcare Lanka Ltd Waltrim Hydropower (Pvt) Ltd Healthguard Pharmacy Ltd Hatton Plantations PLC	**Chairman / Director** Sunshine Holdings PLC Sunshine Healthcare Lanka Ltd Hatton Plantations PLC Watawala Tea Ceylon Ltd Healthguard Pharmacy Ltd Waltrim Hydropower (Pvt) Ltd Sunshine Energy Ltd Watawala Dairy Ltd Estate Management Services (Pvt) Ltd Watawala Tea Australia (Pty) Ltd. Tata Communications Lanka Ltd TAL Lanka Hotels PLC	**Managing Director** Tata Global Beverages Ltd **Director** Watawala Tea Ceylon Ltd Estate Management Services (Pvt) Ltd
Board meeting attendance	6/6	5/6	6/6	3/6
Audit Committee attendance	4/4	N/A	N/A	N/A
Nomination and remuneration Committee attendance	-	-	N/A	-
Related Party Transactions review Committee	4/4	N/A	N/A	N/A

Mr. K. Venkataramanan Director *(Non-Executive/non-independent)* Age : 57 *Resigned w.e.f 28/12/2017*	**Mr. A. N. Fernando** Director *(Non-Executive/independent)* Age : 71	**Mr. M. S. Mawzoon** Director *(Non-Executive/non-independent)* Age : 48	**Mr. L. D. Ramanayake** Director *(Non-Executive/independent)* Age : 66
Fellow Member of the Institute of Chartered Accountants of India. Associate member of the Institute of Cost and works Accountants of India. Over 21 years experience in the field of Finance.	Holds a MBA in Finance, Industrial and Corporate Strategy from IMD Business School. Lausanne, Switzerland. Fellow Member of the Institute of Chartered Accountants of Sri Lanka. Former Precedent Partner KPMG Sri Lanka	Twenty seven years experience in various business industries.	MBA from Postgraduate Institute of Management, University of Sri Jayawardenapura. Fellow Member of the Institute of Certified Professional Manager. Member of the Chartered Institute of Marketing.
Executive Director Tata Coffee Ltd **Director** Watawala Tea Ceylon Ltd Estate Management Services (Pvt) Ltd	**Director** Hatton Plantations PLC	**Director** Estate Management Services (Pvt) Ltd Watawala Tea Ceylon Ltd Hatton Plantations PLC Watawala Dairy Ltd **Managing Director / Director** Pyramid Lanka (Pvt) Ltd Pyramid Wilmar (Pvt) Ltd Pyramid Wilmar Oils and Fats (Pvt) Ltd Pyramid Wilmar Plantations (Pvt) Ltd The Phone Company (Pvt) Ltd The Phone International (Pvt) Ltd Shangri La Hotels Lanka (Pvt) Ltd Shangri La Investments Lanka (Pvt) Ltd Jewelsco Restaurants (Pvt) Ltd	**Former Chairman** Colombo Brokers' Association Former Deputy Chairman Tea Association of Sri Lanka Former Executive Vice President John Keells Holdings PLC **Director** Watawala Tea Ceylon Ltd Hatton Plantations PLC
3/6	6/6	6/6	6/6
3/4	4/4	N/A	4/4
N/A	-	N/A	N/A
3/4	4/4	N/A	4/4

	Mr. C. P. Thomas Director *(Non-Executive/non-independent)* Age: 48 *Resigned w.e.f 28/12/2017*	Mr. N. B. Weerasekera Director *(Non Executive/independent)* Age : 59	Mr. B. A. Hulangamuwa Director *(Non-Executive/non-independent)* Age : 62	Mr. P. Karunagaran Director *(Non-Executive/non-independent)* Age : 48 *Appointed w.e.f 25/05/2018*
Qualifications/ Business Experience	Holds a Degree in Computer Science from Jodhpur University, Rajasthan. Over twenty three years experience in plantation industry.	Fellow Member of the Chartered Institute of Management Accountants, UK. Holds a MBA from University of Colombo. Holds a Degree in Physics from University of Peradeniya.	Holds a MBA from University of Colombo. Fellow Member of the Institute of Chartered Accountants of Sri Lanka. Certified Fraud Examiner (USA).	Holds a Bsc. in Chemical engineering from University of Wisconsin Over 15 years experience in the Agribusiness industry. Currently General Manager - Africa and Sri Lanka for Wilmar International Limited.
Other Key Positions	**Managing Director** Tata Coffee Ltd Managing Trustee UPASI Tea Research Foundation Member-Executives Committee United Planters' Association, Southern India	**Director** Sunshine Holdings PLC Sunshine Energy Ltd Sunshine Healthcare Ltd Healthguard Pharmacy Ltd Hatton Plantations PLC **Managing Director** Abraaj Group for Sri Lanka & Bangaladesh	**Director** Sunshine Holdings PLC Hatton Plantations PLC Waltrim Hydropower (Pvt) Ltd Sunshine Energy Ltd Asia Siyaka Commodities PLC	**Director** Pyramid Lanka (Pvt) Ltd Pyramid Wilmar (Pvt) Ltd Pyramid Wilmar Oils and Fats (Pvt) Ltd Pyramid Wilmar Plantations (Pvt) Ltd Hatton Plantations PLC
Board meeting attendance	1/6	6/6	6/6	-
Audit Committee attendance	N/A	N/A	3/4	N/A
Nomination and remuneration Committee attendance	N/A	-	N/A	N/A
Related Party Transactions review Committee	N/A	N/A	3/4	N/A

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

EXECUTIVE COMMITTEE

Binesh Pananwala
Chief Executive Officer

Counts 26 years in the plantation sector. Started his career as a Trainee Assistant Superintendent under Janatha Estates Development Board and continued with Watawala Plantations Plc. Holds a MSc in Crop Science from the University of Peradeniya. Holds a MBA from Manipal (Sikkim) University. Holder of Diploma In Management of Plantations from Kothari Agriculture Management Center and undergone extensive Higher Management Training at the NUS, Singapore.

Alex C Samuel
General Manager - Human Resources

Counts an experience of 34 years in the Plantation sector. Holds a Diploma in Plantation Management and a Diploma in ABE (Association of Business Executives). Holds an MBA from the Cardiff Metropolitan University – UK.

Chamika Naranapitiya
Deputy General Manager - South

Counts 27 years' experience in the Plantation sector, having managed Tea, Rubber, Oil Palm & other crops. Joined the industry as an Assistant superintendent. Holds a MBA from the University of Wales, UK and a Diploma in HRM from London & Weigh College.

Prasanna Pahalagamage
Deputy General Manager Finance

Holds a B Sc in Business Administration. A member of the Association of Chartered Certified Accountants (ACCA) – UK and Institute of Chartered Accountants Sri Lanka. He counts over 15 years' experience in Accounting, Auditing and Financial Management.

Dhanushka Daswatta
Senior Manager - Plantations

Counts 18 years' experience in the plantation sector, having managed tea, rubber, oil palm & other crops. Holds a professional qualifications in Human Resource Management and National Diploma in Human Resource Management at Institute of Personal Management (IPM) and also holdings diplomas in Personal Development, Business Management.

K H Thanushka
Manager Palm Oil Mill

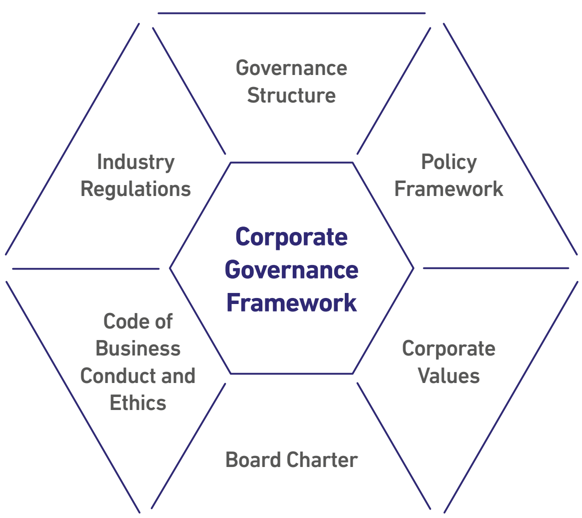
Counts 13 years' experience in the field of Process Engineering in manufacturing organizations. Holds a Bachelor of Science in Engineering from the University of Moratuwa specialized in Chemical & Process Engineering. Holder of a Diploma in Manufacturing Management from the NIBM,

CORPORATE GOVERNANCE

The Board of Directors is committed to upholding high standards of good corporate governance which has underpinned the company's growth and stability. Strongly supported by the Sunshine Group through the involvement of common directors and within the umbrella of its own group structures, our governance framework has proved to be a solid foundation facilitating oversight and accountability

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Corporate Governance Framework



The Board is responsible for setting in place a governance framework in driving sustainable growth. The governance framework , which is underpinned by regulatory requirements as listed in the adjacent column, and internal policies, is regularly reviewed to adapt to internal developments and benchmarked against international best practice.

The Executive Committee (Ex Com) which assists in the decision-making process is headed by the Chief Executive Officer. The second level of Ex Com known as the Regional Ex Com has been developed to cascade information to the region and to provide insights to the Ex Com, enhancing deliberations.

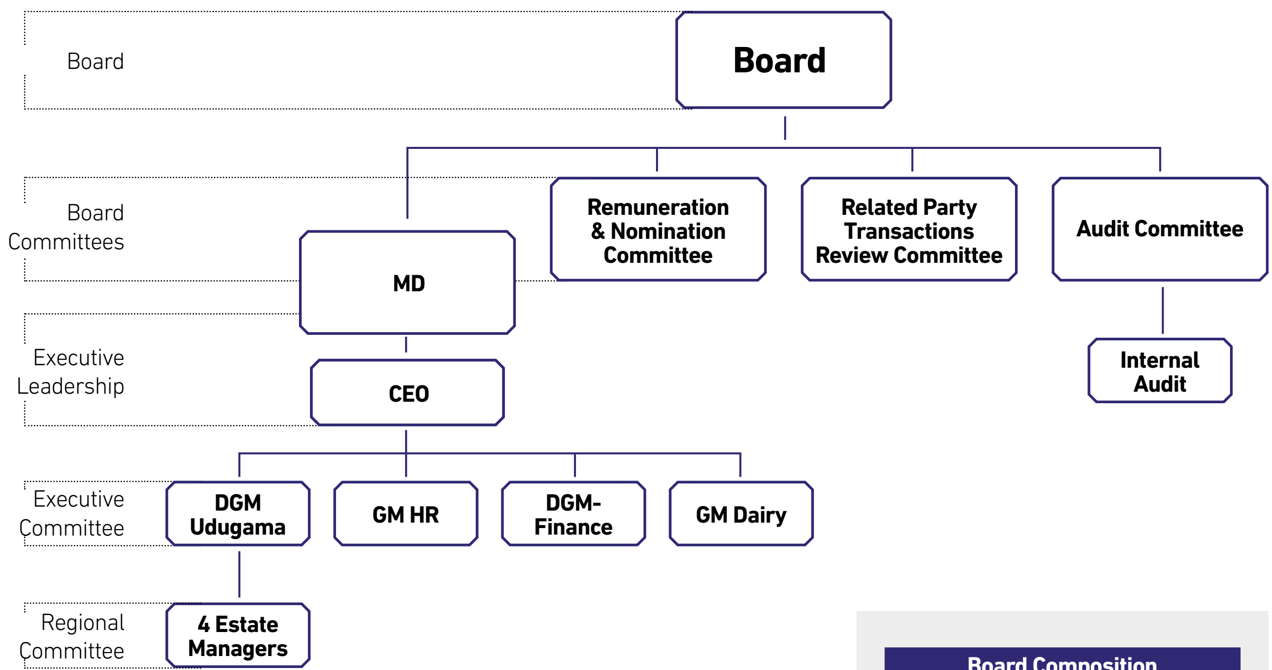
The company has complied with the Code of Best Practice on Corporate Governance 2013 issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka, which forms the basis for this report.

We welcome the release of the revised Code of Best Practice on Corporate Governance 2017 by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) in December 2017. We will review its impact on the company's governance framework, policies and practices in 2018/19, and ensure to incorporate the latest developments.

KEY LEGAL ENACTMENTS, CODES AND AGREEMENTS COMPLIED WITH

- Companies Act No.7 of 2007,
- Sri Lanka Accounting and Auditing Standards Act No.15 of 1995
- Continued Listing Requirements of the Colombo Stock Exchange
- Employees' Provident Fund Act,
- Employees' Trust Fund Act,
- Payment of Gratuity Act,
- Maternity Benefits Ordinance,
- Medical Wants Ordinance,
- Shop and Office Act,
- Industrial Disputes Act,
- Factories Ordinance,
- Workmen's' Compensation Ordinance
- Collective Agreement entered in to between the EFC, the CESU and NESU
- Code of Best Practice on Corporate Governance jointly issued by the Securities Exchange Commission and the Institute of Chartered Accountants of Sri Lanka
- Inland Revenue Act No.24 of 2017

Governance Structure



The Board

Composition

The Board comprises 9 members as at March 31, 2018 , whose profiles are given on page 16. Apart from the MD, all members are non-executive.

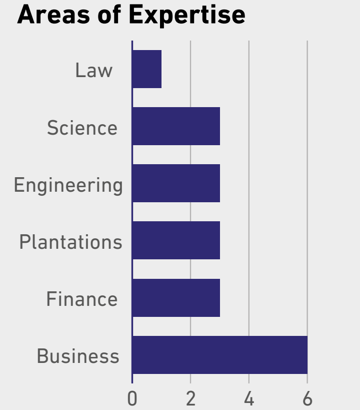
The three Non-Executive, Non - Independent Board Members, nominated by Tata Global Beverages Ltd resigned with effect from 28 December 2017, on divestment of the company stake in Estate Management Services (Pvt) Ltd, our parent company. Mr. Pratheepan Karunagaran representing Pyramid Wilmar Plantations Private Limited, was appointed to the board with effect from 25 May 2018, as Non-Executive, Non-Independent director. Pyramid Wilmar Plantations Private Limited, is a joint venture between Asia's leading agri- business group Wilmar International Limited and Wressle Holdings Ltd, which holds a 40% stake in Estate Management Services (Pvt) Ltd.

The Board is diverse in its experience, age and expertise contributing varied perspectives to boardroom deliberations and exercising independent judgment to bear on matters set before them.

Comprising of three Chartered Accountants and one Chartered Management Accountant i.e. Mr. K Venketramanan–FCA of Tata Global Beverages Limited(resigned wef 28 December 2017) , Mr. B.A. Hulangamuwa – FCA, MBA and Mr. A.N. Fernando – FCA, MBA and Mr. Sunil Wijesinghe FCMA, the Board possesses adequate financial acumen and knowledge.

Board Composition	
Chairman (Independent, Non-executive)	
Independent Directors	
Non-Executive, Non - Independent Directors	
Executive	

Areas of Expertise



Appointment of directors

Directors are appointed by the shareholders at the Annual General Meeting, following a formal and transparent process. Appointments are made based on recommendations made by the Board of Directors. The Nominations and Remuneration Committee makes recommendations to the Board in this regard having considered the combined knowledge, experience and diversity of the Board in relation to the Company's strategic plans and any gaps thereof.

Retiring NEDs may be re-elected on a rotational basis, subject to the provisions in the Companies Act. A director appointed by the Board to fill a casual vacancy arisen since the previous AGM, will offer himself for re-election at the next AGM.

Independence of Directors is determined by the Board , based on annual declarations submitted by the Non-Executive Directors. No new directors were appointed during the year.

Other Business Commitments and Conflicts of Interests

Directors declare their outside business interests at appointment and quarterly thereafter. The Company Secretary maintains a register of directors' interests, which is tabled to the board annually. The Register is available for inspection in terms of the Companies Act. Key appointments of the directors are included in their profiles on pages 16 to 18 and in Note 37 of the financial statements.

Powers and Responsibilities of the Board

The Board determines the overall strategy to enhance long term value of the Company and oversees implementation. Providing independent, informed and effective judgment and leadership to decision making, they ensure that strategy, risk, internal controls, performance and sustainable development considerations are effectively integrated and appropriately balanced. The Board also ensures all stakeholder rights and obligations are safeguarded whilst complying with laws, regulations and ethical standards. All Directors contribute meaningfully to leading the company and commit sufficient time to fulfill their duties.

The Board may obtain independent professional advice as and when necessary at the Company's expense in accordance with the Board approved policy on independent professional advice and these functions are co-ordinated through the company secretary.

Regular presentations by the CEO and Corporate Management on matters including progress in implementation of the strategic goals, financial, social and environmental performance, changes and challenges presented by the operating environment ensure that the Board is apprised of developments impacting the company.

Board Committees

The Board has appointed an Audit Committee, Nominations and Remuneration Committee and Related Party Transactions Review Committee to assist in the discharge of its duties. The areas of oversight and the composition of these committees are given below.

KEY BOARD RESPONSIBILITIES

- Setting strategic direction
- Financial reporting
- Putting in place a competent management team
- Establishing an effective system to secure integrity of information, internal controls and risk management
- Selection of appropriate accounting policies
- Establishing the company's codes of conduct
- Regular review of company's performance against agreed goals

Board Committee	Areas of Oversight	Composition	Further Information
Audit Committee (AC)	Financial Reporting Internal Controls Internal Audit External Audit	Comprises 3 Independent non-executive directors including the Chairman and 3 non-executive directors	Report of the Audit Committee, page 74
Remuneration and Nominations Committee (NRC)	Appointment of Key Management Personnel Succession Planning Remuneration policy for Key Management Personnel Goals and targets for Key Management Personnel Performance evaluation HR Policy Organisation structure	Comprises 3 independent non-executive directors and 2 non-executive directors	Report of the Remuneration and Nominations Committee, page 77
Related Party Transactions Review Committee (RPTRC)	Review of related party transactions	Comprises 3 Independent non-executive directors including the Chairman and 3 non-executive directors	Report of the Related Party Transactions Review Committee, page 76

Meetings & Minutes

Directors	Directorship status at WATA	Board	AC	NRC	RPTC
Mr. S.Wijesinghe (Chairman)	Non-Executive/independent	6/6	4/4	-	4/4
Mr. G.Sathasivam	Non-Executive/non-independent	5/6	-	-	-
Mr. V.Govindasamy (MD)	Executive/independent	6/6	-	-	-
Mr. A.K.Misra*	Non-Executive/non-independent	3/6	-	-	-
Mr. K.Venkataramanan*	Non-Executive/non-independent	3/6	3/4	-	3/4
Mr. A.N.Fernando	Non-Executive/independent	6/6	4/4	-	4/4
Mr. M.R.Mawsoon	Non-Executive/non-independent	6/6	-	-	-
Mr. L.Ramanayake	Non-Executive/independent	6/6	4/4	-	4/4
Mr. C.P.Thomas *	Non-Executive/non-independent	1/6	-	-	-
Mr. N.B.Weerasekera	Non-Executive/independent	6/6	-	-	-
Mr. B.A.Hulangamuwa	Non-Executive/non-independent	6/6	3/4	-	3/4
Mr. P.Karunagaran	Non-Executive/non-independent	-	-	-	-

Agenda and Board papers are sent 7 days before the meeting, allowing members sufficient time to review the same. The Chairman sets the Board agenda, assisted by the MD. Care is taken to ensure that the board spends sufficient time considering matters critical to the Company's success, as well as compliance and administrative matters.

Board meetings are held on a quarterly basis with the flexibility to arrange ad-hoc meetings to supplement these when required. The Board met 6 times during the year.

The Executive Committee and Regional Executive Committee meet on a monthly basis to review performance against the strategic plan and budgets, identifying matters requiring intervention and escalation to Board.

Company Secretary

Corporate Advisory Services (Pvt)Ltd was appointed Secretaries to the Board and board sub-committees in April 2016. The Company Secretary guides the Board on discharging its duties and responsibilities, keeping members abreast of relevant changes in legislation and facilitating adherence to best practices in corporate governance. All Directors have access to the services of the Company Secretary.

The Company Secretary maintains the minutes of Board meetings, which are open for inspection by any Director at any time. Appointment and removal of the Company Secretary is a matter for the Board as a whole.

Roles of Chairman and MD/CEO

The role of Chairman is separate from that of the MD as detailed in the Board Charter, in line with best practices in Corporate Governance ensuring that no one Director has unfettered power and authority. The Chairman is an Independent Non-Executive Director while the MD is an Executive Director appointed by the Board.

Roles of Chairman & MD
The Chairman is an Independent Non- Executive Director who leads the Board ensuring that it works effectively and acts in the best interest of the Company.
MD is accountable to the Board for the exercise of authorities delegated by the Board and for the performance of the Company.

Chairman's Responsibilities	MD/CEO Responsibilities
▪ Setting the ethical tone for the board and Company; ▪ Setting the Board's annual work plan and the agendas, in consultation with the company secretary and the MD ▪ Building and maintaining stakeholder trust and confidence; ▪ Ensuring effective participation of all Board members during board meetings. Facilitating and encouraging discussions amongst all Directors of matters set before the board and ensuring a balance of power is maintained between executive and NED. ▪ Monitoring the effectiveness of the Board and assessing individual performance of directors	▪ Appointing and ensuring proper succession planning of the executive team, and assessing their performance; ▪ Developing the Company's strategy for consideration and approval by the Board; ▪ Developing and recommending to the Board budgets supporting the Company's long-term strategy; ▪ Monitoring and reporting to the Board on the performance of the Company and its compliance with applicable laws and Corporate Governance principles; ▪ Establishing an organisational structure for the Company which is appropriate for the execution of strategy ▪ Ensuring a culture that is based on the Company's values; ▪ Ensuring that the Company operates within the approved risk appetite.

Board access to information and resources

Directors have unrestricted access to management and organisation information, as well as the resources required to carry out their duties and responsibilities, independently and effectively. Members of the corporate management make regular presentations with regard to the business environment and in relation to group operations. The Company has appointed F. J. & G De Saram and Nithya Partners as their legal consultants. Access to independent professional advice, co-ordinated through the Company Secretary, is available to Directors at the Company's expense.

Induction and On-going Training for Directors

On appointment, directors are provided with an orientation pack with all relevant external and internal regulation documents and a tour of the estate and palm oil factory premises. The Board of Directors recognize the need to keep abreast of current developments affecting the sector both globally and locally with particular reference to regulatory changes and the country's economy. They undertake training and professional attending seminars/workshops/conferences, participating as speakers at events, using web based learning resources and reading regulatory updates etc.

Appraisal of Board Performance

The Board of Directors evaluate their performance against the strategies adopted which is generally done at every board meeting. In the light of this evaluation and considering the future and the challenges that need to be met, the Board considers the following areas in evaluating its performance.

- The past performance.
- Reviewing and formulating a sound business strategy.
- Securing effective information and control systems and audit
- Prevention or minimizing risks.
- Ensuring compliance with legal/ethical standards.

Appraisal of Managing Director

Performance of the Managing Director is evaluated by the Board on his meeting the companies short and medium term targets and his capability of meeting future targets.

Directors' and Executive Remuneration

Remuneration of the Chairman, Managing Director and the Executive Directors are determined by the Remuneration and

Nomination Committee (RNC) who also sets guidelines for the remuneration of the management staff within the Group. Further information about the makeup of and activities of the committee is summarized in the Committee Report on page 77.

Remuneration Policy

The WATA remuneration policy supports the motivation and reward of performance of employees whilst meeting regulatory requirements and stakeholder expectations. Remuneration consists of fixed remuneration (base pay + benefits) and an annual bonus, after performance has been appraised. The RNC is responsible for making recommendations to the Board regarding the remuneration of the Managing Director (Executive Directors) within agreed terms of reference and in accordance with the remuneration policies of the Company.

Level and Make Up of Remuneration

The NRC and the Board are mindful of the fact that the remuneration of Executive and the Non-Executive Directors should reflect market expectations and be sufficient to attract and retain eminent professionals as directors. The remuneration package of the Managing Director is structured to link rewards to corporate and individual performance and takes into consideration performance and risk factors entailed in his job.

The Non-Executive Directors receive a fee in line with the market practices. Remuneration for Non-Executive Directors reflects the time commitment and responsibilities of their role, taking into consideration market practices.

Disclosures of Remuneration

The NRC report is given on page 77 and details the names of members, the remuneration policy. Directors' Emoluments are disclosed in note 30 to the Financial Statements – Expenses by Nature, page 128.

Succession planning

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

Compliance

The Board of Directors is committed to comply with all laws, rules and regulations, ethical standards. The company has complied a detailed check list to ascertain the compliance with laws and regulations of which a summary is appended on page 29 of this report.

Relations with Shareholders

Engagement with shareholders and potential investors is a key element of good corporate governance.

Disclosure of Major Transactions including Related party transactions

During the year, there were no major transactions as defined by Section 185 of the Companies Act No. 07 of 2007 . Related party transactions are given in Note 37 to the financial statements of the Annual Report on page 132 to 134.

Constructive use of Annual General Meeting (AGM)

The AGM is the main mechanism for the Board to interact with and account to shareholders and provides an opportunity for shareholders' views to be heard. Notice of the AGM, the Annual Report and Accounts and any other resolution together with the corresponding information that may be set before the shareholders at the AGM, are circulated to shareholders minimum 15 days prior to the AGM allowing for all the shareholders to attend the AGM. A separate resolution is proposed for each item of business, giving shareholders the opportunity to vote on each of such issue, separately. Voting procedures at the AGM are circulated to the shareholders in advance. An effective mechanism to count all proxies lodged on each resolution is maintained.

The Board is mindful of their accountability to shareholders. At the AGM, the Board provides an update to shareholders on the company's performance and shareholders ask questions and vote on resolutions. It is the key forum for shareholders to engage in decision making matters reserved for the shareholders which typically include proposals to adopt the Annual Report and Accounts, appointment of Directors and auditors and other matters requiring special resolutions. The Board Chairman, Managing Director and Board members particularly Chairmen of the sub- committees are present and available to answer questions. All Shareholders are encouraged to participate at the AGM and exercise their voting rights.

Accountability & Audit

Financial reporting

Every effort has been made to present a balanced and understandable assessment of the Company's financial position, performance and prospects in compliance with the various legal enactments applicable, the Sri Lanka Financial Reporting Standards, the G4 standard on Sustainability Reporting published by the Global Reporting Initiative and the Integrated Reporting Framework published by the International Integrated Reporting Council. The company's position and prospects have been discussed in detail in the following sections of this annual report.

- Chairman's Review pages 09 to 11.
- Managing Director's Review pages 12 to 14.
- Accounting for Our Capitals on page 42.
- A Positive Outlook on page 63.
- Managing Risk on pages 35 to 38.

The Company has also complied with the requirements of the Colombo Stock Exchange and published Interim Reports on the company website within 15 days of first three quarters and within 2 months of the last quarter. Price sensitive information, which may have an impact on the shares of the company, has been disclosed in a comprehensive but concise manner to the Colombo Stock Exchange on a timely basis. Reports required by regulators including the Department of Inland Revenue, Sri Lanka Accounting & Auditing Standards Monitory Board, and the Colombo Stock Exchange have been filed in a timely manner in compliance with specified requirements. The following reports set out further information required by the Code:

- The Directors' Report on pages 16 to 18 (including the declaration that the company is a going concern)
- The Statement of Directors' Responsibility on page 68 to 71.
- Report of the Auditors on page 81 to 85.

Internal control

The Board is overall responsible in establishing a good system of internal control in the company and delegated much of it to the Audit Committee. This committee in turn reviews all management accounts and directs the Internal Audit Team to carry out checks on areas of verification other than their normal checks. The Audit Committee reviews these Internal Audit Reports which are circulated to them quarterly and discusses the salient features at the Audit Committee Meeting with the Internal Auditor the Chief Executive Officer and the DGM Finance.

Audit Committee

The Board has delegated responsibility to the Audit Committee with regard to selecting and application of accounting policies, financial reporting, internal control, risk management and maintaining an appropriate relationship with the company's auditors. The Accounting Policies are discussed and agreed with the External Auditors.

The Audit Committee of the company consists of four Non-executive Directors. The Head of the Audit Committee is Mr. A.N. Fernando who is an Independent Non-Executive Director. The Audit Committee report is given on page 74 to 75.

The Audit Committee views at different intervals the independence of the External Auditors. The auditors, Messrs PricewaterhouseCoopers, provided Tax services in addition to Audit Services.

Code of Business Conduct & Ethics

The Company's Code of Conduct clearly sets out the standard of conduct expected of all employees including the Corporate and Senior Management. This Codes addresses conflict of interest, bribery and corruption, whilst blowing , grievance handling, accurate accounting and record keeping, fair dealing and protecting and proper use of the Company's assets. While all executives and clerical staff are provided with the Code of Conduct, we rely on training, meetings and trilingual communication of corporate values for associates who are mainly engaged in field work.

Sustainability Reporting

This report is a full sustainability report. The GRI Index on page 150 to 153 provides a comprehensive reference to information disclosed in this report.

Compliance With the Continuing Listing Requirements of the Colombo Stock Exchange - Corporate Governance

Rule No.	Requirement	Complied	Reference in this report	Page
7.10.1(a)	Non Executive Directors (NED) 2 or at least 1/3 of the total number of Directors should be NEDs	Yes	Board Composition	21,23
7.10.2(a)	Independent Directors (ID) 2 or1/3 of NEDs, whichever is higher, should be independent	Yes	Board Composition	21,23
7.10.2(b)	Independent Directors (ID) Each NED should submit a declaration of independence	Yes	Appointment of Directors	22
7.10.3(a)	Disclosure relating to Directors The Board shall annually determine the independence or otherwise of the NEDs Names of IDs should be disclosed in the Annual Report (AR)	Yes	Appointment of Directors Directors' Profiles	22 16 to 18
7.10.3(b)	Disclosure relating to Directors The basis for the Board's determination of ID, if criteria specified for independence is not met	Yes	Directors' Profiles	16 to 18
7.10.3(c)	Disclosure relating to Directors A brief resume of each Director should be included in the AR including the Director's areas of expertise	Yes	Directors' Profiles	16 to 18
7.10.3(d)	Disclosure relating to Directors Provide a brief resume of new Directors appointed to the Board with details specified in 7.10.3(a), (b) and (c) to the CSE	Yes	No new directors were appointed during the year	16 to 18
7.10.4 (a-h)	Determination of Independence Requirements for meeting criteria	Yes	Appointment of Directors	22
7.10.5	Remuneration Committee (RC)	Yes	Remuneration and Nominations Committee Report on page 77	77
7.10.5(a)	Composition of Remuneration Committee Shall comprise of NEDs, a majority of whom will be independent	Yes		77
7.10.5.(b)	Functions of Remuneration Committee The RC shall recommend the remuneration of the Managing Director's and NEDs	Yes		77
7.10.5.(c)	Disclosure in the Annual Report relating to Remuneration Committee Names of Directors comprising the RC Statement of Remuneration Policy Aggregated remuneration paid to NED/NIDs and NED/IDs	Yes		77

Compliance With the Continuing Listing Requirements of the Colombo Stock Exchange - Corporate Governance

Rule No.	Requirement	Complied	Reference in this report	Page
7.10.6	Audit Committee (AC) The Company shall have an AC	Yes	Audit Committee Audit Committee Report	26 74,75
7.10.6(a)	Composition of Audit Committee Shall comprise of NEDs a majority of whom will be Independent A NED shall be appointed as the Chairman of the Committee Managing Director and Chief Financial Officer (CFO) should attend AC meetings The Chairman of the AC or one member should be a member of a professional accounting body	Yes		23
7.10.6(b)	Audit Committee Functions Overseeing of the – Preparation, presentation and adequacy of disclosures in the financial statements in accordance with Sri Lanka Accounting Standards Compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements Processes to ensure that the internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards Assessment of the independence and performance of the external auditors Make recommendations to the Board pertaining to appointment, re-appointment and removal of external auditors, and approve the remuneration and terms of engagement of the external auditor	Yes		74, 75
7.10.6(c)	Disclosure in Annual Report relating to Audit Committee Names of Directors comprising the AC The AC shall make a determination of the independence of the Auditors and disclose the basis for such determination The Annual Report shall contain a Report of the AC setting out the manner of compliance with their functions	Yes		74, 75
9.1 9.1 9.12 9.2 9.3	Names of Directors comprising the Committee. Shareholder approval Recurrent transactions Related party transactions review committee Disclosures	Yes	Related Party Transactions Review Committee Report	76

Compliance Report

	Reporting Party Institute / personnel	Subject	Responsibility	Deadline	Status of compliance
STATUTORY	Inland Revenue	1. Income Tax Payment	DGM-F/CEO	30 September	Complied
		2. Income Tax Return	DGM-F/CEO	30 November	Complied
		3. VAT Payment	DGM-F/CEO	15 of the following month	Complied
		4. VAT Return	DGM-F/CEO	30 of the following month end of quarter	Complied
		5. NBT Payment	DGM-F/CEO	20 of the following month	Complied
		6. NBT Return	DGM-F/CEO	20 of the following quarter	Complied
		7. PAYE Payment	DGM-F/CEO	15 of the following month	Complied
		8. ESC Payment	DGM-F/CEO	20 of the month following quarter	Complied
		9. ESC Return	DGM-F/CEO	Annually	Complied
		10. Stamp Duty Return & Payment	DGM-F/CEO	15th of the month following quarter	Complied
		11. Assessment/Default notices	DGM-F/CEO	On given dates	Complied
REGULATORY	Department of Labour	12. EPF Payment	DGM-F/CEO	30 of the following month	Complied
	ETF Board	13. ETF Payment	DGM-F/CEO	30 of the following month	Complied
	Department of Labour	14. Gratuity - Provision/ Payment	DGM-F/CEO	Within one month of resignation	Complied
	SLAASMB	15. Publishing of Annual Financial Report	DGM-F/CEO	By 24 May 2017	Complied
		16. All Financial Reports are prepared in accordance with SLFRS	DGM-F/CEO	--	Complied
	CSE/SEC	17. Quarterly Financial Report	DGM-F/CEO	30 of the month following the quarter	Complied
		18. Annual Financial Report	DGM-F/CEO	06 June 2017	Complied
COMPLIANCE WITH INTERNAL PROCEDURE	Finance Department	19. Monthly Financial Statements	DGM-F/CEO	10 of the following month	Complied
		20. Interim Financial Statements	DGM-F/CEO	10 of the following month	Complied
	Chairman & BOD	21. Board approval obtained for any new projects/ Investment / venture the company is planning to embark upon	DGM-F/CEO	Relevant Papers to be delivered to directors 7 Days before the board meeting	Complied
	Insurance	22. Insure all the business assets to mitigate losses	DGM-F/CEO	on going	Complied

A CLEAR PATH


Value Creation Processes
Page 31
Operating Environment
Page 40
Stakeholder Engagement
Page 32
Our Plan
Page 34
Principal Risks & Materiality
Page 35

VALUE CREATION MODEL

Inputs

How We Create Value

Palm Oil Production

Nursery Cultivation
↓
Field Planting
↓
Upkeep
↓
Harvesting
↓
Milling
↓
Processing
↓
Sales to Customers

Milk Production through Dairy farming

Animal purchase and transportation
↓
Vaccination/
↓
Medication
↓
Feeding/ Housing
↓
Milking
↓
Testing
↓
Transportation to Dairy

Vision	Mission	Strategy	Good Governance	Risk Management

Value Created

Customers
Palm Oil 10,775 MT
Milk 2.02Mn Ltrs

Shareholders
PAT LKR 939Mn
Assets LKR 6.41Mn

Employees
Remuneration
LKR 2.7 Bn
Training 85 hrs

Community
Investment
LKR 44.34Mn

Government
Income Tax
LKR 224Mn
Import Substitute
LKR 4.5 Bn

Suppliers
Purchases
LKR 2.2 Bn

Impacts

Emissions
16,558.72tCO2e/MT

Effluents
30,083.64 MT

Waste
38,322 MT

Employee Productivity
(Profit per employee)
LKR 161,283

Capacity Utilization
75%

Energy intensity
31.06 kWh / MT of FFB

STAKEHOLDER ENGAGEMENT

Engaging with stakeholders is a shared responsibility across the organization with both formal and informal feedback playing a key role in how we enhance our value creation processes.

