Sustainable Agribusiness

ANNUAL REPORT 2018/2019

Watawala Plantations PLC

a sunshine enterprise

Sustainable Agribusiness

As custodians of plantations, we take our responsibility to create sustainable value for our stakeholders in the long term as our primary responsibility. This is reflected in our business strategy, our values and the effective implementation of sound social and environment policies, recognizing the long term nature of our business cycles and the impact of our decisions. Even in lean times, our commitment to the long term goals has been paramount, often sacrificing the short term gains for the long term goal. This is our DNA. It is what defines Watawala Plantations and underpins the sustained value delivered to our stakeholders over the past 25 years.

Contents

About This Report

This is our 5th Integrated Annual Report setting out the performance for the financial year ended 31 March 2019. 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:

MANAGEMENT DISCUSSION & ANALYSIS

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

AN OVERVIEW

- ABOUT US
- AN INTRODUCTION
- PERFORMANCE HIGHLIGHTS
- CHAIRMAN'S MESSAGE
- MANAGING DIRECTOR'S MESSAGE

FINANCIAL STATEMENTS

- AUDITED FINANCIAL STATEMENTS

SUPPLEMENTARY INFORMATION

- 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

- 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

REGULATORY REQUIREMENTS

- 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. Thusith Jayawardana - Senior Manager – Finance
Tel. : : 077 7367783/011 4702490
e-mail : Thusith.Jayawardana@sunshineholdings.lk

About Us

Watawala Plantations PLC is an agribusiness company focussed on palm oil and dairy operations. With a market capitalisation of Rs. 3.7 Bn, we have the highest market capitalisation among all plantation companies in the Colombo Stock Exchange.

Our Business

3 Oil Palm Estates | 1 Palm Oil Mill

[WATAWALA PLANTATIONS]

+

1 Dairy Farm

[SUBSIDIARY]

=

Watawala Plantations PLC

[GROUP]

Strategic Alliances

60% Sunshine Holdings PLC

Pyramid Wilmar Plantations (Pvt) Ltd. **40%**

Estate Management Services Ltd. **74.24%** → Watawala Plantations PLC → **68%** → Watawala Dairy Ltd ← **32%** ← Duxton Asset Management Pte Ltd, Singapore

Our Business in Numbers

Employees	Total Assets	Property, Plant & Equipment	Carbon Footprint	Investment in Communities
1,546	LKR 6,702 Mn	2,200 Mn	13,726.42 tCO_2e	LKR 11.2 Mn

How we add value

- 3 Oil Palm Estates → 2,692Ha Cultivated
- 1 Palm Oil Mill → 11,870MT Palm Oil produced
- 1 Dairy Farm → 1, 285 Dairy Cattle
- State of the art milking parlour → 6.032Mn Liters of fresh milk produced

Relevance to economy		2018/19	2017/18
Employment generated	Nos	1,546	1,887
Residents on estates	%	45	36
Contribution to national palm oil production	%	47	46
Taxes paid to government	LKR Mn	159	283
Employee benefit liability as of 31st March	LKR Mn	212	194
Community services and infrastructure projects	LKR Mn	11.2	44.34
Foreign Exchange Saved from Import Substitution of Palm Oil	LKR Bn	2.9	4.5
Proportion of purchases from suppliers within Sri Lanka	%	98	90

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

Our Presence

2,692 Ha
of Palm Oil Plantations

01
Palm Oil Mill

1,285
Dairy Cattle

11,870 MT
of Palm Oil Produced

6.032 Mn Liters
of Milk

Performance Highlights

		2018/19	2017/18
Earnings Highlights and Ratios			
Company revenue	LKR Mn	2,588	4,764
GP Margin	%	51	29
Results from Operating Activities	LKR Mn	1,099	1,423
Profit before tax	LKR Mn	1,181	1,276
Profit after tax	LKR Mn	1,022	1051
Dividends	LKR Mn	452	352
Share buyback	LKR Mn	-	1,178
Earnings per share	LKR	5.08	4.52
Cash earnings per share	LKR	5	7
Interest cover	Times	26	14
Return on equity (ROE)	%	25.05	30.31
Pre-tax return on capital employed (ROCE)	%	21	25
Financial Position Highlights and Ratios			
Total assets	LKR Mn	5,251	4,700
Total debt	LKR Mn	226	260
Net debt (cash)	LKR Mn	27	113
Total shareholders' funds	LKR Mn	4004	3,453
No. of shares in issue	Mn	200.962	200.962
Net assets per share	LKR.	19.92	17.18
Debt / equity	%	5.6	7.5
Debt / total assets	%	4.3	5.5
Current Ratio	Times	1.98	1.61
Quick Assets Ratio	Times	1.77	1.18
Market / Shareholder Information			
Market price of share as at 31st March (actual)	LKR	18.50	28.90
Market capitalisation	LKR Mn	3,718	5,808
Enterprise value	LKR Mn	3902	3436
Total shareholder return	%	26	30
Price earnings ratio (PER) (diluted)	Times	5.08	6.39
Dividend payout	%	44	33
Dividend per share	LKR	2.25	1.60
Dividend yield	%	12	6

		2018/19	2017/18
Human Capital and Community Integration			
Employees	Nos	1,546	1,499
Average training hours per employee	Hrs	72	85
Retention ratio	%	99	94
Injuries	Nos	2	4
Employees resident on estates	%	45%	36%
Investment in communities	LKR Mn	11.20	44.34
Beneficiaries	Nos	3,101	3,026
Natural Capital			
Land extent	Ha	4,826	4,826
Land Cultivated	Ha	2,692	2,655
Plantations Age <6 years	Ha	911	1,033
Plantations Age > 6 years	Ha	1,782	1,622
CPO Yield	MT/Ha	3.77	3.68
Renewable energy	kWh	410,524	444,459
Energy Intensity	kJ/MT CPO	12.11	8.79
Carbon footprint	tC02e /MT	13,726.42	16,558.72
IUCN Red list – endangered/ critically endangered (threatened)	Nos	49	48
Manufactured Capital			
Production capacity	FFB MT	60,000	55,000
Capacity utilization	%	78.5	75.0
Capex during the year	LKR Mn	430,063	480,278
Social and Relationship Capital			
Strategic partners	Nos	1	1
Intellectual capital			
Innovations	Nos	2	3

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.

16 Peace, Justice and Strong Institutions

Initiatives Implemented	Our Impact in 2018/19
Our Board of Directors are committed to developing an effective, accountable and transparent institution based on strong principles of governance underpinned by our value system, in driving long term value for our stakeholders	• Most profitable company in the plantation industry • Recognized as an industry leader in driving social and environmental sustainability

8 Decent Work and Economic Growth

Initiatives Implemented	Our Impact in 2018/19
Our team of 1546 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 1.1Bn • Investment in training LKR 5.5Mn • Training coverage 53% • Zero child labour • Zero forced labour • 38% women workforce

2 Zero Hunger, 3 Good Health and Well-Being, 4 Quality Education, 6 Clean Water and Sanitation, 7 Affordable and Clean Energy, 11 Sustainable Cities and Communities

Initiatives Implemented	Our Impact in 2018/19
• 45% 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 8 child development centres • LKR 392,000/- student scholarships • LKR 2.0 Mn contribution to PHDT • 6 medical camps and programmes • LKR 2.23Mn investment in road networks	• Zero anaemia in children under 5 years • Encouragement of school children to pursue education. • 20 beneficiaries of new houses • 5 Beneficiaries of new latrines and sanitation facilities • 35 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 • Obtained ISO 14001 and 45001 certifications during the year

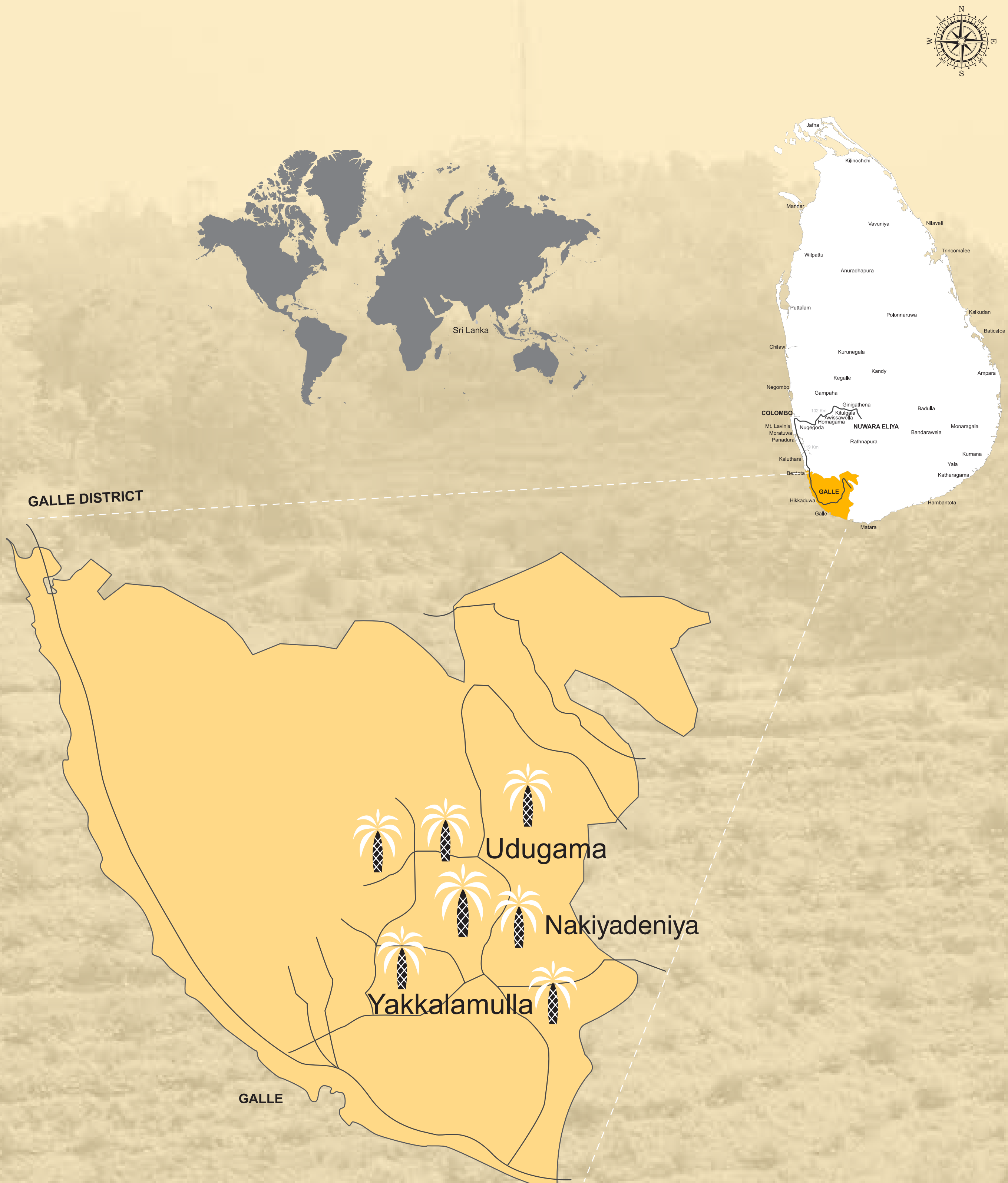
14 Life Below Water, 15 Life on Land

Initiatives Implemented	Our Impact in 2018/19
Biodiversity. • No deforestation • Zero open burning • Shade management • Chemical buffer zones near water bodies	• Identified 49 new species of fauna of which 16 are on the National Red List as Critically Endangered, Endangered or Vulnerable

13 Climate Action

Initiatives Implemented	Our Impact in 2018/19
• 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 – 13,726.42

Operational Locations



Chairman's Message

"Your company paid a final dividend of Rs.2.00 per share for the financial year having considered the cashflow for business needs and shareholder concern for returns."

Dear Shareholder,

I am pleased to report that Watawala Plantations PLC recorded a Profit after tax of Rs.763 Mn for the financial year ending 31 March 2019 in a year of transition, as we change to a new business model that is focused on two import substitution products, palm oil and milk. While palm oil is a mature business, dairy is new as we commenced commercial operations only in the previous financial year. It is commendable that Watawala Plantations maintains its position as the most profitable plantation company in the Colombo Stock Exchange even in a transition year as it absorbs initial losses of our fledgling dairy business.

A New Business Model

This is the first full year of operations focusing only on palm oil and milk as our key products, having completed the vesting of tea plantations in Hatton Plantations in the 2nd quarter of the previous year. Palm oil has been the key product that sustained the financial performance of the company during the year as the subsidiary, Watawala Dairy Ltd., reflects inevitable losses during this transition period. It is useful at this point to understand some aspects of the new business model which have a material impact on the operations.

Palm oil prices are a key determinant of our fortunes due to the change in our business model. These are impacted by a complex number of factors ranging from the strength of the Malaysia Ringgit, crude oil prices to import duties and government policy. Global palm oil prices trended downwards till end 2018 picking up in the 4th quarter of the financial year. This was impacted by an excess of supply as production increased in Indonesia and Malaysia outpacing demand growth which was subdued due to reduced demand from key importing nations India, China and the EU attributed to import duties to protect domestic production, uncertainty over US -China trade war. Prices have since picked up following increased demand for biodiesel by Indonesia and Malaysia and a slowdown in production attributed to seasonal effects. Additionally, the government increased the tariff on import of palm oil to protect the local coconut industry given the high price of coconuts supporting the price received for palm oil as a component of the price.

The revenue of our subsidiary revenue is dependent on the price paid for milk by large businesses. I am pleased to report that Watawala Dairy Farm milk is priced significantly higher than the government mandated minimum farmgate price of Rs. 66/- per liter of fresh milk due to the higher quality of the milk produced. The dairy operation is highly dependent on the cost of animal feed of which the main component is maize. During the year under review prices for this key input escalated due to the large scale pest infestation affecting a number maize plantations which resulted in a significant contraction in supply leading to increased costs.

Estate employees' wages continue to be determined through biennial wage negotiations with trade unions. Recent negotiations resulted in a wage increase of 6% and removal of productivity incentives introduced in the previous round of negotiations.

Performance

The company recorded a profit after tax of Rs,1.022 Bn on its Palm Oil operations which was reduced to a group profit after tax of Rs.763 Mn on consolidation due to losses made by the subsidiary. Total assets increased by 5% to Rs.6.7 Bn while net assets increased by 8% to Rs.3.9 Bn reflecting our time honoured practice of investing for the future. Leverage of the company and interest rate exposure remains at the same prudent levels as in the previous year.

Your company paid a final dividend of Rs.2.00 per share for the financial year having considered the cash flow for business needs and shareholder concern for returns.

Shareholder Value

The benchmark ASPI declined from 6,476.78 to 5,557.24 declining by 14.07% as the Colombo bourse was impacted by capital outflows on the strengthening of the US Dollar and political uncertainty which weighed on investor sentiments. Regrettably, the share price of the company declined from Rs.28.90 to Rs.18.50 during the year and market capitalization at the close of the year was Rs.3.7 Bn. It is one of the few listed companies that has a market capitalization on par with its net asset values after a year in which market capitalization of many blue chips dipped below net assets value. We are hopeful that market sentiments will improve in the future to enable recovery of shareholder value in the long term in line with our past track record of delivering consistent shareholder value.

Looking Ahead

Watawala Plantations will continue to engage with the government to discuss the way forward with Palm Oil given the adverse publicity which has resulted in curtailing expansion of oil palm plantations. We believe that few industries are able to function without adverse impacts on the environment and that the socioeconomic benefits need careful assessment and a balancing of stakeholder interests to determine an equitable resolution of the current impasse. Watawala Plantations has been a champion of sustainable agricultural practices with a proven track record in the past as affirmed by the plethora of international reputed certifications it held in the past prior to transfer of the same to the successor of its former tea plantations. We are in the process of obtaining the prestigious RSPO certification to affirm our continued commitment to sustainable oil palm cultivation which has been our practice to date. The foreign exchange saved through our import substitution agri business is equivalent to US$ 16 Mn and is a success story in its economic impact with a number of positive social impacts as well.

The venture in dairy farming is also an import substitution project which has saved the country US$ 2.8 Mn in foreign exchange outflows through scientific dairy farming. This venture commenced under the auspices of the Department of Agriculture who has issued the necessary licenses and also provided part of the livestock under a programme to make the country self-sufficient in milk to address nutrition needs, the need to discourage the use of milk powder and arrest the outflow of foreign exchange for import of milk powder.

Clear direction in policy and policy stability is a sine qua non for agri business which needs a long-term view and substantial capital investments to set up future ready agribusiness ventures with modern technology. We continue to take a long-term view of business and it is necessary that the governments must do so as well.