Stakeholder Group	Importance	Engagement Mechanisms:	Areas of interest	Outcomes	Addressed by specific Material Sustainability Matters
Shareholders and investors Refer Investor Relations Report on page 03 and Finance Capital on page 43	Shareholders and banks provide capital to finance our growth	▪ Quarterly Financial Statements ▪ Press Releases ▪ Annual Report ▪ Annual General Meeting ▪ CSE Announcements	▪ Earnings & dividends ▪ Share price and liquidity ▪ Growth prospects ▪ Environment footprint ▪ Sustainable agricultural practices ▪ Employee welfare and rights ▪ Governance	Good relationship with shareholders and positive reputation amongst investors constructive feedback	▪ Biodiversity ▪ Environmental practices ▪ Sustainable Agricultural Practices ▪ Employee practices ▪ Community ▪ Welfare
Customers Refer Social & Network Capital Report on page 62	Major consumer goods manufacturers, Refineries	▪ One-to-one meetings ▪ Visits to Estates, Mills and our Refinery	▪ Environmental footprint ▪ Price competitiveness ▪ Product quality ▪ Employee welfare and rights ▪ Sustainable supply chain	Better awareness of our commitment to sustainability, and better understanding of our policies, culture and values	▪ Biodiversity ▪ Environmental practices ▪ Sustainable Agricultural Practices ▪ Employee practices ▪ Product Quality ▪ Sustainable Supply Chain ▪ Accreditations
Employees Refer Human Capital Report on page 54	46% of our employees reside in the plantations. Our role extends to provision of a variety of welfare services	▪ Daily Forums ▪ Employee surveys ▪ Complaint registers maintained at all estates ▪ Monthly meetings with union representatives	▪ Environmental footprint ▪ Commensurate remuneration ▪ Employee social and welfare care ▪ Health and safety at work ▪ employee development opportunities	Improved understanding of company policies and efforts taken to date, Inclusiveness in the management decision making	▪ Biodiversity ▪ Environmental practices ▪ Sustainable Agricultural Practices ▪ Employee practices ▪ Community ▪ Welfare

Stakeholder Group	Importance	Engagement Mechanisms:	Areas of interest	Outcomes	Addressed by specific Material Sustainability Matters
Small holders & Local Communities Refer Social & Network Capital Report on page 62	FFBs are purchased from Small scale plantations, accounting for approx 0.5% of FFB processed in our factory	▪ Village forums ▪ Complaint Registers maintained at estates ▪ One to one meetings with Estate Managers and Regional Managers	▪ Sharing sustainable agricultural and agronomic practices ▪ Social activities benefitting small holders and local communities, ▪ Environmental footprint ▪ Direct and indirect employment opportunities	An opportunity to sustainably enhance the agricultural practices of small holders, and improve social relations with WATA	▪ Sustainable Agricultural Practices ▪ Community Welfare ▪ Environmental practices
Government Refer Finance Capital Report on page 43	The government is the Golden Shareholder and lessor of the estates. It also levies taxes on our products sold and profits.	▪ One to one meetings at estate level with local government agent and provincial councils. ▪ One to one meetings at corporate level with relevant ministries and Department of Inland Revenue.	▪ Environmental protection, ▪ Sustainable agricultural practices ▪ Job opportunities for local community, workers' and community welfare ▪ compliance to rules and regulations, ▪ land dispute resolution	An opportunity to share the WATA Group's commitment, policies and procedures to sustainable operations	▪ Biodiversity ▪ Environmental practices ▪ Sustainable Agricultural Practices ▪ Employee practices ▪ Community ▪ Welfare
Non-governmental Organisations Refer Social & Network Capital Report on page 62	NGOs help facilitate the socio economic progress of residents on our estates.	▪ Village Forums ▪ One to one meetings with Estate Managers ▪ Complaint Registers maintained at all estates	▪ Environment Footprint ▪ Climate change, ▪ Prompt payment, cost effective solutions ▪ Customer relations, ethical business practices	Increased awareness of WATA Group's sustainability commitments, better understanding of business	▪ Biodiversity ▪ Environmental practices ▪ Sustainable Agricultural Practices ▪ Employee practices ▪ Community ▪ Welfare

CORPORATE STRATEGY

Our Vision - To be the most admired Plantation company in Sri Lanka Our Purpose - Growing Watawala Plantations to be the industry leader					
Strategic Drivers	**Sustainable Growth in Earnings**	**Productivity**	**An Empowered Team**	**Responsible Manufacture**	**Social License**
Goals	Expansion and diversification	Utilizing available resources/capitals efficiently and effectively	Motivated and satisfied workforce	Responsible consumption and production	Acceptance of Watawala Plantations as a responsible corporate citizen
Strategy	▪ Expansion of oil palm cultivation ▪ Diversification in to related areas ▪ Enhance margins through innovation and cost management	▪ Increase harvester output ▪ Soil mapping and site specific fertilization ▪ Mechanization of agricultural operations ▪ Procurement of bought crop ▪ Upgrading technology	▪ Fair remuneration ▪ Performance management ▪ Developing our workforce ▪ Uplifting livelihoods ▪ Health, safety and well-being	▪ Enhance product quality ▪ Optimize resource utilization ▪ Minimize waste ▪ Reduce carbon footprint ▪ Reduce water footprint ▪ Shared fortunes ▪ Decent work	▪ Adherence to best agricultural practices ▪ External certifications ▪ Increasing awareness of WATA good agricultural practices ▪ Village integration with estates
Key Performance Indicators (KPI)	▪ Increase cultivated land extent ▪ Increase in prime age yields < 6 years ▪ Increase in prim> 6 years ▪ Milk Production from Dairy litres	▪ FFB Yield per Mature Hectare MT ▪ CPO Yield per Mature Hectare MT ▪ CPO Extraction Rate (%) ▪ Investment in PPE	▪ Retention ratio ▪ Training hours ▪ Employee productivity ▪ Employee Injuries	▪ Water intensity ▪ Energy intensity ▪ Renewable energy % ▪ Carbon footprint ▪ Recycled bio waste	▪ Zero work stoppages ▪ Zero hindrances ▪ Certifications by RSPO/ISO ▪ CSR spend
Enablers	Responsible manufacture Natural capital Page 47 Manufactured Capital Page 46 Intellectual Capital Page 61 Social and Relationship Capital			Uplifting Livelihoods Human Capital Page 54	
	Overall Finance capital Page 43 Corporate Governance Page 20 Risk Management Page 35				

PRINCIPAL RISKS

Risk management is a structured process facilitating high levels of risk awareness at all levels of the company. This is a necessity due to the vulnerabilities inherent to our business model and their impacts. The Risk matrix below depicts our assessment of risk ranked according to their severity of impact and likelihood of occurrence. Effectiveness of mitigating activity is also taken in to consideration when assessing risk influencing our rankings.

Severity of Impact		Rate / Remote to occur (1)	Unlikely to occur (2)	Possible to occur (3)	Likely to occur (4)	Almost certain to occur (5)
21	Catastrophi/ Extree Impact	5	10	15	20	25
16	Major / Very High Impact	4	8	12	16	20
11	Moderate High Impact	3	6	1–2 9	12	15
6	Minor Impact	2	4	3–8 6	8	10
1	Low Insignificant Impact	1	2	3	4	5

Likelihood of Occurrence

Priority Level	Colour Code	Score
1	Ultra High	15 - 25
2	High	9 - 14
3	Medium	4 - 8
4	Low	2 - 3
5	Insignificant	1

RISK MANAGEMENT STRUCTURES & PROCESSES

Board of Directors
Bears ultiamte responsbility

Audit Committee
Assists the Board and has oversight responsibility

CEO
Risk Champion

Executive Committee
Oversees the risk management process

Regional risk Management Committee
Regional Risk Champion (DGM - South), Estate managers, Deputy Estate Managers.

Risk Management Process

- Evaluate how we create value
- Stakeholder Engagement
- Identify Risk Universe
- Prioritise risks
- Determine material matters
- Determine boundaries for risk management

DETERMINING MATERIAL ISSUES

Significance to Company ↑			
	Significant Impact	High Impact	Critical
	Low Impact	Significant Impact	High Impact
	Not Material	Low Impact	Significant Impact

Significance to Stakeholder →

Critical	High Impact	Significant Impact
Bio diversity conservation	State of the art technology	Supplier Assessment
Water	Local Community Welfare and Relations	Grievance mechanisms
Energy	Government Policy	Anti–corruption
Sustainable Agricultural Practices	Customer Health and Safety	Child labour
Product quality	Training & Development	Forced labour
Employee Health and Safety	Compliance	
Effluents & Waste	Product labelling	
Emissions	Sustainable Supply Chain	
industrial relations		

A detailed materiality assessment was carried out to identify and map the most relevant issues pertaining to our economic, environmental and social risks and opportunities which is fundamental to achieving business strategy and sustainable growth.

Risk	Potential Impact	Mitigants	Risk Rating	Link to Strategy
Strategic Risks				
1. Volatility of palm oil prices *Price volatility arises mainly from global crude palm oil market forces and import duty on crude palm oil*	Possible revenue shortfalls against the budgets Refer Palm Oil price movements given on page 41	▪ Diversification of agribusiness ▪ Continuous monitoring of global CPO prices, ▪ Monitor conditions which would affect government decisions to revise import duty ▪ Forward contracts with buyers ▪ Improve productivity Effectiveness: Low	Overall Score: 9 Probability of occurrence: 3 Severity of Impact: 3	Sustainable Growth in Earnings
2. Social pressure against oil palm expansion *Various groups oppose palm oil expansion and cultivation hindering the organic growth.*	▪ Opportunity cost ▪ Inhibits growth	▪ Public awareness campaigns ▪ Village integration programs ▪ RSPO certification ▪ Engagement with pressure groups Effectiveness: Medium	Overall Rating: 9 Probability of occurrence: 3 Severity of Impact: 3	Social License
3. Climate Change *Unfavourable weather patterns, especially droughts, impact harvests*	▪ Lower yields leading to lower productivity and value to shareholders	▪ Follow sustainable agricultural practices ▪ Effective implementation of RSPO recommendations ▪ Conservation of environment and water resources Effectiveness: Medium	Overall Rating: 4 Probability of occurrence: 2 Severity of Impact: 2	Social License
4. Government policy on oil palm expansion *Changes in government policy from current drive to increase import substitution activity for edible oils*	▪ Non availability of new palms to replace the ageing palms resulting in lower yield and crop	▪ Engagement with government agencies, ▪ Affiliation with industry associations ▪ Representations on policy direction through Planters Association Effectiveness: Medium	Overall Rating: 4 Probability of occurrence: 2 Severity of Impact: 2	Sustainable Growth in Earnings

Risk	Potential Impact	Mitigants	Risk Rating	Link to Strategy
5. Natural Disasters, fire etc *Loss resulting from extreme weather patterns or man made disasters*	▪ Impact on employees' safety, health and well-being ▪ Damage to biological assets ▪ Damage to manufactured assets ▪ Business disruption ▪ Consequential losses	▪ Adequate Insurance covers ▪ Regular assessment of exposures by insurance agents ▪ Rigorous health and safety measures in place through certification requirements ▪ Disaster recovery plans in place ▪ Regular fire drills ▪ Availability of fire extinguishers for all types of fires Effectiveness: Medium	Overall Rating: 4 Probability of occurrence: 2 Severity of Impact: 2	All strategic pillars
Operational Risks				
6. Environmental impact due to operations *Environmental impact from factory/mill operations stemming from emissions, effluents and waste*	▪ Loss of business reputation ▪ Negative impact on social license ▪ Potential litigation	▪ Good manufacturing practices ▪ Solid waste used as manure ▪ Treatment of effluents ▪ Maintaining facultative ponds ▪ Follow RSPO guidelines Effectiveness: Medium	Overall Rating: 2 Probability of occurrence: 2 Severity of Impact: 4	Responsible Manufacture Social License Sustainable Growth in Earnings
7. Land productivity *Ground conditions or soils not conducive for cultivation such as degraded land, increased acidity, steep terrain etc. for a higher yield of oil palm*	▪ Lower yield per hectare, ▪ Negative impact on revenues and profit	▪ Soil mapping, ▪ site specific application of fertiliser ▪ Implementation of international agri consultants recommendations Effectiveness: Medium	Overall Rating: 2 Probability of occurrence: 2 Severity of Impact: 4	Productivity

Risk	Potential Impact	Mitigants	Risk Rating	Link to Strategy
8. Fraud *Theft, misappropriation of assets and misstatements of financial statements*	▪ Loss of resources ▪ Damage to corporate image	▪ Sound internal controls, ▪ Effective internal audits ▪ Sound control environment	Overall Rating: 2 Probability of occurrence: 2 Severity of Impact: 4	Sustainable Growth in Earnings
9. Labour related risks *Risks arising from unionised labour, political motivations, need for change, dearth of skilled labour and low productivity*	▪ Labour unrest ▪ Industrial action ▪ Lower productivity ▪ Impact of bi-annual wage negotiations	▪ Training and development, ▪ Incentive schemes to achieve targets, ▪ grievance handling procedure, ▪ Engagement with unions, ▪ consultative committee	Overall Rating: 2 Probability of occurrence: 2 Severity of Impact: 4	An Empowered Team
10. Dairy business risks *Fluctuating fresh milk price, Adaptability of foreign cows, unpredictability of calving patterns, availability of feed and water etc*	▪ Lower yields ▪ Revenue variations ▪ High operations costs ▪ Cash flow issues ▪ Environmental issues	▪ Securing genetically superior animals, ▪ Nutritious feed formula ▪ Slurry management plan ▪ Water reservoirs ▪ Staff training	Overall Rating: 2 Probability of occurrence: 2 Severity of Impact: 4	Sustainable Growth in Earnings

Uplifting Livelihoods

Oil palm has the potential to uplift the livelihoods of our employees as they are able to earn a higher price for the harvest due to economic viability of the crop. This enables them to invest in better housing, education for their children and even support micro-entrepreneurial ventures of family members.

OUR APPROACH TO SUSTAINABILITY

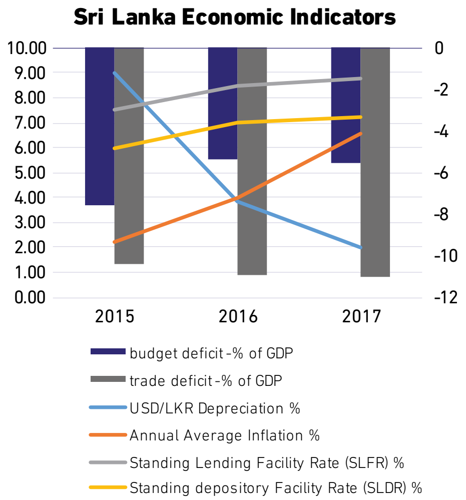
OPERATING ENVIRONMENT

Economic Environment

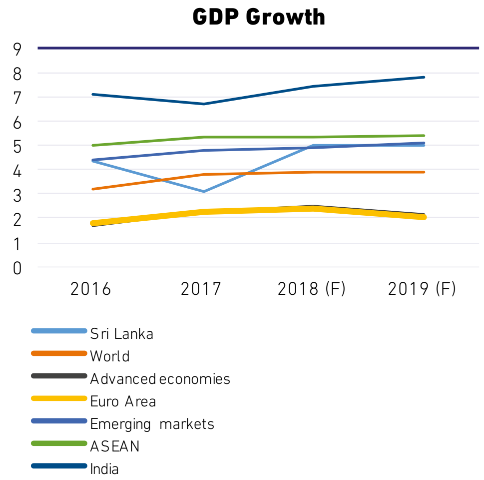
The global economy strengthened in 2017 to 3.8 % from 3.2% in 2016, following a rebound in world trade, driven by better sentiments and investments in advanced economies, continued strong growth in emerging Asia, an upswing in emerging Europe, and recovery in several commodity exporters.

Sri Lanka's GDP growth moderated to 3.1% due to poor performance of the agricultural sector and knock on effects on industry stemming from climate change impacts. Domestic inflation and interest rates continued their upward trajectory during the year due to tightening of fiscal and monetary policy in response to a widening budget and trade deficit exacerbated by food supply disruptions consequent to the climate change. Improved foreign exchange inflows from tourism and workers' remittances helped cushion the impact on the current account. Following these developments and increase in FDI, gross official reserves stood at US dollars 7.7 billion at end January 2018. The USD/LKR exchange rate depreciated marginally by 2% following the adoption of a flexible exchange rate policy.

Source : CBSL



Source: CBSL, Annual Report 2017

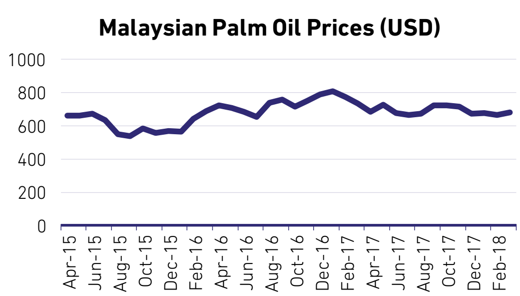


Source: IMF World Economic Outlook, April 2018

THE PALM OIL INDUSTRY

Global Environment

Global palm oil production was estimated at 73Mn MT in 2017 growing at a CAGR of around 7% from 2010 to 2017. Popular as a versatile, cheap and edible oil, palm oil is also used in a wide range of industrial applications from soap manufacture to bio-fuel. Factors driving demand include increased consumption in highly populated, booming emerging economies, growing demand for renewable energy and rapid shift in consumption of soybeans oil to palm oil following stringent regulations on trans-fat foods in the U.S. and Europe. Largest global producers and exporters are Malaysia and Indonesia accounting for 90% of global production. Largest importer is India, estimated to have purchased 10.6 Mn MT in 2017 (Source: www.indexmundi.com) Increasing deforestation resulting from expanding palm plantations in these countries has driven a focus on sustainability in palm oil cultivation. The Roundtable on Sustainable Palm Oil (RSPO) is an organization established to promote the growth and use of Certified Sustainable Palm Oil (CSPO) through the engagement of all stakeholders. The RSPO has developed a set of environmental and social standards which companies must comply with to minimize the negative impact of palm oil cultivation on the environment and communities in palm oil-producing regions. With over 3,787 members from 91 countries and accounting for 19% of global production, the aim is the make CSPO the universal norm.

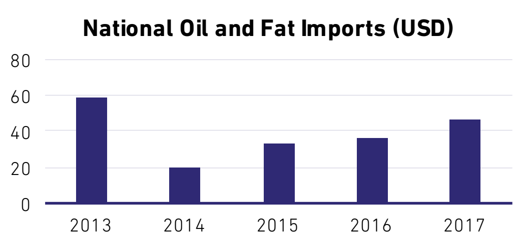


Global palm oil prices trended downwards in 2017, as post El-Nino production recovery in Indonesia and Malaysia, continued to outpace demand growth. Prices picked up in early 2018 triggered by increased biodiesel demand in Indonesia and the reduction in supplies of rival oilseeds, such as soybeans, caused by bad weather.

The Sri Lankan Context

In Sri Lanka, demand for palm oil is growing as a cheaper alternative to Coconut oil. In 2017, the country spent USD 46Mn on oil and fats imports with a significant majority of it being for palm oil. These imports amounted to an increase of 28% over 2016, following the substantial decrease in coconut production in 2017, attributed to the prolonged drought affecting the major coconut growing areas and the reduction in the import duty on palm oil products since February 2017 as a means of reducing the demand for coconut towards coconut oil production. The Government has recognized the vast potential for import substitution and has taken a policy decision to expand Sri Lanka's oil palm cultivation up to 20,000 hectares by 2025. Currently, over 8000 hectares of palm oil are cultivated in the Galle District by the industry's 2 players namely WATA and AEN Palm Oil Processing (Pvt.) Ltd - a joint venture between Agalawatta Plantations, Elpitiya Plantations & Namunukula Plantations. Both demonstrate equal production capacity of 45,000 litres per day. These Regional Plantation Companies (RPCs) engage in ethical, socially, and environmentally sustainable practices while investing in sound agronomics technologies in the cultivation of palm oil. To date, RPCs have only replaced unproductive rubber and tea in low lying regions of the country with oil palm, resulting in zero deforestation. As such, Sri Lanka has a huge opportunity to offer a valuable alternative to global markets in the form of sustainably cultivated oil palm.

Despite the potential economic benefits– for the country, RPCs and in turn, for those employed in the plantation sector, the industry continues to face resistance at the local government and provincial council level due to misinformation over the environmental impact of palm oil cultivation. A scientific study on the environment impact of oil palm cultivation is currently being conducted by the Coconut Research Institute with the collaboration of the Central Environmental Authority (CEA), in order to dispel any myths.



ACCOUNTING FOR OUR CAPITALS

Our capitals are interconnected and typically have a direct impact on one or more capitals. In this report we describe our capitals and how they are nurtured. The graph below seeks to demonstrate their direct impacts on shareholder value.

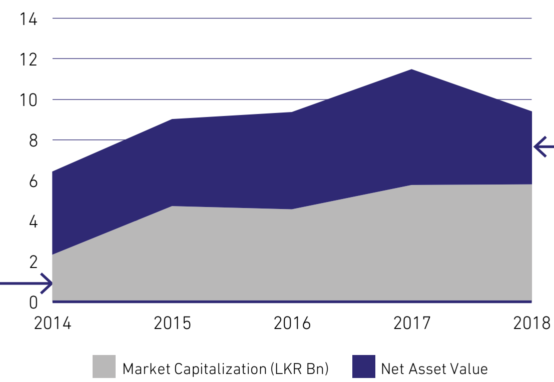
Monetised Capital
(included in Net Asset Valueof Group)

Financial Capital
page 43

Manufactured Capital
page 46

Natural Capital
page 47

Market Capitalisation & Net Assets Value



Non-Monetised Capital
(reflected in intrinsic value of Group)

Human Capital
page 54

Social & Relationship Capital
page 62

Intellectual Capital
page 61

FINANCIAL CAPITAL

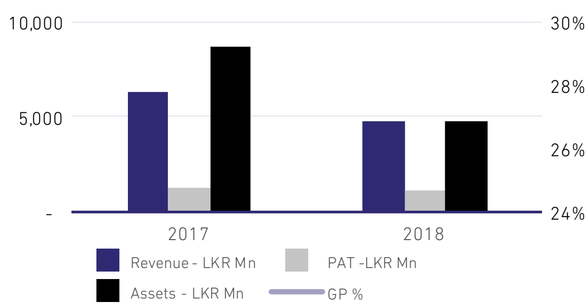
WATA recorded another year of strong financial performance retaining our position as the most profitable player in the industry. The Company recorded profits in excess of LKR 1Bn for the second consecutive year, driven by lower but sustained profits from palm oil of LKR 776 Mn and supported by a turnaround in the tea segment. Group profitability, yet strong, was impacted by the startup losses incurred by Watawala Dairy Ltd which commenced commercial operations in during the financial year.

Watawala Plantations PLC recorded a net profit of LKR 1,051 Mn for the financial period ended 31 March 2018. The Company surpassed LKR 1 Bn in profits for the second consecutive year as a result of concerted management efforts for higher performances.

The Company segregated the upcountry tea business and vested it, by operation of the law in terms of the Section 256 of the Companies Act No. 7 of 2007, with Hatton Plantations PLC on 30 September 2017. Hence, the second half of the year is devoid of such revenues and profit (loss) from tea business as compared with the revenue and profit (loss) from tea throughout the previous year.

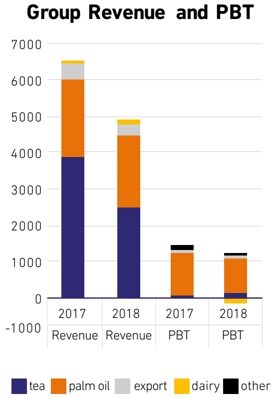
The Statement of Financial Position remained strong given acceptable liquidity and increased, yet low gearing following enhanced borrowings by the subsidiary to finance the construction of the Dairy farm.

Company Highlights

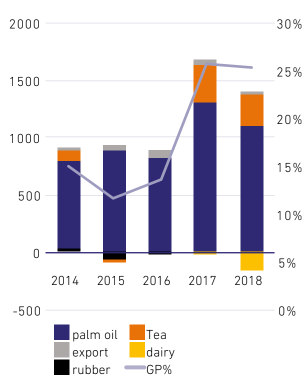


		2018	2017
Revenue	LKR Mn	4,949	6,502
GP Margin	%	25	26
Operating profit	LKR Mn	1,150	1,494
PBT	LKR Mn	1,163	1,446
PAT	LKR Mn	939	1,226
EPS	LKR Mn	4.16	5.18
ROE	%	25.82	20.26
Total assets	LKR Mn	6,411	9,113
Debt/Equity Ratio	Times	38	7
Current Ratio	Times	2.1	1.7
Quick assets Ratio	Times	1.1	1.5
MPS - 31/03	LKR	28.90	24.40
Price Earnings Ratio	Times	7	4
Dividend per share	LKR	1.75	1.40
Share buyback/share	LKR	1,178	-

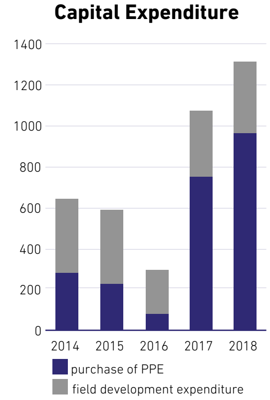
Group Revenue and PBT



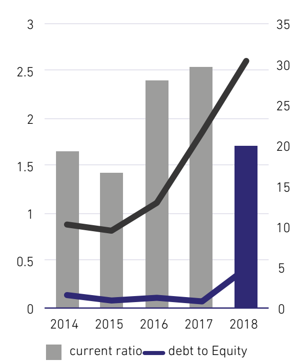
Gross Profit



Capital Expenditure



Financial ratios



Revenue

Palm oil revenue declined due to volatility in price in global markets, off setting gains from a volume growth of 1%. The price is set based on a formula combining the futures price from the Malaysian Palm Oil Board and local customs duty on imported palm oil. The futures prices were volatile in 2017 given global demand and supply dynamics while import duties on edible oils were reduced in February 2017 to stabilise the price of coconuts. Tea revenue growth was underpinned by increasing prices at the Colombo Tea Auctions observed since end last year and a rebound in production volumes following favourable agro-climatic conditions. The increase in price is attributed to higher demand from major importing countries, depreciation of the rupee and pay off of our shift in strategy three years ago to focus on enhancing quality as opposed to maximizing yields and driving economies of scale.

GP Margin

Company GP margin increased from 27% to 29% whilst that of the Group decreased 1% to 25%, on account of Watawala Dairy losses. We are focused on improving cost efficiencies and productivity to enhance GP margins, including the following initiatives;

- driving lean management and reduction of waste. Mill is finalising obtaining ISO 14001 and 45001 certifications.
- increasing labour productivity through incentives, improved worker conditions ,mechanization and development of human capital
- higher yields through consistent application of good agricultural practices
- engaging in energy efficiency mechanisms, as described under Natural Capital page 47.

Post Tax Profit

Palm oil accounted for 83% of total profits after tax followed by Tea 15%, being performance for the 6 months ended 30 September 2017. Tea exports contributed LKR 13Mn (2017- LKR 47Mn) while dairy made start up losses of LKR 91Mn. The drop in profitability in Tea exports is due to less orders from TATA affiliated overseas buyers.

Assets

Assets value plummeted largely due to the vesting of assets in Hatton Plantations PLC (as detailed below) and the utilisation of cash reserves for the settlement of the share buyback. Shares in Hatton Plantations were issued to the WATA shareholders on 30 September 2017 corresponding to their holding in WATA. The reduction is offset by the increase in property plant and equipment on account of on-going construction and import of cattle to the farm under Watawala Dairy.

Capital Expenditure

Field development expenses on adoption of sustainable agricultural practices applied to immature plantations including pruning and replanting, which activities are more fully described in Biological assets under Natural Capital, page 47, increased to LKR 344 Mn (2017- LKR 317Mn). Purchase of property, plant and equipment increased by LKR 957Mn (2017- LKR 755Mn). A breakdown of key investments is given on page 46, Manufactured Capital. LKR 254 Mn consisted of capital work in progress on the dairy farm and balance on palm oil factory machine upgrades and replacements. Livestock were imported at a cost of LKR 483 Mn.

Liquidity and Capital Structure

The balance sheet remains strong recording a current ratio of 1.7 times, quick asset ratio of 1.1 times and debt-equity of 0.42 times (2017- 0.13 times). Increase in Debt – equity ratio is on account of enhanced borrowings to fund construction of the Dairy farm. .

Cashflows

Strong performance during the year contributed to a healthy cash flow generation from operations. These funds were utilized towards share buyback, dividends and investment in capex.

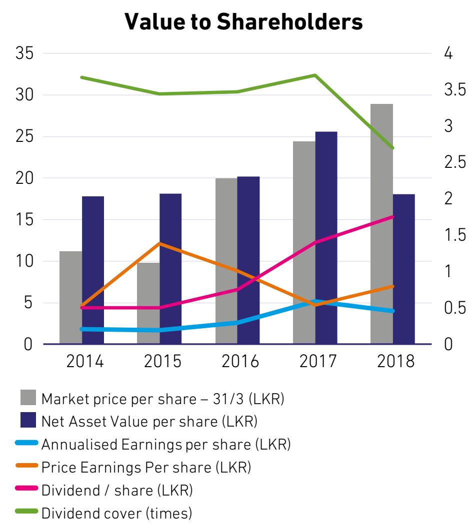
Return to shareholders

WATA initiated a share buy back in January 2018, as a mechanism to revalue it's 'under-valued' share. The company offered to purchase 1 one ordinary voting share for every six held of 236.6 Mn shares issued, at a price of Rs 33/share. Consequently, 35,704,115 shares were purchased for LKR 1.178Bn, utilizing equity reserves with no change to share capital. (page 115 – financial statements)

Despite increase in Earnings Per share (EPS) and Market Price Per Share (MPS), Price Earnings Ratio continues to declined since 2015 given the sharper increase in EPS over MPS

In addition to the share buyback, the Board of Directors paid an interim dividend of LKR 150 Mn (LKR 0.75 per share) in March

2018. A Final dividend of LKR 50.2 Mn (LKR 0.25 per share) has been proposed by the Board of Directors.



Assets and Liabilities vested with Hatton Plantations PLC

Assets	LKR Mn	Liabilities	LKR Mn
Right to use of Land	113	Lease liabilities to SLPC/JEDB	199
Immovable estate assets on finance lease	67	Retirement benefit obligations	689
Property, Plant and Equipment	1,152	Deferred income and capital grants	137
Bearer plants	680	Borrowings	308
Biological assets-Consumable	640	Trade and other payables	360
Available for sale investments	22		
Inventories	499		
Biological assets-Growing crop on bearer plants 16,687	16		
Receivable on account of Investment fund	220		
Trade and other receivable	136		
Cash and Cash equivalents	4		
Total	3,549		1,693
Value of net assets Vested with Hatton Plantations Ltd			1,856

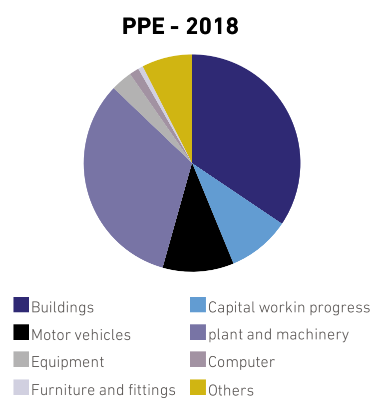
Future Outlook

As a commodity producer, WATA is subject to externalities including price volatility, climatic changes, market developments and global macroeconomic conditions. With attention fully shifted to growth of the palm oil business and given expected consolidation of the dairy business (page 64) we expect WATA to record a strong performance in the year ahead.

MANUFACTURED CAPITAL

We regularly invest in our plant and machinery, embracing new technologies in driving product quality, production efficiencies and environment sustainability.

		2017/18	2016/17
Net Book Value - PPE	LKR Mn	2072	2423
Buildings	LKR Mn	875	761
Plant & Machinery	LKR Mn	939	1223
Capital WIP	LKR Mn	257	438
Capex during the year	LKR Mn	959	775
Production capacity	FFB/Hr	15,000	15,000
Capacity utilization	%	75	73
CPO Production	Kg	9825	9652
KPO Production	Kg	946	969
CPO extraction rate	%	23.52	23.71
KPO extraction rate	%	2.27	2.38



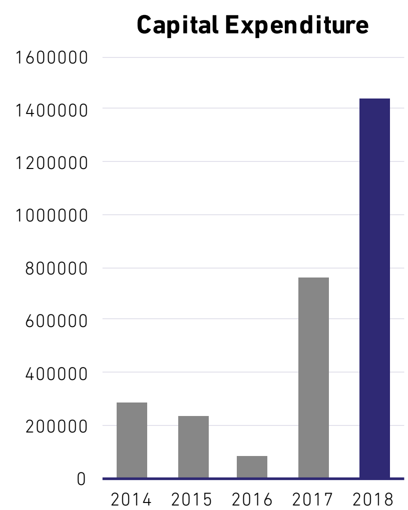
Our Palm Oil mill has the capability to produce 13,000 MT of Crude Palm oil and 1,250 MT of Kernel Palm Oil. Other key features of the plant include the conversion of methane gas to lower GHG emitter CO2 by flaring, a water treatment plant , production of Bio gas used to heat the steam turbine and production of Bio waste used as compost on the fields through the decanter.

Current factory utilization is approximately 75%, operating on two shifts. Capacity can be increased by operating a third shift, on a need basis, particularly during crop peak season, May to September. Going forward, WATA seeks to increase capacity utilization during off peak periods by purchasing FFB from plantation companies which do not have their own CPO production facilities.

Investments in 2018 include;

- LKR 615 Mn in Dairy Buildings
- LKR 240 Mn in Plant and Machinery in Diary

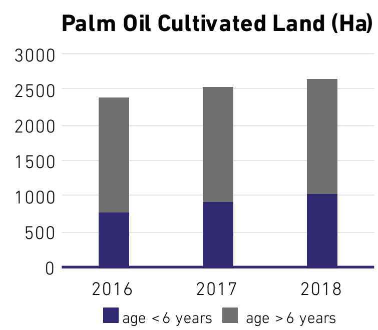
Capital work in progress mainly represents construction of the dairy farm by Watawala Dairy Ltd, explained further on page 64 Dairy.

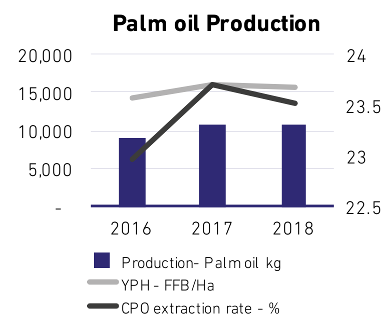


We are focused on producing high yielding, quality products while ensuring they are produced in a responsible and sustainable manner. To this end, we embrace good agricultural practices in nurturing our plantations, whilst focusing on safeguarding our natural resources.

Biological assets

Our palm oil plantations are located in Udagama, Galle, where the climatic conditions are suitable for planting oil palms. Expansion of palm oil has been primarily through the replacement of aging rubber plantations, avoiding deforestation, a key industry concern in other parts of the world. We hold the land rights to these plantations on a 53 year, leasehold basis from the Government.





		2018	2017
Land	Ha	4,826	4,826
Cultivated land	Ha	2,655	2547
Palm oil -Nurseries	LKR Mn	11	27
Palm oil -Immature plants	LKR Mn	862	727
Palm oil -Mature plants	LKR Mn	2165	2975
Age <6 years	Ha	1,033	924
Age > 6 years	Ha	1,622	1,622
Yield / hectare	FFB/ha	15,637	15,966
CPO Production	Kg	9825	9652
KPO Production	Kg	946	969
CPO extraction		23.52	23.71
KPO extraction		2.27	2.38
Field development Expenses		344	317
Biological assets - Consumables - timber, fuelwood		37	648
Biological assets - livestock		338	25

Bearer plants – Nurseries

Germinated seeds are planted and the seedlings spend about a year in the open nursery before being transplanted in the fields. Seeding cultivation is closely supervised and stringent culling process observed.

Bearer Plants –immature

Young palms are planted about nine metres apart resulting in 128 to 140 trees per hectare. We invest substantially in the early years of their development and ongoing maintenance, involving fertilisation and weeding, to ensure they are in optimal condition to deliver the best output. Our laboratory provides specific agronomy recommendations based on site specific trials and tests.

Bearer Plants - Mature

Commercial harvesting begins from 3 years onwards and reaches peak between 7 to 18 years, during a life span of approximately 25 years. 40% of our plantations are less than 6 years of age, positioning WATA well for strong production growth over the next few years as these plantations mature into prime-yielding ages. Yield depends on a variety of factors, including age, seed quality, soil and climatic conditions, quality of plantation management and the timely harvesting and processing of FFB. Harvesting of FFB from the palms begins when an appropriate number of fruitlets start detaching from the FFB, indicating optimal ripeness, which is critical in maximising Crude palm oil yield

The WATA oil plantations were impacted by the climatic changes that occurred during 2017 , and FFB yields fell 2% to 25,637 FFB/ha while CPO and KPO extraction rates fell 1% and 5% respectively. However, given the increase in extent of land cultivated and underpinning WATA's continuous investments in field development expenditure and engagement in good agricultural and agronomic practices for sustainable production, the company was able to increase net CPO and KPO output by 1% to 10,772Kg. Such practices include the following.

- Close monitoring of harvesting intervals and plucking fresh fruit bunches at optimum ripeness.
- Processing harvested fruits within 24 hours to minimize buildup of fatty acids
- Maintaining soil fertility based on soil testing. Engagement in site specific fertilizer regime and timely application of fertilisers.
- Minimisation and control of soil erosion and degradation of soil
- Control of pests, diseases and weeds using appropriate and approved techniques
- Careful and appropriate use of chemicals without endangering health or the environment
- Avoiding the use of fire in preparing land for replanting
- Obtaining the services of experts/ consultants in agricultural practices and soil fertility
- Development of internal road network to expedite the transport of FFB to factory

These agricultural practices have been developed using expertise from the holding company of our joint venture partner Wilmar International, Singapore, Standard Operating Procedures in Malaysia, our own estate management who have visited successful plantations overseas and have reviewed and adopted practices suitable for WATA 's plantations, and in conformity with RSPO standards.

Protecting our environment.

We are committed to "conserve and manage the environment in which we operate for the benefit and wellbeing of the present and future generations within plantations and its neighborhood. Towards achieving this objective, we shall pursue environmental friendly and responsible methods in all our agricultural operations, field practices and manufacturing process to ensure that all-natural resources and eco-systems will be managed in a sustainable manner preventing pollution, abuse and deterioration".

WATA Environment Policy

Natural Capital	Unit	2018	2017
Total extent of cultivated land	Hectares	2,655.53	2,547.46
Fresh Fruit Bunches processed	MT	41,785	40,706
Total raw materials consumed	FFB MT	41,785	40,704
Chemical consumption intensity	Per Ha per Annum	1-1.2 L x 02 rounds	1-1.2 L x 02 rounds
Total energy consumed - Mill	KwH	1,309,424	1,303,305
Renewable energy - Mill	%	34.33	42.00
Energy intensity ratio - Mill	kWh / MT of FFB	31.06	32.02
Water withdrawal (M3) - Mill	M3	30,814	30,808
Water intensity - Mill	M3/ MT of FFB	0.798	0.831
Carbon footprint	t CO2 e	16,558.72	N/A
Carbon intensity	t CO2 e/ t CPO	1.684833444	N/A
IUCN Red list – endangered/ critically endangered (threatened)		48	N/A

Responsible consumption

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Our key input materials are fresh fruit bunches, fertilizer and agrochemicals. We are conscious of the need to balance the positive and negative impacts of fertilizer and agrochemicals and minimize potential hazards of chemical use on employees, communities and the environment in which we operate. Chemical usage increased during the year driven by favourable climatic conditions and potential for good harvest. Consequently, production volumes increased by 1% by year end. The following good agricultural practices are reflective of our commitment towards sustainability and responsible consumption:

Responsible Consumption Iniitatives

- Procurement only of fertilizers and agro chemicals approved by the regulators and certified for international quality and safety standards.
- Focused Fertilizer Plan for precision application, in consultation with an expert Agronomist seconded from Wilmar International, Singapore. This includes soil mapping and leaf analysis for demarcated areas, identifying soil structure and determining specific nutrient needs followed by measured fertilizer mixing to obtain the required compound of nutrients.
- Adoption of an Integrated Pest Management system, applying a combination of natural and mechanical pest reduction strategies, including the introduction of pheromone insects. We do not use pesticides.
- Adoption of an Integrated Weed Management system to minimize herbicide use including use of EFBs as waste, as an organic mulch around mature palm trees, placement of a fibre carpet as a mulch around immature palm trees and engaging in manual weeding for half the weeding cycles
- Use of mill waste such as EFB and decantor cake as organic fertilisers.