Governance Matters

A major shareholder of Watawala Plantations is Estate Management Services (Pvt) Ltd which is a joint venture between Sunshine Holdings PLC and Pyramid Wilmar Plantations. These strategic partners are all leaders in their respective fields and contribute significantly to our growth with expertise and networks. The Board composition includes three independent non-executive directors in accordance with the Code of Best Practice on Corporate Governance and other Board members are Non-Independent Non-Executive Directors representing shareholders of the joint venture partners with the exception of the Managing Director who is an executive officer of the company. We welcomed on Board Mr.Pratheepan Karunagaran as a Non-Executive Non-Independent Director who holds several Board positions with Wilmar businesses and brings a wealth of experience to the Board.

Mr.Lalith Ramanayake who was an Independent non-executive director and Mr.B.A.Hulangamuwa who was a non-independent non-executive director resigned during the year and we thank them for their valuable contributions made during their tenure.

Acknowledgements

I commend the team at Watawala Plantations who have delivered the performance set out in this report under the able leadership of Mr. Vish Govindasamy, the Managing Director overcoming and managing many challenges and uncertainties. I express my sincere appreciation of the contribution of our strategic partners and their representatives on the Board for their insights into the trends, opportunities and potential pitfalls of the business. I thank the customers, suppliers and other stakeholders who have shared our journey. In conclusion I thank our shareholders for their continued confidence as we transform into a diversified agribusiness company.

Sunil G. Wijesinha
Chairman
29 May 2019

> *"This is the first full year of operations focusing only on palm oil and milk as our key products, having completed the vesting of tea plantations in Hatton Plantations in the 2nd quarter of the previous year. Palm oil has been the key product that sustained the financial performance of the company during the year as the subsidiary,"*

Managing Director's Message

"This pillar covers deployment of good agricultural practices, sound human capital management and village integration providing a holistic framework for addressing the economic,"

Dear Shareholder,

Watawala Plantations has focused on unlocking the potential of the capitals managed by them, transforming marginally productive tea and rubber estates in to modern agri business ventures which support the country's self sufficiency in nutritional aspects, enhancing the country's food security. Our business model is now focused on two important import substitution projects, Palm Oil and milk production which reduces imports of edible oils and powdered milk.

Watawala Plantations recorded a strong performance delivering a Group profit after tax of Rs.763 Mn for the financial year ending 31st March 2019, recording the highest profits in the plantation sector. As in the past, we invested Rs.705 Mn in manufacturing capacity, biological assets and livestock enhancing our earning capacity. This is the company's first financial year reporting only on Oil Palm and Dairy as the previous year's results included 06 months of operations from tea plantations which were divested in the previous year.

Performance

Revenue of Rs.3.08 Bn for the current year includes Rs.2.47 Bn from Palm Oil and Rs.0.5 Bn from Dairy which were the two principal operations of the Group. Palm oil recorded the highest revenue in the history of the plantation supported by increased production of fresh fruit bunches (FFB) which offset declining prices with volume growth. FFB production increased by 6% as the yield per hectare improved. Revenue from Dairy operations increased by 191% as we increased the herd through the government programme of distributing heifers to drive milk sufficiency in the country. The price received for milk is well above the government stipulated farmgate price due to superior quality of milk due to careful attention to the nutritional requirements of the herd.

Profit for the year of Rs.763 Bn for the reporting year comprises PAT of Rs.1.022 Bn from Palm Oil and other operations and a loss of Rs.235 Mn in dairy comprises which was an

Edible oil market

Global (MT)	191 Mn
Market (MT)	175,000
WATA Contribution	6.8%
Palm Oil Prices	
High – (Apr 18)	701 USD
Low - (Dec -18)	535 USD
Hectares cultivated	2,692 ha

Milk

Production (litres)	385.7 Mn
Production increase	18.6%
% of consumption met by local production	40%
WDL Contribution	1.6%
Cattle Population	1.2 Mn
Milkers	240,000
Additional Milkers required for self sufficiency	250,000
WDL Milkers	0.35%

expected loss as the company is yet in its 2nd year of operations. PAT from palm oil reflects an increase of 25% due to higher yields as fertiliser regimes were changed supporting improved margins. While Dairy incurred a loss, it must be noted that the gross loss decreased as the yield per cow and selling price per litre increased while the cost of feed per cow decreased despite significant volatility in the price of maize.

Growth prospects for the company remains strong. A further 490 hectares of oil palm matures during the next 03 years increasing volumes and productivity. Dairy operations are also focus in maintain the 1,000 milkers of cattles over the next three years and maturing of lactation cycles for the existing herd. The Balance sheet of the company remains strong with no significant increases in borrowings as EBITDA of both companies improved.

Employee productivity and wages remain a key legacy issue for the entire plantation industry with employee costs accounting for 42% of revenue. Recent bi annual negotiations resulted in an increase of 6% while progress made on the introduction of an productivity incentive was withdrawn.

Sustainable Agribusiness

As an early champion of sustainability in the realisation that this is the only way forward for an agri business company, Watawala Plantations has embedded social license as a key strategic pillar. This pillar covers deployment of good agricultural practices, sound human capital management and village integration providing a holistic framework for addressing the economic, environmental and social aspects of our business. We are working towards external certifications by the Roundtable on Sustainable Palm Oil to become the first company in Sri Lanka to be awarded this prestigious certification affirming our commitment and investments in sustainability. As an agri business company, we are directly impacted by the vagaries of nature including climate change.

The health and safety of our people is a key priority as many live within the estates and a holistic programme addressing their well-being is in place. WATA completed all requirements and obtained ISO 45001: 2018 certification (Occupational Health and Safety management system) during the year, a reflection of our commitment to creating a safe work place, preventing injury and ill-health. We also operate 9 childcare centres to encourage women to return to work which has is extremely successful as we have a 100% return to work rate after maternity leave. Further 8 women empowerment teams have been established to improve their understanding of money management and other issues to uplift their lives. This work is supported by 18 consultative committees to address gender-based issues such as domestic violence, alcoholism and child health.

Positive Outlook

Despite the country's political uncertainty and recent terror attacks, we are determined to maintain normalcy and focus on supporting the livelihoods of over 3,000 people who depend on the efficient running of our businesses. As the production of both edible oils and milk is still short of the country's requirements for self-sufficiency we believe that there is room for further growth of these focus areas.

However, policy instability is a key consideration and continues to be based on populist views rather than objective analysis of facts and holistic stakeholder consultation. Consequently, progress on growth of Oil Palm cultivation has been stopped in accordance with directives. We continue to make representations in this regard and monitor the global debate on Oil Palm cultivations to understand the concerns and address them in a holistic manner. A stable policy environment is necessary to drive investments to optimise land and labour productivity and the nature of the business requires along term view.

Acknowledgements

I thank the team at Watawala ably led by the CEO for another successful year which would not be possible without their hard work. I express my appreciation of the counsel of the Board who have guided the company's transformation. We are appreciative of the support provided by our shareholders, customers, suppliers and strategic partners for their continued support on our journey.

Vish Govindasamy
Managing Director
29 May 2019

> *FFB production increased by 6% as the yield per hectare improved. Revenue from Dairy operations increased by 191% as we increased the herd through the government programme of distributing heifers to drive milk sufficiency in the country.*

IMPORT SUBSTITUTION

Sri Lanka imported 235,000MT of edible oil in 2018 of which palm oil is a key constituent. Growth of oil palms and production of palm oil has enabled savings of Rs.6 Bn in 2018. We are sharpening our focus on this vital strategy to create sustainable value for our stakeholders.

Board of Directors

	Mr. Sunil G. Wijesinha Chairman *(Non-Executive/independent)* Age : 70	**Mr. G. Sathasivam** Director *(Non-Executive/non-independent)* Age : 71	**Mr. V. Govindasamy** Managing Director *(Executive/non-independent)* Age : 55	**Mr. N. B. Weerasekera** Director *(Non Executive/independent)* Age : 60
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 two 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.	Fellow Member of the Chartered Institute of Management Accountants, UK. Holds a MA in Economics from University of Colombo. Holds a Degree in Physics from University of Peradeniya.
Other Key Positions	**Chairman** Hatton Plantations PLC Watawala Dairy Ltd United Motors Lanka PLC RIL Property PLC SC Securities (Pvt) Ltd Unimo Enterprises Ltd Orient Motor Company Ltd UML Property Development Ltd UML Heavy Equipment Ltd **Director** BizEx Consultancy (Pvt) Ltd Sampath Centre Ltd	**Chairman** Estate Management Services (Pvt) Ltd **Director** Sunshine Holdings PLC Hatton Plantations PLC Sunshine Healthcare Lanka Limited Healthguard Pharmacy Limited Sunshine Energy (Private) Limited Waltrim Energy Ltd Waltrim Hydropower (Pvt) Limited Upper Waltrim Hydropower (Pvt) Ltd Elgin Hydropower (Pvt) Ltd Sky Solar (Pvt) Ltd Lamurep Properties Limited Lamurep Investments Limited	**Managing Director** Sunshine Holdings PLC Hatton Plantations PLC **Chairman / Director** Watawala Tea Ceylon Limited Sunshine Healthcare Lanka Limited Watawala Dairy Limited Sunshine Energy (Private) Limited Waltrim Energy Ltd Waltrim Hydropower (Pvt) Limited Upper Waltrim Hydropower (Pvt) Ltd Elgin Hydropower (Pvt) Ltd Sky Solar (Pvt) Ltd Healthguard Pharmacy Limited Sunshine Packaging Lanka (Pvt) Limited Estate Management and Services (Pvt) Limited Tal Lanka Hotels PLC TATA Communications Lanka Limited	**Director** John Keells Hotels PLC Mahaweli Coconut Plantations Ltd Affno Virtual Market (Pvt) Ltd Hatton Plantations PLC
Board meeting attendance	4/4	3/4	4/4	4/4
Audit Committee attendance	4/4	-	-	1/4
Nomination and remuneration Committee attendance	-	-	-	-
Related Party Transactions review Committee	4/4	-	-	1/4

Mr. P. Karunagaran	**Mr. A. N. Fernando**	**Mr. M. S. Mawzoon**
Director *(Non-Executive/non-independent)* Age : 49	Director *(Non-Executive/independent)* Age : 72	Director *(Non-Executive/non-independent)* Age : 48
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.	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 eight years experience in various business industries.
Director Pyramid Wilmar Pvt Ltd Pyramid Wilmar Oils & Fats Pvt Ltd Joyspree Lanka Holdings Pvt Ltd Pyramid Wilmar Plantations Pvt Ltd Hatton Plantations PLC	Director Hatton Plantations PLC	Managing Director Pyramid Wilmar Pvt Ltd Pyramid Wilmar Oils & Fats Pvt Ltd Pyramid Lanka Pvt Ltd Director Wressle Holdings Pvt Ltd Joyspree Lanka Holdings Pvt Ltd Shangri-La Hotels Lanka Pvt Ltd Shangri-La Investments Lanka Pvt Ltd The Phone Company International Pyramid Wilmar Plantations Pvt Ltd Hatton Plantations PLC
-	4/4	4/4
-	4/4	1/4
-	-	-
-	4/4	1/3

Company Secretary

Corporate Advisory Services (Pvt) Limited

47, Alexandra Place

Colombo -07

Management Team

HEAD OFFICE EX-COM

Name	Department	Cost Center	Designation
Mr. B.N.Pananwala	Head Office	Administration	Chief Executive Officer
Mr. D.M.D.B.Daswatte	Head Office	Plantations	Deputy General Manager - Plantations
Mr. R.Thiruppen	Head Office	Risk Management	Deputy General Manager - Systems Assurance
Mr. P.L.T.P.Jayawardena	Head Office	Finance	Senior Manager - Finance
Mr. K.H.Thanushka	Udugama	Nakiyadeniya- Palm Oil Mill	Mill Manager

ESTATE EX-COM

Name	Department	Cost Center	Designation
Mr. G.M.U.R.K.Gunaratne	Udugama	Homadola	Acting Senior Manager
Mr. W.D.D.Daminda	Udugama	Nakiyadeniya- Palm Oil Mill	Senior Assistant Manager - Production
Mr. K.H.Thanushka	Udugama	Nakiyadeniya- Palm Oil Mill	Mill Manager
Mr. M.P.K.H.Hemachandra	Udugama	Nakiyadeniya- Rubber	Senior Assistant Manager
Mr. J.M.N.Seneviratne	Udugama	Talangaha	Acting Manager
Mr. S.N.Madanayake	Udugama	Talangaha	Acting Manager
Mr. S.T.R.K.Deshapriya	Udugama	Talangaha	Senior Assistant Manager

ESTATE MANAGEMENT TEAM

Name	Department	Cost Center	Designation
Mr. D.M.D.B.Daswatte	Head Office	Plantations	Deputy General Manager - Plantations
Mr. G.M.U.R.K.Gunaratne	Udugama	Homadola	Acting Senior Manager
Mr. K.H.Thanushka	Udugama	Nakiyadeniya- Palm Oil Mill	Mill Manager
Mr. J.M.N.Seneviratne	Udugama	Talangaha	Acting Manager
Mr. S.N.Madanayake	Udugama	Talangaha	Acting Manager

Corporate Governance

WATA is committed to sound corporate governance balancing interests of stakeholders and strengthening Board and management accountability. Strongly supported by the Sunshine Group through the involvement of common directors and within the umbrella of its own group structures, our governance practices have underpinned the Company's growth and stability while ensuring compliance with regulatory requirements and corporate values.

Corporate Governance Framework

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

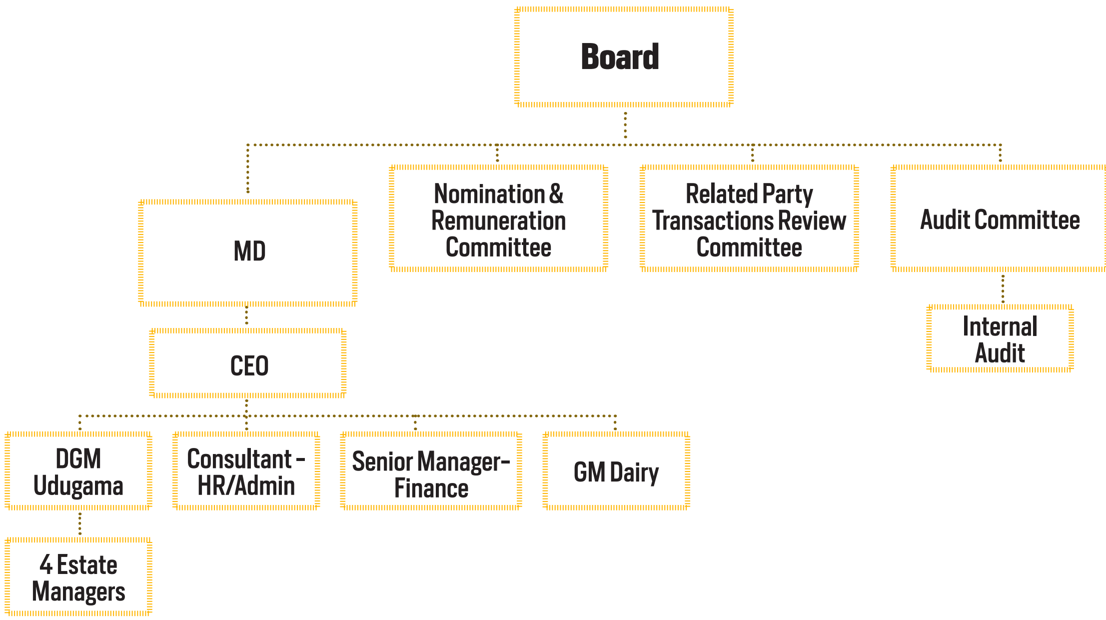
The Executive Committee (Ex-Com) assists in the decision-making process and is headed by the Managing Director.

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 Board delegates functions warranting greater attention, to the Audit Committee, Nominations & Remuneration Committee and Related Party Transactions Review Committee with oversight responsibility for same, enabling the Board to allocate sufficient time to matters within its scope.

The Company has complied with the Code of Best Practice on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka, which forms the basis for this report.

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 issued by the Institute of Chartered Accountants of Sri Lanka 2017
- Inland Revenue Act No.38 of 2000



Composition

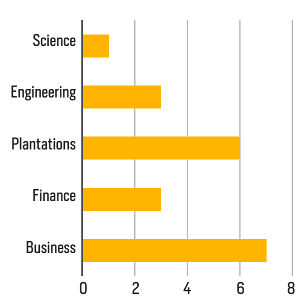
The Board comprises 7 members as at 31 March 2019, whose profiles are given on page 16 to 18. Apart from the MD, all members are non-executive.

The Board also comprises two Non-Executive, Non - Independent director nominated by Pyramid Wilmar Plantations (Pvt) Ltd, a joint venture between Asia's leading agri-business group Wilmar International Limited and Wressle Holdings Ltd, who holds a 40% stake in Estate Management Services (Pvt) Ltd. Sufficient balance of power minimizes the tendency for one or few members of the Board to dominate the Board processes or decision making.

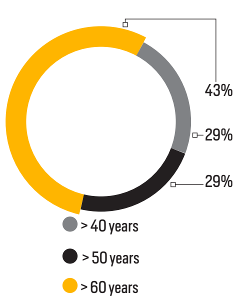
The Board is diverse in its experience, age and expertise contributing varied perspectives to boardroom deliberations and exercising independent judgment to bear on matters set before them.

All Directors possess financial acumen and knowledge gained through experience from leading large enterprises. Three directors including the Chairman of the Audit Committee, are finance professionals.

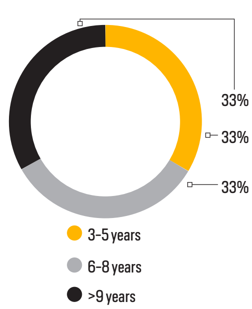
Board Expertise



Age Diversity



NED Tenure



Appointments, Re-Election and Resignations

- Mr L D Ramanayake and Mr B A Hulangamuwa resigned from the Board w.e.f. 10/06/2018 and 27/07/2018 respectively.
- Mr P Karunagaran was appointed a Director, wef 25.05.18
- Mr G. Sathasivam , Mr A.N. Fernando and Mr Sunil G. Wijesinha who are over 70 years will be re-elected at the AGM to be held on 27/06/2019 and have offered themselves for re-election.
- Mr. M S Mawzoon will be retired by rotation at the AGM to be held on 27/06/2019 and offer himself for re-election.

Board Composition

Chairman (Independent, Non-executive)	1
Independent Directors	2
Non-Executive, Non - Independent Directors	3
Executive	1

Appointment, re-election and resignation

Directors are appointed by the shareholders at the Annual General Meeting (AGM), 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. In compliance with the Articles of Association of the company, 1/3 of the Non-Executive Directors will retire from office on a rotational basis at each AGM. The Nominations and Remuneration Committee recommends the Directors for re-election, and approval by the Board, having assessed the Board's skill and knowledge composition in meeting the strategic demands of the company. 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. Appointments / resignations are communicated to the CSE. Appointment communications include a brief resume of the director.

Board Responsibilities

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 fulfil their duties.

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.

WATA has obtained adequate insurance cover for the Board and directors in accordance with the recommendations of the Nominations Committee.

Directors Independence

Directors exercise their independent judgement, promoting constructive board deliberations and objective evaluation of the performance of the Company.

Independence of Directors is determined by the Board, based on annual declarations submitted by NEDs.

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 and targets
- Appropriate delegation of authority

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.

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 1 non-executive / non independent director	Report of the Audit Committee, page 76 to 77.
Nominations and Remuneration 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 1 non-executive / non independent director	Report of the Nominations and Remuneration Committee, page 79.
Related Party Transactions Review Committee (RPTRC)	Review of related party transactions	Comprises 3 Independent non-executive directors including the Chairman and 1 non-executive / non independent director	Report of the Related Party Transactions Review Committee, page 78.

Meetings & Minutes

Attendance at Meetings

Total Number of Directors - 07

Board Attendance

Directors	Board	AC	NRC	RPTRC
Mr. S G Wijesinha	04/04	04/04	-	04/04
Mr. G. Sathasivam	03/04	-	-	-
Mr. V. Govindasamy	04/04	-	-	-
Mr. A. N. Fernando	04/04	04/04	-	04/04
Mr. M. S. Mawzoon	04/04	01/04	-	01/04
Mr. S G Sathasivam *(Alternate Director to Mr. G Sathasivam)*	00/04	-	-	-
Mr. L. D Ramanayake *(Resigned w.e.f. 10.06.2018)*	00/04	01/04	-	-
Mr. N. B. Weerasekara	04/04	01/04	-	01/04
Mr. B. A. Hulangamuwa *(Resigned w.e.f. 27.07.2018)*	01/04	00/04	-	00/04
Mr. P Karunagaran	00/04	-	-	-
Mr. M T Siddique *(Alternate Director to Mr. P Karunagaran)*	03/04	03/04	-	02/04

Agenda and Board papers are sent 7 days before the meeting, allowing members sufficient time to review same. 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 for times during the year.

The Chairman met informally with the Non-Executive Directors during the year and feedback was provided to the MD/CEO by the Chairman.

Resolutions concerning business matters may be passed by circulation, within regulations. However, if a single Director deems it necessary that such resolution must be decided at a Board meeting not by circulation, the director shall put the resolution to be decided in a meeting.

All board minutes are circulated to members, and formally approved at the subsequent Board meeting, Directors' concerns regarding matters which are not resolved unanimously are recorded in the minutes. Directors have access to the past Board papers and minutes in case of need via electronic means at all times.

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

Other Business Commitments and Conflicts of Interests

The Board is aware of other commitments of its directors and is satisfied that all directors allocate sufficient time to enable them to discharge their responsibilities 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 17. Related party transactions are given in Note 36 to the financial statements on page 144 to 145. The total number of Board seats (excluding directorship in WATA) held by each director as at 31st March 2019 is given below.

Company Secretary

M/s Corporate Services (Pvt)Ltd was appointed Secretaries to the Board and board sub-committees w.e.f. 1 April 2015. 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 Managing Director (MD)

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

- 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

MD's Responsibilities

- 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 , palm oil factory premises and dairy farm. The Board of Directors recognize the need to keep abreast of current developments affecting the sector both globally and locally with 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 Managing Director

Performance of the Managing Director is evaluated annually at year end by the Board against pre-determined criteria aligned to the short, medium and long-term objectives of WATA and agreed with the MD at the beginning of the year. Remuneration is revised based on performance.

Directors' and Executive Remuneration

Remuneration of the Chairman, Managing Director and the Executive Directors are determined by the Nomination and Remuneration Committee (NRC) 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 79.

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 NRC is responsible for making recommendations to the Board regarding the remuneration of the Managing Director (Executive Director) 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 MD is structured to link rewards to corporate and individual performance and takes into consideration performance and risk factors entailed in his job.

Remuneration is compliant with the provisions of Schedule E of the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka in 2017 and comprises two components, fixed remuneration and variable remuneration comprising of an annual performance bonus. No special early termination clauses are included in the contract of employment of Executive Directors that would entitle them to extra compensation. However, such compensation, if any, would be determined by the Board of Directors.

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 79 and details the names of members, the remuneration policy. Directors' Emoluments are disclosed in note 09 to the Financial Statements – Expenses by Nature, page 109.

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.

Code of Conduct and Ethics

The Company's Code of Conduct sets out the standard of conduct expected of all employees. 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. The Board is not aware of any material violations of any of the provisions of the Code of Conduct and Ethics/ Standard of Conduct by any Director or employee of the WATA

Disclosure of Major Transactions

During the year, there were no major transactions as defined by Section 185 of the Companies Act No. 07 of 2007 .

Relations with Shareholders

Engagement with shareholders and potential investors is a key element of good corporate governance. The Board is conscious of their responsibility towards stakeholders and is committed to fair disclosure, with emphasis on the integrity, timeliness and relevance of the information provided, to avoid the creation of a false market.

Communication with Shareholders

Shareholders are engaged through multiple channels of communication, including the Annual General Meeting (AGM)(detailed below), annual report, interim financial statements, a dedicated investor relations page on the company's website and notification of key events through announcements in the CSE.

The Annual Report presents a fair and balanced review of WATA's financial position, performance and prospects combining narrative and visual elements to facilitate readability and comprehension. All statutory requirements have been complied with in the Annual Report and the interim financials have been reviewed and recommended by the Audit Committee and approved by the Board of Directors, prior to publication.

WATA will post on its website as soon as practicable and after they have been released to the stock exchange, copies of annual reports, interim reports, stock information, stock exchange announcements, shareholder circular etc.

Shareholders also have the opportunity to ask questions, make the comments and suggestions to the Board through the Company Secretaries whose contact details are provided on page 181 of this report and the Investor Relations page of our website. All significant issues and concerns of Shareholders are always referred to the Board of Directors with the views of the Management.

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, MD 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. Details of votes cast against a resolution are made available at the AGM and subsequently posted on the Company website, as soon as practicable.

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 10 to 11
- Managing Director's Review pages 12 to 13.
- Accounting for Our Capitals on page 47 to 69.
- A Positive Outlook on page 66.
- Managing Risk on page 40 to 42.

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 70 to 73 (including the declaration that the company is a going concern)
- The Statement of Directors' Responsibility on page 75
- Report of the Auditors on page 83 to 85.

Risk Management and Internal control

The Board is responsible for formulating and implementing effective risk management and internal control systems to safeguard shareholder interests and the assets of the Company, delegating much of it to the Audit Committee. These systems cover all controls, including financial, operational and compliance and are monitored and regularly reviewed for effectiveness by the AC. Matters of concern are escalated to the Board. The Internal Audit Department supports the Audit Committee, reviewing the adequacy and effectiveness of WATA's internal control systems and reporting to the Audit Committee on a regular basis.

External Auditor

The External Auditor is appointed subject to the provision of the Companies Act. The Audit Committee (AC) makes recommendations to the Board for the appointment, re-appointment or removal of the External Auditor in-line with professional & ethical standards and regulatory requirements. The AC monitors and reviews the External Auditor's independence, objectivity and the effectiveness of the audit process and in the assignment of non-audit services, considering relevant professional and regulatory requirements.

On the recommendation of the Board, the shareholders approved the change in auditors to Messrs. KPMG (Chartered Accountants) as the External Auditor for 2018/19 at the last AGM. In compliance with Section 163 (3) of the Companies Act No. 07 of 2007, the External Auditors submit a statement annually confirming their independence in relation to the external audit.

Cyber security

The Board has identified the need for management of IT and cyber risk in preventing cyber fraud and disruptions to operations. The Head of IT is responsible for the management of cyber threats and reports to the CEO. Cybersecurity is discussed at the Executive Committee meetings with matters escalated to the Board where deemed necessary considering risk, impact and other prudential measures. It is also on the agenda of the Audit Committee and reviewed by Board through the Committee minutes.

Sustainability Reporting

This report is a full sustainability report. The GRI Index on page 170 to 175 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	16 to 17
7.10.2(a)	**Independent Directors (ID)** • 2 or1/3 of NEDs, whichever is higher, should be independent	Yes	Board Composition	16 to 17
7.10.2(b)	**Independent Directors (ID)** Each NED should submit a declaration of independence	Yes	Directors Independence	21 to 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	Directors Independence Directors' Profiles	21 to 22 16 to 17
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 Independence	21 to 22
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 17
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	Directors' Profiles	16 to 17
7.10.5	**Remuneration Committee (RC)**	Yes	Nominations and Remuneration Committee Report	79
7.10.5(a)	**Composition of Remuneration Committee** • Shall comprise of NEDs, a majority of whom will be independent	Yes	Nominations and Remuneration Committee Report	79
7.10.5.(b)	**Functions of Remuneration Committee** • The RC shall recommend the remuneration of the Managing Director's and NEDs	Yes	Nominations and Remuneration Committee Report	79

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

Rule No.	Requirement	Complied	Reference in this report	Page
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	Nominations and Remuneration Committee Report	79
7.10.6	**Audit Committee (AC)** • The Company shall have an AC	Yes	Audit Committee Report	76
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		76
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		76
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 AR shall contain a Report of the AC setting out the manner of compliance with their functions	Yes		76
	Related party transactions review committee • Names of Directors comprising the Committee. • Will monitor and approve recurrent and non-recurrent related party transactions as set out in the Group policy guidelines.	Yes	Related Party Transactions Review Committee Report	78

Compliance with the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka in 2017

Code Reference / Requirement	Complied	Reference in the report	Page
A Directors			
A.1 An effective Board should direct, lead and control the company			
A.1.1 Regular meetings information for meetings	Yes Yes	Meetings & Minutes	23 23
A.1.2 Role & Responsibilities of the Board	Yes	Board Responsibilities	21 to 26
A.1.3 Act in Accordance with laws Independent professional advice	Yes Yes	Compliance Board access to information and resources	25 03
A.1.4 Access to advise and services of Company Secretary Insurance Cover	Yes Yes	Company Secretary Board Responsibilities	24 22
A.1.5 - Independent Judgement	Yes	Directors Independence	22
A.1.6 Dedicate adequate time and effort to Board matters Sufficient time to review Board Pack	Yes Yes	Other Business Commitments & Conflicts of Interests Meetings & Minutes	24 23
A.1.7 Calls for resolutions by at least 1/3rd of Directors	Yes	Meetings & Minutes	23
A.1.8 Board induction and Training	Yes	Induction and ongoing training for Directors	24
A.2 Chairman & Chief Executive Officer - clear division of responsibilities.	Yes	Role of Chairman and MD	24
A2.1 Combining roles of Chairman and CEO	N/A		
A.3. Chairman's role in preserving good corporate governance	Yes	Role of Chairman and MD/CEO	24
A.4 Availability of financial acumen	Yes	Board Composition	21
A.5 Board Balance	Yes	Board Composition	21
A.5.1 sufficient caliber and number of NED	Yes	Board Composition	21
A.5.2 If only 3 NEDs, they should be independent	N/A	Not applicable	
A.5.3 Independence of Directors	Yes	Director Independence	22
A.5.4 Annual declaration by directors	Yes	Director Independence	22
A.5.5 Annual determination of independence.	Yes	Director Independence	22
A.5.6 Alternate Directors	Yes	Corporate Information	181
A.5.7 & A.5.8 Senior Independent Directors	N/A		23
A.5.9 Annual meeting with NED	Yes	Meetings and minutes	23
A.5.10 Recording of dissent in minutes	Yes	Meetings and minutes	23
A.6. Supply of Information	Yes	Board access to information and resources	03
A6.1 Quality information, timely	Yes	Board access to information and resources Chairman's Responsibilities	03 24

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

Code Reference / Requirement	Complied	Reference in the report	Page
A6.2 Timelines • Board pack • Board meeting minutes circulated within two weeks of the meeting being held.	Yes. No.	Meetings & Minutes	23
A.7. Appointments to the Board & Re-election	Yes	Appointment, Re-election and Resignation	23
A 7.1 Nomination Committee responsibility	Yes	Appointment, Re-election and Resignation	23
A7.2 Annual assessment of whether Board's skill and knowledge composition, meets Organisation's strategic demands	Yes	Appointment, Re-election and Resignation	23
A 7.3 Disclosure of Appointments to the Board	Yes	Appointment, Re-election and Resignation	23
A.8 Directors to submit themselves for re-election	Yes	Appointment, Re-election and Resignation	23
A8.1 Re-election in accordance with Cos Act	Yes	Appointment, Re-election and Resignation	23
A8.2 Re-election by shareholders	Yes	Appointment, Re-election and Resignation	23
A8.3 Resignation	Yes	Appointment, Re-election and Resignation	23
A.9. Appraisal of Board & Committee Performance	No.	A formal appraisal is not conducted.	-
A.10 Annual Report to disclose specified information regarding directors	Yes		
A.11 Annual appraisal of the CEO	Yes	Appraisal of MD/CEO	25
A11.1 Predefined targets	Yes	Appraisal of MD/CEO	25
A11.2 Year end appraisal	Yes	Appraisal of MD/CEO	25
B. Directors' Remuneration			
B.1. Remuneration policy	Yes	Remuneration Policy	25
B.2. Level & Make Up of Remuneration	Yes	Level and Make Up of Remuneration	25
B.3 Disclosures • Remuneration Policy statement • Aggregate Board remuneration paid • HRRC report	Yes	Remuneration Policy Financial Statements NRC report	25 86 to 157 79
C. Relations with Shareholders			
C.1. Constructive use of the AGM & Other General Meetings	Yes	Constructive use of Annual General Meeting (AGM)	26
C.2. Communication with shareholders	Yes	Communication with Shareholders	25
C.3. Major and Material Transactions	Yes	Disclosure of Major Transactions	25
D. Accountability & Audit	Yes		
D.1 Accountability & audit	Yes	Communication with Shareholders – Annual Report	26
D1.1 Balanced Annual Report	Yes	Communication with Shareholders	26
D1.2 Balanced and understandable communication	Yes	Relations with Shareholders	25