Clean Water

6 CLEAN WATER AND SANITATION

We typically consume 3.21 m3 of water per tonne of FFB processed, sourced from natural streams, springs and a water tank adjacent to the mill. Treated waste water is passed through two open ponds located outside the factory before being released to the fields. We recognise that clean, accessible water is critical for the wellbeing of communities, wildlife and aquatic ecosystems and regularly monitor our impact on local waterways, potable and non potable sources, to ensure that we do not affect water availability or quality. All our operations are in compliance with local environmental regulations and threshholds. Under the RSPO Certification program,which we are nearing completion, periodic waste water analysis are conducted to ensure that water discharged by associates comply with the approved water quality parameters as given above.

Parameter	Upstream	Downstream
ph	7.6	7.5
BOD (mg/l)	23.9	23.8
COD (mg/l)	6	8
Oil and grease (mg/l)	1>	1>
Alkalinity (mg/l)	20	20
NO3 (mg/l)	0.01>	0.01>
PO4 (mg/l)	1. 21	1.54

Initiatives to improve water conservation and moisture in soil

Developmet of a hydrology map and identification of sites for sampling water quality.

Growing mucana as a cover crop

Rain water harvesting and deep draining to ensure maximum amount of rainwater is stored

Planting of kumbuk and nadun species in water logged areas

Conservation of a perimeter of 60 meters from the water body as a catchment area and chemical free zone

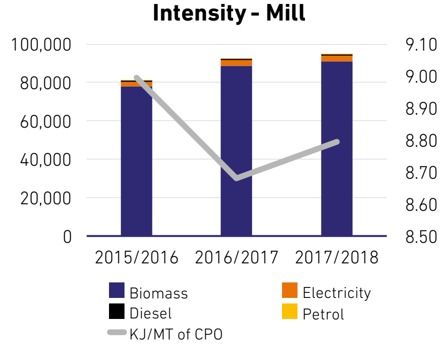
Reveiwing land contour maps prior to planting of palms to ensure water catchment areas are conserved

Clean Energy

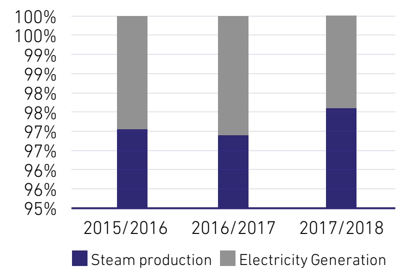
7 AFFORDABLE AND CLEAN ENERGY

Over 95% of the energy requirements of the Mill is sourced through Biomass generated from FFB waste, and balance from electricity. We are committed to improving energy efficiency and conservation in the factory and estates. Such initiatives include purchasing energy efficient equipment when upgrading, use of a self-designed conveyor ramp propelled by a bicycle for crop evacuation from field to tractor, waste heat recovery options in the mill, efficient management of tractor fleet, energy conservation by insulation, and regular maintenance of steam boilers.

Energy Consumption and Intensity - Mill



Uses of Energy - KJ

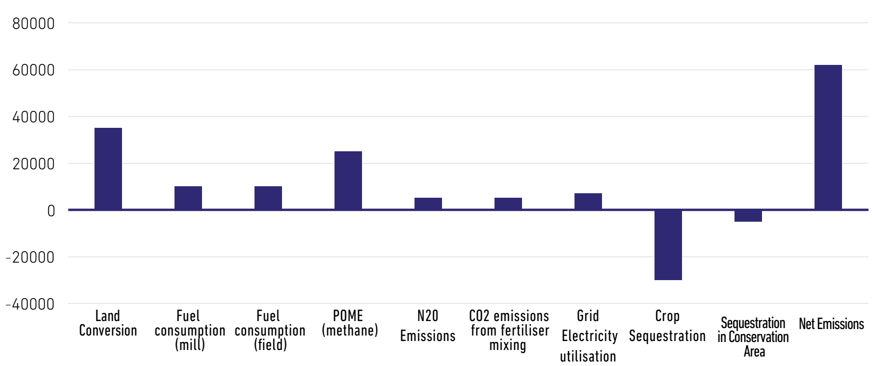


Emissions

13 CLIMATE ACTION

Reducing our carbon footprint is a top priority and we are committed to avoiding emissions to the best extent possible. We used the latest RSPO PalmGHG calculator and GHG Protocol accounting standard for the first time In 2017/18 to map our Green House Gas emissions. Net Emissions was determined at 16558.72 tCO2 e/MT . Based on the calculated figures, our most significant source of emissions is from land conversions –or more specifically, land cover change – in converting rubber to palm oil plantations or replanting palm oil.

Emissions sources and sinks - 2018



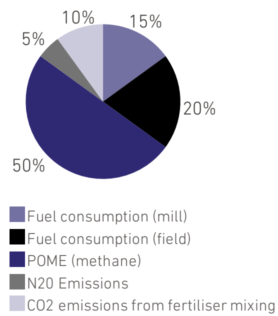
Initiatives to Reduce Emissions

Converting trapped methane to CO2 , which has a lower global warming potential, by flaring

Increasing use of organic fertilizer; and use of a focused Fertilizer plan to improve effectiveness and efficiency in fertilizer application.

Increasing forest coverage by planting 2000 trees / plants covering 10ha

Direct GHG emissions by source



Effluents

At WATA we practice an Integrated Waste Management system focusing on strategies for both waste management and waste reduction ensuring sustainability of the environment. As the majority of our employees live on the plantations, they are both beneficiaries and violators and our initiatives take this in to account.

Initiatives to reduce and manage waste

Use of Bio degradable waste generated in production as fertilizer for crops

Diverting treated waste water from the mill to two ponds prior to discharge to fields.

Conducting periodic waste water analysis to ensure water discharged complies with the approved water quality parameters, as discussed under Clean Water on page 50.

Disposal of all non-degradable waste responsibly through Central Environmental Authority approved collectors.

Our training programmes include modules on waste management and its relevance in the workplace and at home.

Bio diversity

14 LIFE BELOW WATER

15 LIFE ON LAND

Our plantations are rich in biodiversity given the diverse eco systems found within the grasslands, streams, small-scale reservoirs and home gardens in the estates. As such, we are committed to conserving flora and fauna and making a zero impact on these eco systems.

!

Identified 29 new species of fish from 12 families of which 10 are on the National Red List as Critically Endangered or Endangered

We engaged in a High Conservation Value Assessment for the estates to improve management of our estates, which is pending finalization. We also partnered with Rainforest Rescue International, Sri Lanka and the University of Peradeniya Center for Sustainability, for a series of studies to identify the present status of habitats and continuously monitor and nurture them. This year, we have identified 29 new species of fish from 12 families, of which 68% were classified on the National Red List as Critically Endangered or Endangered.

Initiatives to Preserve the Environment & Biodiversity

- No deforestation
- Zero (open) burning
- Shade management and planting of crop cover – mucana
- Responsible fertilizer and agro chemical usage
- Maintenance of 25m chemical free buffer zone along water bodies and identified terrestrial ecosystems
- Implementation of a waste management system. No direct or indirect discharges of waste to any stream
- Conservation of nesting and roosting sites of identified bird species
- Establishment of mini forests in bare lands and planting of native trees ad propagating the undergrowth with natural indigenous species to provide for habitats
- Frequently awareness programs to estate community including school, children, highlighting the importance of preserving and conserving biodiversity

Compliance

WATA complied with all relevant regulations and certifications on environmental sustainability, during the year under review. Environment Management System ISO 140001:2015 has been finalized and is pending issue of certificate. We are working towards obtaining RSPO certification in FY 2018/19.

HUMAN CAPITAL AND COMMUNITY INTEGRATION

WATA is committed to making a positive difference in society. With a team of 1887 employed in our palm oil operations and over 36% resident on the estates with their families- largely representing the local community, we have a great opportunity to uplift livelihoods and provide development prospects to all our workers and local communities.

		2018	2017
Employees	Nos	1887	1554
Resident employees	%	36%	42%
Employee Productivity	LKR Profit/ Employee	161,283	114,773
Total staff cost	LKR Bn	2.8	3.1
Investment in Training	LKR Mn	3	4
Training coverage	%	48&	38%
Average hours of training / employee	Hrs	85	60
Employee retention	%	94%	96%
Injuries and disease	Nos	4	2
Investment in communities	LKR Mn	44.34	6 Mil
Beneficiaries	Nos	3,026.00	3,115.00
% employees who are members of Trade unions		96%	94%

We are guided in our commitment by international standards as set out in the UN Sustainable Development Goals and our activities are benchmarked against international best practices through external certifications including RSPO. Our strong governance structure ensures that we balance the interests of our employees with those of other stakeholders.

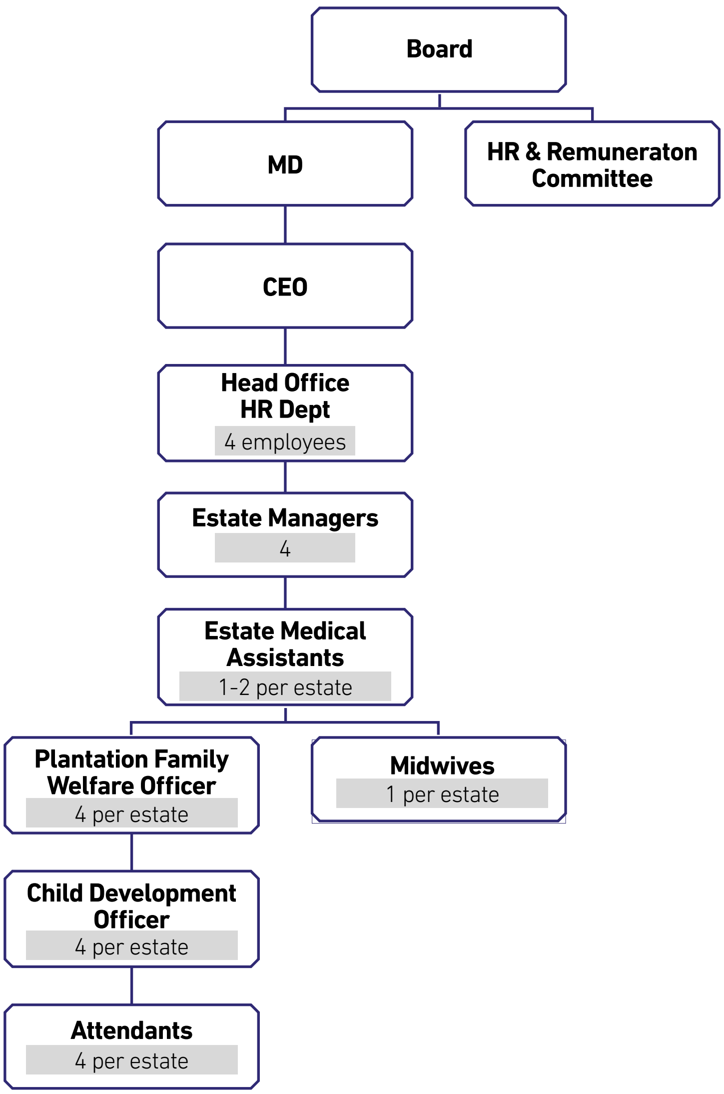
Ethnicity	% Representation in WATA
Sinhalese	66
Tamil	34

Team Profile

	Gender		Age - Years			Category			Total
	Male	Female	<30	30<X <50	> 50	Executives	Staff	Associates	
Employees	1,263	593	370	1140	346	70	328	1458	1856
New Recruits	37	11	19	23	6	14	27	7	48
Attrition	13	4	9	5	3	4	3	10	17
Total	1,287	600	380	1,158	349	80	352	1,455	1,887

Nurturing Our Human Capital

8 DECENT WORK AND ECONOMIC GROWTH



Decent Work – Governance and Policies

We are conscious of our responsibility in promoting inclusive and productive employment and decent work for all in an environment conducive to dignity, harmony, mutual respect and health and safety. A comprehensive policy framework outlines the company's approach to managing Human Capital and a Code of Ethics, communicated in the estates in all 3 languages, discloses the employees' rights and obligations. Responsibility for employee welfare is shared across 06 roles lead by the Estate Managers.

Human Capital and Social Policies

- Employment policy
  - No Child labour
  - No Forced labour
  - No Harassment
  - No Discrimination
- Human Resource and Social Policy
  - Dignity and Respect
  - Training and empowerment
  - Equal opportunity
  - Freedom of Association
  - Grievance handling
  - Local communities
- Wage Policy
- Health and Safety policy

Communication and engagement

Initiatives to improve Communication and Engagement

Conducting a Social Impact Assessment (SIA) during the year with the participation of employees, familties, local communities and women, to identify key areas of concern. The outcome is pending finalisation

Appointing 19 Joint Consultative Committees consisting of management and employees and headed by the Estate Manager, to identify, discuss and document concerns and grievances of employees for remedial action and follow up.Meetings are held monthly and minutes sent to CEO for reveiw.

Placement of 33 suggestion boxes at diviosnal offices of the estates.

Numerous activities supporting the welfare of families such as schooling for children, distribution of school books, managing their lifestyles and finances, providing access to banking facilities and safe housing.

Informal engagement through various cultural, entertainment and sports activities.

We are committed to engaging with our employees to nurture a strong company culture, building trust and confidence in the company and improving employee productivity.

Fair Remuneration

1 NO POVERTY

Executives-Head Office	Staff-Head Office	Associates
Insurance	Medical Facility	Housing
Medical	Tea Allowance	Water
Tea allowance	Mobile Allowance	Tea allowance
	Fuel/Travelling	Free drugs
Executives-Estates	Staff-Estates	Medical facility
Billet Allowance	Medical facility	Free clinics
Medical facility	Tea allowance	Ambulance
Tea allowance	Accommodation	Child care facilities for children <5 years
Mobile allowance	Water, Electricity	Wheat Flour
Fuel/Travelling/Vehicle		Death Donation
Accommodation		Assistance to temples & religious festivals.
Water, Electricity, Gas		Health Education

WATA is committed to providing fair remuneration to all its employees commensurate to contribution. We abide by the Collective Bargaining Agreements in place for members of trade unions while remuneration of other employees is determined with reference to market rates. Apart from wages, employees receive benefits, as listed alongside.

A monthly cash incentive scheme recognises employee contributions towards innovation and productivity. Outstanding contributions are escalated to a quarterly and annual rewards scheme thereafter.

Health and Safety

3 GOOD HEALTH AND WELL-BEING

WATA is committed to provide a safe and clean work environment to all employees. During the year a Hazard Identification, Risk Assessment and Risk Control (HIRARC) programme was conducted and based on recommendations, protective gear purchased at a cost of LKR 2Mn.

0
Fatalities or serious injuries

100%
Health check for all employees in contact with chemicals

Initiatives to improve employee health and safety

- Adopts preventive and protective safety measures i.e. provision of protective gear, regular servicing of critical mill equipment
- Regular employee training on use of equipment, toxic chemicals etc
- Visits by Estate Welfare Teams to employee homes, factory, field to discuss and identify issues which are subsequently addressed in the Estate Welfare Team Activity plans
- Collation and Review for action of the monthly return submitted to the Plantation Human Development Trust covering a range of indicators on health
- Facilitation of routine medical check ups at Government Hospitals for employees exposed to toxic chemicals and maintenance of files
- Administration of a medical fund for non executive grade employees, where the latter contributes 5% and the company 10%
- Provision of primary health care facilities through a medical centers in the Estates

Year	Rate of Injury	Occupational Diseases	Lost Days	Work Related Fatalities
2016/17	2	0	0	0
2017/18	4	0	0	0

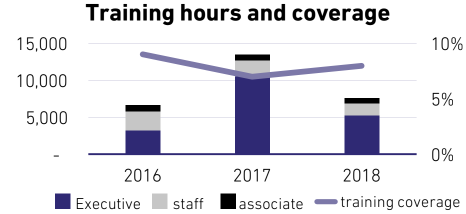
Training and development

We invest in our employees to equip them with the necessary technical skills and competencies in enhancing land and labour productivity, driving higher yields and profits. Training programmes conducted during the year included collaborations with our fertiliser and agro chemical supplier CIC Fertiliser (Pvt) Ltd on chemical handling, and with Wilmar International, Singapore on good agricultural practices and harvesting techniques.

Further, Executives are provided training in leadership and soft skills to be groomed to take on greater responsibility.

Employees are encouraged to undertake relevant tertiary and vocational education supporting their career development particularly National Institute of Plantation Management – NIPM qualifications. Course fees are reimbursed in full on successful completion of such courses.

Training hours and coverage



Freedom of Association

We support the rights of our employees to form and join trade unions of their choice and to bargain collectively. Over 96% of our employees are members of SLNSS / LJEWU / CWC / ACW/ CESU/ELNSS /LNSS/CEC/ACEWU plantation trade unions. The biennial collective agreement in force expires in 2018/19 and will be renegotiated.

Child Labour, Forced Labour, Human rights and Non-Discrimination

5 GENDER EQUALITY

WATA does not engage in Child labour or forced labour and respects the rights of our employees and the communities we operate in.

We are committed to providing equal employment opportunities, regardless of gender and ethnicity. However, given the heavy physical nature of the work involved, the number of women employees is low. Work assigned to women include weeding, gardening and collecting loose fruits that have fallen on the ground. We actively promote the employment of women and provide the following facilities to support our female employees and their children.

- Initiatives to support women in employment
- Creches and early childhood development centres, most of which are located in their respective divisions
- 84 days paid maternity leave for the first two pregnancies and 41 days paid maternity leave for subsequent pregnancies as per current legal requirement
- Monitoring school attendance of children up to 18
- Establishment of 18 Women' consultative committees to address concerns and provide support to women on gender based issues including domestic violence, alcoholism, child health etc
- Establishment 8 Women Empowerment Teams with the support of several NGOs to increase their knowledge of money management, income generation, work life balance, developing core values and various aspects of health to uplift their lives. Provision of training programmes on these areas

0
Child labour

0
Forced Labour

40%
women employees

100%
women return to work after maternity leave

Driving Social Integration

Our palm oil operation provides livelihoods to families, small businesses and organisations in and around the plantations resulting in many people depending on WATA for socio and economic progress. We are conscious of our responsibility to the local communities and strive to nurture a strong relationship built on trust and confidence. WATA closely monitors and manages any impact the operations may have on these communities while seeking to provide and improve social amenities with the expectation of uplifting their living standards.

Childcare, Primary and Secondary Education

4 QUALITY EDUCATION

- We operate 9 child development centres/ creches catering to 23 children aged 5 years and below. These child care centres are provided for resident employees, where early childhood development opportunities, mid-day meals, nutrition and other measures promoting health and wellbeing are provided. This has contributed towards zero anaemia in children under 5 years old facilitating their growth and development.
- School attendance of all children under 14 years of age is monitored by the Estate Welfare Team, to comply with Government regulations
- Scholarships are provided to all students passing O' Levels to inspire them to continue studies. Students passing A' Levels and gaining university admission are also provided with scholarship. WATA provided scholarships to 109 children totalling LKR 717,400/- in 2017/18.
- School books valued at LKR 225,000/- were distributed to all associates' children to encourage pursuit of higher studies.

Housing, Water and Sanitation

6 CLEAN WATER AND SANITATION

11 SUSTAINABLE CITIES AND COMMUNITIES

Over 1,158 families live in housing units on the estates. In 2017/18 subsequent to the floods in May 2017, we constructed two houses in full whilst assisting villagers in 2017/18, we provided individual water supply to over 942 families in the form of wells, hand pumps and water supply scheme and provided 1,408 families with latrines and sanitation facilities.

Additionally, WATA collaborates with the Plantation Human Development Trust, a Tripartite Organization consisting of the Government of Sri Lanka (GOSL), Regional Plantation Companies (RPCs) and Plantation Trade Unions (TU) to implement social development programmes to uplift communities and enhance the quality of life of the one million Estate Community managed by the RPCS of which WATA is one. WATA contributed LKR 15.67 Mn as their share to PHDT and carried out the following projects.

Activity	Investment by PHDT	Investment by WATA	No of Beneficiaries
Housing (LKR'000)	31,250	-	40
Latrines (LKR'000)	1,000	-	25
Compost/ Common Bins LKR	158,000	95,000	06

Healthcare

3 GOOD HEALTH AND WELL-BEING

- Primary healthcare facilities (clinics) in the estates address minor issues and dispense routine medications under the supervision of a Medical Assistant.
- 5 Medical camps were conducted in the estates in liaison with the PHDT and NGOs
- 19 programmes were conduced to increase awareness on some issues faced by associates including alcoholism, communicable disease, domestic violence
- Regular inspections of the employees' housing are made by the Estate Welfare Team to ensure that sanitation, health and drainage standards are upkept according to the Company's policies.

Micro Entrepreneurship and women empowerment

2 ZERO HUNGER

- Estate welfare teams encourage estate residents to supplement family income through home gardening, inland fishing, sewing and supply of food items. Workshops, fairs and training (on financial literacy) are conduced to support the micro entrepreneurs, of whom many are women.

Electricity supply

7 AFFORDABLE AND CLEAN ENERGY

- All housing types on the estates have access to electricity which enables children to study and extends the day light hours for all. Wiring of all housing units are checked once in 6 months.

Infrastructure development

11 SUSTAINABLE CITIES AND COMMUNITIES

- We construct, maintain and renovate roads, bridges, places of worship, and community facilities such as community halls, sports and cultural facilities in the estates. LKR 4,477,212.13 was spent on expanding road networks within the estates.

Social and cultural activities

- Sports meets, excursions, religious festivals are regularly sponsored by WATA to encourage active lifestyles and camaraderie amongst estate residents.

As a pioneer in palm oil cultivation in Sri Lanka, WATA has lead the industry from inception, nurturing a formidable identity and distinguishing itself from industry peers.

M. Jerry Wales an English Planter, commenced the cultivation of Oil Palm in Sri Lanka in 1968 at Nakiyadeniya estate by planting 68 Oil Palm plants covering an extent of 0.50 Ha. Since then , WATA has grown its cultivation to over 2,655 Ha following a strategic crop diversification effort that began 22 years ago. This smart initiative has lead WATA to become the country's largest oil palm cultivator and most profitable company in the plantation industry.

Drivers of Intellectual Capital

Watawala Brand

Forefront in the plantation industry, our brand reflects our commitment to product quality, passion for environmental conservation and community upliftment and appetite for technology advancement.

Certifications

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

Agri-crop specific tacit knowledge

New agriculture concepts and technologies initially introduced as 'explicit' knowledge to estate workers and management such as identifying FFB for optimum ripeness, is nurtured into tacit knowledge, through regular practice of skills and experience.

Foresighted, Strategic Management leadership

Entrepreneurship and professionalism are combined within the leadership of the company, ensuring that our strategic direction and resource allocation are harmonised

Inspired and innovative employees

At WATA , managers are empowered in their roles and responsibilities, encouraging out of the box thinking and innovation. Employees are encouraged to pitch ideas to senior managers, many of which have been implemented. Such ideas include installation of a ramp mounted on a conveyor belt and propelled by a bicycle motor to increase efficiency of field to tractor FFB crop evacuation and the design and fabrication of kernel bucket elevator by replacing 'detachable' chain link with a more readily available pin type chain, reducing down time and improving machine efficiency. All employees are recognised and rewarded for their contributions.

Group Linkages

As part of the Sunshine Holdings Group, we tap in to high standards of corporate governance, highly evolved systems of management and expertise of leading professionals in the country

SOCIAL AND RELATIONSHIP CAPITAL

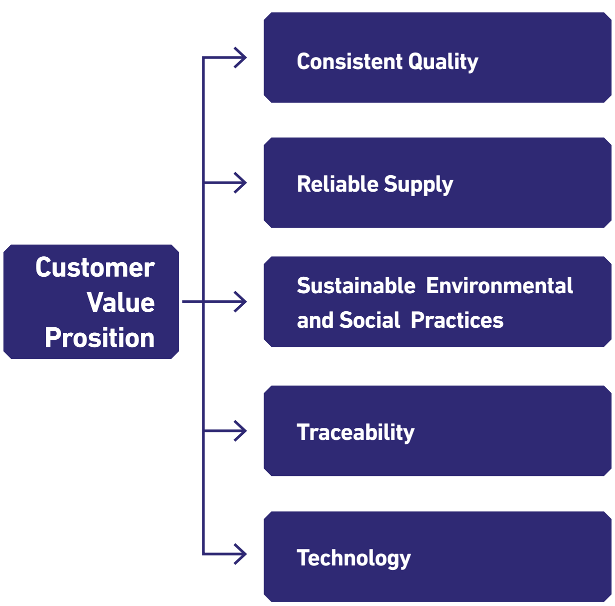
Mutually beneficial relationships with our business partners are carefully nurtured through focused engagement and by driving our customer value proposition, unique to the local palm oil industry.

Our Buyers

More than 70% of our palm oil is purchased by Group strategic partner Pyramid Wilmar. Pyramid Wilmar is engaged in palm oil refining and is the largest manufacturer of margarine, fats and edible consumer oils in Sri Lanka. The company is a member of the Singapore based Wilmar International, Asia's leading agri business Group with over 450 manufacturing facilities in over 50 countries.

Balance (30%) is purchased by reputable local refineries including NMK Holdings (Pvt) Ltd (Marina brand) and Sena Mills Refineries (Pvt) Ltd.

Customer Value Proposition



Unlike our local competitor, we produce palm oil only from FFB sourced from our own estates. Full **traceability** assures our customers that we are in control of our operations and that our supply of palm oil is safe.

Consistent quality – Our products meet stringent quality standards as specified by Pyramid Wilmar.

Reliable supply- The climatic conditions in Southern Sri Lanka are most suited for palm oil cultivation, ensuring consistent produce of FFB from our plantations

Sustainable practices – Our sustainable agricultural, environmental and social practices are described under Natural Capital (page 47) and Human Capital and Social Integration Report (page 54) . Our accreditations are disclosed on page 08.

Technology– We continuously invest in agricultural technology keeping abreast of the latest trends in enhancing yields and quality.

Engagement

Our engagement initiatives are focused on strengthening ties and nurturing relationships through common understanding and shared experiences, driving our customer value proposition to build trust in the WATAWALA brand. Agronomic advisory and technical support from Pyramid Wilmar / Wilmar International has contributed towards nurturing our palm oil plantations and increasing production yield. Wilmar shares best practices by seconding consultants to work on our estates, through visits by technical teams and by expert training of our employees.

Mill assessment visits by buyers, have yielded positive reports. Constructive feedback has been into insightful and acted upon.

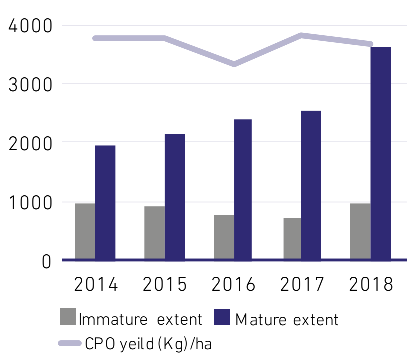
Suppliers

Fertilizers and Agro chemicals are purchased from 2-3 local suppliers, assessed for meeting international quality and safety standards and reputed for reliability in supply. By regulation, these suppliers are registered with the National Fertilizer Secretariat and the Registrar of Pesticides, respectively.

A POSITIVE OUTLOOK

Global growth is forecast to strengthen in the short term, picking up to 3.9 % in 2018 and 2019, driven by strong momentum, favorable market sentiment, accommodative financial conditions, and repercussions to local and international markets from the expansionary fiscal policy of the United States. Broadly stable growth at 5.3% in 2018 and 5.4% in 2019 (5.3%- 2017) is projected for the ASEAN group, which includes Indonesia and Malaysia, worlds largest palm oil producers. India, the largest importer of palm oil is forecast to continue its growth momentum gaining 7.4% in 2018 and 7.8% in 2019 from 6.7% in 2017.

The Sri Lankan economy is also forecast to grow by 5% in 2018, (3.1% - 2017) following strengthening global economic activity and improving domestic conditions resulting from the modest recovery in the Agriculture sector and continued positive momentum in the Industry and Services sectors. Continued fiscal consolidation by the Central Bank of Sri Lanka, implementation of envisaged structural reforms by the Government and the receipt of expected inflows of foreign investment are expected to contribute towards a low inflation environment, decline in market interest rates and competitive exchange rate, conducive for industry growth.



WATA is geared to take advantage of the positive economic outlook. Continued expansion of palm oil cultivations and investments in good agricultural practice over the years, show promise for increased production output and strong yields. WATA's plans to utilise excess factory capacity in 2018/19 by purchasing FFB crop from other plantation companies, under controlled conditions will also contribute towards increased volumes and economies of scale, improving underlying profits further. Labour productivity and cost efficiency gains from the upliftment of the ban on the weedicide Glyphosate from May 2018, will positively impact profits although an expected decline in Palm oil prices through 2018/19 on higher output by Malaysia and Indonesia, may dent revenue.

Receipt of RSPO certification which is currently pending finalisation, will assure buyers of WATA's sustainable practices, elevating the company's market profile and potential.

The following initiatives will be implemented by WATA in 2018.

Financial Capital

- Grow earnings through higher capacity utilisation by purchase of FFB from other plantation companies.
- Drive cost efficiencies through smart strategies, operational excellence

Manufactured Capital

- Increase capacity through investments of LKR 60Mn
- Investment in responsible production using energy efficient and clean technology

Social & Relationship Capital

- Nuture stronger relationsjps with our strategic business partners. Leverage on their expertise to grow WATA businesses
- Maintain rapport with suppliers, monitoring materials for international quality and safety standards

Human Capital and Local Communities

- Inspire team and improve labour productuvty
- Recognise and Reward
- Support local community through economic and social development intiatives

Natural Capital

- Enhance land productivity through good agricultural practices
- Drive responsible consumption and production
- Deepen engagement in sustainability
- Obtain RSPO certification

Intellectual Capital

- Establish Watawala brand in palm oil industry
- Nuture tacit knowledge of employees

OTHER BUSINESS SEGMENTS

Dairy

		2018	2017
Revenue	LKR Mn	173.8	32.6
Gross Profit/Loss	LKR Mn	(148.5)	(16.5)
Operating Profit/Loss	LKR Mn	(75.5)	(13.4)
Net interest expense	LKR Mn	(16.3)	28.6
Profit/Loss for the year	LKR Mn	(90.8)	(6.7)
Assets	LKR Mn	2,354.2	965.8
Liabilities	LKR Mn	1,423.5	49.8
Annual Production	Liters	2,023,022	423,211
Herd @ 31/03/2018	Nos	1,128	160
Milking cows@ 31/03	Nos	602	68
Total project cost (Actual spent)	USD Mn	11.0	5.4

Project

- In March 2016, Watawala Dairy Ltd (WDL) signed a joint venture agreement with Duxton Asset Management Pte Ltd, Singapore to set up a USD 11.5 Mn dairy operation in the Lonach Estate, on a 68:32 basis. Duxton is a leading, global agriculture asset management firm, with a portfolio of over USD 700Mn and extensive experience in dairy farming in Australia.
- The BOI project commenced March 2016 and is expected to be fully operational by March 2019, complete with 1,500 cows, of which 1,000 will be dairy, producing 30,000 litres of milk/ day. Fresh produce will be sold to commercial buyers, pending branding and value addition in the future.
- The farm utilizes 50 ha within the 260 ha Lonach Estate of WATA. Cattle is indoor-housed to support increased productivity and stall-fed following the Total Mixed Ration (TMR) method, as opposed to grazing given the inherent rocky terrain of the estate, resources and space available on the farm. Under the Total Mixed Ration (TMR) method, feedstuff is weighed to proportion and blended into a nutritionally balanced ration to produce high quality milk.
- The project is expected to provide estate workers an increased income from herd and feedstock management. Existing tea cultivations yield poor returns given the rocky landscape. The project will also contribute towards the Government's initiative to achieve self-sufficiency in milk production.

Industry

Despite the growth in national milk production by 3.2% to 396.2 Mn ltrs in 2017, this was sufficient to meet only 40% of local demand (CBSL Annual Report 2018). Consequently, 93,127 MT of milk powder valued at USD 294 Mn, was imported to meet the shortfall. The Government continues to encourage investments in the dairy industry through policy measures and by providing support services through the Department of Animal Production and Health (DAPH).

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

Commercial production

Commercial production commenced August 2017. WDL produces 14,000 ltrs of milk/ day. Each milking cow on average produces 23-24 ltrs/day, higher than the industry average of 4 ltrs/ day. Price of a litre sold is over Rs 88/ltr, substantially higher than industry average of Rs 66.34/ltr (CBSL Annual Report 2018) , given the superior solid fat content in the milk attributed to the TMR meal plan provided.

WDL is conscious that sound animal health and welfare is key to sustainable production. Initiatives in strong husbandry includes the following;

- Optimum stockholding of animal feed and provision of the right feed in the right quantity
- Farm management (adequate supplies of clean water, slurry operation and effluent management system) and
- Compliance with farm assurance standards.

Buyers

Main buyer is Ambewela. Smaller quantities are sold to Milco and Fonterra.

Financial performance

Despite the increase in Revenue following commercial production, WDL made a financial loss, given the high start-up costs and under-utilised capacity of the state of the art milking parlour system.

Key capex investments include

- Import of 900 high yielding cows of superior genetics, for USD 1.14 Mn from Australia an New Zealand,
- 'Dairymaster' brand milking parlour system – an automated, state of the art system from a world renowned supplier
- Equipment to enhance the the welfare of the cows
- SAP ERP system

Future Outlook

The balance herd is expected to be sourced in 2018/19 and an increase in production volumes forecast following increased calving cycles.The project is expected to generate a bottom line of 40% and contribute considerably towards the Group's future profitability. WDL will continue to leverage on the expertise of Duxton in the setting up and management of the project

Tea

		6 months ended 30.09.17*	FY 2016/17
Revenue	LKR Mn	2,462.5	3,878
Gross profit	%	(11.03)	4.9
Operating profit	LKR Mn	113.5	170
Profit / (Loss) for the period	LKR Mn	163.83	(257.4)
Production	KG'000	4,024	7,422
Total extent	Ha'000	4,281	4284
Extent Bearing	Ha '000	3,952	4223
Yield	Kg/Ha	690	1213
Plucking average	Kg	20.57	19.78
WATA NSA	LKR/Kg	582	517.67
Industry NSA	LKR/Kg	618.48	518.87
Head count	Nos	9,220	8151

**The tea business segment of WATA was vested by operation of the law with Hatton Plantations PLC on 30 September 2017. (Page 103)*

Although not reflected in the above accounts, given the vesting of tea operations with Hatton Plantations PLC on 30 September 2017, tea production rebounded in 2018 following a declining trend observed over the last three years, attributed to favourable climatic conditions particularly during the second half of the year and factories operating at increased capacity. Average Tea prices also rose subsequent to higher demand for Sri Lankan tea from major tea importing countries, whose economies gained from the steady rise in global oil prices during the year.

WATA NSA remained higher than industry average, following the strategic shift in 2015 to focus on producing high quality teas fetching premium prices, by adopting smart agricultural practices, as opposed to maximizing yields and economies of scale.

Tea segment contributed 50% (2017 – 60%) to total revenue and 16% (2017 -1%) to profit after tax in 2018. Despite the considerable revenue generated, resulting profits are low consequent to the high cost of production inherent to the industry, arising from high labour costs; low labour productivity; increased cost of fertiliser and labour cost of manual weeding subsequent to the banning of weedicide-Glyphosate.

To attract and retain labour within the tea industry, Regional Plantation Companies (RPCs) continuously engage in improving the dignity and welfare of the workers and their families, by providing housing, improved living conditions, education and healthcare benefits. As such, labour costs, account for approx. 70% of production costs.

Others - Tea Exports

Tea Exports

	2018	2017
Revenue	281	429
Profit after tax	25	47
Contribution to Total Revenue	6.6%	5.7%
Contribution to Total Profit	2.5%	3.9%

Revenues and profit from tea exports fell 34% and 47% respectively,following lower prices realised in key exports markets.Prices were downward revised in response to dropping demand from the principal buyer Tata Global Beverages,owners of Tetly brand. Factors that adversly affected the demand from export markets include reduced margins owing to depreciation of Australian Dollars that pushed up the import costs and domestic inflation in several markets.Further,Tata Global Beverages purchasing cheaper teas from other tea producing also rduced the volumes.

Future Outlook

Given the market potential in tea exports we are confident that these segments would continue to contribute towards the Group's future profitability.




Protecting Biodiversity

Our plantations are home to 48 species of (threatened species) vulnerable or endangered species as per the IUCN red list, testimony to sound environmental policies implemented. We will continue to monitor these populations to protect these species which will be supported by awareness programmes and regular surveys to estimate the populations.

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

The Board of Directors of Watawala Plantations PLC takes pleasure in presenting its Annual Report to the shareholders for the financial year ended 31 March 2018, together with the audited financial statements of the Company, consolidated financial statements of the Group for the said year and the Auditor's Report on those financial statements, conforming to the requirements of the Companies Act No 7 of 2007 and Listing Rules of the Colombo Stock Exchange (CSE). The Report is also guided by the recommended best practices on Corporate Governance.

Watawala Plantations PLC is a public limited liability company incorporated in Sri Lanka in 1992 under the previous Companies Act No 17 of 1982 and re-registered as required under the provisions of the Companies Act No 7 of 2007. The re-registration number of the Company is PQ 65.

The issued shares of the Company were listed on the main board of the Colombo Stock Exchange in Sri Lanka in 1997 .

The registered office and Head Office of the Company is located at No 60, Dharmapala Mawatha, Colombo 3, Sri Lanka.

The financial statements were reviewed and approved by the Board of Directors on 25.05.2018.

Statutory disclosures

Section 168 of the Companies Act No. 07 of 2007, requires the following information to be published in the Annual Report prepared for the year under review.