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

Code Reference / Requirement	Complied	Reference in the report	Page
D1.3 GMD/SMF declaration	Yes	Managing Director and Senior Manager's Finance Responsibility Statement	74
D 1.4 Directors Report declarations	Yes	Annual report of the Board of Directors on the Affairs of the Company	70 to 73
D1.5 Financial reporting -statement on board responsibilities,	Yes	Directors' Responsibility for Financial Reporting	75
D1.6 Management Discussion & Analysis	Yes	Capital reports	47
D1.7 Net Assets < 50%	Yes	In the unlikely event of the net assets of the company falling below 50% of Shareholders Funds the Board will summon an Extraordinary General Meeting (EGM)to notify the shareholders of the position and to explain the remedial action being taken.	
D1.8 Related Party Transactions report	Yes	Other Business Commitments and Conflicts of Interests	24
D.2. Risk Management & Internal Control	Yes	Risk Management and Internal control	40
D2.1 Monitor, review and report risk and internal control systems	Yes	Report of the AC	76 to 77
D2.2 confirm assessment and risks identified and mitigated	Yes	Principal risks	40 to 42
D2.3 internal audit function	Yes	Report of the AC	76 to 77
D2.4 Board responsibilities for disclosure	Yes	Directors' Statement on Internal Control	70 to 73
D2.5 Directors responsibility internal control system	Yes	Directors' Statement on Internal Control	70 to 73
D.3. Audit Committee	Yes	Audit Committee Report	76 to 77
D.4 Related Party Transactions Review Committee	Yes	Related Party Transactions Review Committee report	78
D.5. Code of Business Conduct and Ethics	Yes	Code of Conduct and Ethics	27
D 5.1 Board declaration for compliance with Code	Yes	Code of Conduct and Ethics	27
D 5.2 price sensitive information	Yes	Relations with Shareholders	25
D 5.3 Monitor Share purchase by Directors/ KPI	Yes	Other Business Commitments & Conflicts of Interests	24
D5.4 Chairman's statement	Yes	Code of Conduct and Ethics	27
D.6 Corporate Governance Disclosures	Yes	Corporate Governance Report	20
E /F . Institutional and other Investors			
E /F . Institutional and other Investors	Yes	Relations with Shareholders	25

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

Code Reference / Requirement	Complied	Reference in the report	Page
G. Internet of Things & Cybersecurity			
G.1 Identify connectivity and related cyber risks	Yes	Cyber Security	-
G.2 Appoint a CISO and allocate budget to implement a cybersecurity policy	Yes		
G.3 Include cyber security in Board agenda	Yes		
G.4 Obtain periodic assurance to review effectiveness of cybersecurity risk management	Yes		
G.5 Disclosures in Annual Report	Yes		
H. Environment, Society & Governance			
H Sustainability Reporting	Yes	Sustainability Reporting	-

Compliance Report – Finance

Reporting Institute	Subject	Responsibility	Deadline	Complied (Yes/ No)	Remarks
CSE/SEC	Quarterly Financial Report Q1 2018/19 Continue listing requirement and disclosure	Head of Finance	02nd August 2018	Yes	Q1 2018/19 Published on 08/08/18 Q2 2018/19 Published on 07/11/18 Q3 2018/19 Published on 12/02/19 Q4 2018/19 Published on 29/05/19
Department of Inland Revenue	VAT payment	Head of Finance	15th of following month	Yes	April - 15/05/18 Oct - 14/11/18 May - 14/06/18 Nov - 14/12/18 June - 13/07/18 Dec - 11/01/19 July - 15/08/18 Jan - 15/02/19 Aug - 14/09/18 Feb - 15/03/19 Sep - 15/10/18 Mar - 11/04/19
	VAT return	Head of Finance	31st of following month ending quarter	Yes	Q 1 – 20/07/18 Q 2-25/10/18 Q 3 – 31/01/19 Q 4- 30/04/19
	NBT payment/return	Head of Finance	20th of following month	Yes	April - 18/05/18 May - 20/06/18 June - 20/07/18 July - 15/08/18 Aug - 17/09/18 Sep - 15/10/18 Oct - 14/11/18 Nov - 14/12/18 Dec - 14/01/19 Jan - 15/03/19 Feb - 15/03/19 Mar - 11/04/19
	PAYE payments	Head of Finance	15th of following month	Yes	Outsourced and funds have been remitted
	ESC payments	Head of Finance	20th of following month ending quarter	Yes	Q1 - 20/07/18 Q2 - 15/10/18 Q3 - 11/01/19 Q4 - 17/04/19
	ESC return	Head of Finance	Annually	Yes	FY17 - 20/04/17 FY18 - 20/04/18 FY19 - 18/04/19
	Stamp duty	Head of Finance	15th of following month	Yes	Related only for salaries and funds have been remitted
	WHT payment	Head of Finance	15th of following month	Yes	15/08/18, 14/09/18, 15/10/18 15/11/18, 14/12/18, 14/01/19 15/02/19, 15/03/19
	WHT certificate issue to supplier	Head of Finance	30th day of following month	Yes	30/04/19
	WHT/ PAYE return	Head of Finance	30th April of following financial year	Yes	On Time
	Income tax payment – quarterly	Head of Finance	Within 45 days from end of quarter	Yes	Q1 - 15/08/18 Q2 - 15/11/18, Q3 - 15/02/19 Q4 - 15/05/19
	Filling of income tax estimate	Head of Finance	15th August of financial year	Yes	
	Filling of income tax return	Head of Finance	30th November of following financial year	Yes	30/11/18
	Assessment /default notices	Head of Finance	On given dates	Yes	n/a

Reporting Institute	Subject	Responsibility	Deadline	Complied (Yes/ No)	Remarks
Department of Labor	EPF payments	Head of Finance	30th of the following month	Yes	Funds have been remitted
ETF Board	ETF payments	Head of Finance	30th of the following month	Yes	Funds have been remitted
Department of Labor	Gratuity payment	Head of Finance	Within one month of retirement	Yes	
SLAASMB	Annual audited accounts	Head of Finance	Within six months -end of the financial year	LY- Yes CY- End of the financial year	n/a
Chairman & Board of Directors	Board approval taken for any new projects/ investments etc Directors interest	Head of Finance/ CEO	Relevant papers to be delivered to Directors 7 days prior to the Board meeting	Board minutes Yes	
Company and Subsidiaries	RPT compliance	Head of Finance	Relevant papers to be delivered to committee members 7 days prior to the Board meeting	Yes	
Documents requirement	Annual report and other filling Compliance with condition in bank facility agreements Labour regulations, OT, leave, safety and other relevant reports Corporate governance and codes Article not contravene	Head of Finance / Secretary	Relevant papers to be delivered to Directors 7 days prior to the Board meeting	Yes Yes Paid through service provider LY- Yes CY- Yes	

Creating Value

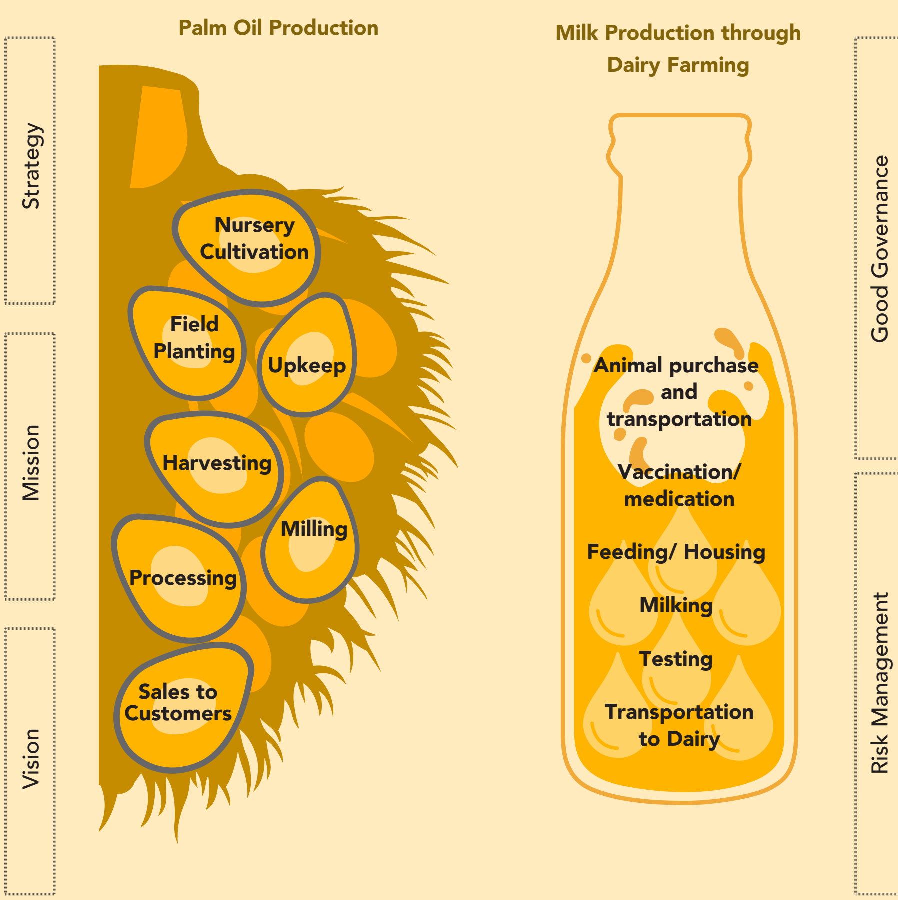
We strive towards realising our vision to be the most admired plantation company in Sri Lanka, supplying products of economic value to the nation, supporting food security and import substitution. We are focused on the sustainability of our practices, and on the welfare of our employees whilst achieving acceptable returns for our shareholders. Constantly benchmarking against industry standards and best practices. Today, Watawala Plantation is recognised as one of the most profitable and innovative plantations companies in Sri Lanka.

Value Creation Model

INPUTS

- Finance Capital
- Manufactured Capital
- Social & Relationship Capital
- Natural Capital
- Human Capital
- Intellectual Capital

HOW WE CREATE VALUE



VALUE CREATED

SHAREHOLDERS	CUSTOMERS	EMPLOYEES	COMMUNITY	SUPPLIERS	GOVERNMENT
PAT 763 LKR Mn Assets 6,702 LKR Mn	Palm Oil 11,870 MT Milk liters 5.87 Mn	Remuneration 1.1 LKR Bn Training 5.5 LKR Mn	Investment 11.2 LKR Mn	Purchases 382 LKR Mn	Taxes 159 LKR Mn Forex saving LKR 5 Bn

IMPACT

EMISSIONS	EFFLUENTS	WASTE	EMPLOYEE PRODUCTIVITY	CAPACITY UTILISATION	ENERGY INTENSITY
13,726.42 tCO2e	38,146 MT	2,093 MT	660,633 LKR profit per employee	78.5%	12.11 kJ/MT

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 04 and Finance Capital on page 48 to 50	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 65 to 66	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 58 to 65	45% 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 65 to 66	FFBs are purchased from Small scale plantations, accounting for approx. 7% 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 WAT	• Sustainable • Agricultural • Practices • Community • Welfare • Environmental practices
Government Refer Finance Capital Report on page 48 to 50	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 Organizations Refer Social & Network Capital Report on page 65	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 the 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**

	Sustainable Growth in Earnings	**Productivity**	**An Empowered Team**	**Responsible Manufacture**	**Social License**
Strategic Drivers					
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 52 Manufactured Capital Page 51 Intellectual Capital Page 64 Social and Relationship Capital Page 65		Uplifting Livelihoods Human Capital Page 58		
	Overall Finance capital Page 48 Corporate Governance Page 20 Risk Management Page 40				

Risk Management

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 into consideration when assessing risk influencing our rankings.

Impact / Severity

21	Catastrophi/ Extree Impact	5	10	15	20	25
16	Major / Very High Impact	4	8	2 12	1 16	20
11	Moderate High Impact	3	5 8 9 10 6	3 4 6 7 9	12	15
6	Minor Impact	2	4	6	8	10
1	Low InsignifIcant Impact	1	2	3	4	5
		Rate / Remote to occur	Unlikely to occur	Possible to occur	Likely to occur	Almost certain to occur
		1	2	3	4	5

Occurrence / Likelihood

The Color Matrix implies the following:

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

Determining Materiality

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.

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

Significance to Company

Significant Impact	High Impact	Critical
Low Impact	Significant Impact	High Impact
Not Material	Low Impact	Significant Impact

Significance to Stakeholder

RISK MANAGEMENT STRUCTURES & PROCESSES

Board of Directors
Bears ultiamte responsbility

Audit Committee
Assists the Board and has oversight responsibility

CEO
Risk Champion

Risk Management Executive Committtee
Comprises all Senior Managers

Estate risk Management Committee
Estate managers, Deputy Estate Managers, Chief Clerks and Senior Clerks

Risk Management Process

Evaluate how we create value

Stakeholder Engagement

Identify Risk Universe

Priorities risks

Determine material matters

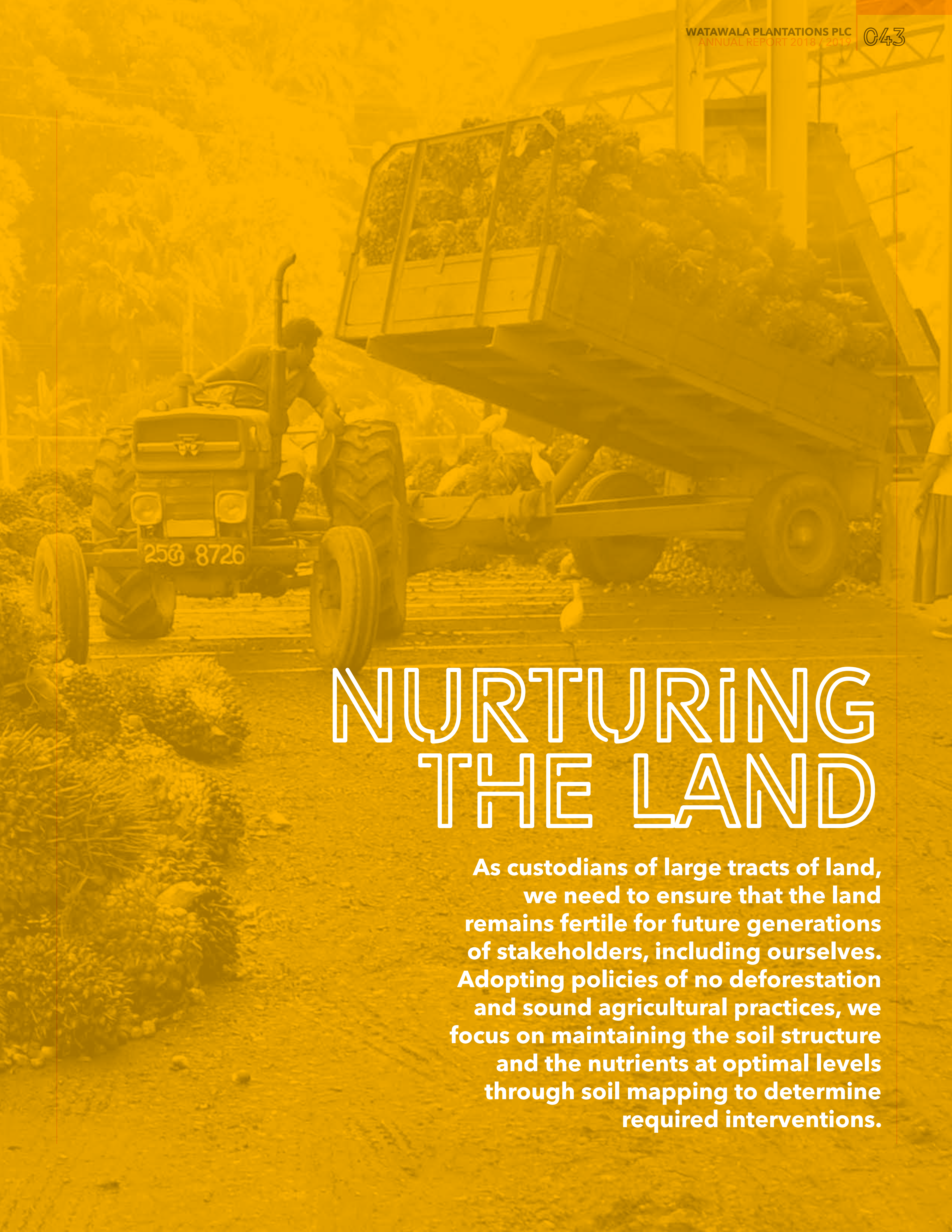
Determine boundaries for risk management

*** Risk Direction** Stable, No change → Increasing ↑ Decreasing ↓

Risk	Potential Impact	Mitigants	Risk Rating	Risk Direction *	Link to Strategy
STRATEGIC RISKS					
1. Social pressure 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	Overall Rating: 1 Probability of occurrence: 4 Severity of Impact: 4	→	**Social License**
2. 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 45	• 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	Overall Rating: 2 Probability of occurrence: 3 Severity of Impact: 4	↑	**Sustainable Growth in Earnings**
3. Government policy Changes in government policy from current drive to increase import substitution activity for edible oils to suspension, red tape etc on account of CEA concerns, social pressure	In ability to replace ageing palms on time resulting in lower yield and crop	• Engagement with government agencies, • Affiliation with industry associations • Representations on policy direction through Planters Association/ Palm Oil Industry Association	Overall Rating: 2 Probability of occurrence: 3 Severity of Impact: 3	↑	**Sustainable Growth in Earnings**
4. 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	Overall Rating: 2 Probability of occurrence: 3 Severity of Impact: 3	→	**Social License**
5. Natural Disasters, fire etc Loss resulting from extreme weather patterns or manmade 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	Overall Rating: 3 Probability of occurrence: 2 Severity of Impact: 3	→	

*** Risk Direction** Stable, No change → Increasing ↑ Decreasing ↓

Risk	Potential Impact	Mitigants	Risk Rating	Risk Direction *	Link to Strategy
OPERATIONAL RISKS					
6. Environmental impact of 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	Overall Rating: 2 Probability of occurrence: 3 Severity of Impact: 3	→	Responsible Manufacture Social License Sustainable Growth in Earnings
7. 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: 3 Severity of Impact: 3	→	Sustainable Growth in Earnings
8. 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: 3 Probability of occurrence: 2 Severity of Impact: 3	↑	An Empowered Team
9. 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	Overall Rating: 3 Probability of occurrence: 2 Severity of Impact: 3	↓	Productivity
10. 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: 3 Probability of occurrence: 2 Severity of Impact: 3	→	Sustainable Growth in Earnings



NURTURING THE LAND

As custodians of large tracts of land, we need to ensure that the land remains fertile for future generations of stakeholders, including ourselves. Adopting policies of no deforestation and sound agricultural practices, we focus on maintaining the soil structure and the nutrients at optimal levels through soil mapping to determine required interventions.