Disclosure requirements	Reference to the Companies Act No. 07 of 2007	Disclosure reference for compliance	Page
The nature of the business of the Company and the Group	Section 168 (1) (a)	About Us	03 to 05
Financial statements for the accounting Period completed and signed in accordance with section 152	Section 168 (1) (b)	The Financial Statements for the year ended 31 March 2018 duly signed by the Deputy General Manager Finance and two Directors	Signed on page 86
Auditor's report on the financial statements of the Company and the Group	Section 168 (1) (c)	Independent Auditors' Report.	81 to 85
Any change in accounting policies made During the accounting period	Section 168 (1) (d)	Note 2.2 to the Financial Statements - Changes in Accounting Policies	91
Particulars of entries in the interests register made during the accounting period	Section 168 (1) (e)	Note 37 to the Financial Statements - Related Party Transactions	133
Remuneration and other benefits of directors during the accounting period	Section 168 (1) (f)	Note 30 to the financial statements - Expenses by Nature	128
Total amount of donations made by the Company or Group during the accounting period	Section 168 (1) (g)	The Group did not make any donations for the year under review.	-

Disclosure requirements	Reference to the Companies Act No. 07 of 2007	Disclosure reference for compliance	Page
Names of the persons holding office as Directors of the company as at the end of the accounting period and the names of any persons who ceased to hold office as directors of the company during the accounting period	Section 168 (1) (h)	Board Profiles	16 to 18
Amounts payable by the company to the Person or firm holding office as auditor of the company as audit fees and as a separate item, fees payable by the company for other services provided By that person or firm ;	Section 168 (1) (i)	Note 30 to the financial statements - Expenses by Nature	128
Particulars of any relationship (other than that of auditor) which the auditor has with or any interests which the auditor has in, the company or any of its subsidiaries	Section 168 (1) (j)	The Company's Auditors during the period under review were Messrs. PricewaterhouseCoopers, Chartered The auditors do not have any relationship or interest with the Company or Group other than that of an Auditor.	74, 75
Signed on behalf of the board by two directors and the Company Secretary	Section 168 (1) (k)		71

In addition to the above, the following information is disclosed. The details are provided within notes to the Annual report, which form an integral part of the Annual Report of the Board of Directors.

Disclosure	Note Reference	Page
Principal Activities and significant changes to the nature of business	About us	03 to 05
	Watawala Plantations PLC holds 100% direct stake in Watawala Tea Australia Pty Ltd and 68% in Watawala Dairy Ltd.	91
	The principal activities of the Group during the year under review were cultivation, manufacture and sale of tea (until 30 September 2017) cultivation, manufacture and sale of palm oil, direct exports of bulk & value-added tea and dairy farming.	
	Watawala Plantations PLC vested by operation of the law, the operational assets and liabilities of the up-country tea business segment with Hatton Plantations PLC with effect from 30 September 2017.	103
	The shareholders of Watawala Plantations PLC as at the end of trading on 29 September 2017, were issued shares in Hatton Plantations Ltd on 30 September 2017 corresponding to their holding in Watawala Plantations PLC.	

Disclosure	Note Reference	Page
Review of Operations and Future Developments	Chairman's Message	09
	Managing Director's Review	12
	Accounting for Our Capitals	42
	Other Business Segments	64
	A Positive Outlook	63
	Audited Financial statements	81
Financial Statements	The financial statements of the Company and the Group have been prepared in accordance with Sri Lanka Accounting Standards laid down by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and comply with the requirements of Companies Act No 7 of 2007 and the listing rules of the Colombo Stock Exchange.	91
Directors' Responsibility for Financial Reporting	The Statement of Directors' Responsibility for Financial Reporting	86
Significant Accounting Policies	Notes 3 and 5 to the financial statements – Summary Significant Accounting Policies and Significant Accounting Policies	93 to 102
Going Concern	Note 02 to the financial statements – Going Concern	91
Income	Note 28 to the financial statements – Gross Income	125
Financial Results and Appropriations	Statement of Income	87
	Statement of Comprehensive Income	87
	Statement of Changes in Equity	88
	Statement of Financial Position	86
	Statement of Cash Flows	90
Stated Capital and Reserves	Statement of Changes in Equity	88
	WATA initiated a share buy back in January 2018, as a mechanism to revalue it's 'under-valued' share. The company offered to purchase 1 one ordinary voting share for every six held of 236.6mn shares issued, at a price of Rs 33/share. Consequently, 35,704 shares were purchased for LKR 1.178Bn, utilizing retained earnings with no change to share capital. (note 20 – financial statements)	115
Dividend on Ordinary Shares	Note 34 to the financial statements - Dividends Paid	131
Taxation	Note 32 to the financial statements - Income Tax expense	130
	Note 25 to the financial statements - Deferred Income Tax Liability	123
Capital Expenditure	The total capital expenditure on purchase and construction of property, plant and equipment, expenditure incurred on immature plantations and Livestock by the Group and the Company as at 31 March 2018 amounted to LKR 1,808Mn and LKR 480 Mn respectively (2017 Group: LKR1,106 Mn and Company: LKR 478 Mn). Details are given in Note 09 and 10 to the financial statements. The capital expenditure approved and contracted for and not contracted for as at Statement of Financial Positions date are given in Note 35 to the financial statements on page 131 - Capital Commitments.	106 to 111
Property, Plant and Equipment	Note 09 to the financial statements - Property, Plant and Equipment	106, 107

Disclosure	Note Reference	Page
Statutory Payments	The Directors, to the best of their knowledge and belief, are satisfied that all statutory payments in relation to the Government and the employees have been made up to date.	29
Events after the Reporting Date	Notes 39 - to the financial statements - Events Occurring After the Reporting Period	136
Register of Directors and Secretaries	As required under Section 223 (1) of the Companies Act No 7 of 2007, the Company maintains a Register of Directors and Secretaries which contains the name, surname, former name (if any), residential address, business occupation, dates of appointment and dates of resignation (if applicable) of each Director and the Secretary. Particulars of entries in the interest register are set out in note 37 to the Financial statements	132
Historical Information	Information relating to earnings, dividend, net assets and market capitalization is given in the Historical Financial Information, investor ratios.	144 to 147
Shareholdings	Shareholders & investors information	148, 149
Equitable Treatment to Shareholders	The Company has always ensured that all shareholders are treated equitably.	32
Environmental Protection	To the best of knowledge of the Board, the Group has complied with the relevant environmental laws and regulations. The company has not engaged in any activity that is harmful or hazardous to the environment. Specific measures taken to protect the environment are found in the Accounting For Our Impacts Report, Natural Capital.	27 to 29 47 to 50
Directors' Interests in Transactions	Notes 37 to the financial statements - Related Party Transactions	132
Directors' Emoluments	Board and Executive Remuneration	128
Corporate Governance	Corporate Governance Report	20
Directors' meetings		23
Risk Management and Internal Control	Risk Management and Internal control	35 to 38
Insurance and Indemnity	Pursuant to a decision of the Board, the Company obtained an Insurance Policy to cover Directors' and Officers' liability	-

Notice of Annual General Meeting

The 25th Annual General Meeting of the company is convened on 28 June 2018, at 12.30 pm, at the Lotus Room of the Bandaranaike Memorial International Conference Hall (BMICH) Baudhaloka Mawatha ,Comolnbo 07. The Notice of the 25th Annual General Meeting is enclosed.

Acknowledgment of the Contents of the Report

As required by Section 168 (1) (k) of the Companies Act No. 07 of 2007, the Board of Directors hereby acknowledges the contents of this Annual Report.

V. Govindasamy
Managing Director

25 May 2018

Sunil G. Wijesinha
Chairman

Corporate Advisory Services (PVT) Ltd.
Secretaries, Watawala Plantations PLC

MANAGING DIRECTOR'S AND DEPUTY GENERAL MANAGER - FINANCE'S RESPONSIBILITY STATEMENT

The Financial Statements of the Watawala Plantations PLC are prepared in compliance with the Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka, Companies Act, No 07 of 2007, Sri Lanka Accounting and Auditing Standards Act No.15 of 1995, and the Listing Rules of the Colombo Stock Exchange. The Accounting Policies used in the preparation of the financial statements are appropriate and are consistently applied by the Company. There are no departures from the prescribed Accounting Standards in their adoption. Comparative information is reclassified wherever necessary to comply with the current presentation.

The significant accounting policies and estimates that involve a high degree of judgment and complexity were discussed with our External Auditors and the Audit Committee.

The Board of Directors and Deputy General Manager-Finance of the Company accept responsibility for the integrity and objectivity of these financial statements. The estimates and judgments relating to the financial statements were made on a prudent and reasonable basis, in order that the financial statements give a true and fair view of the state of affairs, the forms and substance of transactions and that the Company's state of affairs is reasonably presented. To ensure this, the Company has taken proper and sufficient care in installing a system of internal controls and accounting records, for safeguarding assets and for preventing and detecting frauds as well as other irregularities, which is reviewed, evaluated and updated on an ongoing basis. Our internal auditors have conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Company were consistently followed. However, there are inherent limitations that should be recognized in weighing the assurance provided by any system of internal controls and accounting.

The financial statements of the company were audited by Messrs. PricewaterhouseCoopers, Chartered Accountants and their report is given on pages 81 to 85 of the Annual Report.

The Audit Committee of the Company meets periodically with the internal audit team and the external auditors to review their audit plans, assess the manner in which these auditors are performing their responsibilities and to discuss their reports on, internal controls and financial reporting issues. To ensure complete independence, the external auditors and the internal auditors have full and free access to the members of the Audit Committee to discuss any matters of substance.

We confirm that the Company has complied with all applicable laws and regulations and guidelines and that there are no material litigations that are pending against the Company.

V. Govindasamy
Managing Director

Prasanna Pahalagamage
Deputy General Manager-Finance

25 May 2018

STATEMENT OF DIRECTORS' RESPONSIBILITY

The following statement, which should be read in conjunction with the Auditors' Statement of their responsibilities set out in their report, is made with a view to distinguish the respective responsibilities of the Directors and of the Auditors, in relation to the financial statements.

The Directors are required by the Companies Act No. 07 of 2007, to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit and loss for the financial year. The Directors are required to prepare these financial statements on going concern basis, unless it is not appropriate.

Since the Directors are satisfied that the Company has resources to continue in business for the foreseeable future, the financial statements continue to be prepared on the said basis.

The Directors consider that in preparing the financial statements on pages 86 to 136 the Company used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimated that all accounting standards, which they consider to be applicable, are followed.

The Directors are responsible for ensuring that the Company keeps accounting records, which will disclose with reasonable accuracy the financial position of the Company and which will enable them to ensure that financial statements comply with the Companies Act. No. 07 of 2007.

The Directors are generally responsible for taking such steps that are reasonably for them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors are confident that they discharged their responsibility as set out in this statement. They also confirm that to the best of their knowledge all statutory payments payable by the Company as at the Statement of financial position date, are paid or where relevant, provided for.

By Order of the Board.

V. Govindasamy
Managing Director

Sunil G. Wijesinha
Chairman

25 May 2018

REPORT OF THE AUDIT COMMITTEE

Role of the Audit Committee

The terms of reference "Charter" provides a clear understanding of the committee's role, structure, processes, and membership requirements. This conveys the framework for the committee's organization and responsibilities that can be referred to by the Board, committee members, management and external and internal auditors. The Audit Committee reviews the charter quarterly and updates to reflect the views that the members of the Audit Committee express in the independent discharge of their duties.

Composition

The Audit Committee comprises the following five members, three of whom, including the Chairman, are Independent Non-Executive Directors.

A N Fernando - Chairman
(Independent, Non-Executive Director)

S G Wijesinha
(Independent, Non-Executive Director)

L D Ramanayake
(Independent, Non-Executive Director)

K Venkataramanan
(Non-Independent, Non-Executive Director)
(Resigned w. e. f. 28th December, 2017)

B A Hulangamuwa
(Non-Independent, Non-Executive Director)

P Karunagaran
(Non-Independent, Non-Executive Director)
(Appointed w. e. f. 25 May, 2018)

Profiles of the members are given on pages 16 to 18 Corporate Advisory Services (Pvt) Ltd., the Group Secretaries functions as the Secretaries to the Audit Committee.

Meetings and Minutes

The number of meetings the committee holds is influenced by its objectives and scope of activities, and the size and nature of the business.

The Audit Committee met four (4) times during the year.

Members and attendance at meetings held during the year ended 31 March 2018 are given below.

A N Fernando	4/4
S G Wijesinha	4/4
K Venkataramanan	3/4
B A Hulangamuwa	3/4
L D Ramanayake	4/4

The Chief Executive Officer and Deputy General Manager-Finance shall normally attend meetings of the Audit Committee. The Head of Internal Audit also attended these meetings by invitation. On the invitation of the Audit Committee, the Engagement Partner of the Company's External Auditors, Messrs. PricewaterhouseCoopers attended two committee meetings.

The Audit Committee shall report to the Board.

Responsibilities

The Audit Committee undertakes, on behalf of the Board, responsibility for ensuring the integrity of the company's financial reports by having oversight of internal control, the financial reporting process and compliance with regulatory matters as given in the Audit Committee Charter. It sets out high standards of corporate disclosure, corporate responsibility, integrity and accountability to the shareholders.

Tasks of the Audit Committee

In fulfilling its responsibilities, following activities were carried out by the Audit Committee during the financial year ended 31 March 2018.

Financial Reporting

Reviewed the quarterly and year-to-date financial results of the Group and the relevant announcements to Colombo Stock Exchange (CSE), focusing particularly on significant changes to accounting policies and practices and compliance with financial reporting and accounting standards prior to the consideration by the Board.

Reviewed the annual report and the annual audited financial statements of the Company and the Group prior to submission to the Board for approval. The review was to ensure that the financial reporting and disclosures are in compliance with the listing requirements of Sri Lanka Financial Reporting Standards provisions of the Companies Act, No. 7 of 2007, CSE and any other relevant legal and regulatory requirements.

In the review of the annual audited financial statements, the Committee discussed with the Chief Executive Officer, Deputy General Manager- Finance and External Auditor the significant accounting policies, estimates and judgments applied in preparing these reports, the accounting principles and reporting standards that were applied and the impact of the items to the financial statements.

Internal Control and Risk Management and Internal Audit

The Committee reviewed the risk management process and discussed the inherent risks faced by the business as they affect financial reporting. The principal risks and uncertainties are outlined in the relevant section on pages 35 to 38.

The Committee has an ongoing process for reviewing the effectiveness of the system of internal controls and of the internal audit function. During the year, it reviewed and approved the annual internal audit plan prepared taking into consideration the required controls and risks attached to different areas of operation. It also reviewed the reports from the internal audit team summarizing the audit findings and recommendations and describing actions taken by management to address any shortfalls. It reviewed the level and nature of outstanding audit weaknesses and invited management to the Committee to further understand progress where it felt it was necessary.

External Audit

Reviewed with the external auditors their audit scope, audit strategy and audit plan for the year and their proposed fees for the statutory audit.

Reviewed the external audit reports and areas of concern highlighted in the Management letter including Management's responses to the findings of the External Auditors.

Discussed with External Auditors the significant accounting and auditing issues, impact of new or proposed changes in accounting standards and regulatory requirements applicable to the Group.

Assessed the independence and objectivity of the External Auditors during the year in carrying out statutory audit for the Group and prior to the appointment of the External Auditors for provision of any non- audit services. The Audit Committee also received report from the external auditors confirming that there were no circumstances and relationship that create threats to their independence and that the ethical requirements have been complied with.

Recommend to appoint Messrs KPMG, (Chartered Accountants) as Auditors of the company in place of the outgoing Auditors Messrs.PricewaterhouseCoopers (Chartered Accountants) and authorize the Directors to determine their remuneration.

Regulatory Compliance

Reviewed the procedures established by Management for compliance with the requirements of regulatory bodies. The Chief Executive Officer along with the Deputy General Manager-Finance submitted to the Audit Committee on a quarterly basis, a report on the extent to which the Group was in compliance with mandatory statutory requirements.

Audit Committee Effectiveness

The Committee prepares and reviews with the Board an annual performance evaluation of the Committee. The findings of the review ensure that the Board is satisfied that the Committee is operating effectively, and meeting all applicable legal and regulatory requirements.

Conclusion

The Committee is of the view that adequate controls and procedures are in place to provide reasonable assurance that the Group's assets are safeguarded and the financial position of the Group is well monitored. The Audit Committee concurs that the adoption of the going concern premise in the preparation of the financial statement is appropriate. The Audit Committee recommends to the Board of Directors that the financial statements as submitted be approved.

On behalf of the Audit Committee;

A N Fernando
Chairman – Audit Committee
25 May 2018

REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

Composition of the Committee

Related party transactions review committee was established in accordance with the Code of Best Practice on Related Party Transactions, issued by the Securities and Exchange Commission of Sri Lanka and section 9 of the Listing Rules of the Colombo Stock Exchange. Related Party Transactions Review Committee comprised of three Independent Non-Executive Directors, namely, Messrs A.N.Fernando(Chairman), S.G.Wijesinha, L.Ramanayake and Two Non-Independent Non Executive Director s, namely, B.A.Hulangamuwa and K.Venkataramanan.

Policies and procedures adopted for reviewing the related party transactions:

The Committee reviewed all Related Party Transactions except for the following transactions:

1. Recurrent, routine transactions which are of of trading or revenue nature
2. Payment of dividend, issue of securities
3. Grant of options and the issue of securities pursuant to the exercise of options under an employee share option scheme.
4. A transaction in marketable securities carried out in the open market where the counterparty's identity is unknown to the Company at the time of the transaction
5. Directors fees and remuneration and employment remuneration.

either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such review, prior to the completion of the transaction.

The committee established guidelines for the senior management to follow, for recurrent related party transactions, in its ongoing dealings with the related parties. At the year end ,the Committee carried out a review and assessed ongoing relationships with the related parties to determine whether they are in compliance with the Committee's guidelines and that the Related party transactions remain appropriate.

The Committee also determined whether to obtain the approval of the Board of Directors for a Related Party Transaction considering the factors such as the impact of the proposed transaction on the independence of the directors and whether related party transaction requires immediate market disclosure.

It was also ensured that Committee members did not have any conflict of interest with regard to the proposed relater party transactions.

MEETINGS

The Committee met four (4) times during the year . Attendance of the Committee members at each of these meetings is as follows.

- A N Fernando – 04 of 04 meetings
- S G Wijesinha – 04 of 04 meetings
- L D Ramanayake – 04 of 04 meetings
- B A Hulangamuwa – 03 of 04 meetings
- K Venkataramanan - 03 of 04 meetings
  Resigned w.e.f 28 December, 2017

Meeting and Minutes

Corporate Advisory Services (Pvt) Limited acts as the Secretaries to the Related Party Transaction Review Committee. The Minutes of the Related Party Transaction Committee approved by the said committee is circulated and affirmed by the Board of Directors.

Statement of Compliance

The Committee has reviewed the related party transactions during the financial year and communicated the comments/observations to the board of directors. Information disclosures as required under section 9 of the listing rules are presented under note 37 to the financial statements.

On behalf of the board,

A.N.Fernando
Chairman
25 May 2018

REPORT OF THE REMUNERATION & NOMINATIONS COMMITTEE

Terms of Reference

The Charter determines the terms of reference for the Remuneration Committee. The Remuneration Committee is responsible to the Board for recommending remuneration of the Executive Directors including the Chief Executive Officer, members of the Executive Committee, and setting the broad parameters of remuneration for senior executives across the Group.

Composition

The Committee is made up of five Directors namely

G. Sathasivam
(Non-Executive, Non Independent)

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

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

A. K. Misra
(Non-Executive, Non Independent)
(Resigned w. e. f. 28/12/2017)

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

Corporate Advisory Services (Pvt) Limited acts as the Secretaries to the Remuneration Committee. The Minutes of the Remuneration Committee approved by the said committee is circulated and affirmed by the Board of Directors.

Remuneration Policy

The Group's remuneration policy aims to attract and retain management with the appropriate professional, managerial and operational expertise necessary to achieve the Group's objectives and create value for our shareholders.

A significant portion of executives' total potential remuneration is performance related in order to drive the right behavior to optimize Group performance. Stretch targets are set for the plantation managers on a quarterly basis in the context of prevailing market conditions in which it operates. The remuneration packages which are linked to individual performances are aligned with the Group's short-term and long-term strategy.

Remuneration levels are reviewed annually by the Remuneration Committee through a process that considers individual, business unit and overall performance of the Group and market practices.

The Committee continues to provide analysis and advice to ensure key management personnel remuneration is competitive in the market place. The Committee has the authority to seek external independent professional advice on matters within its purview.

Non-executive Directors' Fees

Non-executive Directors receive fees for services on Board and Board Committees. Non-executive directors do not receive short-term incentives and do not participate in any long-term incentive schemes. The fees for the Non-executive Directors are recommended by the remuneration committee to the Board for their approval, after considering input from the Executive Directors.

The Directors emoluments are disclosed on note 30 to the financial statements.

On behalf of the Remuneration Committee;

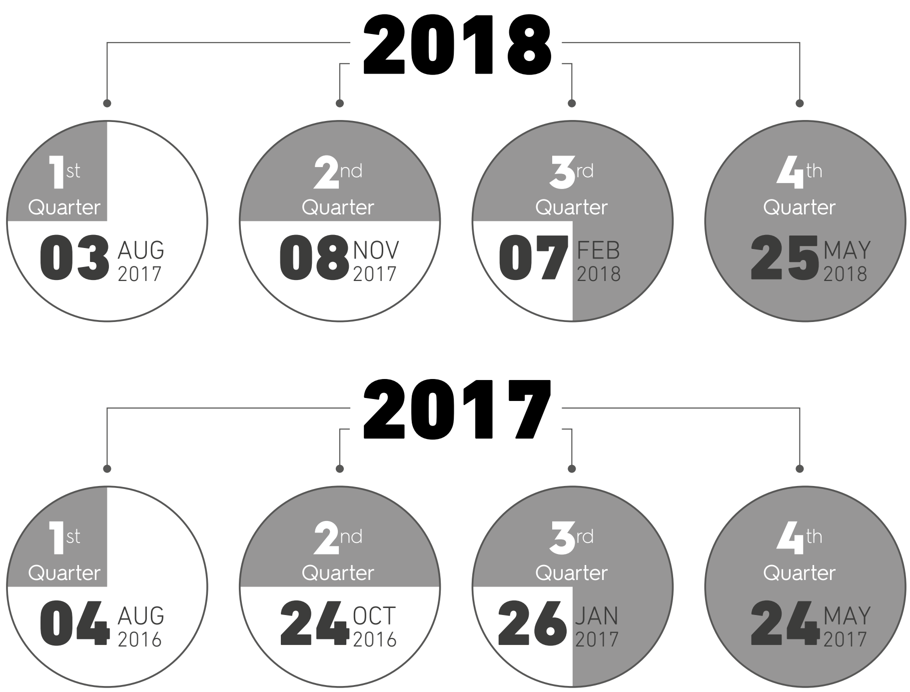
G. Sathasivam
Chairman – Remuneration Committee
25 May 2018

Responsible Manufacturing

As the ultimate use of our production is human consumption, we are conscious of the need to adopt the highest quality standards in manufacturing crude palm oil. Additionally, we must also ensure that our manufacturing processes follow sustainable practices of responsible consumption, reuse and recycle and ensure that our emissions, waste and effluents comply with our certification and regulatory requirements.

FINANCIAL REPORTS

FINANCIAL CALENDER



Annual General Meetings

2005/2006	-	Annual Report Published on 19 May 2006 and 13th AGM on 12 June 2006
2006/2007	-	Annual Report Published on 30 May 2007 and 14th AGM on 22 June 2007
2007/2008	-	Annual Report Published on 14 June 2008 and 15th AGM on 07 July 2008
2008/2009	-	Annual Report Published on 15 June 2009 and 16th AGM on 14 July 2009
2009/2010	-	Annual Report Published on 11 June 2010 and 17th AGM on 07 July 2010
2010/2011	-	Annual Report Published on 16 June 2011 and 18th AGM on 08 July 2011
2011/2012	-	Annual Report Published on 12 June 2012 and 19th AGM on 06 July 2012
2012/2013	-	Annual Report Published on 17 June 2013 and 20th AGM on 09 July 2013
2013/2014	-	Annual Report Published on 05 June 2014 and 21st AGM on 30 June 2014
2014/2015	-	Annual Report Published on 08 June 2015 and 22nd AGM on 30 June 2015
2015/2016	-	Annual Report Published on 09 June 2016 and 23rd AGM on 30 June 2016
2016/2017	-	Annual Report Published on 05 June 2017 and 24th AGM on 29 June 2017
2017/2018	-	Annual Report Published on 04 June 2018 and 25th AGM on 28 June 2018

Independent auditor's report

To the Shareholders of Watawala Plantations PLC

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements of Watawala Plantations PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group") give a true and fair view of the financial position of the Company and the Group as at 31 March 2018, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

What we have audited

The financial statements of the Company and the consolidated financial statements of the Group, which comprise:

- the statement of financial position as at 31 March 2018;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

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

Independence

We are independent of the Group in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics), and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Partners D.T.S.H. Mudalige FCA, C.S. Manoharan FCA
S. Gajendran FCA, Ms. S. Hadgie FCA, Ms. S. Perera ACA, T.U. Jayasinghe ACA

pwc

The Company:

Key audit matter	How our audit addressed the Key audit matter
1. Carrying value of immature and mature plantation As stated in page 109 of the financial statements the carrying value of bearer plants stood at Rs 2.3bn. Bearer plants mainly include mature and immature palm and tea trees in identified plantation fields. We have focused in this area due the significant management judgement involved in determining the point at which a plant is deemed ready for commercial harvesting. As per the industry practice, transfer of immature plantations to mature plantation fields happens at the point of commencement of commercial harvesting. The actual point of which commercial harvesting could start depend on the soil condition, weather patterns and plant breed. Appropriate transfer from immature to mature plantations has a significant impact on the carrying value of the bearer plants and the reported profits as capitalisation of costs will cease from the point of transfer and the mature plantations are depreciated over the useful lives of the plants.	We performed following audit tests in connection with the transfer of immature plantations to mature plantations. We obtained schedules of costs incurred and capitalised under immature plantations as well as cost transferred to mature plantations by each estate for the year ended 31 March 2018. We reconciled these balances to the general ledger maintained at the Head Office. We identified reconciling items and obtained explanations from management for any significant variances. We compared the actual costs transferred to mature plantations from immature plantations to budgeted costs included in annual board approved budgets to assess if the actual costs are consistent with management expectations at the beginning of the financial year. . We checked the immature to mature cost transfer worksheet of a sample of estates to check the amounts transferred during the year was consistent with the company policy and industry norms. Based on the above procedures, management judgement involved in transferring immature plantations to mature plantations was consistent with company policy and industry norms.
2. Risk of reliance of a single customer for palm oil sales The Company sells more than 90% of its crude palm oil to a single customer, Pyramid Wilmar (Private) Limited who is a related party. Palm oil is the highest profit driver of the Company. There is a risk that such sales and profits may not be sustainable in the future, in the event such customer withdraws from the business relationship with the Company. As such risk mitigation action should be implemented by management to sustain the palm oil business segment.	We have checked the pricing arrangements with the related party to determine if the pricing are at commercial terms. We have checked the historical sales volumes and terms to assess if there are any deterioration of the relationship. We checked the subsequent realisation of crude palm oil inventory held at year end date. We discussed with management their assessment of risk of depending on a related party as a sole customer for palm oil. Management explained that the related party is a leading edible oil and speciality fats manufacture who requires an uninterrupted supply of crude palm oil. Hence, management believe that the related party has made a strategic investment in the Group and the relationship is sustainable in the foreseeable future. We agree with the management representations. The above procedure supports the mitigation action taken by management for the risk of reliance on a related party as a sole customer for crude palm oil.

The Group:

Key audit matter	How our audit addressed the Key audit matter
Valuation of Livestock As explained on pages the carrying value of livestock as at 31 March 2018 amounted to Rs 539,601,447 and is measured at each reporting date at its fair value less costs to sell. Livestock is a biological asset that has market-determined prices or values available as biological produce are basic commodities that are trade actively. The livestock in the subsidiary consist of local and cattle imported from Australia. Market-determined prices or values are not readily available for imported cattle, as the value would determine on conditions such as the breed, expenses incurred for quarantine, which could be different to the conditions in Sri Lanka. Hence, management had applied present value of expected net cash flows to determine the fair value of the livestock for all cattle stock as at 31 March 2018. The fair value is measured by discounting the projected net cash flows method using an appropriate discount rate. Cash inflow is arrived by estimating cash generated by selling the milk yield over the lactation period of the livestock. Cash outflows are deducted to arrive at net cash flows. Cash outflows comprise of cost of cattle feed, veterinary medicine cost and other directly attributable costs incurred to derive maximum yield from the milking cows. Management uses a subject matter expert who is a licenced veterinary of the Department of Animal Production and Health Sri Lanka to validate the assumptions and judgments factored in the valuation and to support market projections and industry norms that are generally accepted in developing those judgements and assumptions. We have focused on this area due to the magnitude of the value of livestock and the fact that significant assumptions and judgements are involved in determining the fair value, particularly age of the cattle, average milk production, lactation period, weight and selling price of the cattle end of the fifth lactation.	We assessed and challenged management's process for determining the fair value judgements and assumptions. Our approach is explained below, Discount rate Management used a discount rate taking into account the industry risk and projected to the Subsidiary capital structure. In assessing the industry risk we compared adjusted beta factors with comparable similar businesses of similar scale obtained from the Colombo Stock Exchange where information is publicly available and we found rate to be consistent and in line with our expectation. We have also compared the risk free rate to data published by the Central Bank of Sri Lanka (CBSL) and risk premium the normal return in excess of the risk-free rate of return the Group expects from its investments. We found this judgement to be appropriate given the past performance of the Group. Change in yield by lactation In reviewing the management assumptions, we made independent inquiries from subject matter experts on the reasonability of the change in yields considered by management to project the milking yield per lactation. We also compared the yield curve plotted by the management to a normal life cycle of a milking cow obtained from publicly available online websites and found that the assumption used is consistent with and in line with the industry norms. Cash flow projections Revenue projections were checked by tracing the price per litter of Milk used by management with the agreements entered with customers and also with rates published by National Livestock Development Board. All cost projections were compared with the current year actual results. We tested a sample of invoices relating to cattle feed and other expenses to corroborate the cost estimates. In assessing the reasonability of time value of money the inflation rate was compared with the data published by the Central Bank of Sri Lanka. We discussed with management the likelihood of sale of entire stock of milking cows at the end of the fifth lactation cycle and the corresponding selling price estimation used for the valuation. Management intends to dispose milking cows in batches categorised by age and extent of milk production. Hence, management expect a market to dispose all cows. The explanation provided by management was acceptable and is consistent with our understanding of the industry practices.

Other information

Management is responsible for the other information. The other information comprises the annual report (but does not include the financial statements and our auditor's report thereon).

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's/ Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company/ Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's/ Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate/ consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company/ Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

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

PricewaterhouseCoopers.

CHARTERED ACCOUNTANTS

CA Sri Lanka membership number - 1581

COLOMBO

25 May 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(all amounts in Sri Lankan Rupees thousands)

As at 31st March	Notes	GROUP 2018	GROUP 2017	COMPANY 20 18	COMPANY 2017
ASSETS					
Non-current assets					
Right to use of land	7	80,079	198,473	73,619	191,774
Immovable estate assets on finance lease (other than land)	8	30,140	107,474	26,090	102,984
Property, plant and equipment	9	2,072,077	2,423,768	634,031	1,770,618
Bearer plants	10	2,460,188	2,955,251	2,333,817	2,850,482
Biological assets - consumable	11	37,966	648,831	-	607,707
Biological assets - livestock	11	539,602	24,944	-	-
Investment fund	12	288,595	258,319	288,595	258,319
Investment in subsidiaries	13	-	-	627,352	627,352
Available for sale investments	14	-	21,645	-	21,645
		5,508,647	**6,638,705**	**3,983,504**	**6,430,881**
Current assets					
Inventories	16	291,830	732,988	191,788	686,138
Biological assets-produce on bearer plants	11	29,143	35,757	28,730	35,452
Trade and other receivables	17	401,516	537,199	337,707	438,380
Amounts due from Related parties	18	-	279,735	10,000	279,735
Cash and cash equivalents	19	180,264	888,143	147,834	861,945
		902,753	**2,473,822**	**716,059**	**2,301,650**
Total assets		**6,411,400**	**9,112,527**	**4,699,563**	**8,732,531**
EQUITY AND LIABILITIES					
Capital and reserves					
Stated capital	20	460,000	460,000	460,000	460,000
Retained earnings		2,911,785	5,298,935	2,992,979	5,298,343
		3,371,785	**5,758,935**	**3,452,979**	**5,758,343**
Non controlling interest		262,971	291,200	-	-
Total equity		**3,634,756**	**6,050,135**	**3,452,979**	**5,758,343**
Non-current liabilities					
Interest bearing Borrowings	21	1,305,797	325,006	97,936	325,006
Lease Liability to -SLSPC and JEDB	22	125,790	328,412	125,790	328,412
Retirement benefit obligations	23	193,981	908,192	171,130	882,705
Deferred income and capital grants	24	243,659	193,528	50,872	193,528
Deferred tax liability	25	354,763	331,182	354,798	331,217
		2,223,990	**2,086,320**	**800,526**	**2,060,868**
Current liabilities					
Interest bearing Borrowings	21	70,211	118,318	33,230	118,318
Lease Liability to -SLSPC and JEDB	22	2,799	6,720	2,799	6,720
Trade and other payables	26	439,008	688,426	369,911	630,019
Current tax liabilities	27	40,636	162,608	40,118	158,263
		552,654	**976,072**	**446,058**	**913,320**
Total liabilities		**2,776,644**	**3,062,392**	**1,246,584**	**2,974,188**
Total equity and liabilities		**6,411,400**	**9,112,527**	**4,699,563**	**8,732,531**

It is Certified that the financial statements have been prepared incompliance with the requirements of the companies act No.07 of 2007

Prasanna Gamage

Prasanna Pahalagamage
Deputy General Manager-Finance

The Board of Directors is responsible for the preparation and presentation of these financial statements. Approved and singed for an on behalf of the board of Watawala Plantations PLC

V. Govindasamy
Director

Sunil G. Wijesinha
Director

25 May 2018

The notes on pages 91 to 136 form an integral part of these financial statements.
Figures in brackets indicate deductions.

CONSOLIDATED STATEMENT OF INCOME

(all amounts in Sri Lankan Rupees thousands)

Year ended 31 March	Notes	GROUP 2018	GROUP 2017	COMPANY 2018	COMPANY 2017
Revenue	28	4,948,755	6,501,765	4,764,455	6,392,956
Cost of sales		(3,695,137)	(4,828,579)	(3,360,797)	(4,689,441)
Gross profit	**28**	**1,253,618**	**1,673,186**	**1,403,658**	**1,703,515**
Other income	29	231,185	146,851	149,223	142,808
Administrative expenses		(335,132)	(326,336)	(327,309)	(324,227)
Operating profit		**1,149,671**	**1,493,701**	**1,225,572**	**1,522,096**
Finance income	31	117,854	71,182	136,175	42,523
Finance cost	31	(104,287)	(118,802)	(85,665)	(118,802)
Net finance cost		**13,567**	**(47,620)**	**50,510**	**(76,279)**
Profit before income tax		**1,163,238**	**1,446,081**	**1,276,082**	**1,445,817**
Income tax expense	32	(224,570)	(220,422)	(225,546)	(216,156)
Profit for the year		**938,668**	**1,225,659**	**1,050,536**	**1,229,661**
Profit is attributable to:					
Equity holders of the parent		967,485	1,227,779	1,050,536	1,229,661
Non-controlling interests		(28,817)	(2,120)	-	-
Earnings per share					
- Basic (LKR)	33	4.16	5.18	4.52	5.20

CONSOLIDATE STATEMENT OF OTHER COMPREHENSIVE INCOME

(all amounts in Sri Lankan Rupees thousands)

Year ended 31 March	Notes	GROUP 2018	GROUP 2017	COMPANY 2018	COMPANY 2017
Profit for the year		938,668	1,225,659	1,050,536	1,229,661
Other comprehensive income					
Items that may not be subsequently reclassified to profit or loss					
Actuarial gain on retirement benefit obligations	23	35,656	92,604	33,803	88,451
Tax on actuarial gains	32	(3,380)	(8,845)	(3,380)	(8,845)
Total other comprehensive income for the year (net of tax)		32,276	83,759	30,423	79,606
Total comprehensive income for the year		**970,944**	**1,309,418**	**1,080,959**	**1,309,267**
Total comprehensive income attributable to :					
- Equity holders of the parent		999,173	1,310,218	1,080,959	1,309,267
- Non-controlling interest		(28,229)	(800)	-	-
Total comprehensive income for the year		**970,944**	**1,309,418**	**1,080,959**	**1,309,267**

The notes on pages 91 to 136 form an integral part of these financial statements.
Figures in brackets indicate deductions.

STATEMENT OF CHANGES IN EQUITY - GROUP

(all amounts in Sri Lankan Rupees thousands)

	STATED CAPITAL	RETAINED EARNINGS	TOTAL	NON CONTROLING INTEREST	TOTAL EQUITY
Balance at 1 April 2016	**460,000**	**4,320,050**	**4,780,050**		**4,780,050**
Shares issued to Non controlling interest	-	-	-	292,000	292,000
Net profit for the year	-	1,226,459	1,226,459	(800)	1,225,659
Actuarial gain on gratuity	-	92,604	92,604	-	92,604
Tax on actuarial gain on gratuity	-	(8,845)	(8,845)	-	(8,845)
Total comprehensive income for the year	**-**	**1,310,218**	**1,310,218**	**291,200**	**1,601,418**
Transactions with owners of the Company, recognised directly in equity					
Dividends paid for the year ended 31 March 2016	-	(177,500)	(177,500)		(177,500)
Interim dividends paid for the year ended 31 March 2017	-	(153,833)	(153,833)	-	(153,833)
Total transactions with owners	**-**	**(331,333)**	**(331,333)**		**(331,333)**
Balance at 31 March 2017	**460,000**	**5,298,935**	**5,758,935**	**291,200**	**6,050,135**
Net profit for the year		967,485	967,485	(28,817)	938,668
Actuarial gain on gratuity	-	35,068	35,068	588	35,656
Tax on actuarial gain on gratuity	-	(3,380)	(3,380)	-	(3,380)
Total comprehensive income for the year	**-**	**999,173**	**999,173**	**(28,229)**	**970,944**
Transactions with owners of the Company, recognised directly in equity					
Dividends paid for the year ended 31 March 2017	-	(201,167)	(201,167)	-	(201,167)
Interim dividends paid for the year ended 31 March 2018	-	(150,722)	(150,722)	-	(150,722)
Net assets Vested with Hatton Plantations PLC (Note 6)	-	(1,856,198)	(1,856,198)	-	(1,856,198)
Payment for shares repurchased (Note 20)	-	(1,178,236)	(1,178,236)	-	(1,178,236)
Total transactions with owners	**-**	**(3,386,323)**	**(3,386,323)**	**-**	**(3,386,323)**
Balance at 31 March 2018	**460,000**	**2,911,785**	**3,371,785**	**262,971**	**3,634,756**

The notes on pages 91 to 136 form an integral part of these financial statements.
Figures in brackets indicate deductions.

STATEMENT OF CHANGES IN EQUITY - COMPANY

(all amounts in Sri Lankan Rupees thousands)

	STATED CAPITAL	RETAINED EARNINGS	TOTAL EQUITY
Balance at 1 April 2016	**460,000**	**4,320,409**	**4,780,409**
Net profit for the year	-	1,229,661	1,229,661
Actuarial gain on gratuity	-	88,451	88,451
Tax on actuarial gain on gratuity	-	(8,845)	(8,845)
Total comprehensive income for the year	**-**	**1,309,267**	**1,309,267**
Transactions with owners of the Company, recognised directly in equity			
Dividends paid for the year ended 31 March 2016	-	(177,500)	(177,500)
Interim dividends paid for the year ended 31 March 2017	-	(153,833)	(153,833)
Total transactions with owners	**-**	**(331,333)**	**(331,333)**
Balance at 31 March 2017	**460,000**	**5,298,343**	**5,758,343**
Balance at 1 April 2017	460,000	5,298,343	5,758,343
Net profit for the year	-	1,050,536	1,050,536
Actuarial gain on gratuity	-	33,803	33,803
Tax on actuarial gain on gratuity	-	(3,380)	(3,380)
Total comprehensive income for the year	**-**	**1,080,959**	**1,080,959**
Transactions with owners of the Company, recognised directly in equity			
Dividends paid for the year ended 31 March 2017	-	(201,167)	(201,167)
Interim dividends paid for the year ended 31 March 2018	-	(150,722)	(150,722)
Net assets Vested with Hatton Plantations PLC (Note 6)	-	(1,856,198)	(1,856,198)
Payment for shares repurchased (Note 20)	-	(1,178,236)	(1,178,236)
Total transactions with owners	**-**	**(3,386,323)**	**(3,386,323)**
Balance at 31 March 2018	**460,000**	**2,992,979**	**3,452,979**

The notes on pages 91 to 136 form an integral part of these financial statements.
Figures in brackets indicate deductions.

STATEMENT OF CASH FLOW

(all amounts in Sri Lankan Rupees thousands)

Year ended 31 March	NOTES	GROUP 2018	GROUP 2017	COMPANY 2018	COMPANY 2017
Net profit before taxation		1,163,238	1,446,081	1,276,082	1,445,817
Adjustments for:					
Depreciation & amortisation		317,768	320,108	278,595	313,187
Provision for retirement benefit obligations	23	90,894	164,156	87,558	159,625
Profit on sale of property, plant and equipment	29	(17,831)	(9,650)	(17,834)	(9,650)
Profit on sale of rubber trees		(72,625)	(20,320)	(72,625)	(20,320)
Gain on fair valuation of consumable biological assets	29	(5,072)	(6,161)	(8,237)	(6,196)
Gain on fair valuation of produce on bearer plants		(10,073)	(35,757)	(9,965)	(35,452)
Gain on fair valuation of livestock		(31,785)	(3,983)	-	-
Income from investment fund	12	(30,276)	(23,950)	(30,276)	(23,950)
Amortisation of capital grants	24	(53,862)	(10,041)	(5,665)	(10,041)
Amortisation of other asset		(3,200)	-	(3,200)	-
Loss on transfer of livestock to Watawala Dairy		-	-	-	6,574
Net finance cost	31	(13,567)	47,620	(50,510)	76,279
Profit before working capital changes		1,333,609	1,868,103	1,443,923	1,895,873
Changes in working capital					
- Inventories		(57,579)	(95,215)	(4,388)	(52,039)
- Trade and other receivables		(533)	(51,237)	(35,542)	45,758
- Amount due from Related parties		279,735	(204,743)	269,735	(204,743)
- Trade and other payables		109,973	77,810	99,361	36,089
Cash generated from operations		**1,665,205**	**1,594,718**	**1,773,089**	**1,720,938**
Net finance cost	31	13,567	(47,620)	50,510	(76,279)
Income Tax paid	27	(326,263)	(30,562)	(323,490)	(30,562)
Retirement benefit obligations paid	23	(80,850)	(139,998)	(76,731)	(138,698)
		(393,546)	**(218,180)**	**(349,711)**	**(245,539)**
Net cash generated from operating activities		**1,271,659**	**1,376,538**	**1,423,378**	**1,475,399**
Cash flows from investing activities					
Additions to property, plant and equipment	9	(956,825)	(755,447)	(138,034)	(164,307)
Additions to Bearer plants	10	(344,662)	(317,033)	(318,058)	(284,302)
Additions to Consumable biological assets		(24,193)	(33,675)	(24,186)	(29,583)
Proceeds from sale of rubber trees		81,255	39,693	81,255	39,693
Proceeds from sale of property, plant and equipment		18,028	10,525	17,628	10,525
Adjustments to Property,plant & equipment		1,585	7,318	1,585	7,318
Addition to livestock	11	(241,889)	-	-	-
Impairment loss on livestock		-	6,574	-	-
Proceeds from issue of shares		-	292,000	-	-
Settlements made to HP PLC		(216,227)	-	(216,227)	-
Proceedes from unit trust		-	564,597		564,597
Investment in a subsidiary		-	-		(438,000)
Net cash used in investing activities		**(1,682,928)**	**(185,448)**	**(596,037)**	**(294,059)**
Cash flows from financing activities					
Dividends paid	34	(351,889)	(331,333)	(351,889)	(331,333)
Payment for shares repurchased		(1,178,236)	-	(1,178,236)	-
Proceeds from borrowings	21	1,335,349	71,247	89,854	71,247
Repayment of borrowings	21	(94,453)	(128,309)	(93,800)	(128,309)
Repayment of lease principal		(7,381)	(7,624)	(7,381)	(7,624)
Net cash used in financing activities		**(296,610)**	**(396,019)**	**(1,541,452)**	**(396,019)**
(Decrease) / Increase in cash and cash equivalents		**(707,879)**	**795,071**	**(714,111)**	**785,321**
Movement in cash and cash equivalents					
At the beginning of year		888,143	93,072	861,945	76,624
(Decrease) / Increase for the year		(707,879)	795,071	(714,111)	785,321
At end of year	19	**180,264**	**888,143**	**147,834**	**861,945**

The notes on pages 91 to 136 form an integral part of these financial statements.
Figures in brackets indicate deductions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In the notes all amounts are shown in Sri Lanka Rupees thousands unless otherwise stated)

1. REPORTING ENTITY

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

The consolidated financial statements of the Watawala Plantations PLC as at and for the year ended 31 March 2018 comprised the Company and its subsidiaries Watawala Dairy Limited and Watawala Tea Australia Pty Ltd.

The Company is primarily engaged in cultivation, manufacture and sale of crude palm oil. Its subsidiaries Watawala Dairy Limited and Watawala Tea Australia are engaged in dairy farming and promoting branded tea in Australia respectively.

The Company segregated its' Upcountry tea business,located in Hatton-Watawala and Lindula regions,by operation of the law in terms of the Section 256 of the Companies Act No 07 of 2007, and vested with Hatton Plantations PLC with effect from 30 September 2017. This "Arrangement" is morefully explained under Note 06.

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

The Consolidated financial statements were authorised for issue by the Board of Directors in accordance with the resolution of the Directors on 25 May 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Group and the Company are prepared in accordance with Sri Lanka Accounting Standards which comprise Sri Lanka Financial Reporting Standards(SLFRS),Sri Lanka Accounting Standards(LKAS),pronouncements by the Standards interpretation Committee(SIC) and the International Financial Reporting Interpretations Committee("IFRIC"). These financial statements comply with the requirments of the Companies Act no 07 of 2007 and the listing rules of the Colombo Stock Exchange.

The financial statements have been prepared under the historical cost convention except for assets carried at fair value, on a going concern basis.

The preparation of financial statements in conformity with Sri Lanka Accounting Standards, requires the use of certain critical accounting estimates.It also requires management to excercise its judgement in the process of applying the Company's and the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Group's and to the Company's financial statements are disclosed in Note 5.

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

2.2 New Standards and ammendments effective after 1 January 2018.

The following standards and interpretations had been issued but are not mandatory for annual reporting periods ending 31 March 2018.

Description	Effective for annual periods beginning on or after
SLFRS 09 Financial Instruments	1 January 2018
SLFRS 15 Revenue from Contracts with Customers	1 January 2018
SLFRS 16 Leases	1 January 2019

The nature of the impending changes in accounting policy on adoption of above standards are described below:

(i) SLFRS 9 Financial Instruments and associated amendments to various other standards

SLFRS 9 replaces the multiple classification and measurement models in LKAS 39 Financial instruments: Recognition and measurement with a single model that has initially only two classification categories: amortised cost and fair value.

Classification of debt assets will be driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if:

a) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and

b) the contractual cash flows under the instrument solely represent payments of principal and interest.

All other debt and equity instruments, including investments in complex debt instruments and equity investments, must be recognised at fair value.

All fair value movements on financial assets are taken through the statement of profit or loss, except for equity investments that are not held for trading, which may be recorded in the statement of profit or loss or in reserves (without subsequent recycling to profit or loss).

For financial liabilities that are measured under the fair value option entities will need to recognise the part of the fair value change that is due to changes in the their own credit risk in other comprehensive income rather than profit or loss.

The new hedge accounting rules align hedge accounting more closely with common risk management practices. As a general rule, it will be easier to apply hedge accounting going forward. The new standard also introduces expanded disclosure requirements and changes in presentation.

Further changes introduced to the classification and measurement rules and also introduced a new impairment model to SLFRS 9. The changes introduce:

i. a third measurement category (FVOCI) for certain financial assets that are debt instruments

ii. a new expected credit loss (ECL) model which involves a three-stage approach whereby financial assets move through the three stages as their credit quality changes. The stage dictates how an entity measures impairment losses and applies the effective interest rate method. A simplified approach is permitted for financial assets that do not have a significant financing component (eg trade receivables). On initial recognition, entities will record a day-1 loss equal to the 12 month ECL (or lifetime ECL for trade receivables), unless the assets are considered credit impaired.

The standard is effective for the annual periods beginning on or after 1 January 2018.

Amendments to SLFRS 9 Financial Instruments - Prepayment Features with Negative Compensation

This amendment confirm that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from LKAS 39.

The amendment is effective for annual periods beginning on or after 1 January 2019.

(ii) SLFRS 15 Revenue from contracts with customers and associated amendments to various other standards

SLFRS 15 will replace LKAS 18 which covers contracts for goods and services and LKAS 11 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

A new five-step process must be applied before revenue can be recognised:

i. identify contracts with customers
ii. identify the separate performance obligation
iii. determine the transaction price of the contract
iv. allocate the transaction price to each of the separate performance obligations, and
v. recognise the revenue as each performance obligation is

satisfied.

Key changes to current practice are:

i. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements.
ii. Revenue may be recognised earlier than under current standards if the consideration varies for any reasons (such as for incentives, rebates, performance fees, royalties, success of an outcome etc) – minimum amounts must be recognised if they are not at significant risk of reversal.
iii. The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa.
iv. There are new specific rules on licenses, warranties, non-refundable upfront fees and, consignment arrangements, to name a few.
v. There are also increased disclosures.

These accounting changes may have flow-on effects on the entity's business practices regarding systems, processes and controls, compensation and bonus plans, contracts, tax planning and investor communications.

Entities will have a choice of full retrospective application, or prospective application with additional disclosures.

Amendments to SLFRS 15, 'Revenue from contracts with customers'

These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation permitted).

The standard and the amendment is effective for the annual periods beginning on or after 1 January 2018.

(iii) SLFRS 16 Leases

SLFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases.

The income statement will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest and depreciation, so key metrics like EBITDA will change.

Operating cash flows will be higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest can continue to be presented as operating cash flows.

The accounting by lessors will not significantly change. Some differences may arise as a result of the new guidance on the definition of a lease. Under SLFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The standard is effective for annual periods beginning on or after 1 January 2019 with earlier application permitted if SLFRS 15, 'Revenue from Contracts with Customers', is also applied.

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1. Principles of consolidation

3.1.1 Subsidiaries

Subsidiaries are all entities over which the Group has control.

The group controls an entity when the group is exposed to or has rights to variable returns from its involvement with the entity,and has the ability to affect those returns through its power to direct the activities of the entity.

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

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

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

In the parent company's financial statements, investments in subsidiaries are carried at cost less provision for any impairment. Provision for impairment is made when in the opinion of the Directors there has been a decline, other than temporary, in the value of the investment.

3.2 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief executive officer. The executive committee of the Company assesses the financial performance and position of the Company and its subsidiaries and makes strategic decisions.

3.3 Foreign currency translations

Functional and Presentation Currency

Items included in the financial statements of each of the group entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency).The consolidated financial statements are presented in Sri Lankan Rupees which is the group's functional currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the transaction of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in statement of income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within finance income or cost.All other foreign exchange gains and losses are presented in profit or loss in a net basis within other income or other expenses.

Non-monetory items that are measured at fair value in foreign currency are translated using exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

Translation of foreign currency financial statements

The results and financial position of all foreign operations that have a functional currency different to presentation currency Sri Lankan Rupees (LKR) are translated to LKR as follows:

(i) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the statement of financial position.

(ii) Income and expenses for each income statement are translated at average exchange rates.

(iii) All resulting exchange differences are recognised in other comprehensive income.

3.4 Property, plant and equipment and Bearer plants

Recognition and measurement

Property, plant and equipment are recognised if it is probable that future economic benefits associated with the assets will flow to the Group and the cost of the asset can be measured reliably. All property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment loss. The cost includes expenditure that is directly attributable to the acquisition of assets. The self-constructed assets includes the cost of materials, direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Group applies cost model to property, plant and equipment.

Subsequent costs

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a seperate asset is derecognised when replaced. All other repairs and maintenance are charged to the statement of income during the financial period in which they are incurred.

The cost of improvements to or on leasehold property, is capitalised, and depreciated over the unexpired period of the lease or the estimated useful lives of the improvements, which ever is shorter.

Capital work-in-progress

Capital work-in-progress is stated at cost. These are expenses of a capital nature directly incurred in the construction of buildings, major plant and machinery and system development, awaiting capitalisation. Capital work-in-progress would be transferred to the relevant asset when it is available for use. Capital work-in-progress is stated at cost less any accumulated impairment losses.

An asset's carrying amount is written down immediately to its recoverable amount if the assets carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in operating profit.

Bearer plants

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

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

Infilling cost on bearer plants

Where infilling results in an increase in the economical life of a relevant field beyond its previously assessed standard of performance, the cost is capitalised in accordance with Sri Lanka Accounting standard LKAS 16 - Property Plant and Equipment and depreciated over the remaining useful life at rates applicable to mature plantations. Infilling cost that are not capitalised are charged to the statement of income in the year in which they are incurred.

Depreciation and amortisation

Depreciation is calculated on the straight-line method to write off the cost of each asset to their residual values over their estimated useful lives. Assets held under finance lease are amortised over the shorter of the lease term and their useful lives, in equal amounts.

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

The economic useful lives of assets are estimated below for depreciation/amortisation purposes.

Company

	FREEHOLD ASSETS (Years)	LEASEHOLD ASSETS (Years)
Right to use of land	-	53
Improvements to land	-	30
Vested other assets	-	30
Buildings	40	25
Plant and machinery	13	13
Equipment	8	-
Computer equipment	4	-
Computer software	6	-
Furniture and fittings	10	-
Motor vehicles	5	5
Sanitation, water and electricity	20	20
Roads and bridges	40	40
Fences and security lights	3	-
Mini hydro plants	-	10
Bearer plants		
- Tea	33	30
- Rubber	20	20
- Palm oil	20	20
- Caliandra	10	-
- Coconut	33	-

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at the end of each reporting period.

Group

Watawala Dairy Limited

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

Residual values of these assets and useful lives are reviewed and adjusted if appropriate. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

3.5 Biological assets

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

Consumable biological assets - Group

Timber plantation that are managed by the group is classified as Consumable biological assets and are measured on initial recognition and at the end of each reporting period at fair value less cost to sell. Cost to sell include all costs that would be necessary to sell the assets, including transportation costs if any. The fair value of trees younger than 5 years cannot be reliably estimated and are carried at cost less impairment. The cost include direct material, direct labour and appropriate proportion of directly attributable overheads.

Gains or losses arising on initial recognition of timber plantation at fair values less costs to sell and from the change in fair values less costs of plantations at each reporting date are included in Statement of Income for the period in which they arise. All costs incurred in maintaining the assets are included in profit or loss for the period in which they arise.

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

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

Livestock

Livestock are measured at their fair value less estimated costs to dispose with any change therein recognized in Statement of Income. Estimated costs to dispose includes all costs that would be necessary to dispose the asset such as transport cost, commission etc., Fair value of Live Stock is determined on yield basis valuation which considers the present value of the net cash flows expected to be generated throughout the lactation lifecycle of the cattle. The expected net cash flows are discounted using a risk adjusted discount rate.

Farming costs such as feeding, labour costs, pasture maintenance, veterinary services are expensed as incurred. The cost of purchase of cattle plus transportation charges are capitalised as part of livestock.

Produce growing on bearer plants

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

3.6 Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment,or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversals of the impairment at the end of each reporting period.

3.7 Financial assets

3.7.1 Classification

The Group classifies its financial assets in the following categories; loans and receivables, available for sale, at fair value through profit or loss and held to maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. During the reporting period and as at the statement of financial position date, the Group did not have financial assets classified as fair value through profit or loss and held to maturity.

a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprises of 'trade and other receivables' and 'cash and cash equivalents' in the statement of financial position (note 14). Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non current.

b) Available-for-sale financial assets - AFS

AFS financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within twelve (12) months from the end of the reporting period.

3.7.2 Recognition and initial measurement

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Company and the Group commit to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. AFS financial assets are subsequently carried at fair value unless they are equity investments in non quoted private entities which are carried at cost. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

3.8 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

3.9 Impairment of financial assets

Assets carried at amortised cost

The Company and the Group assesses at the end of each reporting period whether there is an objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

"For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement."

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in the income statement.

Assets classified as available-for-sale financial assets

The Company and the Group assess at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For equity securities classified as AFS, in addition to the criteria for 'Assets carried at amortised cost' above, a significant or prolonged decline in the fair value of the security below its cost is also considered as an indicator that the assets are impaired. If any such evidence exists for AFS financial assets, the cumulative loss that had been recognised directly in equity is removed from equity and recognised in the statement of comprehensive income. The amount of cumulative loss that is reclassified to the statement of comprehensive income is the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on equity instruments classified as AFS are not reversed through the statement of comprehensive income.

3.10 Inventories

(i) Produce stock

The Group has valued unsold produce stock (tea & palm oil) at lower of cost or net realisable value.

(ii) Finished goods manufactured from agricultural produce of biological assets

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

(iii) Raw material, spares and consumables.

These are Valued at actual cost on weighted average basis.

3.11 Trade receivables

Trade receivables are amounts due from customers for commodities sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

3.12 Cash and cash equivalents

In the statements of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

3.13 Stated capital

Ordinary shares are classified as stated capital in equity. Dividend distributed to the Company's shareholders is recognized as a liability in the period in which the dividends are approved by the Company's shareholders.

3.14 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

"Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method."

3.15 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction cost of the extent that it is probable that some or all the facility will be drawn down.

3.16 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets except biological assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the statement of income in the period in which they are incurred.

3.17 Accounting for leases

The Group leases certain property, plant and equipment. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are recognised in the profit or loss on a straight-line basis over the period of the lease.

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Assets acquired by way of a finance lease are measured at an amount equal to the lower of their fair value and the present value of minimum lease payments at the inception,less accumulated depreciation and accumulated impairment losses. The principal/capital elements payable to the lessor are shown as liability/ obligation.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is recognised in the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

3.18 Current income tax

The income tax expense or credit for the period is the tax payable on the current periods taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted by end of the reporting period in the countries where the Group operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

3.19 Deferred tax

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3.20 Employee benefits

3.20.1 Defined contribution plans

Defined contribution plan is a post employment plan under which an entity pays fixed contribution into a separate entity and will have no legal or constructive obligation to pay a further amount. Obligations for contributions to defined contribution plans are recognised as an expense in the income statement as and when they are due.

(i) Provident fund contributions

All employees of the Company are members of the Employees' Provident Fund or the Estate Staff Provident Society or Ceylon Planters' Provident Fund to which the Company contributes 12% of the salary of each employee.

(ii) Trust fund contributions

The Company contributes 3% of the salary of each employee to the Employee Trust Fund.

3.20.2 Defined benefit plan - Gratuity

Defined benefit plans define an amount of benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

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

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

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

Past service costs are recognized immediately in the Statement of Income, unless the changes to the plan are conditional on the employees remaining in service for a specific period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

Under the Payment of Gratuity Act No.12 of 1983, the liability to an employee arises only on completion of 5 years of continued service.

As recommended by the Board, the Company has established an internal fund partially to meet its liabilities towards gratuity.

3.21 Grants

Grants relating to the purchase of property, plant and equipment are included in non current liabilities as deferred income and are credited to other income on a straight line basis over the expected lives of the related assets.

Government grants relating to costs are deferred and recognised in the Statement of Income over the period necessary to match them with costs that they intended to compensate.

3.22 Provisions

Provisions are recognised when the Company and the Group have a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be measured reliably. Provisions are not recognised for future operating losses.

Provisions are measured at the Directors' best estimate of the cost of settling these liabilities and are discounted to present value where the effect is material. All known liabilities and provisions have been accounted for in preparing the financial statements.

3.23 Revenue recognition

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

Sale of goods

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

Exports revenue

If the export is on FOB (Free On Board) terms, the revenue is recognised when the goods are cleared at the port of shipment and the documents of title are delivered to buyer (or handed over to the local bank).

If the export is on CIF (Cost, Insurance and Freight) terms, the Group delivers the goods to the port of shipment, providing export clearance while arranging and paying for the carriage and insurance. Hence revenue is recognised on delivery to the buyer or transfer of the documents of title to the goods, whichever is later.

Gains or losses on disposal

Gain and losses Profit / (loss) from sale of property, plant and equipment is recognised in the period in which the sale occurs and the delivery order is issued.

Interest income

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

Dividend income

Dividend income is recognised in the statement of income on an accrual basis when the Group's right to receive the dividend is established.

3.24 Comparatives

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

3.25 Events after the reporting period

Events after the reporting period are events, favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue as given in note 39.

3.26 Dividends

Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when declared by the directors. In the case of final dividends, this is when approved by the shareholders at the Annual General Meeting. If the dividends are declared after the reporting period but before the financial statements are authorised for issue, the dividends are not recognised as a liability at the end of the reporting period. The details of dividends are detailed in Note 34.

3.27 Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares by the weighted average number of ordinary shares outstanding during the financial year.

4. SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief executive officer. The executive committee of the Company assesses the financial performance and position of the Company and its subsidiaries and makes strategic decisions.

Segmental information is provided for the different business segments of the Group. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incure expenses,including revenues and expenses that relate to transactions with any of the Group's other components.Inter-segment pricing is determined on an arms length basis based on fair market prices. Considering the activities of the operations, segment information based on geographical segments does not arise.

The Group comprises of the following major business segments;

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

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

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

The segment information is given in Note 28 to the financial statements.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preperation of financial statements requires the use of accounting estimates which,by definition will seldom equal the actual results. Management also needs to exercise judgment in applying the group's accounting policies.

This note provides an overview of the areas that involved a higher degree of judgment or complexity.

Income taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax assessment issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Pension benefits - Gratuity

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

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

Other key assumptions for pension obligations are based in part on current market conditions and are disclosed in Note 23

Estimated useful lives of property, plants and equipment

The Group reviews annually the estimated useful lives of property, plant and equipment based on factors such as business plans, strategies, expected level of usage and future technological developments. Future result of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in the estimated useful lives of property, plant and equipment which increases the recorded depreciation charge and decreases the carrying value of property, plant and equipment.

Provisions

The Group recognises provisions when they have a present legal or constructive obligation arising as a result of past event, and it is probable that an outflow of economic benefits will be required to settle the obligations and a reliable estimate can be made. The recording of provision requires the application of judgment about ultimate resolution of their obligations.

Impairment of trade receivables

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

Consumable biological assets/Livestock

In measuring fair value of livestock, management estimates and judgment are required. These estimates and judgment relates to the market prices, average volume of trees and quality of trees. Trees grow at different rates and there can be a considerable spread in the quality and volume of trees and that affect the prices achieved. Livestock is valued using potential milk yield of the animals based on the management judgment.

06. ASSETS AND LIABILITIES VESTED WITH HATTON PLANTATIONS PLC

The board of directors of Watawala Plantations PLC resolved at its meeting held on 29 June 2017 that the Upcountry tea business segment be vested with a new business entity,by operation of law in terms of the "Arrangement" permited under Section 256 of the Companies Act No 7 of 2007,and accordingly,a disclosure was made to the Colombo Stock Exchange on 30 June 2017.

Consequently,the proposed "Arrangement" was supported in the high Court of the Western Province(Excercising Civil Jurisdiction) held in Colombo on 20 July 2017 in Case No HC(Civil)/28/2017 CO and the Honourable Judge being satisfied on the material placed before the court,made orders to the following effect:

a) The Company was directed to publish the notice giving due notification of the proposed Arrangement;

b) A Company under the name of 'Hatton Plantations Limited' be incorporated;

c) The Company convene an Extra Ordinary General Meeting of its shareholders in terms of Sec.256(2)(b) of the Companies Act to approve the proposed Arrangement.

Accordingly, an Extra Ordinary General Meeting was held on 21st August 2017, and all other necessary requirements were satisfied.

The aforesaid Case in relation to the proposed arrangement was heard in the High Court of the Western province(Excersising Civil Jurisdiction) held on on 26th September 2017 and the Hounarable Judge of the High Court made order in terms of paragraphs (d),(e),(f),(g),(h),(i) and (j) of the prayer to the Petition that the operational assets and liabilities of the Upcountry tea business segment of Watawala Plantations PLC shall be vested by operation of law in Hatton Plantations Ltd as at 30 September 2017.

Details of the assets and liabilities vested by operation of law in Hatton Plantations Ltd as at end of 30 September 2017 in terms of the Court order are as follows:

Assets	LKR 000
Right to use of Land	112,956
Immovable estate assets on finance lease (other than bare land)	66,615
Property , Plant and Equipment	1,152,463
Bearer plants	679,725
Biological assets-Consumable	640,130
Available for sale investments	21,645
Inventories	498,737
Biological assets - produce on bearer plants	16,687
Receivable on account of Investment fund	219,962
Trade and other receivable	136,207
Cash and Cash equivalents	3,734
Total assets	**3,548,861**
Liabilities	
Lease liabilities to SLPC/JEDB	199,161
Retirement benefit obligations	688,599
Deferred income and capital grants	136,991
Borrowings	308,212
Trade and other payables	359,700
Total liabilities	**1,692,663**
Value of net assets Vested with Hatton Plantations Limited	**1,856,198**

Furthermore,in terms of the Court order,the shareholders of Watawala Plantations PLC as at the end of trading on 29 September 2017 were issued shares in Hatton Plantations Limited on 30 September 2017,corresponding to their holding in Watawala Plantations PLC,as disclosed in Circular to the shareholders dated 26 July 2017.

Hatton Plantations Limited changed its name to Hatton Plantations PLC consequent to the listing of its shares in the Colombo Stock Exchange.

The Income statement of the Company includes the first half year results of the up country tea business which was vested with Hatton Plantations PLC on 30 September 2017.

Hatton Plantations PLC is referred to as HP PLC in the notes to these financial statements where cross reference is given to this note.

07. RIGHT TO USE OF LAND - GROUP AND COMPANY

In Rs. '000s	Notes	GROUP 2018	GROUP 2017	COMPANY 2018	COMPANY 2017
Cost					
As at 1 April		372,840	372,840	360,252	372,840
Transferred to Watawala Dairy Limited		-	-	-	(12,588)
Vested with HP PLC	6	(216,018)	-	(216,018)	-
As at 31 March		**156,822**	**372,840**	**144,234**	**360,252**
Accumulated amortisation					
As at 1 April		174,367	167,332	168,478	167,332
Transferred to Watawala Dairy Limited		-	-		(5,650)
Vested with HP PLC		5,438	7,035	5,199	6,796
Charge for the year	6	(103,062)	-	(103,062)	-
As at March		**76,743**	**174,367**	**70,615**	**168,478**
Carrying value					
As at 31 March		**80,079**	**198,473**	**73,619**	**191,774**

"The leases of JEDB/SLSPC estates handed over to the Company for a period of 53 years have all been executed. The leasehold rights to the land on all these estates have been taken into the books of the Company as at 18 June 1992 immediately after formation of the Company. The bare land has been recorded at the value established for each land by valuation specialist, D R Wickramasinghe, just prior to the formation of the Company.

The leasehold rights to land is recorded in accordance with the Statement of Recommended Practice for the Right-to-Use of land on lease which was approved by the Council of the Institute of Chartered Accountants of Sri Lanka on 19 December 2012. Corresponding liability is shown as a lease payable to JEDB/SLSPC."

08. IMMOVABLE ESTATE ASSETS ON FINANCE LEASE (OTHER THAN LAND)

GROUP

IN Rs. '000s	NOTE	IMPROVEMENTS TO LAND	OTHER VESTED ASSETS	BEARER PLANTS	ROADS AND BRIDGES	WATER SUPPLY	BUILDINGS	MINI-HYDRO POWER PLANT	MACHINERY	TOTAL
Cost										
As at 1 April 2017		3,340	3,305	406,633	484	3,838	93,279	1,540	32,506	544,925
Assets Vested with HP PLC	6	(2,205)	(2,104)	(257,202)	(479)	(3,749)	(57,385)	(498)	(9,298)	(332,920)
As at 31 March 2018		**1,135**	**1,201**	**149,431**	**5**	**89**	**35,894**	**1,042**	**23,208**	**212,005**
Accumulated amortisation										
As at 1 April 2017		2,750	1,108	302,960	289	3,838	92,460	1,540	32,506	437,451
Charge for the year		74	26	9,553	8	-	1,058	-	-	10,719
Assets Vested with HP PLC	6	(1,851)	(785)	(192,208)	(292)	(3,749)	(57,624)	(498)	(9,298)	(266,305)
As at 31 March 2018		**973**	**349**	**120,305**	**5**	**89**	**35,894**	**1,042**	**23,208**	**181,865**
Carrying value										
As at 31 March 2018		**162**	**852**	**29,126**		**-**	**-**	**-**	**-**	**30,140**
As at 31 March 2017		**590**	**2,197**	**103,673**	**195**	**-**	**819**	**-**	**-**	**107,474**

COMPANY

In Rs. '000s	NOTE	IMPROVEMENTS TO LAND	OTHER VESTED ASSETS	BEARER PLANTS	ROADS AND BRIDGES	WATER SUPPLY	BUILDINGS	MINI-HYDRO POWER PLANT	MACHINERY	TOTAL
Cost										
As at 1 April 2017		3,340	3,192	394,430	479	3,838	90,577	498	32,461	528,815
Assets Vested with HP PLC	6	(2,205)	(2,104)	(257,202)	(479)	(3,749)	(57,385)	(498)	(9,298)	(332,920)
As at 31 March 2018		**1,135**	**1,088**	**137,228**	**-**	**89**	**33,192**	**-**	**23,163**	**195,895**
Accumulated amortisation										
As at 1 April 2017		2,750	1,031	294,688	287	3,838	90,278	498	32,461	425,831
Charge for the year		74	26	9,636	5	-	538	-	-	10,279
Assets Vested with HP PLC	6	(1,851)	(785)	(192,208)	(292)	(3,749)	(57,624)	(498)	(9,298)	(266,305)
As at 31 March 2018		**973**	**272**	**112,116**	**-**	**89**	**33,192**	**-**	**23,163**	**169,805**
Carrying value										
As at 31 March 2018		**162**	**816**	**25,112**		**-**	**-**	**-**	**-**	**26,090**
As at 31 March 2017		**590**	**2,161**	**99,742**	**192**	**-**	**299**	**-**	**-**	**102,984**

(a) Assets in estates that are held under leasehold right to use have been taken in to books of the Company retrospectively retroactive from 18 June 1992. For this purpose, the Board of Directors of the Company decided at its meeting on 8 March 1995 that those assets would be taken at their book value as they appeared in the books of the JEDB / SLSPC, on the day immediately preceding the date of formation of the Company.

(b) Investment by the Company on mature and immature plantations is shown separately under note 10.

9. PROPERTY, PLANT AND EQUIPMENT - GROUP

In Rs. '000s	NOTE	BUILDINGS	CAPITAL WORK IN PROGRESS	MOTOR VEHICLES	PLANT AND MACHINERY	EQUIPMENT	COMPUTER	FURNITURE AND FITTINGS	OTHERS	TOTAL
Cost										
As at 1 April 2016		916,163	44,708	301,903	1,466,249	150,828	21,396	39,041	181,272	3,121,560
Additions		40,274	435,180	144,549	106,389	24,577	2,051	1,569	858	755,447
Capitalised		7,122	(41,042)	-	8,859	-	25,061	-	-	-
Disposals/adjustments		(7,318)	-	(13,266)	-	-	-	-	-	(20,584)
As at 31 March 2017		**956,241**	**438,846**	**433,186**	**1,581,497**	**175,405**	**48,508**	**40,610**	**182,130**	**3,856,423**
Additions		348,959	192,204	45,623	215,868	24,855	5,234	9,652	114,430	956,825
Capitalised		317,368	(347,937)	-	-	1,421	561	4,635	23,952	-
Vested with HP PLC	6	(677,498)	(29,242)	(172,626)	(893,873)	(113,779)	(14,889)	(34,301)	(113,600)	(2,049,808)
Disposals		-	-	(15,852)	(2,061)	-	-	-	-	(17,913)
As at 31 March 2018		**945,070**	**253,871**	**290,331**	**901,431**	**87,902**	**39,414**	**20,596**	**206,912**	**2,745,527**
Accumulated depreciation										
As at 1 April 2016		**171,451**	**-**	**202,339**	**698,578**	**117,501**	**15,851**	**31,999**	**48,387**	**1,286,106**
Charge for the year		23,051	-	33,627	90,566	5,527	1,497	1,057	3,614	158,939
Disposals		-	-	(12,390)	-	-	-	-	-	(12,390)
As at 31 March 2017		**194,502**	**-**	**223,576**	**789,144**	**123,028**	**17,348**	**33,056**	**52,001**	**1,432,655**
Charge for the year		26,632	-	29,761	80,148	5,362	8,049	945	3,169	154,066
Vested with HP PLC	6	(150,801)	-	(103,533)	(471,170)	(94,220)	(13,573)	(28,315)	(35,734)	(897,346)
Disposals		-	-	(15,852)	(73)	-	-	-	-	(15,925)
As at 31 March 2018		**70,333**	**-**	**133,952**	**398,049**	**34,170**	**11,824**	**5,686**	**19,436**	**673,450**
Carrying value										
As at 31 March 2018		**874,737**	**253,871**	**156,379**	**503,382**	**53,732**	**27,590**	**14,910**	**187,476**	**2,072,077**
As at 31 March 2017		**761,739**	**438,846**	**209,610**	**792,353**	**52,377**	**31,160**	**7,554**	**130,129**	**2,423,768**

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

PROPERTY, PLANT AND EQUIPMENT - COMPANY

In Rs. '000s	NOTE	BUILDINGS	CAPITAL WORK IN PROGRESS	MOTOR VEHICLES	PLANT AND MACHINERY	EQUIPMENT	COMPUTER	FURNITURE AND FITTINGS	OTHERS	TOTAL
Cost										
As at 1 April 2016		916,163	44,708	301,903	1,466,249	150,828	21,396	39,041	181,272	3,121,560
Additions		6,956	36,300	93,834	22,176	1,332	1,774	1,077	858	164,307
Capitalised		7,122	(41,042)		8,859	-	25,061	-	-	-
Transferred to Watawala Dairy Limited		(62,911)	-	(12,804)	(5,300)	(10,964)	(194)	(133)	(4,684)	(96,990)
Disposals/Adjustment		(7,318)	-	(13,266)	-	-	-	-	-	(20,584)
As at 31 March 2017		**860,012**	**39,966**	**369,667**	**1,491,984**	**141,196**	**48,037**	**39,985**	**177,446**	**3,168,293**
Additions		10,562	57,823	22,623	24,352	981	3,249	3,444	15,000	138,034
Capitalised		41,898	(47,365)	-	-	271	561	4,635	-	-
Vested with HP PLC	6	(677,498)	(29,242)	(172,626)	(893,873)	(113,779)	(14,889)	(34,301)	(113,600)	(2,049,808)
Disposals				(15,852)	(1,585)					(17,437)
As at 31 March 2018		**234,974**	**21,182**	**203,812**	**620,878**	**28,669**	**36,958**	**13,763**	**78,846**	**1,239,082**
Accumulated depreciation										
As at 1 April 2016		171,451	-	202,339	698,578	117,501	15,851	31,999	48,387	1,286,106
Charge for the year		21,218	-	31,421	90,256	5,282	1,497	1,053	3,509	154,236
Transferred to Watawala Dairy Limited		(9,751)	-	(8,306)	(1,267)	(9,002)	(194)	(97)	(1,660)	(30,277)
Disposals		-	-	(12,390)	-	-	-	-	-	(12,390)
As at 31 March 2018		**182,918**	**-**	**213,064**	**787,567**	**113,781**	**17,154**	**32,955**	**50,236**	**1,397,675**
Charge for the year		15,758		22,072	68,763	2,833	7,873	855	2,420	120,574
Vested with HP PLC	6	(150,801)	-	(103,533)	(471,170)	(94,220)	(13,573)	(28,315)	(35,734)	(897,346)
Disposals				(15,852)						(15,852)
As at 31 March 2018		**47,875**	**-**	**115,751**	**385,160**	**22,394**	**11,454**	**5,495**	**16,922**	**605,051**
Carrying value										
As at 31 March 2018		**187,099**	**21,182**	**88,061**	**235,718**	**6,275**	**25,504**	**8,268**	**61,924**	**634,031**
As at 31 March 2017		**677,094**	**39,966**	**156,603**	**704,417**	**27,415**	**30,883**	**7,030**	**127,210**	**1,770,618**

(i) The assets shown above include assets vested in the Company by Gazette notification on the date of formation of the Company (18 June 1992) and all the investments made in the fixed assets by the Company since its formation. The assets taken over by way of estate leases have been set out in Notes 7 and 8.