Operating Environment

Economic environment

Sri Lanka

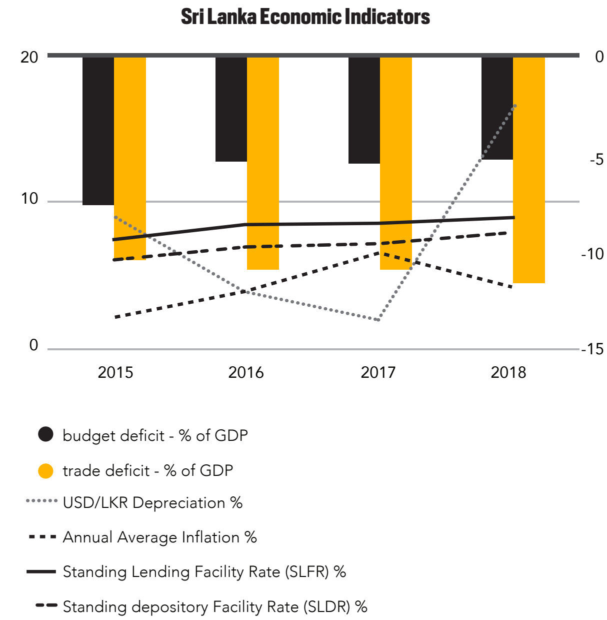
Sri Lanka's GDP growth moderated to 3.2% in 2018 (2017 - 3.4%) driven by Services and Agriculture (which rebounded due to improved weather conditions) sectors. Lower food prices helped curb inflationary pressures to single digit level. Considering the low inflation and subdued economic performance during the last two years, the Central Bank of Sri Lanka (CBSL) moved away from a tighter monetary stance to neutral, in April 2018.

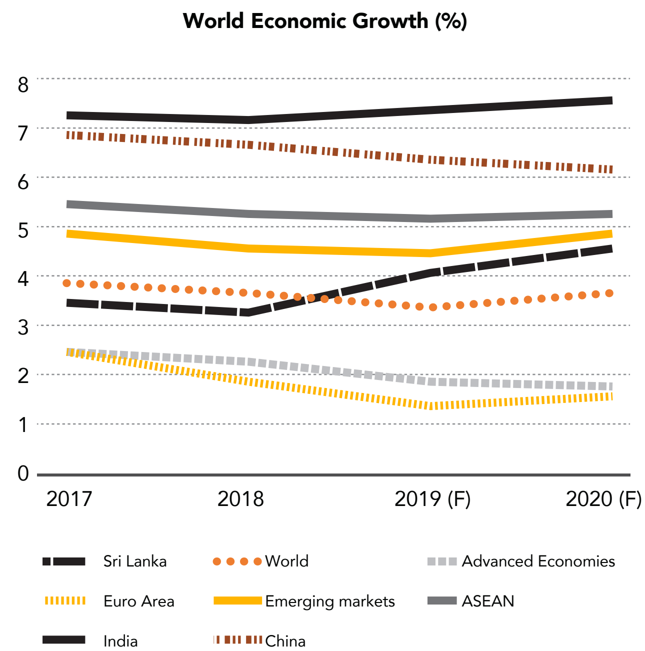
Performance of the external sector was less favourable with the Balance of Payments (BOP) being negatively impacted by widening deficits on both the trade and current accounts during the year. Import expenditure significantly outpaced export earnings, while monetary policy normalization, particularly in the US, resulted in global financial conditions tightening, causing capital outflows from vulnerable economies like Sri Lanka and increased pressure on exchange rates. The situation was aggravated by the political stress towards the end of the year and the subsequent downgrading of the country's sovereign rating. The exchange rate depreciated significantly by 16.4% in 2018, impacted by US Federal policy and adoption of a market-based exchange rate policy by the CBSL.

However, by early 2019, pressure on the BOP and the exchange rate subsided following increased inflows from Foreign Direct Investments and borrowings, a lower budget deficit given delay in the implementation of budgetary operations in the aftermath of the political tensions, global financial markets becoming less unfavourable and the Central Bank and the Government implementing a series of proactive monetary and fiscal policy initiatives and measures including curbing imports through tariffs and margin requirements.

Global

Despite a resurgence of manufacturing and trade activity in 2017, global expansion moderated to 3.6% by end 2018, amidst economic and political headwinds. Mounting trade tensions between China and the USA, China's managed slowdown, dampened consumer and business confidence in the EU and UK plagued by uncertainty over Brexit and tighter financial conditions in vulnerable markets consequent to the tightening of monetary policy by the USA, impacted world economic activity. Conditions marginally eased in early 2019 following indications of a more accommodative monetary policy stance by the US Federal Reserve and possibility of a US–China trade deal. These geo-political forces influenced supply, demand and consequently pricing of global commodities which our palm oil business is a part of.





Industry environment

Global Palm Oil Industry

Growing demand

6.8% ↑

The global palm oil market grew by CAGR of during 2011-2018 to 77 Mn Tons in 2018, accounting for the largest market share in vegetable oils followed by soybean oil.

Largest producers

85%

Indonesia, Malaysia accounting for 85% of global production

Largest consumers

India, Indonesia, China, European Union, Malaysia

Industry concerns

Sustainable Practices - Increased focus on climate change and human rights, has led to greater scrutiny and demand for producers to adopt environmental and socially responsible practices. 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.

Zero Deforestation / New palm oil developments - Global concerns over deforestation and impact to bio diversity, particularly in Indonesia and Malaysia, is driving the need for balanced development - limited expansion of planted areas while maximising value by intensifying yield productivity and operational efficiency from existing landbanks.

EU Ban of biofuels made from palm oil - The European Parliament issued a resolution in 2017 to phase out and eventually ban biofuels made from palm oil over its environmental impact. The EU ban could reduce demand for palm oil, although many, including the International Union for the Conservation of Nature (IUCN) have reservations over its effectiveness in stemming deforestation. The ban is being challenged by palm oil producers.

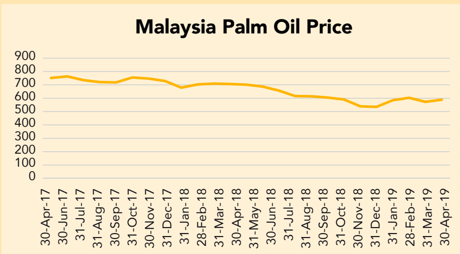
Global pricing

Global palm oil prices trended downwards till end 2018 picking up from Jan 2019, impacted by supply demand factors.

post El-Nino production recovery in Indonesia and Malaysia, continued to outpace demand growth.

Reduced demand from key importing nations India, China and the EU attributed to import duties to protect domestic production, uncertainty over US -China trade war and campaigns to ban the consumption of palm oil, respectively

Prices have since picked up following increased demand for biodiesel by Indonesia and Malaysia and a slowdown in production attributed to seasonal effects.



Source : https://ycharts.com/indicators/palm_oil_price

Growth Drivers

Three quarter of consumption is in food applications given its chemical properties as a versatile, cheap and edible oil. Popular in populated, booming emerging economies.

Growing demand as a biofuel

Shift to palm oil from soybean given health benefits and stringent regulations on consumption of trans-fat foods in the U.S. and Europe.

Industrial applications such as soap manufacture

The Sri Lankan Context

Growing demand for palm oil production

Demand for palm oil is growing as a cheaper, close alternative to Coconut oil. Annual average production of 53,000 MT of coconut oil and 18,000 MT of palm oil is insufficient to meet the national edible oil requirement of 160,000 MT/pa. Short fall of 89,000MT is imported. (source: CEA report , 2018). Palm oil imports grew 11.5% in 2018 on the back of lower domestic coconut oil production and decline in global palm oil prices.

Producers

2 key players - WATA and AEN Palm Oil Processing (Pvt.) Ltd - a joint venture between Agalawatta Plantations, Elpitiya Plantations & Namunukula Plantations, with production capacity of 45,000 MT each. Combined cultivation is over 9000 ha in the Galle District

Threats

Social pressure against palm oil cultivation

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, particularly on depletion of ground water levels and soil fertility. Following a scientific study on the environment impact of oil palm cultivation undertaken by the Central Environmental Authority (CEA) in 2018 , the CEA has recommended the ban of new plantations.

The Palm Oil Industry Association (POIA) comprising of industry stakeholders promoting common interests and advocating 'Sustainable Growth through Responsible Production.' , is working closely with a committee formed by the National Economic Council to address some of the strictures made by the Central Environment Authority (CEA).

Unfavourable Weather

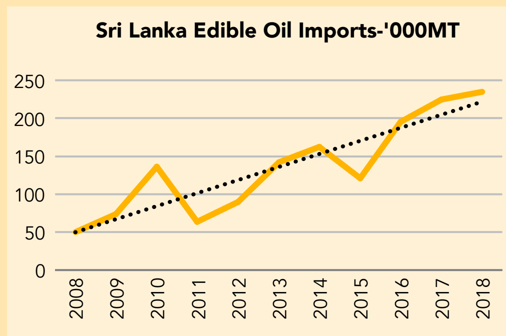
Unfavourable weather conditions such as drought can adversely impact crop and production volumes.

Threats

Industry opportunities

Import substitute

The country imported 235,000 MT of oils and fats in 2018 (2017 – 225 k MT) at a cost of Rs 29 bn. Increased local production of palm oil will reduce imports, save foreign exchange and contribute more towards GDP.



Government policy

Government recognized the vast potential for import substitution and in 2015 took a policy decision to expand Sri Lanka's oil palm cultivation up to 20,000 hectares by 2025. Following concern over social pressure and the Central Environment Authority (CEA) report (described under Threats), the Government has indicated the continued implementation of policy subject to adoption of policy guidelines on Good Agricultural Practices (GAP), procedures and protocols which are being developed by the National Economic Council.

Import tariff

The import tariff for palm oil was raised during the year to protect the local coconut industry, given the high market price of coconuts.

Cash crop

Palm oil produces the highest yield and is the most economical plantation crop in the world - deriving comparably higher financial profits and contributing to efficient use of arable land.

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.

Finance Capital
page 48

Manufactured capital
page 51

Natural Capital
Page 52

Human Capital
page 58

Intellectual Capital
page 64

Social and relationship capital
page 65

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 third consecutive year, on the back of favourable weather conditions, increase in hectarage of mature plantations and most significantly, steady rise in average selling price underpinned by price hedging against falling market prices. Group profitability, yet strong, was impacted by the startup losses of Watawala Dairy Limited, in its second year of commercial operation. A robust Statement of Financial Position reflected acceptable liquidity and low gearing.

		Group		Company	
		2018/19	2017/18	2018/19	2017/18
Revenue	LKR Mn	3,082	4,949	2,588	4,764
GP Margin	%	37	25	51	29
Operating profit	LKR Mn	1,036	1,150	1,176	1,226
PBT	LKR Mn	922	1,163	1,181	1,276
PAT	LKR Mn	763	939	1,022	1,051
EPS	LKR	4.17	4.16	5.08	4.52
ROE	%	18.86	28.69	25.05	31.31
Total assets	LKR Mn	6,702	6,411	5,251	4,700
Debt/Equity Ratio	Times	0.32	0.41	0.02	0.08
Current Ratio	Times	0.98	1.63	1.98	1.61
Quick assets Ratio	Times	0.80	1.11	1.77	1.18
MPS - 31/03	LKR	18.50	28.90	18.50	28.90
Price Earnings Ratio	times	4.17	7.15	5.08	6.39
Dividend per share	LKR	2.25	1.60	2.25	1.60

Group Revenue
3,082
LKR Mn

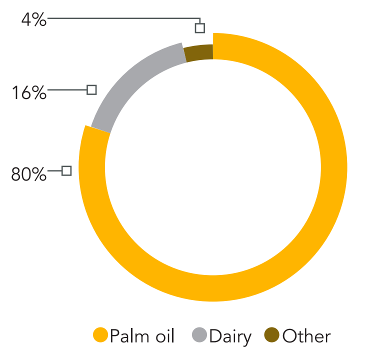
GP margin
37%

PAT
763
LKR Mn

Total assets
6,702
LKR Mn

Debt/Equity ratio
0.32
Times

Revenue - %

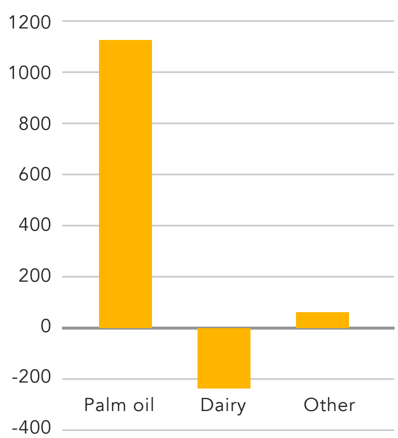


		2018/19
Revenue	LKR Mn	3,081
Gross profit / Margin	LKR Mn /%	1,140 / 37%
Operating profit	LKR Mn	1,036
PBT	LKR Mn	922
PAT	LKR Mn	763

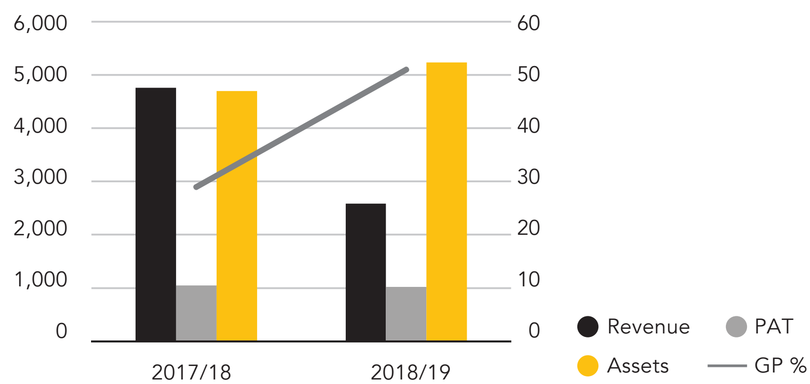
Strong Company Financials reflecting substantial profits in excess of Rs 1bn and healthy balance sheet with growth in assets, low gearing and strong liquidity.

WATA invested in a three-year debenture issued by WDL in June 2018 and valued at LKR 174Mn as at March 31,2019. Maturity value LKR 231Mn.