(ii) Cost of fully depreciated assets still in use as at 31 March 2018 amounts to Rs 218,194,678 (2017 - Rs 860,949,627).

(iii) Depreciation expense of Rs 104,706,030 (2017- Rs 131,242,156) has been charged in cost of goods sold and Rs. 15,867,970 (2017 - Rs 22,994,152) in administrative expenses.

10. BEARER PLANTS

Bearer plants - Group

In Rs.'000'	NOTE	NURSERIES	IMMATURE PLANTS	MATURE PLANTS	TOTAL
Cost					
As at 1 April 2016		13,447	477,101	3,090,116	3,580,664
Additions		14,147	302,886	-	317,033
Transfers from immature to mature			(209,696)	209,696	-
Transfers from Nurseries		-	(3,168)	3,168	-
Disposals		-	-	(34,287)	(34,287)
As at 31 March 2017		**27,594**	**567,123**	**3,268,693**	**3,863,410**
Additions		775	319,484	24,403	344,662
Transfers immature to mature			(90,260)	90,260	-
Transfers from Nurseries		(15,482)	15,482	-	-
Disposals		-	(303)	(52,219)	(52,522)
Vested with HP PLC	6	(560)	(120,217)	(855,109)	(975,886)
As at 31 March 2018		**12,327**	**691,309**	**2,476,028**	**3,179,664**
Accumulated depreciation					
As at 1 April 2016		-	-	786,039	786,039
Charge for the year		-	-	137,034	137,034
Disposal		-	-	(14,914)	(14,914)
As at 31 March 2017		**-**	**-**	**908,159**	**908,159**
Charge for the year		-	-	147,545	147,545
Disposals		-	-	(40,060)	(40,060)
Vested with HP PLC	6	-	-	(296,168)	(296,168)
As at 31 March 2018		**-**	**-**	**719,476**	**719,476**
Carrying value					
As at 31 March 2018		**12,327**	**691,309**	**1,756,552**	**2,460,188**
As at 31 March 2017		**27,594**	**567,123**	**2,360,534**	**2,955,251**

Bearer plants - Company

In Rs.'000'	NOTE	NURSERIES	IMMATURE PLANTS	MATURE PLANTS	TOTAL
Cost					
As at 1 April 2016		13,447	477,101	3,090,116	3,580,664
Additions		14,049	270,253	-	284,302
Transfers					
Transfers from immature to mature			(173,894)	173,894	-
Disposal				(34,287)	(34,287)
Transferred to Watawala Dairy Limited		(424)	(19,365)	(80,529)	(100,318)
As at 31 March 2017		**27,072**	**554,095**	**3,149,194**	**3,730,361**
Additions		775	317,283	-	318,058
Transfers					
Transfers from nurseries		(12,942)	12,942	-	-
Transfers immature to mature			(81,156)	81,156	-
Disposals		-	(303)	(52,219)	(52,522)
Vested with HP PLC	6	(560)	(120,217)	(855,109)	(975,886)
As at 31 March 2018		**14,345**	**682,644**	**2,323,022**	**3,020,011**
Accumulated depreciation					
As at 1 April 2016		-	-	786,039	786,039
Charge for the year		-	-	135,213	135,213
Disposal		-	-	(14,914)	(14,914)
Transfers to Watawala Dairy Limited		-		(26,459)	(26,459)
As at 31 March 2017		**-**	**-**	**879,879**	**879,879**
Charge for the year		-	-	142,543	142,543
Disposal				(40,060)	(40,060)
Vested with HP PLC	6			(296,168)	(296,168)
As at 31 March 2018		**-**	**-**	**686,194**	**686,194**
Carrying value					
As at 31 March 2018		**14,345**	**682,644**	**1,636,830**	**2,333,817**
As at 31 March 2017		**27,072**	**554,095**	**2,269,315**	**2,850,482**

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

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

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

11. BIOLOGICAL ASSETS

11.1 Consumable biological assets- Group

In Rs.'000'	NOTE	NURSERIES	IMMATURE PLANTATIONS	MATURE PLANTATIONS	TOTAL
Cost/Fair value					
As at 31 March 2016		1,494	88,628	518,873	608,995
Additions		410	33,265	-	33,675
Gain arising from changes in fair value less cost to sell		-	-	6,161	6,161
As at 31 March 2017		**1,904**	**121,893**	**525,034**	**648,831**
Additions		(768)	24,961	-	24,193
Transfers from immature to mature		(12)	(26,541)	26,553	-
Gain arising from changes in fair value less cost to sell		-	-	5,072	5,072
Vested with HP PLC	6	(1,117)	(89,013)	(550,000)	(640,130)
As at 31 March 2018		**7**	**31,300**	**6,659**	**37,966**

Consumable biological assets- Company

In Rs.'000'	NOTE	NURSERIES	IMMATURE PLANTATIONS	MATURE PLANTATIONS	TOTAL
Cost/Fair value					
As at 31 March 2016		**1,494**	**88,628**	**518,873**	**608,995**
Additions		410	29,173	-	29,583
Transferred to Watawala Dairy Limited		(12)	(33,502)	(3,553)	(37,067)
Transfers from immature to mature		-	-	-	-
Gain arising from changes in fair value less cost to sell		-	-	6,196	6,196
As at 31 March 2017		**1,892**	**84,299**	**521,516**	**607,707**
Additions		(775)	24,961	-	24,186
Transfers from Immature to mature		-	(20,247)	20,247	-
Gain arising from changes in fair value less cost to sell		-	-	8,237	8,237
Vested with HP PLC	6	(1,117)	(89,013)	(550,000)	(640,130)
		-	-	-	-

11.2 Biological assets - Livestock

Livestock is measured on initial recognition at each reporting date at its fair values less point of sale costs. Fair value of livestock is determined at the best available estimates for livestock with similar attributes. Any gain or loss arising on initial recognition of livestock at fair value less estimated point of sale costs and from a change in fair value less estimated point of sale costs is included in Statement of Income in the period in which it arises.

In Rs.'000'	GROUP	
	2018	**2017**
As at 1 April	24,944	27,535
Loss on fair value on transfer to Watawala Dairy Limited	-	(6,574)
Increase due to purchases	482,873	-
Change in fair value less cost to sell	31,785	3,983
As at 31 March	**539,602**	**24,944**
As at 31 March 2018 livestock comprised 1128 cattle (2017: 167 cattle).		

Sensitivity analysis

The financial impact on the value appearing in the statement of financial position due to the change of selling price and the variation of discount rate is given below:

In Rs.'000'	10% Decrease	Value as stands	10% increase
	378,348	539,602	700,855

Sensitivity variation discount rate(using 1.0% variation)

Simulations made for the livestock show that a rise or decrease by 1% of the discount rate has the following present value of biological assets:

In Rs.'000'	1% negative variance	Value as stands	1% positive variance
	526,545	539,602	553,168

11.3 Biological assets-Produce on bearer plants

	NOTE	GROUP	
		2018	2017
As at 1 April		35,757	-
Fair value of growing crops		10,073	35,757
Vested with HP PLC	6	(16,687)	
As at 31 March		**29,143**	**35,757**

		COMPANY	
		2018	2017
As at 1 April		35,452	
Fair value of growing crops		9,965	35,452
Vested with HP PLC	6	(16,687)	-
As at 31 March		**28,730**	**35,452**

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

Tea - Three days crop (50% of 6 days round), Oil palm - five days crop (50% of 10 days round)

Produce that grows on mature bearer plantations are measured at fair value less cost to sell. The value of the unharvested green leaves is measured using the Tea commisioner's formula for bought leaf. The value of unharvested fresh fruit bunches(FFB) of Oil Palm is measured using the actual price paid to purchase FFB from out growers.

12. INVESTMENT FUND

	Group and Company	
	2018	2017
As at 1 April	258,319	234,369
Income accrued	30,276	23,950
As at 31 March	**288,595**	**258,319**

The fund managed by Guardian Fund Management Limited. Comprises mainly of listed debentures and fixed term deposits . The average yield for the year was 11.72% (2017 -10.22%).

13. INVESTMENTS IN SUBSIDIARIES

In LKR.'000'	Company	
	2017	2017
Watawala Tea Australia	852	852
Watawala Dairy Limited	626,500	626,500
	627,352	**627,352**
Summarised financial information of Watawala Dairy Limited		
Non current assets	2,173,100	834,547
Current assets	181,150	131,209
Total assets	**2,354,250**	**965,756**
Non current liabilities	1,423,500	25,486
Current liabilities	103,688	24,286
Total liabilities	**1,527,188**	**49,772**
Revenue	173,753	32,560
Profit or loss	(90,774)	(6,669)
Total comprehensive income	(88,921)	(2,516)

14. AVAILABLE FOR SALE INVESTMENTS

	NOTE	GROUP AND COMPANY	
		2018	2017
Sunshine Power (Pvt) Ltd		10,882	10,882
Unit Energy Lanka (Pvt) Ltd		10,763	10,763
Vested with HP PLC	6	(21,645)	-
As at 31 March		**-**	**21,645**

15. FINANCIAL INSTRUMENTS BY CATEGORY

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

31 March	NOTE	GROUP		COMPANY	
		2018	2017	2018	2017
Financial assets					
Trade and other receivable excluding pre-payments	17	157,148	232,424	128,222	206,963
Amounts due from related parties	18	-	279,735	10,000	279,735
Cash and cash equivalents	19	180,264	888,143	147,834	861,945
Investment fund	12	288,595	258,319	288,595	258,319
Available-for-sale financial assets	14	-	21,645	-	21,645
Total financial assets		**626,007**	**1,680,266**	**574,651**	**1,628,607**

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

31 March	NOTE	GROUP 2018	GROUP 2017	COMPANY 2018	COMPANY 2017
Financial liabilities					
Borrowings (excluding finance lease liability)	21	1,376,008	443,324	131,166	443,324
Finance lease liability to SLPC/JEDB	22	128,589	335,132	128,589	335,132
Trade and other payables excluding non financial liabilities	26	439,008	688,426	369,911	630,019
Total financial liabilities		**1,943,605**	**1,466,882**	**629,666**	**1,408,475**

Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

(ii) Trade receivable

31 March	Note	Group 2018	Group 2017	Company 2018	Company 2017
Existing customers with no default history	17	94,637	99,836	70,991	81,047
		94,637	**99,836**	**70,991**	**81,047**

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

31 March	Group 2018	Group 2017	Company 2018	Company 2017
Up to 3 months	94,637	99,836	70,991	81,047
	94,637	**99,836**	**70,991**	**81,047**

Above related to a number of independent customers for whom there is no recent history of credit default and the total trade receivables were fully performing.

Fair value hierarchy - Group

	Level 1	Level 2	Level 3	Total
At 31 March 2018				
Biological assets - consumable	-	-	37,966	37,966
Biological assets - Livestock	-	-	539,602	539,602
Biological assets - Growing crops	-	-	29,143	29,143
	-	-	606,711	606,711
At 31 March 2017				
Biological assets - consumable	-	-	648,831	648,831
Biological assets - Livestock	-	-	24,944	24,944
Biological assets - Growing crops	-	-	35,757	35,757
	-	**-**	**709,532**	**709,532**

Fair value hierarchy - Company

	Level 1	Level 2	Level 3	Total
At 31 March 2018				
Biological assets - Growing crops	-	-	28,730	28,730
	-	**-**	**28,730**	**28,730**
At 31 March 2017				
Biological assets - consumable	-	-	607,707	607,707
Biological assets - Growing crops	-	-	35,452	35,452
	-	**-**	**643,159**	**643,159**

There are no movement between fair value hierarchies during the year. The details of biological assets are given in note 11.

16. INVENTORIES

In LKR.'000'	GROUP	
31 March	2018	2017
Produce stock	48,836	473,128
Export general stocks	84,456	81,115
Raw materials, spares and consumables	158,538	178,745
	291,830	**732,988**

In LKR.'000'	COMPANY	
31 March	2018	2017
Produce stock	38,949	460,549
Export general stocks	84,456	81,115
Raw materials, spares and consumables	68,383	144,474
	191,788	**686,138**

The cost of goods sold included in the cost of sales for the year amounted to LKR 48,835,874 (2017 - LKR 473,127,748).

17. TRADE AND OTHER RECEIVABLES

In LKR.'000'	NOTE	GROUP		COMPANY	
31 March		2018	2017	2018	2017
Trade receivables		94,637	99,836	70,991	81,047
Employee advances		19,276	61,243	17,912	59,800
Deposits		-	9,235	-	8,526
Other receivables		43,235	62,110	39,319	57,590
		157,148	**232,424**	**128,222**	**206,963**
Classified as financial assets, loans and receivables (other than cash and cash equivalents)	15	**157,148**	**232,424**	**128,222**	**206,963**
Taxes recoverable-net		113,267	133,462	113,267	133,462
Prepayments		33,310	18,551	30,259	18,551
Advances paid to suppliers		97,791	61,985	65,959	57,207
Advance paid on importation of goods		-	90,777	-	22,197
Non-financial assets		**244,368**	**304,775**	**209,485**	**231,417**
Total trade and other receivables		**401,516**	**537,199**	**337,707**	**438,380**

(i) Taxes receivable represents Value Added Tax claimable on export inputs and Withholding taxes paid at source on interest income.

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

18 . AMOUNTS DUE FROM RELATED PARTIES

In LKR.'000'	GROUP		COMPANY	
31 March	2018	2017	2018	2017
Watawala Tea Ceylon Limited	-	200,000	-	200,000
Tata Global Beverages Limited	-	79,735	-	79,735
Watawala Dairy Limited	-	-	10,000	-
	-	**279,735**	**10,000**	**279,735**

19. CASH AND CASH EQUIVALENTS

In LKR.'000'	GROUP		COMPANY	
31 March	2018	2017	2018	2017
Cash at bank	138,377	131,012	130,986	116,891
Cash in hand	336	934	284	841
Short term bank deposits	41,551	756,197	16,564	744,213
	180,264	**888,143**	**147,834**	**861,945**

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

In LKR.'000'	GROUP		COMPANY	
31 March	2017	2016	2018	2017
Cash and bank balances	180,264	888,143	147,834	861,945
	180,264	**888,143**	**147,834**	**861,945**

The average interest yield on short term deposits was 10.5% (2017 - 6.4%).

20. STATED CAPITAL

In LKR.'000'	GROUP AND COMPANY	
31 March	2018	2017
Issued and fully paid	**460,000**	**460,000**

20.1 Movement in issued and fully paid shares

31 March	2018	2017
Opening balance	236,666,671	236,666,671
Acquisition or Redemption by Company of own shares	(35,704,115)	-
Year end balance	**200,962,556**	**236,666,671**

In January 2018,the Company offered to repurchase One ordinary voting share out of every six ordinary voting shares held by the shareholders in terms of the Section 64 of the Companies Act No 07 of 2007.The repurchase price was offered at Rs 33 per ordinary voting share as at the entitlement date on 22 January 2018. Consequently, total of 35,704,115 shares were repurchased at a consideration of Rs.1,178,235,795.

20.2 The Golden Shareholder

The Golden Share is currently held by the Secretary to the Treasury and should be owned either directly by the Government of Sri Lanka or by a 100% Government owned public company. In addition to the rights of the normal ordinary shareholder, the Golden Shareholder has the following rights:

(i) The concurrence of the Golden Shareholder will be required for the Company to sublease any of the estate land leased / to be leased to the Company by the Janatha Estate Development Board / Sri Lanka State Plantation Corporation.

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

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

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

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

21. INTEREST BEARING BORROWINGS

21.1 Movement of borrowings during the year:

			GROUP			TOTAL	
In LKR.'000'	**NOTE**	**BANK OVERDRAFTS**	**LEASE**	**TEA BOARD**	**TERM LOAN**	**31 MARCH 2018**	**31 MARCH 2017**
As at 1 April			-	54,624	388,700	443,324	537,492
Obtained during the year		-	10,907	74,974	1,212,880	1,298,761	71,247
Repaid during the year		-	(653)	(31,018)	(62,782)	(94,453)	(128,309)
Vested with HP PLC	6	-	-	(92,414)	(215,798)	(308,212)	-
Bank overdrafts		36,588	-	-	-	36,588	(37,106)
		36,588	**10,254**	**6,166**	**1,323,000**	**1,376,008**	**443,324**

		COMPANY			TOTAL	
In LKR.'000'	**NOTE**	**BANK OVERDRAFTS**	**TEA BOARD**	**TERM LOAN**	**31 MARCH 2018**	**31 MARCH 2017**
As at 1 April		-	54,624	388,700	443,324	537,492
Obtained during the year		-	74,974	14,880	89,854	71,247
Repaid during the year		-	(31,018)	(62,782)	(93,800)	(128,309)
Vested with HP PLC	6	-	(92,414)	(215,798)	(308,212)	-
Bank overdrafts		-	-	-	-	(37,106)
		-	**6,166**	**125,000**	**131,166**	**443,324**

21.2 Analysis of borrowings by year of repayment

In LKR.'000'	GROUP		COMPANY	
31 March	2018	2017	2018	2017
Repayable within one year				
Term loans	31,250	118,318	31,250	118,318
Tea Board	1,980	-	1,980	-
Bank overdrafts	36,588	-	-	-
Lease	393	-	-	-
	70,211	**118,318**	**33,230**	**118,318**
Repayable after one year				
Term loans	1,291,750	325,006	93,750	325,006
Tea Board	4,186	-	4,186	-
Lease	9,861	-	-	-
	1,305,797	**325,006**	**97,936**	**325,006**
Total borrowings	**1,376,008**	**443,324**	**131,166**	**443,324**

Total borrowings at 31 March can be analysed as follows:

Group		ANALYSIS OF BORROWINGS BASED ON THE REPAYMENT SCHEDULE				
In Rs. '000's	NOTE	WITHIN ONE YEAR	2-3 YEARS	4-5 YEARS	MORE THAN 5 YEARS	TOTAL
Term loan & bank OD	21.3	67,838	442,416	399,334	450,000	1,359,588
Tea board loan		1,980	4,186	-	-	6,166
Lease		393	5,917	3,944	-	10,254
As at 31 March 2018		**70,211**	**452,519**	**403,278**	**450,000**	**1,376,008**
As at 31 March 2017		**118,318**	**211,833**	**113,173**	**-**	**443,324**

Company		ANALYSIS OF BORROWINGS BASED ON THE REPAYMENT SCHEDULE				
In Rs. '000's	NOTE	WITHIN ONE YEAR	2-3 YEARS	4-5 YEARS	MORE THAN 5 YEARS	TOTAL
Term loan	21.3	31,250	93,750	-	-	125,000
Tea board loan		1,980	4,186	-	-	6,166
As at 31 March 2018		**33,230**	**97,936**	**-**	**-**	**131,166**
As at 31 March 2017		**118,318**	**211,813**	**113,173**	**-**	**443,324**

Particulars about loan facilities

21.3 Term loans - Group

	OUTSTANDING LIABILITY			OUTSTANDING LIABILITY		
	REPAYABLE WITHIN ONE YEAR	REPAYABLE AFTER ONE YEAR	BALANCE AS AT 31 MARCH 2018	REPAYABLE WITHIN ONE YEAR	REPAYABLE AFTER ONE YEAR	BALANCE AS AT 31 MARCH 2017
Hatton National Bank PLC	31,250	453,750	485,000	31,250	125,000	156,250
Hatton National Bank PLC-Lease	393	9,861	10,254	-	-	-
Hatton National Bank PLC-Overdraft	36,588	-	36,588	-	-	-
State Bank of India		540,000	540,000	-	-	-
Standard Chartered Bank		298,000	298,000	-	-	-
Tea board Loan	1,980	4,186	6,166	25,068	29,556	54,624
Seylan Bank PLC	-	-	-	62,000	170,450	232,450
	70,211	**1,305,797**	**1,376,008**	**118,318**	**325,006**	**443,324**

Term loans -Company

	OUTSTANDING LIABILITY			OUTSTANDING LIABILITY		
	REPAYABLE WITHIN ONE YEAR	REPAYABLE AFTER ONE YEAR	BALANCE AS AT 31 MARCH 2018	REPAYABLE WITHIN ONE YEAR	REPAYABLE AFTER ONE YEAR	BALANCE AS AT 31MARCH 2017
Hatton National Bank PLC	31,250	93,750	125,000	31,250	125,000	156,250
Tea board Loan	1,980	4,186	6,166	25,068	29,556	54,624
Seylan Bank PLC	-	-	-	62,000	170,450	232,450
	33,230	**97,936**	**131,166**	**118,318**	**325,006**	**443,324**

21.3.1 Hatton National Bank PLC

Purpose

To fund the acquisition of part of the herd,herd transport,construction of the buildings of Watawala Dairy Limited.

				GROUP						
				OUTSTANDING LIABILITY 2017 / 2018			OUTSTANDING LIABILITY 2016 / 2017			
YEAR	LOAN NUMBER	ORIGINAL AMOUNT	INTEREST RATE % P.A.	REPAYABLE WITHIN ONE YEAR	REPAYABLE AFTER ONE YEAR	BALANCE AS AT 31 MARCH 2018	REPAYABLE WITHIN ONE YEAR	REPAYABLE AFTER ONE YEAR	BALANCE AS AT 31 MARCH 2017	REPAYMENT TERMS
2017/18		360,000	AWPLR + 1%	-	360,000	360,000	-	-	-	To be paid in 12 equal bi-annual installments of LKR 30 Mn after a grace period of 24 months.
Sub total		**360,000**		**-**	**360,000**	**360,000**	**-**	**-**	**-**	

Security - Registered primary concurrent floating mortgage bond & Corporate guarantee from Watawala Plantations PLC.

Purpose

To purchase a lorry with chasis

				GROUP						
				OUTSTANDING LIABILITY 2017 / 2018			OUTSTANDING LIABILITY 2016 / 2017			
YEAR	LOAN NUMBER	ORIGINAL AMOUNT	INTEREST RATE % P.A.	REPAYABLE WITHIN ONE YEAR	REPAYABLE AFTER ONE YEAR	BALANCE AS AT 31 MARCH 2018	REPAYABLE WITHIN ONE YEAR	REPAYABLE AFTER ONE YEAR	BALANCE AS AT 31 MARCH 2017	REPAYMENT TERMS
2017/18		10,907	14%	393	9,861	10,254	-	-	-	60 equal monthly instalments commencing from October 2017
Sub total		**10,907**		**393**	**9,861**	**10,254**				

Security - Absolute ownership of the leased vehicle

Purpose

To finance replanting

				COMPANY						
				OUTSTANDING LIABILITY 2017 / 2018			OUTSTANDING LIABILITY 2016 / 2017			
YEAR	LOAN NUMBER	ORIGINAL AMOUNT	INTEREST RATE % P.A.	REPAYABLE WITHIN ONE YEAR	REPAYABLE AFTER ONE YEAR	BALANCE AS AT 31 MARCH 2018	REPAYABLE WITHIN ONE YEAR	REPAYABLE AFTER ONE YEAR	BALANCE AS AT 31 MARCH 2017	REPAYMENT TERMS
2014		250,000	AWPLR + 0.5%	31,250	93,750	125,000	31,250	125,000	156,250	96 equal monthly instalments commencing from April 2014
Sub total		**250,000**		**31,250**	**93,750**	**125,000**	**31,250**	**125,000**	**156,250**	

Security - Unsecured

21.3.2 State Bank of India

Purpose

To finance the construction of the Dairy farm of Watawala Dairy Limited.

				GROUP						
				OUTSTANDING LIABILITY 2017 / 2018			OUTSTANDING LIABILITY 2016 / 2017			
YEAR	LOAN NUMBER	ORIGINAL AMOUNT	INTEREST RATE % P.A.	REPAYABLE WITHIN ONE YEAR	REPAYABLE AFTER ONE YEAR	BALANCE AS AT 31 MARCH 2018	REPAYABLE WITHIN ONE YEAR	REPAYABLE AFTER ONE YEAR	BALANCE AS AT 31 MARCH 2017	REPAYMENT TERMS
2017/18		540,000	AWPLR - 0.25%	-	540,000	540,000	-	-	-	To be paid in 12 equal bi-annual installments of LKR 45 Mn after a grace period of 24 months.
Sub total		**540,000**		**-**	**540,000**	**540,000**	**-**	**-**	**-**	

Security - Primary concurrent mortgage over leasehold land located at Lonach estate,Watawala.Corporate gurantee from Watawala Plantations PLC for 68% of the exposure.

21.3.3 Standard Chartered Bank

Purpose

To finance the import of cattles for Watawala Dairy Limited.

				GROUP						
				OUTSTANDING LIABILITY 2017 / 2018			OUTSTANDING LIABILITY 2016 / 2017			
YEAR	LOAN NUMBER	ORIGINAL AMOUNT	INTEREST RATE % P.A.	REPAYABLE WITHIN ONE YEAR	REPAYABLE AFTER ONE YEAR	BALANCE AS AT 31 MARCH 2018	REPAYABLE WITHIN ONE YEAR	REPAYABLE AFTER ONE YEAR	BALANCE AS AT 31 MARCH 2017	REPAYMENT TERMS
2017		298,000	AWPLR +1.5%	-	298,000	298,000	-	-	-	To be paid in 36 equal monthly installments of LKR 8.3 Mn after a grace period of 12 months.
Sub total		**298,000**		**-**	**298,000**	**298,000**	**-**	**-**	**-**	

Security - Corporate guarantee from Watawala Plantations PLC

21.3. 4 Tea Board

Purpose

For replanting and working capital financing

				COMPANY						
				OUTSTANDING LIABILITY 2017 / 2018			OUTSTANDING LIABILITY 2016 / 2017			
YEAR	LOAN NUMBER	ORIGINAL AMOUNT	INTEREST RATE % P.A.	REPAYABLE WITHIN ONE YEAR	REPAYABLE AFTER ONE YEAR	BALANCE AS AT 31 MARCH 2018	REPAYABLE WITHIN ONE YEAR	REPAYABLE AFTER ONE YEAR	BALANCE AS AT 31 MARCH 2017	REPAYMENT TERMS
2016/17	1	38,000	0.41%	1,980	4,186	6,166	8,444	29,556	38,000	36 equal monthly instalments commencing from August 2017
2016/17	II	33,247	Zero	-	-	-	16,624	-	16,624	10 equal monthly instalments commencing from October 2016
Sub total		**71,247**		**1,980**	**4,186**	**6,166**	**25,068**	**29,556**	**54,624**	

Security Unsecured

Tea loan No II was Vested with Hatton Plantations PLC with effect from 30 September 2017.Please refer Note 6 for more details.

22. LEASE LIABILITY TO SLSPC AND JEDB

Movement in Net Liability	NOTE	GROUP AND COMPANY 2018	2017
At 1 April		335,132	343,016
Capital settlements		(7,382)	(7,884)
Vested with HP PLC	6	(199,161)	-
At 31 March		**128,589**	**335,132**

	2018		2017	
	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
Gross liability	8,151	199,627	20,320	602,880
Less: Interest in suspense	(5,352)	(73,837)	(13,600)	(274,468)
Net liability to lessor	**2,799**	**125,790**	**6,720**	**328,412**

Leasehold rights can be analysed as follows:

	TOTAL	1- 2 YEARS	2 - 5 YEARS	MORE THAN 5 YEARS
Analysis of Lease liability				
As at 31 March 2018	**128,589**	**2,799**	**12,390**	**113,400**
As at 31 March 2017	**335,132**	**6,720**	**21,820**	**306,592**

The annual lease series of payments payable by the Company with effect from 18 June 1996 in respect of these estates is Rs 20.32 million (basic lease series of payments) plus an amount to reflect inflation during the previous year determined by multiplying Rs 20.32 million by gross domestic product (GDP) deflator of the preceding year. However as per the agreement entered into with the Ministry of Plantations the application of GDP deflator has been suspended for five years commencing from 18 June 2003, resulting in a fixed lease payment of Rs 29.04 million. In September 2010, as per the cabinet decision the regional plantation companies were requested to revert back to the original method of calculating lease rentals by applying the GDP deflator of the preceding year. The gross liability to the lessor represents the total basic lease series payable by the Company for the remaining term of the lease. The net liability to the lessor is the present value of annual basic lease series of payments over the remaining tenure of the lease. The discount rate used is 6% p.a.

The interest in suspense is the total amount of interest payable during the remaining tenure of the lease at 6% p.a. on the net liability to the lessor on 18 June each year. The basic lease series of payments paid each year (in equal quarterly installments in advance) has been debited to the gross liability and the appropriate interest amount for the year is charged to finance costs by crediting the interest in suspense account.

23. RETIREMENT BENEFIT OBLIGATIONS

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

In Rs. '000's		Group		Company	
31 March	NOTE	2018	2017	2018	2017
As at 1 April		908,192	976,639	882,705	976,639
Current service cost		38,673	56,725	36,802	55,101
Interest cost		52,221	107,430	50,756	104,524
Actuarial loss/(gain)		(35,656)	(92,604)	(33,803)	(88,451)
Benefits paid		(80,850)	(139,998)	(76,731)	(138,698)
Vested with HP PLC	6	(688,599)	-	(688,599)	-
Transferred to Watawala Diary Ltd.		-	-	-	(26,410)
At 31 March		**193,981**	**908,192**	**171,130**	**882,705**

The charge to the income statement is as follows:

In Rs. '000's	Group 2018	Group 2017	Company 2018	Company 2017
Current service cost	38,673	56,725	36,802	55,101
Interest cost	52,221	104,730	50,756	104,524
Total included in the staff cost [Note 30.1]	**90,894**	**161,455**	**87,558**	**159,625**
Actuarial gain recognised in the statement of other comprehensive income	**(35,655)**	**(92,604)**	**(33,803)**	**(88,451)**

An actuarial valuation for defined benefit obligation was carried out as at 30 September 2017 by Mr.M.Poopalanathan, of Messrs Actuarial and Management Consultants (Private) Limited, a firm of professional actuaries. The valuation method used by the actuaries to value the obligation is the 'Projected Unit Credit Method', a method recommended by the Sri Lanka Accounting Standard LKAS - 19 on "Employee Benefits".

The following assumptions and data were used in valuing the defined benefit obligation by the actuarial valuer:

(i) Rate of interest — 11.5 % p.a. (2017 - 11.5%)

(ii) Rate of salary increase
- tea estate workers — 19% every two years
- oil palm factory workers — 19% every two years
- estate staff — 20% every three years and 2.5% per annum.
- estate management and head office staff — 7.5% every year

(iii) Retirement age — 60 years

(iv) The company will continue in business as a going concern.

(v) No of employees
Company — 1,525 (2017 - 9,758)
Group — 2,015 (2017 - 10,072)

Sensitivity analysis

In order to illustrate the significance of the salary / wage escalation rate and the discount rate assumed in this valuation as at 31 March 2018, a sensitivity analysis was carried out for all employees assuming the following salary/wage escalation rate and discount rate.

Group

DISCOUNT RATE In Rs. '000's	SALARY / WAGE ESCALATION RATE	PRESENT VALUE OF DEFINED BENEFIT OBLIGATION Staff - Rs.	Workers - Rs.
One percentage point increase	As given above	30,112,858	138,523,863
One percentage point decrease	As given above	34,778,206	164,974,300
As given above	One percentage point increase	34,831,056	157,449,465
As given above	One percentage point decrease	30,033,924	144,503,868

Company

DISCOUNT RATE In Rs. '000's	SALARY / WAGE ESCALATION RATE	PRESENT VALUE OF DEFINED BENEFIT OBLIGATION Staff - Rs.	Workers - Rs.
One percentage point increase	As given above	29,110,641	117,775,116
One percentage point decrease	As given above	33,641,658	140,190,042
As given above	One percentage point increase	33,692,859	133,810,147
As given above	One percentage point decrease	29,034,127	122,843,426

24. DEFERRED INCOME AND CAPITAL GRANTS

In Rs. '000's	GROUP 2018	GROUP 2017	COMPANY 2018	COMPANY 2017
Capital grants				
As at 1 April	193,528	203,569	193,528	203,569
Received during the year	240,984	-	-	-
Vested with HP PLC (Note 6)	(136,991)	-	(136,991)	-
Less: Amortisation during the year	(53,862)	(10,041)	(5,665)	(10,041)
As at 31 March	**243,659**	**193,528**	**50,872**	**193,528**

Funds have been received from the Plantation Human Development Trust (PHDT) and Ministry of Estate Infrastructure for workers' welfare facilities including re-roofing of line rooms, latrines, water supply, sanitation, etc. Grants received from the Ministry of Estate Infrastructure for construction of crèches, farm roads and community centers are also included above. The amounts spent have been capitalised under the relevant property, plant and equipment category. The capital grants are amortised on a straight-line basis over the useful life of the respective asset.

Watawala Dairy Limited received 800 cows from the Government of Sri Lanka at a concessionary price under an agreement to develop the local dairy industry. The difference between the cost to the Government and the actual price paid has been recognised as a grant. The grant represent the difference between the cost incurred by the government in importing these cattle and the subsidized price paid by the company to acquire these cattles.

25. DEFERRED INCOME TAX LIABILITY

In Rs. '000's 31 March	NOTE	GROUP 2018	GROUP 2017	COMPANY 2018	COMPANY 2017
As at 1 April		331,182	267,005	331,217	267,040
Recognised in income statement	32	20,201	55,332	20,201	55,332
Recognised in other comprehensive income	30	3,380	8,845	3,380	8,845
As at 31 March		**354,763**	**331,182**	**354,798**	**331,217**

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

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

Deferred income tax - Group

In Rs. '000's	2018 DEFERRED TAX ASSETS	2018 DEFERRED TAX LIABILITY	2018 NET DEFERRED TAX	2017 DEFERRED TAX ASSETS	2017 DEFERRED TAX LIABILITY	2017 NET DEFERRED TAX
Property plant and equipment	-	(65,165)	(65,165)	-	(167,105)	(167,105)
Biological assets - bearer	-	(331,864)	(331,864)	-	(333,685)	(333,685)
Biological assets - consumable	-	-	-	-	(19,749)	(19,749)
Retirement benefit obligations	28,022	-	28,022	135,169	-	135,169
Capital grants	14,244	-	14,244	54,188	-	54,188
Tax losses carried forward	-	-	-	-	-	-
Asset / (liability) as at 31 March	**42,266**	**(397,029)**	**(354,763)**	**189,357**	**(520,539)**	**(331,182)**

Deferred income tax - Company

In Rs. '000's	2018 DEFERRED TAX ASSET	2018 DEFERRED TAX LIABILITY	2018 NET DEFERRED TAX	2017 DEFERRED TAX ASSET	2017 DEFERRED TAX LIABILITY	2017 NET DEFERRED TAX
Property plant and equipment	-	(65,200)	(65,200)	-	(167,140)	(167,140)
Bearer plants	-	(331,864)	(331,864)	-	(333,685)	(333,685)
Consumable biological assets	-	-	-	-	(19,749)	(19,749)
Retirement benefit obligations	28,022	-	28,022	135,169	-	135,169
Capital grants	14,244	-	14,244	54,188	-	54,188
Asset / (liability) as at 31 March	**42,266**	**(397,064)**	**(354,798)**	**189,357**	**(520,574)**	**(331,217)**

Deferred tax assets and liabilities shall be measured based on the tax rates that have been enacted or substantially enacted by the end of the reporting period.In accordance with the Inland Revenue Act No 24 of 2017 effective from 1 April 2018, the Group has used 14% in assessing the deferred tax asset/liability for the current financial year.