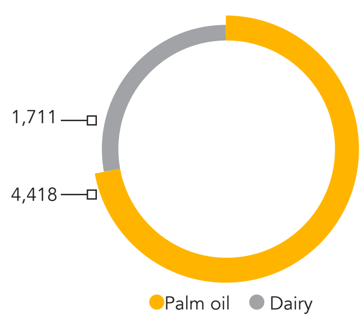
Profit Before Tax - LKR Bn



Company Highlights



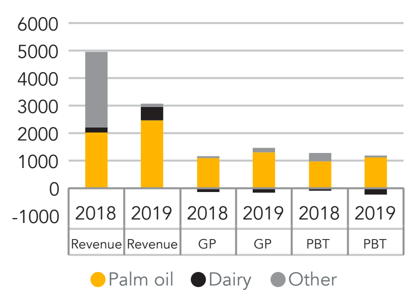
Assets - LKR Bn



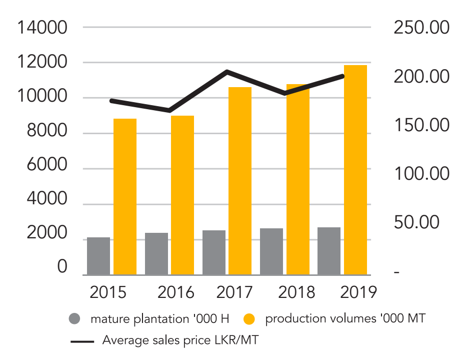
Reduction in turnover and profits in comparison to FY 2017/18 is attributed 6 months financial performance of Tea business included in Company financials for 2017/18, which business was segregated and vested by operation of the law in terms of Section 256 of the Companies Act No 7 of 2007 with Hatton Plantations PLC (HPL), with effect from 30 September 2017. Financial highlights of Tea for 6 months ended September 30, 2017/18 are given long side.

Revenue

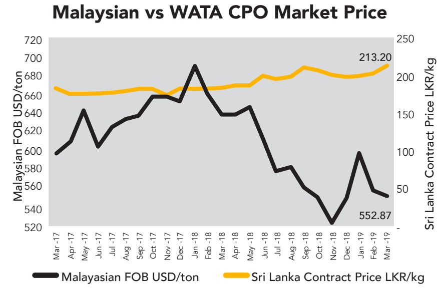
Group Revenue, GP and PBT



Palm Oil



Malaysian vs WATA CPO Market Price



Group revenue reflects a reduction by 54% due to the inclusion of 6 months revenue from tea business in the FY 2017/18 as explained above. In reality, revenue from palm oil and dairy grew by 22% and 184% respectively, during the FY 2018/19. Palm oil revenue was driven by 10% growth in CPO production volumes to 11,870kg and steady increase in average selling price, underpinned by forward contracts. WATA selling 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. While global market prices exerted downward pressure as explained on page 49 – Operating Environment, local import duty was increased during the year to protect local coconut oil production.

Revenue from Diary increased as the number of milkers increased to 851 by year end (2017/18 – 602) on completion of set up of project. 5.87Mn litres of milk was sold at an average net sales price of Rs 84/- per litre, substantially higher than the government farmgate price of Rs 66.88 per litre (CBSL Annual Report 2018) given the superior solid fat content in the milk attributed to the TMR meal plan provided.

Gross Profit

Company and Group GP margins both increased following the vesting of tea business in HPL. Group margin is lower than Company on account of Watawala Dairy losses. WATA is focused on improving cost efficiencies and productivity to enhance GP margins, including the following initiatives;

- driving lean management and reduction of waste.
- 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 52 to 57
- reducing cost of feed concentrate of herd

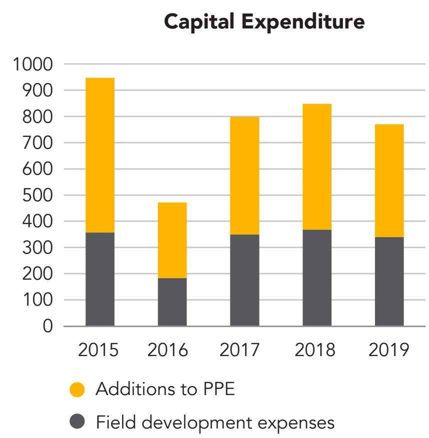
Pre-Tax Profit

Palm oil accounted for 121% of total profits before tax and Other Businesses 7%, before off setting start-up losses of Dairy . Other Businesses include Tea Exports and sale of Cinnamon and Timber.

Assets

Total assets grew 5% to over LKR 6.7Bn underpinned by field development expenses on bearer plants, investments in property, plant and equipment and increase in live-stock. Asset turnover increased from 1.30 times to 2.18 times reflecting improved efficiency in asset utilization.

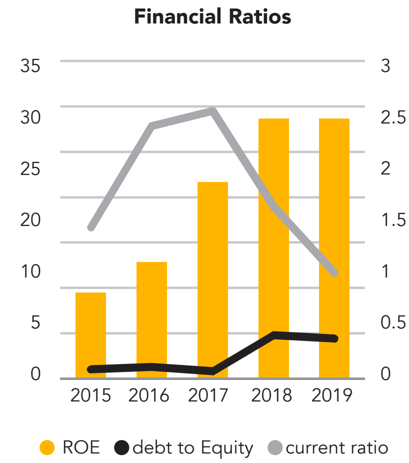
Capital Expenditure



Field development expenses on adoption of sustainable agricultural practices applied to immature plantations including pruning and planting, (which activities are more fully described in Biological assets under Natural Capital, page 52 to 57) declined to LKR 323 Mn (2017/18 - LKR 345Mn), given the reduction in area identified as suitable for replanting by the Sustainability team, based on physiological testing. The number of trees planted per hectare was also reduced in 2018/19 to allow optimum space for plant growth.

Purchase of property, plant and equipment decreased to LKR 277Mn (2017/18- LKR 954Mn), largely on completion of the setup of the dairy farm. Key investments include building for the dairy farm, estate motor vehicle purchases and palm oil factory machine upgrades and replacements.

Liquidity and Capital Structure

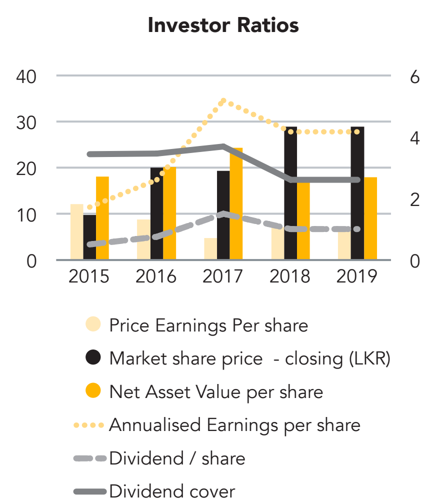


Group current ratio, quick asset ratio and debt-equity ratio reduced in 2018/19 to yet acceptable levels, following enhanced borrowings to fund construction of the Dairy farm.

Cashflows

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

Return to shareholders



Manufactured Capital

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

Property plant and Equipment
686
LKR Mn

CPO Production Capacity
14,000
MT

Factory utilisation
78%
LKR Mn

CPO Produced
10,848
MT

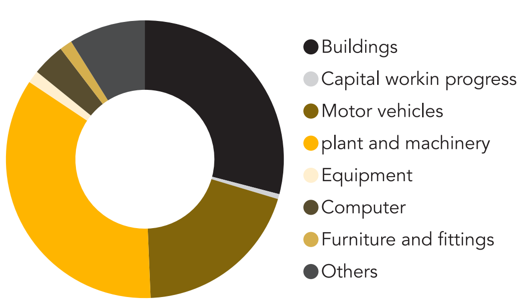
CAPEX
430
LKR Mn

		2018/19	2017/18
Net Book Value - PPE	LKR Mn	668	611
Buildings	LKR Mn	197	187
Plant & Machinery	LKR Mn	240	236
Capital WIP	LKR Mn	4	21
Capex during the year	LKR Mn	430	480
Processing capacity	FFB MT/pa	60,000	55,000
Capacity utilization	%	78.50	75.00
CPO Production	KG	10,848	9825
KPO Production	KG	1,022	946
CPO extraction rate	%	23.50	23.52
KPO extraction rate	%	2.22	2.27

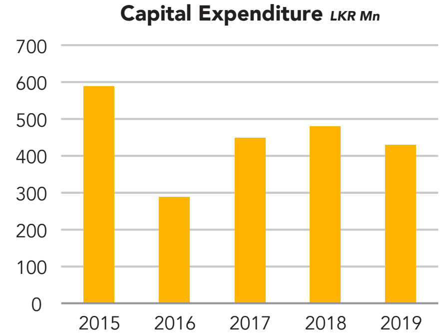
Our factory mill has the capability to produce 14,000 MT/pa of Crude Palm oil and 1,350 MT/pa of Kernel Palm Oil. Other key features of the plant include the conversion of methane gas to lower GHG emitter CO2 by flaring, a water treatment plant, production of Bio-gas used to heat the steam turbine and production of Bio waste used as compost on the fields through the decanter.

Current factory utilization is approximately 78%, operating on two shifts. Capacity utilization increased from 75% last year, following higher FFB production during the year attributed to favourable weather conditions and the purchase of FFB from other plantation companies from this year onwards. Bought crop accounted for 7% of total FFB processed in 2018/19.

PPE - 2018/19



Capital Expenditure *LKR Mn*



Natural Capital

As a responsible producer of sustainable palm oil, we are committed to upholding the right practices and policies in nurturing our plantations to produce high yielding, quality products while safeguarding our natural resources.

Biological assets

Cultivated Land 2,692 ha

Prime biologicl assets between 6 to 20 years of age 60%

Crude Palm Oil Produced 10,848 MT

Kernal Palm Oil Produced 1,022 MT

CPO Extraction rate 23.5% LKR Mn

		2018/19	2017/18
Land	Ha	4826	4826
Cultivated land	Ha	2692	2655
Palm oil -Nurseries	LKR Mn	17	15
Palm oil -Immature plants	LKR Mn	881	574
Palm oil -Mature plants	LKR Mn	2426	2037
Age <6 years	Ha	910.52	1033
Age > 6 years	Ha	1781	1622
Fresh Fruit Bunches processed	MT	46167	41785
Yield / hectare	FFB/ha	16359	15637
CPO Production	KG	10848	9825
KPO Production	KG	1022	946
CPO extraction	%	23.5	23.52
KPO extraction	%	2.22	2.27
Field development Expenses	LKR Mn	323	345
Biological assets - cinnamon	LKR Mn	75	73

Our palm oil plantations are located in Udagama, Galle, where the climatic conditions are suitable for planting oil palms. Of the total land extent of 4,826 ha palm oil accounts for over 55% and tea, rubber, timber, cinnamon and other minor crops the balance. We hold the land rights to these plantations on a 53-year, leasehold basis obtained from the Government in 1992.

WATA is committed to enhancing land productivity by engaging in good agricultural practices that sustains the environment. We are guided by our Agricultural Policy that balances stakeholder concerns, prevents abuse of the environment and nourishes the soil using environment friendly measures. Our work towards gaining Roundtable on Sustainable Palm Oil (RSPO) certification further demonstrates our commitment to responsible practices.

Key investments / upgrades – 2018/19

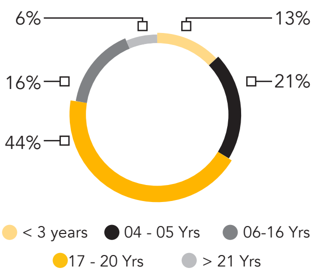
- **High performance decanter - for efficient, reliable separation of liquid, dry solids (cake) and oil, maximising oil recovery while improving effluent treatment and energy consumption.**
- **Vacuum dryer - to dry the oil and minimize moisture content, improving oil quality**
- **Variable frequency drives - saving electricity and improving energy efficiency**

No Deforestation and Zero Burning policy

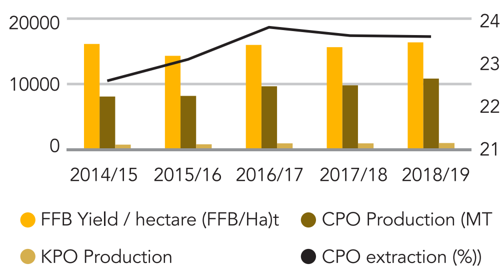
We practice a 'NO DEFORESTATION' and 'ZERO BURNING' policy. Development of palm oil has been through the replacement of unproductive, aged rubber plantations, avoiding deforestation, a key industry concern in other parts of the world. Rubber trees are cut from the stump without uprooting and together with shrubs buried in the earth, enriching and conserving the fertility of our soils.

60% of our plantations are between 6 to 20 years of age, positioning WATA well for strong production growth over the short term.

Plantation Age Profile



Yields and Rates



WATA's GAP 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. These include;

- 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 fertilizers.
- Minimization 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
- 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
- Identification of lands within the estate suitable for palm cultivation by the Sustainability team, considering results of soil testing, steepness of slopes, proximity to water catchment areas to ensure optimum yields while balancing stakeholder interests.

GOOD AGRICULTURAL PRACTICES (GAP)

Favourable weather conditions and an increase in the hectarage of matured plantations contributed to an increase in FFBs harvested during the year, driving an overall increase in CPO and KPO production. These factors combined with WATA's continuous investments in field development expenditure and engagement in good agricultural and agronomic practices for sustainable production, resulted in an increase in FFB/ yield /ha. Despite the improvements, CPO extraction rate remained flat following a ten day/ almost two week island wide strike by estate workers in December 2018 (as explained on page 60) delaying harvesting and delivery of plucked FFB to factory. FFB plucked at optimum ripeness and milled within 24 hours yields maximum palm oil output. CPO production fell in 2017/18 owing to the prolonged drought.

Culivated lands increased marginally during the year given seedlings were planted only in lands identified as ideal for palm cultivation by the Sustainability team.

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.

Immature Plants

WATA invests substantially in the early years of development and ongoing maintenance, involving fertilisation and weeding, to ensure trees are in optimal condition to deliver the best output. Our laboratory provides specific agronomy recommendations based on site specific trials and tests.

Mature Plants

Commercial harvesting begins from 3 years onwards reaching peak between 7 to 18 years. Life span is 25 years. 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.

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 environmentally 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	2018/19	2017/18
Fresh Fruit Bunches processed	MT	47,379	41,785
Chemical consumption intensity	Per Ha per Annum	1.65L/Ha	1-1.2 L x 02 rounds
Total energy consumed - Mill	KwH '000	1,422	1,309
Renewable energy - Mill	%	28.86	34.33
Energy intensity ratio - Mill	kWh / MT of FFB	30.81	31.06
Water withdrawal (M3) - Mill	M3	46,370	30,814
Water intensity - Mill	M3/ MT of FFB	1.004	0.798
Carbon footprint	t CO_2 e	13,726.42	16,558.72
Carbon intensity	t CO_2 e/ t CPO	1.156	1.684
IUCN Red list – endangered/ critically endangered (threatened)	Nos	49	48

Responsible Chemical Consumption

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

We are conscious of the need for responsible consumption of our key input materials fertilizer and agro chemicals to minimize risks to employees, communities and the environment in which we operate.

While chemical usage increased during the year driven by favourable weather conditions and potential for good harvest, we engaged in the adjacent good agriculture practices to optimize consumption.

Responsible Consumption Initiatives

Procurement of only 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.

Planting mucana as a cover crop to prevent soil erosion, suppress growth of weeds, and enhance the quality of soil.

Water footprint

6 CLEAN WATER AND SANITATION

15 LIFE ON LAND

We recognize 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. Our mill accounts for most of the water consumption used in the processing of FFB and sourced from an adjacent water tank. Plantations are irrigated through rainwater. We are conscious of reducing water consumption and from end 2018/19 have begun to use part of the condensate from sterilizer in dilution of clarifications. Going forward, we expect a 10% saving on water withdrawal from this initiative. Total consumption of water in 2018/19 was 46,370 M3.

Treated wastewater from the mill is applied to land as an organic fertilizer, upon enhancement with nutrients. It is passed through two open ponds located outside the factory before being released to the fields. The wastewater provides moisture, nutrients and organic matter to the soil and reduces the need for chemical fertilizers. The water discharged is checked for compliance with Central Environment Authority (CEA) thresholds, to minimize the risk of pollution of ground water and disturbance to the aquatic environment. To assure the quality of ground water the WATA Sustainability team conducts periodic (bi-annual) testing of water samples taken from 24 permanent sites on the estates, identified based on a hydrology map developed by the team. The quality of water in wastewater discharged from the mill and in natural waterways has been found to be in compliance with the requirements of the CEA.