	2018	2017
(i) Agricultural undertakings	14%	10%
(ii) Exports bulk tea	14%	28%
(iii) Exports value added tea	14%	10%
(iv) Other	28%	28%

26. TRADE AND OTHER PAYABLES

In Rs. '000's	GROUP		COMPANY	
31 March	2018	2017	2018	2017
Trade payables	129,121	234,417	95,712	182,928
Due to related parties	-	-	-	302
Employee related dues	61,724	170,722	55,981	166,783
Provisions and accruals	165,381	218,457	148,383	215,535
Retention payable	10,843			
Other payables	71,939	64,830	69,835	64,471
	439,008	**688,426**	**369,911**	**630,019**

27. CURRENT INCOME TAX LIABILITIES

In Rs. '000's	NOTE	GROUP		COMPANY	
31 March		2018	2017	2018	2017
As at 1 April		162,608	28,079	158,263	28,000
Setoff against ESC		(36,500)	(20,155)	(36,500)	(20,155)
Setoff against ACT		(26,378)	(5,000)	(26,378)	(5,000)
Setoff against WHT		(3,312)	-	(3,312)	-
Adjustment for under/(over) provisions		29,175	(2,845)	30,151	(2,845)
Charge for the current year	32	175,116	162,529	175,194	158,263
Final payment for 2016/17		(124,997)	-	(122,224)	-
Quarterly payments on self assesment basis		(113,267)	-	(113,267)	-
ESC claimable - Current Year		(21,809)	-	(21,809)	-
As at 31 March		**40,636**	**162,608**	**40,118**	**158,263**

28. SEGMENTAL ANALYSIS BY PRINCIPAL ACTIVITIES

	GROUP		COMPANY	
Year ended 31 March	2018	2017	2018	2017
Revenue				
Tea	2,462,524	3,908,955	2,462,524	3,878,062
Palm oil & allied products	2,031,142	2,162,347	2,031,142	2,162,347
Exports	281,336	428,796	270,789	352,547
Dairy Farming	173,753	32,560	-	-
Inter segment adjustments	-	(30,893)	-	
	4,948,755	**6,501,765**	**4,764,455**	**6,392,956**
Gross profit / (loss)				
Tea	264,106	322,993	266,783	340,385
Palm oil	1,105,751	1,304,400	1,105,751	1,304,400
Exports	32,252	62,337	31,124	58,730
Dairy Farm	(148,491)	(16,544)	-	-
	1,253,618	**1,673,186**	**1,403,658**	**1,703,515**

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

28.1. Segmental analysis by principal activities - Group

	TEA		PALM OIL		EXPORT		DAIRY		OTHER		INTER SEGMENT ADJUSTMENTS		TOTAL	
Year ended 31 March	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Revenue	2,462,524	3,908,955	2,031,142	2,162,347	281,336	428,796	173,753	32,560	-	-	-	(30,893)	4,948,755	6,501,765
Gross (loss) / profit	**264,106**	**322,993**	**1,105,751**	**1,304,400**	**32,252**	**62,337**	**(148,491)**	**(16,544)**	**-**	**-**	**-**	**-**	**1,253,618**	**1,673,186**
Other operating income	-	-	-	-	-	-	79,285	3,982	149,223	142,869	2,677	-	231,185	146,851
Administrative expenses	(150,047)	(170,458)	(173,502)	(153,769)	(5,124)	(3,104)	(6,264)	(1,061)	-	-	(195)	2,056	(335,132)	(326,336)
Operating profit	114,059	152,535	932,249	1,150,631	27,128	59,233	(75,470)	(13,623)	149,223	142,869	2,482	2,056	1,149,671	1,493,701
Net finance (cost) / income	2,488	(55,008)	48,023	(21,271)	(58)	13	(16,281)	28,646	-	-	(20,605)	-	13,567	(47,620)
Profit before tax	116,547	97,527	980,272	1,129,360	27,070	59,246	(91,751)	15,023	149,223	142,869	(18,123)	2,056	1,163,238	1,446,081
Tax	21,391	(91,235)	(204,315)	(104,142)	(14,046)	(11,712)	976	(4,266)	(28,576)	(9,067)	-	-	(224,570)	(220,422)
Profit for the year	**137,938**	**6,292**	**775,957**	**1,025,218**	**13,024**	**47,534**	**(90,775)**	**10,757**	**120,647**	**133,802**	**(18,123)**	**2,056**	**938,668**	**1,225,659**
Other Comprehensive Income														
Actuarial gain on gratuity	29,840	71,531	3,963	16,920	-	-	1,853	4,153	-	-	-	-	35,656	92,604
Tax on actuarial gain on gratuity	(2,984)	(7,153)	(396)	(1,692)	-	-	-	-	-	-	-	-	(3,380)	(8,845)
Total other comprehensive (loss) / income	26,856	64,378	3,567	15,228	-	-	1,853	4,153	-	-	-	-	32,276	83,759
Total comprehensive income for the year	**164,794**	**70,670**	**779,524**	**1,040,446**	**13,024**	**47,534**	**(88,922)**	**14,910**	**120,647**	**133,802**	**(18,123)**	**2,056**	**970,944**	**1,309,418**
Segment assets	197,518	3,201,092	4,417,589	2,712,084	84,456	202,778	1,711,837	779,947	-	2,216,626	-	-	6,411,400	9,112,527
Segment liabilities	124,658	2,453,762	1,121,926	314,158	-	-	1,530,060	17,705	-	276,747	-	-	2,776,644	3,062,372
Other segment items														
Capital expenditure	206,623	325,170	273,655	253,579	-	-	1,328,275	445,243	-	82,163	-	-	1,808,553	1,106,155
Depreciation	150,368	127,252	123,028	134,275	-	-	38,934	3,428	-	48,118	-	-	312,330	313,073
Amortisation	-	4,894	5,199	2,141	-	-	239	-	-	-	-	-	5,438	7,035

28.2 Segmental analysis by principal activities - Company

	TEA		PALM OIL		EXPORT		OTHER		TOTAL	
Year ended 31 March	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Revenue	2,462,524	3,878,062	2,031,142	2,162,347	270,789	352,547	-	-	4,764,455	6,392,956
Gross profit	**266,783**	**340,385**	**1,105,751**	**1,304,400**	**31,124**	**58,730**	**-**	**-**	**1,403,658**	**1,703,515**
Other operating income	-	-	-	-	-	-	149,223	142,808	149,223	142,808
Administrative expenses	(150,047)	(170,458)	(173,502)	(153,769)	(3,760)	-	-	-	(327,309)	(324,227)
Operating profit	116,736	169,927	932,249	1,150,631	27,364	58,730	149,223	142,808	1,225,572	1,522,096
Net finance (cost) / income	2,488	(55,008)	48,022	(21,271)	-	-	-	-	50,510	(76,279)
Profit before tax	**119,224**	**114,919**	**980,271**	**1,129,360**	**27,364**	**58,730**	**149,223**	**142,808**	**1,276,082**	**1,445,817**
Tax expense	21,391	(91,235)	(204,314)	(104,142)	(14,046)	(11,712)	(28,577)	(9,067)	(225,546)	(216,156)
Net profit	**140,615**	**23,684**	**775,957**	**1,025,218**	**13,318**	**47,018**	**120,646**	**133,741**	**1,050,536**	**1,229,661**
Other Comprehensive Income										
Actuarial gain on gratuity	29,840	71,531	3,963	16,920	-	-	-	-	33,803	88,451
Tax on actuarial gain on gratuity	(2,984)	(7,153)	(396)	(1,692)	-	-	-	-	(3,380)	(8,845)
Total other comprehensive income/ (loss)	**26,856**	**64,378**	**3,567**	**15,228**	**-**	**-**	**-**	**-**	**30,423**	**79,606**
Total comprehensive income for the year	**167,471**	**88,062**	**779,524**	**1,040,446**	**13,318**	**47,018**	**120,646**	**133,741**	**1,080,959**	**1,309,267**
Segment assets	197,518	3,015,283	4,417,589	2,712,084	84,456	160,851	-	2,844,313	4,699,563	8,732,531
Segment liabilities	124,658	2,421,715	1,121,926	314,158	-	-	-	238,315	1,246,584	2,974,188
									-	
Other segment items									-	
Capital expenditure	206,623	142,450	273,655	253,579	-	-		82,163	480,278	478,192
Depreciation	150,368	123,760	123,028	134,275	-	-		48,356	273,396	306,391
Amortisation	-	4,655	5,199	2,141	-	-	-	-	5,199	6,796

29. OTHER INCOME

Year ended 31 March	GROUP 2018	GROUP 2017	COMPANY 2018	COMPANY 2017
Profit on sale of property, plant and equipment	17,831	9,650	17,834	9,650
Amortisation of capital grants	53,862	10,041	5,665	10,041
Sale of bearer plants	72,625	20,320	72,625	20,320
Fair value gains on Consumable biological assets	5,072	6,161	8,237	6,196
Changes in fair value in livestock	31,785	3,983	-	-
Hydro power income	20,735	33,206	20,735	33,206
Income from investment fund	29,733	37,015	29,733	37,015
Income on short term investments	-	20,933	-	20,933
Income/loss from sundry operations	(458)	5,542	(5,606)	5,447
	231,185	**146,851**	**149,223**	**142,808**

Loss on fair value of biological assets represent the unrealised (loss)/gains from valuation of livestock and timber at the date of financial position.

30. EXPENSES BY NATURE

Profit before income tax is stated after charging the following:

Year ended 31 March	NOTES	GROUP 2018	GROUP 2017	COMPANY 2018	COMPANY 2017
Auditors' remuneration					
- Audit		2,860	2,899	2,610	2,749
- Non audit		2,810	714	2,680	664
Amortisation					
- Right to use of land	7	5,438	7,035	5,199	6,796
Depreciation					
- Immovable leased assets	8	10,719	17,100	10,279	16,942
- Property, plant and equipment	9	154,066	158,939	120,574	154,236
- Biological assets - bearer	10	147,545	137,034	142,543	135,213
Directors' emoluments		5,410	5,676	4,652	5,476
Staff costs	30.1	2,836,789	3,107,065	2,607,173	3,035,644
Cost of inventories sold other than expenses as staff costs		759,089	1,598,949	743,156	1,553,841
Transport cost		27,340	27,340	23,520	26,379
Other expenses		78,203	92,164	25,720	20,379
Total cost of sales and administrative expenses		**4,030,269**	**5,154,915**	**3,688,106**	**5,013,668**

30.1 Staff costs

Year ended 31 March	NOTES	GROUP 2018	GROUP 2017	COMPANY 2018	COMPANY 2017
Wages and salaries		2,495,347	2,675,707	2,307,347	2,619,173
Defined contribution plan		206,968	227,153	171,968	216,846
Defined benefit plan	23	90,894	160,925	87,558	159,625
Workers' profit share bonus		43,580	43,280	40,300	40,000
		2,836,789	**3,107,065**	**2,607,173**	**3,035,644**
Average number of persons employed during the year Full time		5,820	10,679	5,679	9,758
Average cost per employee Rs.'000		487	291	459	311

31. FINANCE EXPENSES AND FINANCE INCOME

Year ended 31 March	GROUP 2018	GROUP 2017	COMPANY 2018	COMPANY 2017
(i) Finance costs				
Interest expense for borrowings at amortised cost				
- Interest on term loans	53,751	50,300	35,129	50,300
- Interest on bank overdrafts	478	2,678	478	2,678
	54,229	**52,978**	**35,607**	**52,978**
Contingent lease series of payments				
- Interest on lease liability to SLSPC/JEDB	50,058	65,824	50,058	65,824
- Interest on finance lease liabilities-other	-	-	-	-
Total finance costs	**104,287**	**118,802**	**85,665**	**118,802**
(ii) Finance income				
Interest income on short-term bank deposits	117,854	71,182	136,175	42,523
Total finance income	**117,854**	**71,182**	**136,175**	**42,523**
Net finance costs	**(13,567)**	**47,620**	**(50,510)**	**76,279**

32. INCOME TAX EXPENSE

Year ended 31 March	NOTES	GROUP 2018	GROUP 2017	COMPANY 2018	COMPANY 2017
Tax charge for the year		175,194	162,529	175,194	158,263
Adjust-Under/(over) provision for prior year		29,175	(2,846)	30,151	(2,846)
Unclaimable ESC		-	5,407	-	5,407
Deferred tax recognised in the income statement	25	20,201	55,332	20,201	55,332
Taxes included in income for the period		**224,570**	**220,422**	**225,546**	**216,156**
Deferred tax recognised in other comprehensive income		3,380	8,845	3,380	8,845
Taxes included in total comprehensive income		**227,950**	**229,267**	**228,926**	**225,001**

Tax is calculated using tax rates enacted for the year of assessment. The profits from agricultural activities are taxed at 10%. The profits from other activities are taxed at 28%, Export of bulk and packeted teas' are taxed at 28% and 10% respectively.

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

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

Reconciliation between current tax expenses and the accounting profit:

Year ended 31 March	NOTES	GROUP 2018	GROUP 2017	COMPANY 2018	COMPANY 2017
Accounting profit before tax		1,163,238	1,446,081	1,276,082	1,445,817
Interest income		(136,175)	41,357	(136,175)	-
Exempt income-investment income				(29,943)	
Expenses not deductible for tax purposes		399,672	475,743	399,672	475,743
Expenses deductible for tax purposes		(571,213)	(776,970)	(571,213)	(776,970)
Profit from trade or business		**855,522**	**1,186,211**	**938,423**	**1,144,590**
Interest income		136,175		136,175	41,357
Utilisation of previously unrecognised tax losses		-	(75,525)	-	(75,525)
Total taxable profit		**991,697**	**1,110,686**	**1,074,598**	**1,110,422**
Income Tax at effective rates		175,194	162,529	175,194	158,263
Deferred income tax	25	20,201	64,177	20,201	64,177
Under/(Excess) provision of prior year		29,175	(2,846)	30,151	(2,846)
Unclaimable Economic Service Charge Tax		-	5,407	-	5,407
		224,570	**229,267**	**225,546**	**225,001**

33. EARNINGS PER SHARE

Basic earnings per share has been calculated by dividing the profit for the year attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year. The weighted average number of ordinary shares outstanding during the year and the previous year are adjusted for events that have changed the number of ordinary shares outstanding during the year, as per the requirements of the Sri Lanka Accounting Standard -LKAS 33 on 'Earning per Share'.

Calculation of Earnings per share	GROUP		COMPANY	
Year ended 31 March	**2018**	**2017**	**2018**	**2017**
Net profit attributable to shareholders	967,485	1,227,779	1,050,536	1,229,661
Weighted average number of ordinary shares in issue (thousands)	232,301	236,667	232,301	236,667
Basic earnings per share (Rs)	**4.16**	5.18	**4.52**	5.20

34. DIVIDENDS PAID

		GROUP AND COMPANY	
Calculation of dividend per share	**Dividend per share**	**2018**	**2017**
Year ended 31 March	Cents	**(Rs)**	**(Rs)**
Final dividend - 2015/2016	0.75	-	177,500
Interim dividend - 2016/2017	0.65	-	153,833
Final dividend - 2016/2017	0.85	201,167	
Interim dividend - 2017/2018	0.75	150,722	
		351,889	331,333
Number of ordinary shares		200,963	236,667
Dividend paid per share		**1.60**	**1.40**

The Board of Directors of the Company has proposed the payment of a final dividend of Rs. 0.25 cents per share for the year ended 31 March 2018.(2016/2017 final dividend of Rs.0.85 cents per share). In accordance with the - LKAS 10 on 'Event after the Reporting Period', this final dividend has not been recognised as a liability in the Financial Statements as at 31 March 2018.

35. COMMITMENTS

a) Operating leases

The Company has operating leases with Central Finance PLC where future lease payments of the contracts as at the statement of financial position amounted to Rs.27,883,350

b) Capital commitments

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

	GROUP		COMPANY	
Year ended 31 March	**2018**	**2017**	**2018**	**2017**
Approved and contracted for	45,607	-	-	
Approved and not contracted for	480,700	1,339,543	480,700	514,583
Total	**526,307**	1,339,543	**480,700**	**514,583**

36. CONTINGENT LIABILITIES

	GROUP		COMPANY	
Year ended 31 March	**2018**	**2017**	**2018**	**2017**
Bank guarantees	**49,954**	13,585	**49,954**	13,585
Corporate guarantees	**910,200**	-	**910,200**	-
	960,154	**13,585**	**960,154**	13,585

Bank guarantees have issued in favour of Sri Lanka Customs to facilitate import of tea and flavours. As at the date of financial position, the company is in compliance with the terms and conditions of the imports.

Corporate guarantees have been issued in favour of several banks on behalf of Watawala Dairy Limited.

There are no litigations against the Group which would have a material impact on the financial position of the Group.

37. RELATED PARTY TRANSACTIONS

The Company is a subsidiary of Estate Management Services (Private) Limited which owns 74.24% of ordinary shares (2017 - 75.65%) of the Company's shares. The remaining ordinary shares are widely held. The ultimate parent company of the Group is Sunshine Holdings PLC.

Directors' interest in contracts

(i) Messrs. G Sathasivam, V Govindasamy and S Mawzoon who are directors of the Company are also directors of Estate Management Services (Private) Limited.

(ii) Messrs. G Sathasivam, V Govindasamy and B A Hulangamuwa who are directors of the Company are also directors of Sunshine Healthcare Lanka Limited,Waltrim Hydropower (Private) Limited and Uper Waltrim Hydropower (Private) Limited.

(iii) Messrs. G Sathasivam, V Govindasamy, B A Hulangamuwa and N.B.Weerasekara who are directors of the Company are also directors of Sunshine Holdings PLC.

(iv) Messrs. G Sathasivam,S.G.Wijesinha, V Govindasamy, M.S.Mawzoon,B A Hulangamuwa,L.Ramanayaka, A.N Fernando and N.B.Weerasekara who are directors of the Company are also directors of Hatton Plantations PLC.

(v) Messrs.V Govindasamy, M S Mawzoon and S.G Wijesinha , who are directors of the Company are also directors of Watawala Dairy Limited.

(vi) Messrs. G Sathasivam, V Govindasamy, and N.B.Weerasekara who are directors of the Company are also directors of Health Guard Pharmacy Limited.

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

(viii) Messrs V Govindasamy, M.S. Mawzoon,and L. Ramanayake who are directors of the Company are also directors of Watawala Tea Ceylon Limited .

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

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

LKR 000

Recurrent Related Party Transactions			**2018**		
Related party	**Relationship**	**Nature of transactions**	**Value of transactions**	**Percentage of net revenue/income**	**2017**
Pyramid Lanka Private Limited	Common Directors	Sale of crude palm oil	1,723,902	36%	1,881,098
Tata Global Beverages Limited	Common Directors	Export or bulk and value added tea	270,789		352,547
Watawala Tea Ceylon Limited	Common Directors	Interest income			
		Sale of tea	2,928		29,649
		Rent income	510		2,860
Sunshine Holdings PLC	Ultimate Parent	Shared services cost	82,881		77,586
		Sale of tea	66		79
Watawala Dairy Limited	Subsidiary	Sale of grass	2,503		3,020
		Purchase of green leaf	18,047		30,893
Sunshine Tea Private Limited	Common Directors	Contract packing charges	18,602		20,087
		Monthly office rent	327		4,929
Waltrim Hydropower Private Limited	Common Directors	Monthly rent income	3,261		5,213
Upper Waltrim Hydropower Private Limited	Common Directors	Monthly rent income	2,800		-

Non Recurrent Related Party Transactions			**2018**		
Related party	**Relationship**	**Nature of transactions**	**Aggregate value of transactions**	**As a percentage of equity**	**As a percentage of total assets**
Hatton Plantations PLC	Common Directors	Vesting of net assets of Up country tea segment by operation of the law (Please refer note 06)	1,856,198	54%	39%
Watawala Dairy Limited	Subsidiary	Loans and Interest	456,994	13%	10%
Watawala Tea Ceylon Limited	Common Directors	Loans and Interest	219,655	6%	5%

Outstanding balances arising from purchase of goods and services

	GROUP		COMPANY	
31 March	2018	2017	2018	2017
(iii) Amounts due from related companies				
Tata Global Beverages Limited	-	79,735	-	79,735
Watawala Tea Ceylon Limited	-	200,000	-	200,000
Watawala Dairy Limited	-	-	10,000	-
	-	279,735	10,000	279,735

The Company carries out transactions with related parties on an arms length basis.

The directors have disclosed the nature of their interests in contracts and proposed contracts with the Company at meetings of the directors.

(v) Key management compensation

Key management includes the executive committee of the Group / Company. The compensation paid or payable to key management for employee services is shown below:

	GROUP		COMPANY	
Year ended 31 March	2018	2017	2018	2017
Salaries and other short term employee benefits	34,300	34,888	34,300	38,536

38. FINANCIAL RISK MANAGEMENT OBJECTIVES & POLICIES

Financial risk factors

The Group is exposed to a variety of financial risks. These include market risks, credit risks, and liquidity risks. The Group's overall risk management programme focuses on the unpredictability of financial markets and seek to minimise potential adverse effects on the Group's financial performance. Based on our economic outlook and the Group's exposure to these risks, the Board of directors approves various risk management strategies from time to time.

Market risks

(i) Foreign exchange risk

The Group is exposed to foreign exchange risk due to its imports and exports arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

As at 31 March	2018	2017
Rate of exchange LKR per 1 USD	**156.00**	**150.00**

The Group manages the foreign exchange risk by matching foreign currency export income with foreign currency imports and receivables with payables. The net impact is exposed to foreign currency translation risk.

Sensitivity analysis

At 31 March 2018, if the USD had strengthened/weakened 1% against the financial year with all other variables held constant, profit after tax would have been Rs 5,515,567 higher/lower, mainly as a result of foreign exchange gain/loss on transaction of US dollar-denominated sales.

(ii) Interest rate risk

Interest rate is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.The Group's interest rate risk arises mainly from the borrowings. The fluctuation in the Average Weighted Prime Lending Rate (AWPLR) results in the effective interest rate of the borrowings usually without a corresponding change in the fair value. The Group analyses the interest rate exposure on a dynamic basis monitoring AWPLR.

(iii) Price risks

The Group is exposed to the commodity price risk of mainly tea and palm oil. The Group monitors commodity price and inventory levels to minimize the impact.Further,forward sales agreements are entered into to minimise the exposure.

Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions and outstanding balances from customers. For banks and financial institutions, only independently rated parties are accepted. No independent risk ratings are available for customers. Credit control assess the credit quality of the customers taking into account its financial position, past performance and other factors. Credit limits are set and the utilisation of credit limits is regularly monitored. The credit quality of financial assets are disclosed in Note 15.

Liquidity risk

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

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

Financial Liabilities

At 31 March 2018	NOTE	WITHIN ONE YEAR	2-3 YEARS	4-5 YEARS	MORE THAN 5 YEARS	TOTAL
Leasehold rights	22	2,799	12,390	113,400	-	128,589
Borrowings	21	70,211	452,519	403,278	450,000	1,376,008
Trade and other payables (excluding statutory liabilities)		439,008	-	-	-	439,008
		512,018	**464,909**	**516,678**	**450,000**	**1,943,605**

Financial Assets

At 31 March 2018	NOTE	WITHIN ONE YEAR	2-3 YEARS	4-5 YEARS	MORE THAN 5 YEARS	TOTAL
Trade and other receivables	17	157,148	-	-	-	157,148
Cash and cash equivalents	19	180,264	-	-	-	180,264
Investment fund	12	-	-	288,595	-	288,595
		337,412	**-**	**288,595**	**-**	**626,007**

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for the shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and noncurrent borrowings' as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

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

	GROUP		COMPANY	
As at 31 March	**2018**	**2017**	**2018**	**2017**
Total borrowings [Note 21 and 22]	1,501,798	778,456	259,755	778,456
Less: cash and cash equivalents [Note 19]	(180,264)	(888,143)	(147,834)	(861,945)
Net debt	**1,321,534**	**(109,687)**	**111,921**	**(83,489)**
Total equity	3,634,756	6,050,135	3,452,979	5,758,343
Total capital	4,956,290	5,940,448	3,564,900	5,674,854
Gearing ratio	26.7%	-1.8%	3.1%	-1.5%

39. EVENTS AFTER THE REPORTING DATE

No events have occurred after the reporting date, which would require adjustments to or disclosure in the financial statements except for note 34.

SUPPLEMENTARY INFORMATION

NUMBER OF PERMANENT BUILDINGS AVAILABLE ON ESTATES AS AT 31/03/2017

Udugama region

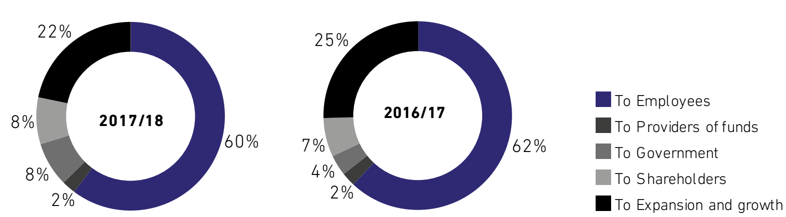
NO. OF BUILDINGS OF ESTATE

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

VALUE ADDED STATEMENT

	Group				Company			
LKR '000	**2017/2018**	**%**	**2016/2017**	**%**	**2017/2018**	**%**	**2016/2017**	**%**
Revenue	4,948,755		6,501,765		4,764,455		6,392,956	
Other income	231,395		146,851		149,223		142,808	
	5,180,150		6,648,616		4,913,678		6,535,764	
Cost of materials and services obtained	(795,047)		(1,642,064)		(536,530)		(1,600,653)	
Value Addition	**4,385,103**		**5,006,552**		**4,377,148**		**4,935,111**	
Value allocated to:								
To Employees								
Salaries,wages and other benefits	2,641,360	60	3,107,065	62	2,641,360	59	3,035,644	62
To Providers of funds								
Interest to money lenders	104,287	2	118,802	2	85,665	2	118,802	2
To Government								
JEDB/SLSPC Lease rental	52,680		73,493		52,680		73,493	
Value Added Tax	-		-		-		-	
Nation Bulding Tax	45,879		51,022		45,879		51,022	
Economics Service Charges	30,738		24,000		30,738		24,000	
Stamp Duty	337		327		337		327	
Income Tax	204,369		28,020		205,345		28,000	
	334,002	**8**	**176,862**	**4**	**334,978**	**8**	**176,842**	**4**
To providers of capital								
Dividend paid to shareholders	351,889	8	331,333	7	351,889	8	331,333	7
To Expansion and growth								
Profit retained	615,596		895,126		698,647		895,126	
Depreciation & ammotization	317,768		313,187		278,595		313,187	
Deferred Taxation	20,201		64,177		20,201		64,177	
	953,565	**22**	**1,272,490**	**25**	**997,443**	**23**	**1,272,490**	**25**
	4,385,103	**100**	**5,006,552**	**100**	**4,377,148**	**100**	**4,935,111**	**100**

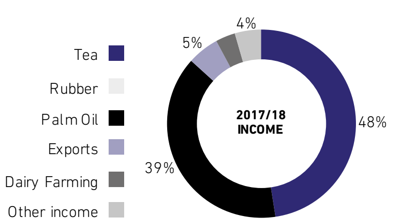
	GROUP		GROUP	
	2017/2018	**%**	**2016/2017**	**%**
To Employees	2,641,360	60%	3,107,065	62%
To Providers of funds	104,287	2%	118,802	2%
To Government	334,002	8%	176,862	4%
To Shareholders	351,889	8%	331,333	7%
To Expansion and growth	953,565	22%	1,272,490	25%
	4,385,103	**100%**	**5,006,552**	**100%**

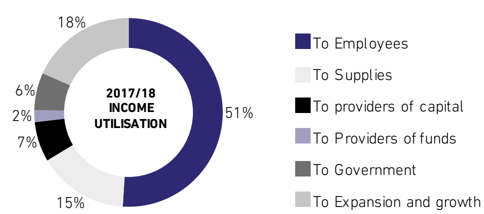


SOURCES AND UTILISATION OF INCOME

Rs.'000	Group		Group		Group		Group		Group	
	2017/2018	%	2016/2017	%	2015/2016	%	2014/2015	%	2013/2014	%
Sources Of Income										
Tea	2,462,524	48%	3,908,955	59%	4,118,122	64%	4,716,540	68%	4,164,561	66%
Rubber	-	0%	-	0%	72,536	1%	89,280	1%	168,721	3%
Palm Oil	2,031,142	39%	2,162,347	33%	1,503,584	23%	1,555,064	22%	1,392,375	22%
Exports	281,336	5%	428,796	6%	604,527	9%	487,607	7%	520,614	8%
Dairy Farming	173,753	3%	32,560	0%	-		-		-	
Other income	231,395	4%	146,851	2%	134,192	2%	119,151	2%	89,656	1%
Inter segment adjustments	-	0%	(30,893)	0%						
	5,180,150	**100%**	**6,648,616**	**100%**	**6,432,961**	**100%**	**6,967,642**	**100%**	**6,335,927**	**100%**
Utilisation Of Income										
To Employees										
Salaries,wages and other benefits	2,641,360	51%	3,107,065	47%	3,138,680	49%	3,309,409	59%	3,722,312	50%
To Providers of funds										
Interest paid to money lenders	104,287	2%	118,802	2%	95,759	1%	100,475	2%	103,794	1%
To Supplies & Service Providers	795,047	15%	1,642,064	25%	2,177,371	34%	2,650,464	25%	1,576,813	28%
To Providers of capital										
Dividend paid to shareholders	351,889	7%	331,333	5%	118,333	2%	343,166	1%	59,167	4%
To Government										
Lease Rent,VAT,NBT,BTT,SRL	334,002	7%	176,862	3%	126,768	2%	166,595	2%	143,946	4%
To Expansion & growth										
Retained Profits,depreciation	953,565	18%	1,272,490	18%	776,050	12%	397,533	11%	729,895	13%
	5,180,150	**100%**	**6,648,616**	**100%**	**6,432,961**	**100%**	**6,967,642**	**100%**	**6,335,927**	**100%**

	GROUP		GROUP	
	2017/2018	%	2016/2017	%
To Employees	2,641,360	51%	3,107,065	47%
To Supplies	795,047	15%	1,642,064	25%
To providers of capital	351,889	7%	331,333	5%
To Providers of funds	104,287	2%	118,802	2%
To Government	334,002	7%	176,862	3%
To Expansion and growth	953,565	18%	1,272,490	18%
	5,180,150	**100%**	**6,648,616**	**100%**





ESTATE HECTARAGE STATEMENT

Area (Ha)	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018
Tea Mature	4,330.14	4,334.04	4,346.78	4,356.79	4,373.35	4,369.24	4,363.98	4,223.50	105.26
Tea Immature	133.43	126.61	113.87	115.61	77.30	100.40	101.44	61.04	4.75
Tea	4,463.57	4,460.65	4,460.65	4,472.40	4,450.65	4,469.64	4,465.42	4,284.54	110.01
Rubber Mature	1,088.79	1,045.52	860.52	687.33	651.62	520.73	426.16	370.95	221.30
Rubber Immature	175.84	82.47	66.47	34.74	49.86	38.50	24.00	24.00	-
Rubber	1,264.63	1,127.99	926.99	722.07	701.48	559.23	450.16	394.95	221.30
OP Mature	1,845.93	1,874.52	1,871.41	1,909.51	1,935.69	2,152.63	2,401.34	2,547.46	2,655.53
OP Immature	628.37	787.41	975.20	1,161.60	985.59	904.04	755.67	723.70	940.21
Oil Palm	2,474.30	2,661.93	2,846.61	3,071.11	2,921.28	3,056.67	3,157.01	3,271.16	3,595.74
Fuelwood	861.13	997.13	1,332.00	1,392.00	1,495.31	1,388.41	1,069.09	1,058.14	-
Nursery	29.60	31.94	33.69	42.40	28.40	28.40	25.90	23.25	11.17
Minor Crop	213.87	208.82	211.37	174.12	177.49	186.08	174.32	173.59	76.96
Other Area	3,132.91	2,951.55	2,628.70	2,565.91	2,665.40	2,751.58	3,098.11	2,812.80	811.79
Ginigathena development	-	-	-	-	-	(1.25)	(1.60)	-	-
Other	4,237.51	4,189.44	4,205.76	4,174.43	4,366.60	4,353.22	4,365.82	4,067.78	899.92
Company	12,440.01	12,440.01	12,440.01	12,440.01	12,440.01	12,438.76	12,438.41	12,018.43	4,826.97

CROPS AND YIELDS

Production (Kg'000)

Region	2017/18	2016/17	2015/16	2014/15	2013/14	2012/13	2011/12	2010/11	2009/10	2008/09	2007/08	2006/07	2005/06	2004/05 (15 Months)
Tea														
Watawala	-	1,893	2,489	2,754	2,563	2,778	2,245	2,364	2,189	2,076	2,156	1,654	2,127	2,047
Hatton	-	3,459	4,297	4,402	4,388	4,066	3,875	3,872	3,577	3,012	2,837	2,773	3,007	2,931
Lindula	-	1,835	2,323	2,881	2,682	2,759	2,388	2,513	2,359	2,174	2,250	1,981	2,447	2,606
Udugama	187	235	303	274	294	285	886	1,081	963	723	1,104	1,189	1,581	1,654
Tea	187	7,422	9,413	10,311	9,926	9,888	9,394	9,830	9,087	7,986	8,347	7,597	9,162	9,238
Rubber	-	-	268	325	490	535	648	674	658	766	884	854	1,001	874
Palm oil	10,775	10,622	9,008	8,854	8,127	7,455	6,584	5,080	6,164	6,162	5,671	7,563	7,330	6,244

Yield per hectarage (kg)

Region	2017/18	2016/17	2015/16	2014/15	2013/14	2012/13	2011/12	2010/11	2009/10	2008/09	2007/08	2006/07	2005/06	2004/05 (15 Months)
Tea														
Watawala	-	1,269	1,373	1,533	1,420	1,533	1,262	1,209	1,152	1,158	1,152	1,062	1,372	1,346
Hatton	-	1,224	1,441	1,624	1,570	1,532	1,365	1,342	1,378	1,245	1,235	1,201	1,470	1,487
Lindula	-	1,152	1,444	1,523	1,415	1,472	1,343	1,396	1,295	1,235	1,267	1,258	1,382	1,332
Udugama	1,428	1,475	1,871	1,761	1,745	1,762	1,799	1,782	1,752	1,486	1,674	1,341	1,457	1,439
Tea	-	1,213	1,439	1,568	1,480	1,517	1,345	1,344	1,304	1,228	1,243	1,192	1,413	1,392
Rubber	-	-	629	625	752	778	753	645	604	671	755	671	779	652
Palm oil	3,678	3,786	3,294	3,757	3,765	3,537	3,156	2,391	2,973	2,908	2,734	2,781	2,814	2,512

HISTORICAL FINANCIAL INFORMATION

LKR.'000	Group 2008/09	Company 2008/09	Group 2009/10	Company 2009/10	Group 2010/11	Company 2010/11	Group 2011/12	Company 2011/12
INCOME STATEMENT								
Revenue	4,124,503	4,121,976	5,615,167	5,611,731	6,158,246	4,663,744	4,175,431	4,172,214
Cost of sales	(3,637,310)	(3,632,481)	(4,763,928)	(4,750,844)	(4,958,450)	(3,980,740)	(3,777,264)	(3,777,264)
Gross profit	**487,193**	**489,495**	**851,239**	**860,887**	**1,199,796**	**683,004**	**398,167**	**394,950**
Other Operating income	43,523	45,223	130,603	132,303	124,369	239,309	348,716	621,206
Administrative expenses	(138,479)	(137,225)	(164,099)	(178,687)	(342,364)	(220,759)	(211,331)	(203,235)
Distribution expenses	(201,360)	(200,981)	(231,657)	(231,375)	(167,142)	-	-	-
Management fees	(35,112)	(35,112)	(75,798)	(75,798)	(90,033)	(90,033)	(49,331)	(49,331)
Operating profit	**155,765**	**161,400**	**510,288**	**507,330**	**724,626**	**611,521**	**486,221**	**763,590**
Net finance cost	(71,057)	(71,415)	(79,669)	(79,711)	(85,984)	(84,951)	(111,103)	(111,103)
Amortisation of negative goodwill	-	-	-	-	-	-	-	-
Profit /(loss) before Tax	**84,708**	**89,985**	**430,619**	**427,619**	**638,642**	**526,570**	**375,118**	**652,487**
Tax expense	(10,000)	(10,000)	(4,000)	(4,000)	3,830	5,830	(89,837)	(89,196)
Profit /(loss) for the year	**74,708**	**79,985**	**426,619**	**423,619**	**642,472**	**532,400**	**285,281**	**563,291**
Profit from discontinued operations	-	-	-	-	-	-	169,756	-
Profit for the year	**74,708**	**79,985**	**426,619**	**423,619**	**642,472**	**532,400**	**455,037**	**563,291**
Other Comprehensive Income								
Available for sale investment	-	-	-	-	-	-	-	-
Actuarial gain/(loss) on gratuity	-	-	-	-	-	-	(148,035)	(148,035)
Tax on acturail gain/(loss) on gratuity	-	-	-	-	-	-	32,418	32,418
Total other comprehensive income for the year (net of tax)	**-**	**-**	**-**	**-**	**-**	**-**	**(115,617)**	**(115,617)**
Total comprehensive income for the year	**74,708**	**79,985**	**426,619**	**423,619**	**642,472**	**532,400**	**339,420**	**447,674**
Attributable to:								
Equity holders of the Company	76,026	-	429,900	-	642,468	-	339,420	447,674
Non controling interest	1,318	-	3,281	-	-	-	-	-
Total Comprehensive income for the year	**74,708**	**-**	**426,619**	**-**	**642,472**	**532,400**	**339,420**	**447,674**
Statment of Financial Position								
Non Current Assets								
Leasedhold right to bare land of JEDB/SLPC estates	254,753	254,753	247,718	247,718	240,683	240,683	233,648	233,648
Immovable estate assets on finance lease	247,415	247,415	229,768	229,768	212,121	212,121	194,474	194,474
Property, Plant and equipment	1,068,101	1,062,527	1,486,213	1,478,604	1,750,413	1,632,149	1,690,078	1,690,078
Biological assets-bearer	1,376,476	1,376,476	1,603,713	1,603,713	1,825,149	1,825,149	2,115,980	2,115,980
Biological assets-consumables	-	-	-	-	615,816	615,816	630,566	630,566
Biological assets-livestock	-	-	-	-	19,355	19,355	20,037	20,037
Investment in gratuity fund	-	-	-	-	-	-	42,641	42,641
Investment in subsidiaries	-	16,125	-	-	-	355,852	-	852
Available for sale financial Assets	-	-	-	-	-	-	-	-
Total Non Current Assets	**2,946,745**	**2,957,296**	**3,567,412**	**3,559,803**	**4,663,537**	**4,901,125**	**4,927,424**	**4,928,276**
Current Assets								
Inventories	351,370	342,092	540,583	540,583	760,125	531,484	465,980	465,980
Biological assets - produce on bearer plants	-	-	-	-	-	-	-	-
Trade and other receivables	525,966	530,740	464,611	471,112	487,347	311,213	324,290	342,374
Amounts due from Related parties	-	-	-	-	-	-	-	-
Investments in unit trusts	-	-	-	-	-	-	-	-
Cash and cash equivalents	73,615	67,920	53,442	52,369	40,697	15,061	470,231	447,716
Total Current Assets	**950,951**	**940,752**	**1,058,636**	**1,064,064**	**1,288,169**	**857,758**	**1,260,501**	**1,256,070**
Total Assets	**3,897,696**	**3,898,048**	**4,626,048**	**4,623,867**	**5,951,706**	**5,758,883**	**6,187,925**	**6,184,346**