Initiatives to improve water conservation and moisture in soil

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

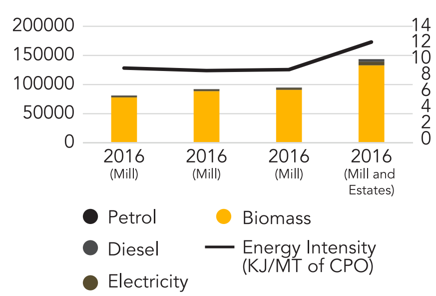
Reveiwing land contour maps prior to planting of palms to ensure water catchment areas are conserved

Clean Energy

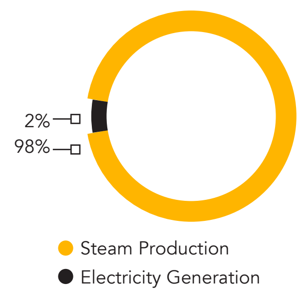
7 AFFORDABLE AND CLEAN ENERGY

Over 90% of the energy requirements of the Mill is sourced through Biomass generated from FFB waste, and balance from electricity. Estate vehicles run on diesel. 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



Uses of Energy -2018/19

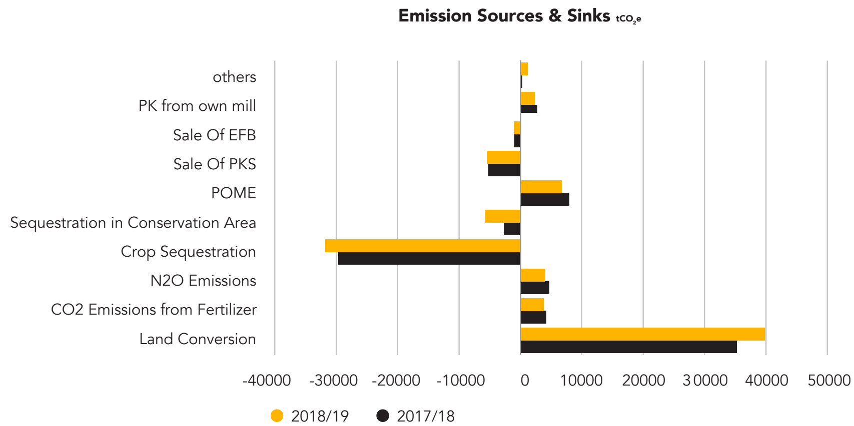


Carbon Footprint

13 CLIMATE ACTION

Reducing our carbon footprint is a top priority and we are committed to avoiding emissions to the best extent possible. We mapped our Green House Gas emissions using the latest RSPO Palm GHG calculator and GHG Protocol accounting standard. Net Emissions was determined at 13726.42 t CO2 e. Carbon intensity has reduced from 1.684 t CO2 e/ MT to 1.156 t CO2 e/ MT, consequent to the 10% increase in palm oil production in 2018/19.

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 plantation or replanting palm oil.



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

Effluents

6 CLEAN WATER AND SANITATION

15 LIFE ON LAND

Palm Oil processing gives rise to highly polluting wastewater, known as Palm Oil Mill Effluent (POME), which if disposed to water bodies without proper treatment, will result in polluting groundwater and soil, and in the release of methane gas into the atmosphere. 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. There is no hazardous waste generated.

Initiatives to reduce and manage waste

Use of Bio degradable waste generated (POME, decanter cake) 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 55.

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

Conduct of staff training programmes covering modules on waste management and its relevance in the workplace and at home.

Bio diversity

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.

We 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. A significant outcome is the identification of a new species of fish - Schistura scripta, in the Nakiyadeniya Estate, endemic to Sri Lanka. It is distinguished from all other congeners from Sri Lankan and peninsular India by the combination of specific characteristics. The total number of species of flora and fauna found in the WATA plantations and classified on National Red List as Critically Endangered, Endangered or Vulnerable has risen to 49.

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. The mill was certified with Environment Management System ISO 140001:2015 at end March 2019. The Company expects to obtain RSPO certification in FY 2019/20.

Schistura scripta

A new species of fish found in the Nakiyadeniya Estate, endemic to Sri Lanka

Human Capital and Community Integration

WATA is committed to making a positive difference in society. With a team of 1,546 employed in our palm oil operations and over 45% resident on the estates with their families- largely representing the local community, we have a great opportunity to empower, uplift livelihoods and provide development prospects to all our workers and local communities.

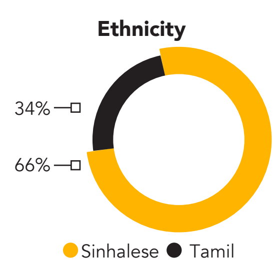
We are guided in our commitment to socio-economic progress by international standards as set out in the UN Sustainable Development Goals and our activities are benchmarked against international best practices through external certifications including RSPO. Our strong governance structure ensures that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

		2018/19	2017/18	2016/17
Employees	Nos	1,546	1,499	1,554
Resident employees	%	45	36	42
Employee Productivity	LKR Profit/ Employee	627,617	517,650	659,728
Total staff cost	LKR Bn	1.10	2.8	3.1
Investment in Training	LKR Mn	0.52	3	4
Training coverage	%	53%	48	38
Average hours of training /employee	Hrs	72	85	60
Employee retention	%	98.9	94	96
Injuries and disease	Nos	2	4	2
Investment in communities	LKR Mn	11.2	44	6
Beneficiaries	Nos	3,101	3,026	3,115
Employees who are members of Trade unions	%	77%	96%	94%

Team Profile

	Gender		Age - Years			Category			Total
	Male	Female	<30	30<X <50	> 50	Executives	Staff	Associates	
Employees	963	598	245	1,048	270	50	143	1368	1,561
New Recruits	27	41	29	37	2	2	7	62	65
Attrition	34	46	2	22	29	1	4	75	80
Total	956	593	272	1,061	243	51	146	1,355	1,546

As an equal opportunity employer, we recruit employees based on objective criteria applied in a consistent manner. We offer employment opportunity to villagers from the Estates, nurturing trust with the Company while driving economic empowerment. Given the manual nature of work involved, the workforce is predominantly young and male. We strive to redress the gender balance by increasing the number of females recruited to administrative departments.



Nurturing Our Human Capital

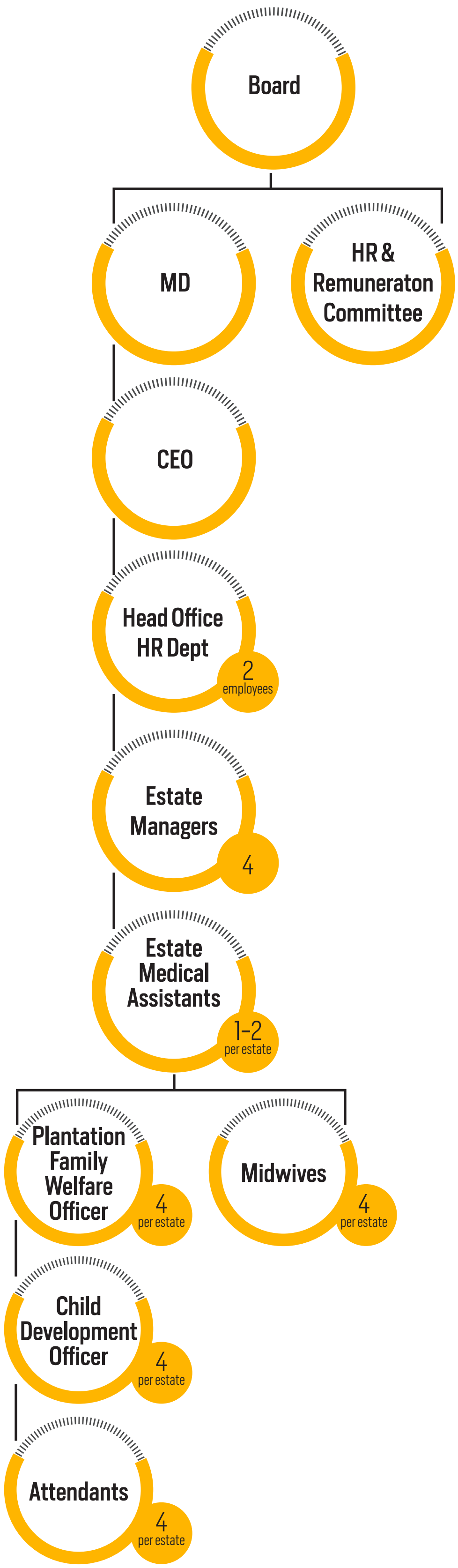
Decent Work – Governance and Policies

8 DECENT WORK AND ECONOMIC GROWTH

Guided by a robust governance and policy structure, WATA is committed to promoting inclusive and productive employment, in an environment conducive to dignity, mutual respect, wellbeing 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. The policies are formulated with reference to regulatory enactments and international best practice.

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

We engage with our employees to nurture a strong company culture, build trust and confidence in WATA and improve employee productivity. We maintain dialogue through regular staff and team meetings. Informal engagement is encouraged through participation in numerous cultural, entertainment and sports activities.

Receipt of a Gold award at the Social Dialogue Awards 2018, conducted by the Department of Labour in recognition of social dialogue and workplace cooperation, is a testament to our strong communication and engagement practices. The award was preceded by a tedious evaluation process, including employee interviews.

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 reviiw.

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

Promoting engagement through 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.

Fair Remuneration

1 NO POVERTY

WATA is committed to providing fair remuneration to all its employees commensurate to contribution. Wages of members of trade unions are determined by the Collective Bargaining Agreements in place while remuneration of other employees is based on 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.

The Collective bargaining agreement binding Regional plantation companies and plantation sector trade unions lapsed in October 2018. Plantation sector workers initiated a nation-wide strike demanding a minimum daily wage increase to Rs.1,000. The agreement was renewed in January 2019 after much negotiation and the basic daily wage increased to Rs.700 from Rs.500. Consequently, WATA monthly wage costs increased by approx.6%.

Executives- Head Office	Staff Head Office	Associates
Insurance	Medical Facility	Housing
Medical	Tea Allowance	Water
Tea allowance	Mobile Allowance	Tea allowance
	Fuel/ Traveling	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

Health and Safety

3 GOOD HEALTH AND WELL-BEING

ISO 45001
Certification

100%
Health check for all employees in contact with chemicals

WATA is committed to provide a safe and clean work environment to all employees with high levels of awareness and strict enforcement of minimum safety procedures. We are guided by a comprehensive Health and Safety policy.

Improving health and safety at our plantations and mill was a key area of focus in 2018/19. Activities engaged in include increased training on use of Personal Protective Equipment, safe work place practices. , handling equipment and first aid; drafting comprehensive standard operating

Other Initiatives to Improve Employee Health and Safety

- Adopts preventive and protective safety measures ie 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
- Adminsitation of a medical fund for non executive grade employees, where the latter contributes 5% and the company 10%
- Provision of primary health care faciliites through a medical centres in the Estates
- Storage of all chemicals in locked facilities to which only authorised personnel have access
- Collection, storage and disposal of containers used for storing chemicals in accordance with the legal requirements for hazardous waste

3 GOOD HEALTH AND WELL-BEING

procedures (SOP) in compliance with RSPO requirements and consequently enhancing worker awareness through training programmes, demarcating access paths for vehicular movement in the factory and introducing a traffic light system.

Year	Rate of Injury	Occupational Diseases	Lost Days	Work Related Fatalities
2016/17	2	-	-	-
2017/18	4	-	-	-
2018/19	2	-	-	1

It is with regret that we report an employee fatality as a result of a vehicular related accident inside the mill. The incident, as with every work-related fatality and incident in the company, was followed by a thorough investigation of its cause and actions implemented to prevent recurrence.

Training and development

4 QUALITY EDUCATION

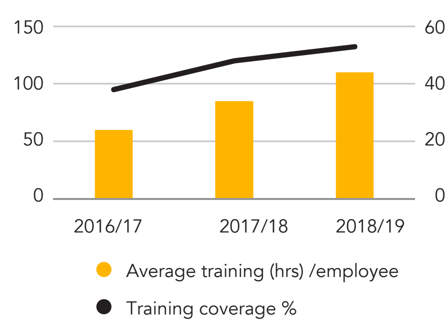
We invest in our employees to equip them with the necessary technical skills and competencies in enhancing land and labour productivity, driving higher yields and profits. Training programmes conducted during the year included collaborations with our fertiliser and agro chemical supplier CIC Fertiliser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

Key General Training Programs Conducted in 2018/19

- Importance of Wearing Personnel Protective Equipment (PPE)
- Energy Saving Practices
- Waste Management Practices
- Fire Training
- First Aid
- RSPO Training

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.



Spurring innovation

We are focused on stimulating innovation and nurturing a culture of learning and growth. Training and development are provided to employees to learn new and modern concepts and technologies and facilitate application of their learning in plantation management and at the factory to improve productivity. Out of the box thinking and innovation is encouraged and employees rewarded for contributions through a monthly cash incentive scheme.

Performance appraisal

We align corporate objectives with that of our employees through the performance management system, linking departmental KPIs with individual KPIs. Performance appraisals are carried out for all employees on an annual basis following a formal and transparent process. High performing employees are recognized with rewards linked to salary increments and promotions.

Freedom of Association

We support the rights of our employees to form and join trade unions of their choice and to bargain collectively. 77% of our employees are members of nine plantation trade unions. The biennial collective agreement in force expired October 2018 and a new agreement negotiated in January 2019. Please refer Fair Remuneration - page 60 for more details.

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

5 GENDER EQUALITY

WATA has does not engage in Child labour or forced labour and respects the human 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

Manage 9 Creches and early childhood development centres, most of which are located in their respective divisions

Offer 84 days paid maternity leave for the first two pregnancies and 41 days paid maternity leave for subsequent pregnancies as per current legal requirement

Monitor 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 of 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

00
Child labour

00
Forced Labour

38%
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 , mutually beneficial relationship built on trust and confidence. WATA closely monitors and manages any impact the operations may have on these communities while seeking to address their needs, providing and improving social amenities with the expectation of uplifting living standards.

4 QUALITY EDUCATION

Childcare, Primary and Secondary Education

We believe access to quality education underpins empowerment of individuals and communities, to breakout of poverty and build meaningful lives. To this end, we provide a range of services and benefits that ensures our workers' children are motivated to learn and have access to daycare and education while their parents are at work.

- We operate 8 child development centres/ creches catering to 107 children aged 5 years and below. These childcare 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 27 children totalling LKR 392,000/- in 2018/19.
- School books valued at LKR 225,000/- were distributed to all associates' children to encourage pursuit of higher studies.

Housing, Water and Sanitation

Over 939 families live in housing units on the estates. In 2018/19, we constructed and gifted 35 houses to 35 families. We provided individual water supply to over 35 families in the form of wells, hand pumps and water supply scheme and provided 7 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 0.065 Mn as their share to PHDT and carried out the following projects.

Activity	Investment by PHDT LKR Mn	Investment by WATA LKR Mn	No of Beneficiaries
Housing	2	0.065	20
Latrines	-	-	-
Compost/ Common Bins	-	-	-

Healthcare

We believe health and well-being to be paramount in driving sustainable development. In addition to providing healthcare to workers and their families, our clinics are open to local communities, providing them with basic healthcare facilities.

- Primary healthcare facilities (clinics) in the estates address minor issues and dispense routine medications under the supervision of a Medical Assistant.
- 6 Medical camps were conducted in the estates in liaison with the PHDT and NGOs
- 16 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

- 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

- 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

- 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. 477Mn 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.

Intellectual Capital

OUR intellectual capital distinguishes the company from industry peers, underpinning WATA's operational excellence and competitive edge. Key capital drivers include our brand, recognised for quality produce and epitomes our passion for driving environmental sustainability and socio-economic progress; organisational capital founded on tacit knowledge, innovation and unique business processes and systems that delivers on responsible production; and the foresighted strategic leadership of our management.

Brand Equity

Forefront in the plantation industry, our brand reflects our commitment to product quality, passion for sustainable agri business and socio-economic upliftment of the local community and appetite for technology and innovation. Following a strategic crop diversification effort that began few years back, WATA has grown to become the country's single largest oil palm cultivator and most profitable company. in the plantation industry.

Group Linkages

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

Organizational Capital

Business processes and systems - We have continuously improved and optimized our operations, strengthened internal systems and processes to drive productivity, cost efficiency and environmental, social and product responsibility, embedding such practices into our value creation process. We have obtained ISO 45001 (Occupational Health and Safety) and ISO 14001 (Environmental Management) certifications and are finalising applications for RSPO and HACCP certifications, confirming our compliance with defined criteria that assesses our practices against international benchmarks. We are a regular recipient of the Social Dialogue Awards organised by the Ministry of Labour, in recognition of employee communication and engagement.

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 and experience.