Group 2012/13	Company 2012/13	Group 2013/14	Company 2013/14	Group 2014/15	Company 2014/15	Group 2015/16	Company 2015/16	Group 2016/17	Company 2016/17	Group 2017/18	Company 2017/18
5,434,779	5,340,962	6,246,271	6,142,624	6,848,491	6,773,635	6,298,769	6,228,002	6,501,765	6,392,956	4,948,755	4,764,455
(4,383,731)	(4,292,729)	(5,300,696)	(5,200,158)	(6,048,447)	(5,975,837)	(5,445,408)	(5,376,764)	(4,828,579)	(4,689,441)	(3,695,137)	(3,360,797)
1,051,048	**1,048,233**	**945,575**	**942,466**	**800,044**	**797,798**	**853,361**	**851,238**	**1,673,186**	**1,703,515**	**1,253,618**	**1,403,658**
139,585	140,575	89,656	89,555	119,151	119,151	134,192	134,192	146,851	142,808	231,185	149,223
(246,238)	(242,464)	(264,586)	(261,270)	(369,572)	(367,487)	(318,502)	(315,960)	(326,336)	(324,227)	(335,132)	(327,309)
-	-	-	-	-	-	-	-	-	-	-	-
(137,510)	(137,510)	(92,264)	(92,264)	-	-	-	-	-	-	-	-
806,885	**808,834**	**678,381**	**678,487**	**549,623**	**549,462**	**669,051**	**669,470**	**1,493,701**	**1,522,096**	**1,149,671**	**1,225,572**
(77,530)	(77,919)	(97,600)	(97,600)	(85,874)	(85,919)	(78,815)	(78,834)	(47,620)	(76,279)	13,567	50,510
-	-	-	-	-	-	-	-	-	-	-	-
729,355	**730,915**	**580,781**	**580,887**	**463,749**	**463,543**	**590,236**	**590,636**	**1,446,081**	**1,445,817**	**1,163,238**	**1,276,082**
(49,111)	(49,041)	(83,587)	(83,435)	(73,002)	(72,978)	(72,486)	(72,415)	(220,422)	(216,156)	(224,570)	(225,546)
680,244	**681,874**	**497,194**	**497,452**	**390,747**	**390,565**	**517,750**	**518,221**	**1,225,659**	**1,229,661**	**938,668**	**1,050,536**
	-		-		-	-	-	-	-	-	-
680,244	**681,874**	**497,194**	**497,452**	**390,747**	**390,565**	**517,750**	**518,221**	**1,225,659**	**1,229,661**	**938,668**	**1,050,536**
-	-	-	-	-	-	10,763	10,763	-	-	-	-
80,430	80,430	(89,302)	(89,302)	19,854	19,854	102,714	102,714	92,604	88,451	35,656	33,803
(35,462)	(35,462)	26,155	26,155	(3,022)	(3,022)	(15,585)	(15,585)	(8,845)	(8,845)	(3,380)	(3,380)
44,968	**44,968**	**(63,147)**	**(63,147)**	**16,832**	**16,832**	**97,892**	**97,892**	**83,759**	**79,606**	**32,276**	**30,423**
725,212	**726,842**	**434,047**	**434,305**	**407,579**	**407,397**	**615,642**	**616,113**	**1,309,418**	**1,309,267**	**970,944**	**1,080,959**
725,212	726,842	434,047	434,305	407,579	407,397	615,642	616,113	1,310,218	1,309,267	999,173	1,080,959
-	-	-	-	-	-	-	-	(800)	-	(28,229)	-
725,212	**726,842**	**434,047**	**434,305**	**407,579**	**407,397**	**615,642**	**616,113**	**1,309,418**	**1,309,267**	**970,944**	**1,080,959**
226,613	226,613	219,578	219,578	212,543	212,543	205,508	205,508	198,473	191,774	80,079	73,619
176,827	176,827	159,492	159,492	142,033	142,033	124,574	124,574	107,474	102,984	30,140	26,090
1,697,655	1,697,655	1,840,625	1,840,625	1,921,745	1,921,745	1,835,454	1,835,454	2,423,768	1,770,618	2,072,077	634,031
2,316,658	2,316,658	2,518,564	2,518,564	2,743,030	2,743,030	2,794,625	2,794,625	2,955,251	2,850,482	2,460,188	2,333,817
531,190	531,190	575,944	575,944	566,967	566,967	608,995	608,995	648,831	607,707	37,966	-
32,231	32,231	45,061	45,061	40,256	40,256	27,535	27,535	24,944	-	539,602	-
127,267	127,267	200,000	200,000	220,262	220,262	234,369	234,369	258,319	258,319	288,595	288,595
-	852	-	852	-	852	-	852	-	627,352	-	627,352
-	-	-	-	10,882	10,882	21,645	21,645	21,645	21,645	-	-
5,108,441	**5,109,293**	**5,559,264**	**5,560,116**	**5,857,718**	**5,858,570**	**5,852,705**	**5,853,557**	**6,638,705**	**6,430,881**	**5,508,647**	**3,983,504**
635,951	635,951	939,982	939,982	693,086	693,086	637,773	637,773	732,988	686,138	291,830	191,788
-	-	-	-	-	-	-	-	35,757	35,452	29,143	28,730
444,289	435,631	447,044	440,506	491,241	488,148	560,954	560,866	537,199	438,380	401,516	337,707
-	-	-	-	-	-	-	-	279,735	279,735	-	10,000
-	-	-	-	-	-	564,597	564,597	-	-	-	-
443,333	431,799	114,660	111,851	72,031	67,832	130,178	113,730	888,143	861,945	180,264	147,834
1,523,573	**1,503,381**	**1,501,686**	**1,492,339**	**1,256,358**	**1,249,066**	**1,893,502**	**1,876,966**	**2,473,822**	**2,301,650**	**902,753**	**716,059**
6,632,014	**6,612,674**	**7,060,950**	**7,052,455**	**7,114,076**	**7,107,636**	**7,746,207**	**7,730,523**	**9,112,527**	**8,732,531**	**6,411,400**	**4,699,563**

HISTORICAL FINANCIAL INFORMATION

LKR.'000	Group 2008/09	Company 2008/09	Group 2009/10	Company 2009/10	Group 2010/11	Company 2010/11	Group 2011/12	Company 2011/12
Capital and reserves								
Stated capital	460,000	460,000	460,000	460,000	460,000	460,000	460,000	460,000
Retained earnings	1,154,267	1,159,678	1,584,167	1,583,297	2,721,150	2,611,078	2,859,403	2,857,585
Total equity attributable to equity holders of the company	**1,614,267**	**1,619,678**	**2,044,167**	**2,043,297**	**3,181,150**	**3,071,078**	**3,319,403**	**3,317,585**
Minority interests	3,571	-	290	-	-	-	-	-
Total equity	-	-	-	-	-	-	-	-
Non-current liabilites								
Long term borrowings	246,811	246,811	412,824	412,824	304,730	304,730	210,727	210,727
Obligations under finance lease obtained from SLPC/JEDB	375,983	375,983	370,870	370,870	365,560	365,560	360,253	360,253
Retirement benefit obligation	439,939	439,939	643,388	643,388	643,872	638,008	815,851	815,851
Deferred income and capital grants	177,421	177,421	228,732	228,732	255,798	255,798	244,935	244,935
Net Deferred tax liability	20,000	20,000	-	-	27,129	26,161	82,792	82,939
Total Non-current liabilities	**1,260,154**	**1,260,154**	**1,655,814**	**1,655,814**	**1,597,089**	**1,590,257**	**1,714,558**	**1,714,705**
Current liabilities								
Short-term borrowings	503,704	503,704	262,895	262,895	437,029	437,029	546,145	546,145
Obligations under finance lease obtained from SLPC/JEDB	4,910	4,910	5,113	5,113	5,313	5,313	5,310	5,310
Trade and other payables	466,621	465,133	589,297	588,277	717,122	642,236	588,677	587,631
Current tax payable	44,469	44,469	68,472	68,471	14,003	12,970	13,832	12,970
Total Current liabilities	**1,019,704**	**1,018,216**	**925,777**	**924,756**	**1,173,467**	**1,097,548**	**1,153,964**	**1,152,056**
Total Liabilities	**2,279,858**	**2,278,370**	**2,581,591**	**2,580,570**	**2,770,556**	**2,687,805**	**2,868,522**	**2,866,761**
Total Equity & Liabilities	**3,897,696**	**3,898,048**	**4,626,048**	**4,623,867**	**5,951,706**	**5,758,883**	**6,187,925**	**6,184,346**
CASH FLOW								
Cash generated/(used in) from/to operations	520,845	526,931	891,758	893,936	856,487	981,602	1,020,651	604,155
Net cash inflow/(outflow) from operating activities	375,135	380,863	752,710	754,846	686,166	813,026	815,083	399,399
Net cash inflow/(outflow) from investing activities	(512,966)	(520,091)	(727,659)	(725,173)	(694,755)	(846,182)	(194,182)	224,623
Net cash inflow/(outflow) from financing activities	(20,451)	(20,451)	120,393	120,393	(123,925)	(123,921)	(308,782)	(308,782)
Increase/(decrease) in cash and cash equivalents	(158,282)	(159,679)	145,444	150,066	(132,514)	(157,077)	312,119	315,240
OPERATING RATIOS								
Annual turnover growth %	(4)	(4)	36	36	10	(17)	(32)	(11)
Profit Growth %	(82)	(80)	471	430	51	26	(47)	(16)
Turnover per employee (Rs.'000)	309	309	431	430	472	358	342	342
FINANCIAL RATIOS								
Return on equity %	4.63	4.94	20.87	20.73	20.20	17.34	10.23	13.49
Current ratio (Times)	0.93	0.92	1.14	1.15	1.10	0.78	1.09	1.09
Debt equity ratio (Times)	0.46	0.46	0.33	0.33	0.23	0.24	0.23	0.23
Interest cover (Times)	2.19	2.26	6.41	6.36	8.43	7.20	4.38	6.87
Total assets to current liabilities %	26%	26%	20%	20%	20%	19%	19%	19%
Dividend payout ratio	0%	0%	153%	154%	31%	38%	24%	19%
INVESTOR RATIOS								
Annualised earning per share (Rs.)	0.32	0.34	1.80	1.79	2.71	2.25	1.43	1.89
Price earning share (Times)	18.53	17.31	9.76	9.83	4.20	1.11	5.20	4.20
Dividend per share (Rs.)	-	-	2.75	2.75	0.85	0.85	0.35	0.35
Dividend cover (Times)	-	-	6.55	6.51	3.19	2.65	4.10	5.40
Market Capitalization (Rs.'000)	1,384,500	1,384,500	4,165,333	4,165,333	5,916,675	5,916,675	2,366,670	2,366,670
Net assets value per share (Rs.)	6.82	6.84	8.64	8.63	13.44	12.98	14.03	14.02

Group 2012/13	Company 2012/13	Group 2013/14	Company 2013/14	Group 2014/15	Company 2014/15	Group 2015/16	Company 2015/16	Group 2016/17	Company 2016/17	Group 2017/18	Company 2017/18
460,000	460,000	460,000	460,000	460,000	460,000	460,000	460,000	460,000	460,000	460,000	460,000
3,383,448	3,383,260	3,758,328	3,758,398	3,822,741	3,822,629	4,320,050	4,320,409	5,298,935	5,298,343	2,911,785	2,992,979
3,843,448	**3,843,260**	**4,218,328**	**4,218,398**	**4,282,741**	**4,282,629**	**4,780,050**	**4,780,409**	**5,758,935**	**5,758,343**	**3,371,785**	**3,452,979**
-	-	-	-	-	-	-	-	291,200	-	262,971	-
-	-	-	-	-	-	-	-	6,050,135	5,758,343	3,634,756	3,452,979
100,568	100,568	270,242	270,242	187,500	187,500	388,741	388,741	325,006	325,006	1,305,797	97,936
354,293	354,293	348,506	348,506	342,526	342,526	336,296	336,296	328,412	328,412	125,790	125,790
801,767	801,767	949,697	949,697	1,005,185	1,005,185	976,639	976,639	908,192	882,705	193,981	171,130
234,585	234,585	223,803	223,803	213,610	213,610	203,569	203,569	193,528	193,528	243,659	50,872
118,462	118,751	144,930	145,040	206,954	207,040	267,005	267,040	331,182	331,217	354,763	354,798
1,609,675	**1,609,964**	**1,937,178**	**1,937,288**	**1,955,775**	**1,955,861**	**2,172,250**	**2,172,285**	**2,086,320**	**2,060,868**	**2,223,990**	**800,526**
470,152	470,152	304,574	304,574	183,809	183,809	148,751	148,751	118,318	118,318	70,211	33,230
5,750	5,750	5,980	5,980	6,210	6,210	6,460	6,460	6,720	6,720	2,799	2,799
654,087	634,858	540,940	532,265	671,541	665,127	610,617	594,618	688,426	630,019	439,008	369,911
48,902	48,690	53,950	53,950	14,000	14,000	28,079	28,000	162,608	158,263	40,636	40,118
1,178,891	**1,159,450**	**905,444**	**896,769**	**875,560**	**869,146**	**793,907**	**777,829**	**976,072**	**913,320**	**552,654**	**446,058**
2,788,566	**2,769,414**	**2,842,622**	**2,834,057**	**2,831,335**	**2,825,007**	**2,966,157**	**2,950,114**	**3,062,392**	**2,974,188**	**2,776,644**	**1,246,584**
6,632,014	**6,612,674**	**7,060,950**	**7,052,455**	**7,114,076**	**7,107,636**	**7,746,207**	**7,730,523**	**9,112,527**	**8,732,531**	**6,411,400**	**4,699,563**
1,049,724	1,059,071	636,767	645,308	1,352,709	1,351,364	1,012,402	1,000,231	1,594,718	1,720,938	1,665,205	1,773,089
883,607	893,598	414,214	422,940	1,118,598	1,117,208	835,038	822,789	1,376,538	1,475,399	1,271,659	1,423,378
(517,667)	(516,677)	(682,262)	(682,262)	(608,804)	(608,804)	(254,164)	(254,164)	(185,448)	(294,059)	(1,682,928)	(596,037)
(395,581)	(395,581)	251,230	251,230	(592,568)	(592,568)	138,815	138,815	(396,019)	(396,019)	(296,610)	(1,541,452)
(29,641)	(18,660)	(16,818)	(8,092)	(82,774)	(84,164)	719,689	707,440	795,071	785,321	(707,879)	(714,111)
30	28	15	15	10	10	(8)	(8)	3	3	(24)	(25)
114	62	(40)	(40)	(6)	(6)	51	51	113	113	(26)	(17)
445	438	541	532	628	621	590	583	646	655	850	3,124
18.87	18.91	10.29	10.30	9.52	9.51	12.88	12.89	21.64	22.74	28.69	31.31
1.29	1.30	1.66	1.66	1.43	1.44	2.39	2.41	2.53	2.52	1.63	1.61
0.15	0.15	0.14	0.14	0.09	0.09	0.11	0.11	0.07	0.08	0.41	0.08
10.41	10.38	6.95	6.95	6.40	6.40	8.49	8.49	31.37	19.95	11.02	14.48
18%	18%	13%	13%	12%	12%	10%	10%	11%	10%	9%	9%
8%	8%	27%	27%	29%	29%	2%	19%	27%	27%	38%	35%
3.06	3.07	1.83	1.84	1.72	1.72	2.60	2.60	5.18	5.20	4.16	4.52
3.90	3.89	4.66	4.66	12.11	12.12	8.82	8.81	4.71	4.70	7.15	6.39
0.25	0.25	0.50	0.50	0.50	0.50	0.75	0.75	1.40	1.40	1.00	1.00
12.26	12.28	3.67	3.67	3.44	3.44	3.47	3.47	3.70	3.71	2.60	2.83
2,650,670	2,650,670	2,319,337	2,319,337	4,733,340	4,733,340	4,567,673	4,567,673	5,774,675	5,774,675	5,807,818	5,807,818
16.24	16.24	17.82	17.82	18.10	18.10	20.20	20.20	24.33	24.33	18.00	17.18

SHAREHOLDERS' & INVESTORS' INFORMATION

Stock Exchange Listing

The issued shares of Watawala Plantations PLC are listed with the Colombo Stock Exchange (CSE) in Sri Lanka. The Audited Consolidated Income Statements for the year ended 31 March 2018 and the Audited Consolidated Statement of Financial Position at that date have been submitted to the Colombo Stock Exchange within three months of the Statement of Financial Position date

Shareholders information

Total No of Shareholders as at 31 March 2018: 15,700 (as at 31 March 2017: 16,056

Public share holding

The Percentage of shares held by the public : 25.78% (2017-24.35%)

	Minimum public holding requirement			
	Option	Float adjusted market capitalisation	Public Holding Percentage	Number of Public Shareholders
Listing rule 7.13.1	5	Less than LKR 2.5 Bn	20%	500
Compliance by Watawala		LKR 1.5 Bn	25.78%	15,699

A). Distribution of Shareholding

Shareholdings	Residents				Non Residents				Total			
	No of Share holders	(%)	No of Shares	(%)	No of Share holders	(%)	No of Shares	(%)	No of Share holders	(%)	No of Shares	(%)
1 to 1,000	8,253	52.57	3,792,676	1.89	10	0.06	4,696	0.00	8,263	52.63	3,797,372	1.89
1,001 to 5,000	7,139	45.47	13,296,779	6.62	7	0.04	18,300	0.01	7,146	45.52	13,315,079	6.63
5,001 to 10,000	157	1.00	1,164,056	0.58	4	0.03	24,600	0.01	161	1.03	1,188,656	0.59
10,001 to 50,000	89	0.57	2,041,326	1.02	4	0.03	181,667	0.09	93	0.59	2,222,993	1.11
50,001 to 1,000,000	26	0.17	4,949,534	2.46	3	0.02	299,500	0.15	29	0.18	5,249,034	2.61
Over 1,000,000	7	0.04	173,823,963	86.50	1	0.01	1,365,459	0.68	8	0.05	175,189,422	87.18
Total	**15,671**	**99.82**	**199,068,334**	**99.06**	**29**	**0.18**	**1,894,222**	**0.94**	**15,700**	**100.00**	**200,962,556**	**100.00**

B). Categories of Shareholders

Shareholdings	Institutional				Non Institutional				Total			
	No of Share holders	(%)	No of Shares	(%)	No of Share holders	(%)	No of Shares	(%)	No of Share holders	(%)	No of Shares	(%)
1 to 1,000	37	0.24	16,584	0.01	8,226	52.39	3,780,788	1.88	8,263	52.63	3,797,372	1.89
1,001 to 5,000	41	0.26	130,017	0.06	7,105	45.25	13,185,062	6.56	7,146	45.52	13,315,079	6.63
5,001 to 10,000	15	0.10	108,389	0.05	146	0.93	1,080,267	0.54	161	1.03	1,188,656	0.59
10,001 to 50,000	22	0.14	536,514	0.27	71	0.45	1,686,479	0.84	93	0.59	2,222,993	1.11
50,001 to 1,000,000	12	0.08	2,906,236	1.45	17	0.11	2,342,798	1.17	29	0.18	5,249,034	2.61
Over 1,000,000	6	0.04	172,027,720	85.60	2	0.01	3,161,702	1.57	8	0.05	175,189,422	87.18
Total	**133**	**0.85**	**175,725,460**	**87.44**	**15,567**	**99.15**	**25,237,096**	**12.56**	**15,700**	**100.00**	**200,962,556**	**100.00**

SHARE TRADING INFORMATION FROM 1ST APRIL TO 31ST MARCH

	2018	2017
Highest during the period	36.10	24.50
Lowest during the period	24.00	17.70
Closing price	28.90	24.40
No. of Transactions	3,727	2,482
No. of Shares Traded	12,910,765	9,597,690
Value of Shares Traded (Rs)	405,774,447.40	201,817,371.60

TWENTY (20) LARGEST SHAREHOLDERS AS AT

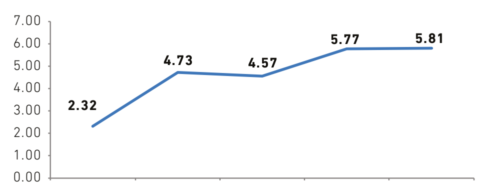
Name	31st March 2018 No of Shares held	31st March 2018 % of the holding	31st March 2017 No of Shares held	31st March 2017 % of the holding
Estate Management Services (Pvt) Ltd	149,195,309	74.24	179,034,370	75.65
Sampath bank Plc/Seylan Bank Plc/Dr.T.Senthil Verl	22,480,010	11.19	20,670,414	8.73
K.C.Vignarajah	2,148,644	1.07	2,164,280	0.91
HSBC International Nominees Ltd-SSBT-Deustche Bank	1,365,459	0.68	1,800,000	0.76
Vyjayanthi & Company Limited	1,000,000	0.50	1,000,000	0.42
N.Muljie	552,900	0.28	552,900	0.23
M.I.Abdul Hameed	350,000	0.17	350,000	0.15
S.Vignarajah	258,783	0.13	262,539	0.11
Deutsche Bank AG AS Trustee to Candor Opportunities Fund	258,333	0.13	1,289,342	0.54
Cocoshell Activated Carbon Company Limited	251,666	0.13	362,451	0.15
Life Insurance Corporation (Lanka) Ltd	234,471	0.12		-
Union investments private Ltd	218,333	0.11	262,000	0.11
Commercial Bank of Ceylon Plc/S.A.Gulamhusein	182,000	0.09	236,500	0.10
Pershing LLC S/A Averbach Grauson & Co.	166,667	0.08		-
Best Real Invest Co Services (Private) Limited	160,964	0.08		
C M Holdings PLC	141,667	0.07		
M.M.Hashim	135,869	0.07	331,082	0.14
Adamjee Lukmanjee & Sons (Private) Ltd	117,135	0.06		
D.C.D.L.S.D. Perera	115,000	0.06		
K.G.M. Pieris	104,917	0.05		-
Sub Total	**179,438,127**	**89.29**	**208,315,878**	**88.02**
Others	21,524,429	10.71	28,350,793	11.98
Grand Total	**200,962,556**	**100.00**	**236,666,671**	**100.00**

Share trading information-last five years

LKR.	2017/18	2016/17	2015/16	2014/15	2013/14
Highest during the year	36.10	24.50	25.50	21.00	13.70
Lowest during the year	24.00	17.70	17.00	9.90	9.20
As at 31st March	28.90	24.40	19.30	20.00	9.80
No.of shares	200,962,556	236,666,671	236,666,671	236,666,671	236,666,671

Market Capitalisation

Year	Rs. Bn
2017/2018	5.81
2016/2017	5.77
2015/2016	4.57
2014/2015	4.73
2013/2014	2.32



GRI CONTEXT INDEX

GRI Standard	Disclosure	Reference	Page number	Omission
	GRI 101: Foundation 2016 (does not include any disclosures)			
	General Disclosures			
GRI 102: General Disclosures 2016	102-1 Name of Organisation	Corporate Information	159	
	102-2 Activities, brands, products and services	About Us	03 to 05	
	102-3 Location of headquarters	Corporate Information	159	
	102-4 Location of operations	About us	03 to 05	
	102-5 Ownership and legal form	Corporate Information	159	
	102-6 Markets served	About Us	03 to 05	
	102-7 Scale of the organisation	About Us	03 to 05	
	102-8 Information on employees and other workers	Human Capital and Community Integration	54	
	102-9 Supply chain	Social and Relationship Capital	62, 63	
	102-10 Significant changes to the organisation and supply chain	Vesting of Tea business by operation of the law with Hatton Plantations PLC Finance Capital	45	
	102-11 Precautionary principle	Risk Management Natural Capital	35 to 38	
	102-12 External initiatives	About US	03 to 05	
	102-13 Membership of associations	About US	03 to 05	
	102-14 Statement from senior decision maker	Chairman's Message	09 to 11	
	102-16 Values, principles, norms and standards of behaviour	Our Values Corporate Governance	02 20 to 28	
	102-18 Governance Structure	Corporate Governance	20 to 28	
	102-40 List of stakeholder groups	Stakeholder engagement	32, 33	
	102-41 Collective bargaining agreements	Nurturing Human Capital- Fair remuneration	55	
	102-42 Identifying and selecting stakeholders	Stakeholder engagement	32, 33	
	102-43 Approach to stakeholder engagement	Stakeholder engagement	32, 33	
	102-44 Key topics and concerns raised	Stakeholder engagement /Determining material issues	32, 33	
	102-45 Entities included in the consolidated financial statements	Note 01 to financial statements	91, 112	
	102-46 Defining report content and topic boundary	About This Report	01	
	102-47 Material topics	Materiality	35	
	102-48 Restatement of information	N/A	-	
	102-49 Changes in reporting	N/A	-	
	102-50 Reporting period	About this Report	01	
	102-51 Date of most recent report	Financial statements	86	
	102-52 Reporting cycle	About this report	01	
	102-53 Contact point for questions regarding Report	About this report	01	
	102-54 Claims of reporting in accordance with GRI Standards	About this report	01	
	102-55 GRI context index	Complied	-	
	102-56 External assurance			Not assured

GRI Standard	Disclosure	Reference	Page number	Omission
	Material topics			
	Economic Performance			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	Financial capital	43 to 45	
	103-2 The Management Approach and its components	Financial Capital	43 to 45	
	103-2 Evaluation of the Management Approach	Target achievement is reviewed monthly using pre-defined key performance indicators while the management system's effectiveness is reviewed as well	34	
GRI 201: Economic Performance 2016	201-1- Direct economic value generated and distributed	Vaue added statement	140	
	201-3 Defined benefit plan obligations and other retirement plans	Note to Financial statements	91 to 136	
	Energy			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	Energy	48	
	103-2 The Management Approach and its components	Energy	48	
	103-2 Evaluation of the Management Approach	The management systems are evaluated externally, under ISO, RSPO etc certification. Effectiveness is regularly reviewed and monitored internally using predefined KPI. Any changes are made to system, if needed.	-	
GRI 302: Energy 2016	302-1 Energy consumption within the organization	Energy	48	
	302-5 Energy intensity	Energy	48	
	303-6 Reduction of energy consumption	Energy	48	
	Emissions			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	Emissions	51	
	103-2 The Management Approach and its components	Emissions	51	
	103-2 Evaluation of the Management Approach	The management systems are evaluated externally, under ISO, RSPO etc certification. Effectiveness is regularly reviewed and monitored internally using predefined KPI. Any changes are made to system, if needed.	-	
GRI 305 Emissions: 2016	305-1 Direct greenhouse gas (GHG) emissions	Emissions	51	
	305-2 Energy indirect greenhouse gas (GHG) emissions (Scope 2)	Emissions	51	
	305-5 Reduction of greenhouse gas emissions	Emissions	51	

GRI Standard	Disclosure	Reference	Page number	Omission
	Effluents and Waste			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	Effluents and waste	52	
	103-2 The Management Approach and its components	Effluents and waste	52	
	103-2 Evaluation of the Management Approach	The management systems are evaluated externally, under ISO, RSPO etc certification. Effectiveness is regularly reviewed and monitored internally using predefined KPI. Any changes are made to system, if needed.	-	
GRI 306: Effluents and Waste	306-1 Water discharge by quality and destination	Water	50	
	306-2 Waste by type and disposal method	Effluents and waste	52	
	Employment			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	Human Capital and Social integration	54	
	103-2 The Management Approach and its components	Human Capital and Social integration	54	
	103-2 Evaluation of the Management Approach	The management systems are evaluated externally under RSPO etc certification. Effectiveness is regularly reviewed and monitored internally using predefined KPI. Any changes are made to system, if needed.	-	
GRI 401: Employment 2016	401-1 Employee hires and turnover	Human Capital and Social integration	54	
	401-3 Parental leave	Human Capital and Social integration	54	
	Health and Safety			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	Health and Safety	57	
	103-2 The Management Approach and its components	Health and Safety	57	
	103-2 Evaluation of the Management Approach	The management systems are evaluated externally under RSPO etc certification. Effectiveness is regularly reviewed and monitored internally using predefined KPI. Any changes are made to system, if needed.	-	
GRI 403: Health and Safety 2016	403-4 Types of injury and rates of injury, occupational diseases, lost days and absenteeism and number of work-related fatalities	Health and Safety	57	
	Training and education			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	Training and development	57	

GRI Standard	Disclosure	Reference	Page number	Omission
	103-2 The Management Approach and its components	Training and development	57	
	103-2 Evaluation of the Management Approach	The management systems are evaluated externally under RSPO etc certification. Effectiveness is regularly reviewed and monitored internally using predefined KPI. Any changes are made to system, if needed.	-	
GRI 404: Training and education	404-1 Average hours of training per year per employee	Training and development	57	
	404-2 Programs for upgrading skills and transition assistance programmes	Training and development	57	
	404-3 Percentage of employees receiving regular performance and career development reviews	Training and development	57	
	Diversity and equal opportunity			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	Child Labour, Forced Labour, Human rights and Non-Discrimination	58	
	103-2 The Management Approach and its components	Child Labour, Forced Labour, Human rights and Non-Discrimination	58	
	103-2 Evaluation of the Management Approach	The management systems are evaluated externally under RSPO etc certification. Effectiveness is regularly reviewed and monitored internally using predefined KPI. Any changes are made to system, if needed.	-	
GRI 405: Diversity and equal opportunity 2016	405-2 Ratio of basic salary and remuneration of women to men		-	Work roles of men differ from women
	Local Communities			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	Driving Social Integration	58	
	103-2 The Management Approach and its components	Driving Social Integration	58	
	103-2 Evaluation of the Management Approach	The management systems are evaluated externally under RSPO etc certification. Effectiveness is regularly reviewed and monitored internally using predefined KPI. Any changes are made to system, if needed.	-	
GRI 413: Local communities 2016	413-1 Operations with local community engagement, impact assessments and development programmes	Driving Social Integration	58	

NOTICE OF MEETING

Notice is hereby given that the Twenty Fifth (25th) Annual General Meeting of Watawala Plantations PLC will be held at 'Lotus Room' Bandaranaike Memorial International Conference Hall (BMICH), Bauddhaloka Mawatha, Colombo 07 on Thursday, the 28th of June 2018 at 12.30 p.m. (or immediately after the conclusion of the Annual General Meeting of Hatton Plantations PLC) and the business to be brought before the meeting will be:

1. To receive and consider the Annual Report of the Board of Directors and the Statement of Audited Accounts for the year ended 31st March 2018 with the report of the Auditors thereon.
2. To declare a final Dividend of Rs.0.25 (Cents twenty five) per share as recommended by the Directors.
3. To propose the following resolution as an ordinary resolution for the appointment of Mr.A.N.Fernando who has reached the age of 71 years.

Ordinary Resolution

"IT IS HEREBY RESOLVED THAT the age limit referred to in Section 210 of the Companies Act No 7 of 2007 shall not apply to Mr. A.N.Fernando who has reached the age of 71 years prior to this Annual General Meeting and that he be reappointed"

4. To propose the following resolution as an ordinary resolution for the appointment of Mr.G.Sathasivam who has reached the age of 70 years.

Ordinary Resolution

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

5. To re-appoint Mr P. Karunagaran as per Article 28 (2) of the Articles of Association who has been appointed by the Board since the last Annual General Meeting, a Director.
6. To re-elect Mr.N.B.Weerasekera who retires by rotation at the Annual General Meeting, a Director as per Article 30 of the Article of Association.
7. To re-elect Mr.S.G.Wijesinha who retires by rotation at the Annual General Meeting, a Director as per Article 30 of the Article of Association.
8. To appoint Messrs KPMG, (Chartered Accountants) as Auditors of the company in place of the outgoing Auditors Messrs.PricewaterhouseCoopers (Chartered Accountants) and authorize the Directors to determine their remuneration.
9. To authorize the Directors to determine contributions to Charities.

By order of the Board
Corporate Advisory Services (Pvt) Ltd
Secretaries, Watawala Plantations PLC
Colombo
25/05/2018

We shall be obliged if the shareholders/proxies attending the Annual General Meeting, produce their National Identity Card to the Security Personnel stationed at the entrance.

FORM OF PROXY

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

……………being a member / members of Watawala Plantations PLC, hereby appoint :

………of ……………………………………………………………

……………………………………or failing him, Mr. S.G.Wijesinha (Chairman of the Company) of Colombo, or failing him, one of the Directors of the Company as my/our proxy to vote as indicated hereunder for me/us and on my/our behalf at the twenty fifth (25th) Annual General Meeting of the Company to be held on Thursday the 28th June 2018 at 12.30 p.m. (or immediately after the conclusion of the Annual General Meeting of Hatton Plantations PLC) and at every poll which may be taken in consequence of aforesaid meeting and any adjournment thereof:

	For	Against
1. To receive and consider the Annual Report of the Board of Directors and the Statement of Audited Accounts for the year ended 31st March 2018 with the report of the Auditors thereon.	☐	☐
2. To declare a final Dividend of Rs.0.25 (Cents twenty five) per share as recommended by the Directors.	☐	☐
3. To pass an ordinary resolution to re-appoint Mr. A.N.Fernando who has reached the age of seventy one, as a Director.	☐	☐
4. To pass an ordinary resolution to re-appoint Mr. G.Sathasivam who has reached the age of seventy, as a Director.	☐	☐
5. To re-appoint Mr.P.Karunagaran who was appointed during the year, a Director	☐	☐
6. To re-elect Mr. N.B.Werasekera who retires by rotation at the Annual General Meeting, a Director.	☐	☐
7. To re-elect Mr .S.G.Wijesinha who retires by rotation at the Annual General Meeting, a Director.	☐	☐
8. To appoint Messrs KPMG, (Chartered Accountants) as Auditors of the company in place of the outgoing Auditors Messrs.PricewaterhouseCoopers (Chartered Accountants) and authorize the Directors to determine their remuneration.	☐	☐
9. To authorize the Directors to determine contributions to Charities.	☐	☐

Dated this …………………day of ………………………2018

………………………………………………
Signature of Shareholder

(a) A proxy need not be a member of the Company
(b) Instructions regarding completion appear overleaf.

Shareholders NIC …………………………………………

Proxy holders NIC ………………………………………

Instruction as to completion of The Form of Proxy

1. To be valid, the completed form of proxy should be deposited at the Registered Office of the Company at No 60, Dharmapala Mawatha, Colombo 03 not less than 48 hours before the time of the meeting.

2. In perfecting the form of proxy, please ensure that all the details are eligible.

3. If you wish to appoint a person other than the Chairman for calling him, one of the Directors of the Company and your proxy, please insert the relevant details.

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

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

6. In the case of a proxy signed by the Attorney, the Power of Attorney must be deposited at the Registered Office No 60, Dharmapala Mawatha, Colombo 03 for registration.

ACCOUNTING POLICIES

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

WATA

CSE identification code for the Company.

ACCRUAL BASIS

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

GSA

The Gross Sales Average. This is the average sales price obtained (over a period of time, for a kilo of produce) before any deductions such as Brokerage, etc.

NSA

The Net Sales Average. This is the average sale price obtained (over a period of time) after deducting Brokerage fees, etc.

COP

The Cost of Productions. This generally refers to the cost of producing per kilo of produce (Tea /Rubber /Palm Oil)

CPO

Crude Palm Oil

AMORTISATION

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

EBITDA

Earning before interest, tax, depreciation and amortization.

VALUE ADDITIONS

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

EARNING PER SHARE – EPS

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

ENTERPRISE VALUE – EV

Market Capitalization plus Debt, Minority Interest & Preferred shares minus total Cash & Cash equivalents.

ENTERPRISE MULTIPLE – EM

Enterprise Value (EV) divided by Earnings before Interest Tax Depreciation & Amortization (EBITDA)

MARKET VALUE ADDED – MVA

Shareholder funds divided by the market value of shares

PRICE EARNINGS RATIO - PE

Market Price of a share divided by earnings per share.

MARKET CAPITALIZATION

Number of Shares issued multiplied by the market value of each share at the year end.

NET ASSETS

Sum of fixed Assets and Current Assets less total liabilities.

NET ASSETS PER SHARE

Net Assets at the end of the period divided by the number of Ordinary Shares in issues.

RETURN ON EQUITY

Attributable profits divided by average shareholders' funds.

INTEREST COVER

Profit before tax plus interest charges divided by interest charges.

DIVIDEND COVER

Profit attributable to shareholders divided by gross dividend.

DIVIDEND PAYOUT

Profit paid out to share holders as dividends as a percentage of profits made during the year.

RELATED PARTIES

Parties who could control or significantly influence the financial and operating policies of the Company.

CONTINGENT LIABILITIES

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

IUCN

International Union for Conservation of Nature

PHDT

Plantation Human Development Trust

WORKING CAPITAL

Current assets exclusive of liquid funds and interest-bearing financial receivables less operating liabilities and non-interest-bearing provisions.

TOTAL BORROWINGS

Total borrowings consist of interest-bearing liabilities, fair-value derivatives, accrued interest expenses and prepaid interest income, and trade receivables with recourse.

NET BORROWINGS

Total borrowings less liquid funds.

CASH EQUIVALENTS

Liquid investments with original maturities of three months or less.

CURRENT RATIO

Current Assets divided by current liabilities

DEBT TO EQUITY RATIO

Borrowing divided by equity

GEARING RATIO

Interest bearing Capital divided by total Capital (interest bearing and non interest bearing)

TURNOVER PER EMPLOYEE

Consolidated turnover of the company for the year divided by the number of employees employed at the year end.

EXTENT IN BEARING

The extent of land. From which crop is being harvested. Also see "Immature Plantation"

CROP

The total produce harvested during a financial year

IMMATURE PLANTATIONS

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

MATURE PLANTATIONS

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

IN FILLING

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

REPLANTING

A method of field development where an entire unit of land is taken out of "bearing" and developed by way of uprooting the existing trees/bushes and replanting with new trees/bushes.

YIELD (YPH)

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

ISO

International Standards Organization

HACCP

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

5S

A Japanese management technique on the organization of the workplace. 5s stands for Seiri (Sorting), Seiton (Organizing), Seiso (Cleaning), Seiketso (Standardization), Shitsuke (Sustenance).

YoY : Year on Year

FY 13 : FY 2012/13.

FY 14 : FY 2013/14.

FY 15 : FY 2014/15.

FY 16 : FY 2015/16

1QFY14 : First quarter of the financial year 2013/14.

NP : Total comprehensive income

FFB : Fresh Fruit Bunches (Palm oil)

ROCE : Return on Capital Employed

CAPEX : Capital Expenditure

CORPORATE INFORMATION

Name of the Company
Watawala Plantations PLC

Legal form
A Public Company With Limited liability registered under Companies Act No 17 of 1982 and re-registered under the Companies Act No. 07 of 2007 and quoted on the Colombo Stock Exchange.

Date of Incorporation
18 June 1992

Registration No
PQ 65

Accounting Year
31 March

Directors
S. G. Wijesinha-Chaiman
G. Sathasivam (Alternate-S. G. Sathasivam)
V. Govindasamy - Managing Director
A. N. Fernando
M. S. Mawzoon
D. Ramanayake
B. A. Hulangamuwa
N. B. Weerasekare
P. Karunagaran (Alternate-T. Sidique)

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

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

Auditors
PricewaterhouseCoopers (Chartered Accountants)
PO Box 918,100, Braybrooke Place, Colombo 02

Bankers
Hatton National Bank PLC
Commercial Bank of Ceylon PLC
People's Bank
Amana Bank Ltd
ICICI Bank
MCB Bank Ltd
Nations Trust Bank
Seylan Bank
Cargills Bank Limited

Lawyers
FJ & G de Saram
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No 216, de Saram Place, Colombo 10

Nithya Partners
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