Innovation - At WATA, managers are empowered in their roles and responsibilities, encouraging out of the box thinking and innovation. Our talented and experienced 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 FFB crop evacuation from field to tractor 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.

Leadership- Entrepreneurship and professionalism are combined within the leadership of the company, ensuring strategic direction and resource allocation is harmonised.

Social and relationship capital

Mutually beneficial relationships with our business partners are carefully nurtured through focused engagement, underpinned by our identity as a responsible producer of sustainable palm oil.

Customer Value Proposition

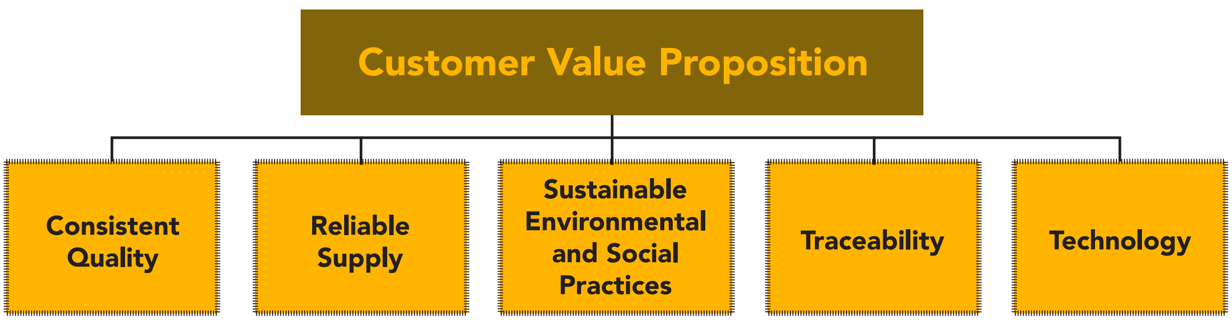
Consistent quality – Our products meet stringent quality standards as specified by Pyramid Wilmar.

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 52) and Human Capital and Social Integration Report (page 58 to 65).

Traceability – 93% of the FFB used to produce palm oil is sourced from our own estates and balance from small holders / other estates. Full traceability assures our customers that we are in control of our operations, driving responsible production.

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



Our Buyers

70% - Group strategic partner, Pyramid Wilmar (Pvt) Ltd

30% - reputable local refineries including NMK Holdings (Pvt) Ltd (Marina brand) and Sena Mills Refineries (Pvt) Ltd

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.

Buyer Engagement

Our engagement initiatives are focused on strengthening ties and nurturing relationships through common understanding and shared experiences, 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 on their plantations.

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

Suppliers

Suppliers are integral partners in our mission to provide responsible products. Our supplier screening process

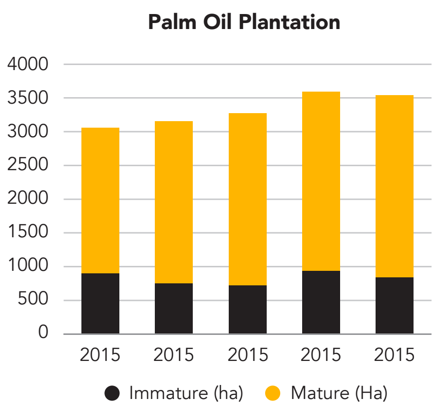
ensures quality raw material is procured at competitive prices from suppliers who are aligned to our sustainable practices.

Services and input materials are sourced locally wherever possible, to support local communities.

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.

7% of FFB processed is bought crop sourced from small holders and other estates. We seek to empower small holders while benefiting from supply of quality produce, by providing technical support and sharing best agronomic practices to improve yields and drive responsible production throughout our supply chain.

Forging Ahead - A Positive Outlook



Global economy is expected to slow to 3.3% in 2019 (3.6% - 2018) , amid continued trade tensions between the United States and China, moderation of international trade and investments, tightening of financial conditions and higher policy uncertainty across many economies. Emerging markets and developing countries are forecasted to soften growth to 4.4% , and ASEAN nations which includes Indonesia and Malaysia, worlds largest palm oil producers, to 5.1% while advanced economies are expected to drop to 1.8%. India, the largest importer of palm oil is forecast to continue its growth momentum gaining 7.3% in 2019 and 7.5% in 2020 from 7.1% in 2018.

The recent escalation in trade war could threaten global growth further while a higher slowdown in the Chinese economy could decline demand for commodities leading to a fall in prices, severely affecting commodity-exporting economies and global growth at large.

In Sri Lanka, the April 2019 terrorist attacks jeopardised a nascent economic recovery observed since end 2018. Growth is likely to remain feeble on the back of waning investor confidence, a weakened tourism sector impacting low foreign reserve earnings and large external debt repayments due this year.

Despite the dampened outlook, prospects for WATA remain positive, given WATA products – palm oil and dairy milk - are both essential goods for which there is growing consumer demand. Continued expansion of palm oil cultivations and investments in good agricultural practice over the years, show promise for increased production output and strong yield while forward sales contracts will help mitigate any expected decline in CPO prices. . Growth in profits from Dairy is forecast on higher production volumes following increased lactation cycles and optimal herd management.

Receipt of RSPO certification, which is currently pending finalisation, will assure stakeholders of WATA's commitment to environmental conservation, bio diversity and the health and welfare of employees and families, elevating the company's market profile and potential.

Financial Capital	Manufactured Capital	Social & Relationship Capital	Human Capital and Local Communities	Natural Capital	Intellectual Capital
Grow earnings through higher capacity utilisation by purchase of FFB from other plantation companies. Drive cost efficiencies through smart strategies, operational excellence	Increase capacity through investments Investment in responsible production using energy efficient and clean technology	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	Inspire team and improve labour productuvty Recognise and Reward Support local community through economic and social development intiatives	Enhance land productivity through good agricultural practices Drive responsible consumption and production Deepen engagement in sustainability Obtain RSPO certification	Establish Watawala brand in palm oil industry Nuture tacit knowledge of employees

Other Business segments

DAIRY

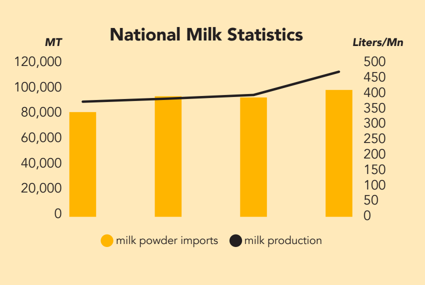
		2018/19	2017/18
Revenue	LKR Mn	493.3	169.2
Operating Profit/(Loss)	LKR Mn	(133.5)	(75.4)
Assets	LKR Mn	2,518.9	2,354.2
Liabilities	LKR Mn	1,930.9	1,527.1
Annual Production	Liters	6,031,784	2,023,022
Herd @ 31/03	Nos	1,285	648
Milking cows@ 31/03	Nos	851	348
Employees	Nos	68	56
Resident employees	%	70	69
Total project cost	LKR Mn	1,885.6	1,688.6

The 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, Watawala 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 set up completed by end 2019 at a cost of LKR 1.9Bn.
- 246 heifers were imported directly from Australia and New Zealand and 900 were purchased from the Government of Sri Lanka at a concessionary price under an agreement to develop the local dairy industry. All cattle purchased are high yielding, of superior genetics.
- The farm utilizes 50 ha within the 260 ha Lonach Estate of WATA. The herd 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. All aspects from cattle feed to health are scientifically monitored by professional agriculturalists.
- 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 also contributes towards the Government's initiative to achieve self-sufficiency in milk production.
- Main buyers are Lanka Milk Foods (CWE) PLC (Ambewela brand), Pelwatte Dairt Industries Ltd and Richlife Dairies Ltd. Smaller quantities are sold to Milco (Pvt) Ltd and Fonterra Brands Lanka (Pvt) Ltd.
- Business commenced February 2018 as confirmed by BOI.

DAIRY INDUSTRY

Growing Demand



National milk production expanded 19.0% to 471.6Mn ltrs in 2018, (2017- 3.2%) on the back of government efforts to achieve self -sufficiency in liquid milk. Production was sufficient to meet only 45% (2017-40%) of demand. Shortfall was met through milk powder imports. (CBSL Annual Report 2018).

Producers

Predominantly based on small holders possessing 2-5 cows and large organizations such as Milco (Pvt) Ltd, Lanka Milk Foods (CWE) PLC (Ambewela); Cargills (Ceylon) PLC (Kotmale); Fontera brands Lanka pvt Ltd and Richlife Dairies Ltd.

Opportunities

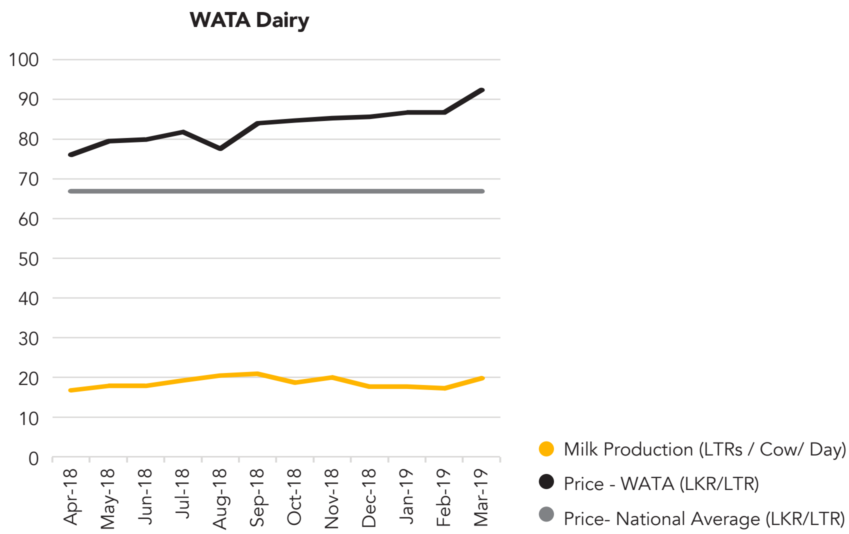
Import substitute

- Milk powder imports grew 6.3 % to 99,028MT at a cost of Rs. 50.3 Bn during 2018. Increased local production will reduce imports, save foreign exchange and contribute more towards GDP.

Government policy

- The Government of Sri Lanka in an effort to promote local milk production and achieve self-sufficiency in milk, encourages investments in the dairy industry through policy measures and by providing support services through the Department of Animal Production and Health (DAPH).

Operational Performance



**Source: CBSL Annual Report, 2018*

	WATA	Industry Average*
Sales price/ Ltr - LKR	84.00	66.88
Cost of Production /Ltr- LKR	109.8	47.67
Milk Liters-Per Cow/ day	18.70	-

As at year end, the farm had 1,285 cows, a combination of imported and calved, of which 851 were milking. Production averaged 16,500 ltrs of milk/ day during the year, sold at average LKR 84.00/- per litre substantially higher than the industry average of LKR66.88/ltr . A higher price is obtained given the superior solid fat content in the milk, attributed to the TMR meal plan fed to the herd.

WDL is conscious that strong husbandry covering sound animal health and welfare underpins high yields and quality of milk, driving sustainable production. Key practices engaged in include;

- Nourishing herd with feed supplements scientifically formulated by a global expert nutritionist
- Construction of own feed mill to process the special feed
- Stringent hygiene farm management controls conforming to international standards, including adequate supplies of clean water, slurry operation and effluent management system
- Employment of three resident Veterinary Surgeons to attend to animal health
- Dairymaster' brand milking parlour system – a fully computerised, automated, state of the art system from a globally renowned supplier, capable of monitoring the progress of each individual animal's yield and quality of milk produced.
- Sensors clipped to the ear of each heifer to measure temperature, activity, resting time, rumination time, feeding behavior etc facilitating better care over the welfare of each cow

Opportunities Contd.

In 2017, the Government imported and distributed high-yielding heifers to farms and increased the guaranteed price of milk to Rs 70/ litre. (Of these, 900 cows were purchased by WDL at a concretionary rate.)

Threats

Quality of imported heifers

- Many beneficiaries of government imported heifers have raised concern over the inferior quality of cattle and resulting yields. Counter charges have been raised by the foreign suppliers on the availability of appropriate husbandry facilities including feed mix and welfare. Strong husbandry is key to high yields as evident in the case of WDL.

Maize - availability and pricing

- Maize constitutes 70% of feed mix. Approx 20% of the Maha Season (September to March) cultivation of Maize was severely affected at end 2018 from outbreak of the Fall Armyworm ('Sena' caterpillar) infestation. The situation was controlled by the beginning of 2019 with the aid of integrated pest management systems. Reduced availability of maize has impacted supply and price. The Department of Agriculture has provided farmers with special training in cultivating maize for the "Yala" season (May to August), with the objective of containing the Sena outbreak at a minimal level and obtaining the maximum harvest.

WDL is committed to ensuring sustainability of the environment and social economic progress of the estate community. Key initiatives include the following;

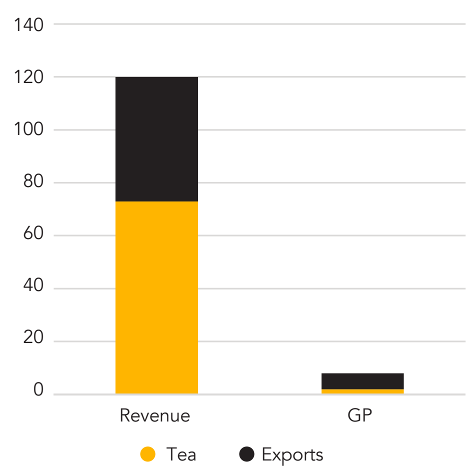
- Flaring of methane gas trapped from waste management system, to reduce greenhouse gas emissions
- Production of biogas from cattle waste to support energy needs
- Regular monitoring of treated wastewater to ensure it is within the prescribed quality parameters, prior to discharge to ponds
- Allocation of small areas of land to families to cultivate land and supply farm with maize, grass and other input materials, as an additional source of income
- Provision of primary health care facilities through a medical centre in the Estate
- Management of creches and early childhood development centres Ito support women in employment
- Distribution of milk to schools
- Infrastructure development- construction and maintenance of roads, bridges,
- Provision of housing at Dik Oya and shifting 35 families to Watawala Estates, with improved employment opportunities
- Upgrade of water distribution schemes for villages

Financial performance and outlook

Despite the increase in Revenue, WDL made a financial loss, given the high start-up costs and under-utilised capacity of the state-of-the-art milking parlour system. Increased market price of maize did not significantly impact WDL given the company held buffer stocks of maize silage produced in its own plantation.

Going forward, WDL will focus on improving financial performance by increasing production volumes and yields and reducing cost through efficiencies. Production volumes are forecast to rise following increased lactation cycles and improved yields through optimal herd management.

Others – Tea, Exports



Tea consists of Sale of tea of Homadola estate, at the local auction.

Exports consist of export of value-added teas branded under Tetley tea. This business has been transferred to a related company within the Sunshine Holdings Group.

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 2019, 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 29 May 2019.

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	04
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 2019 duly signed by the Senior Manager Finance and two Directors	87
Auditor's report on the financial statements of the Company and the Group	Section 168 (1) (c)	Independent Auditors' Report.	83 to 85
Any change in accounting policies made During the accounting period	Section 168 (1) (d)	Note 03 to the Financial Statements - Changes in Accounting Policies	92
Particulars of entries in the interests register made during the accounting period	Section 168 (1) (e)	Note 36 to the Financial Statements - Related Party Transactions	144 to 145
Remuneration and other benefits of directors during the accounting period	Section 168 (1) (f)	Note 9 to the financial statements - Expenses by Nature	109

Disclosure requirements	Reference to the Companies Act No. 07 of 2007	Disclosure reference for compliance	Page
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.	-
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 17
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 09 to the financial statements - Expenses by Nature	109
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. KPMG, Chartered Accountants The auditors do not have any relationship or interest with the Company or Group other than that of an Auditor.	76 to 77
Signed on behalf of the board by two directors and the Company Secretary	Section 168 (1) (k)		73

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	04
	Watawala Plantations PLC holds 100% direct stake in Watawala Tea Australia Pty Ltd and 68% in Watawala Dairy Ltd.	04
	The principal activities of the Group during the year under review were cultivation, manufacture and sale of palm oil and dairy farming.	91
Review of Operations and Future Developments	Chairman's Message	10 to 11
	Managing Director's Review	12 to 13
	Accounting for Our Capitals	47
Review of Operations and Future Developments	Other Business Segments	67
	A Positive Outlook	66
	Audited Financial statements	83 to 157
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

Disclosure	Note Reference	Page
Directors' Responsibility for Financial Reporting	The Statement of Directors' Responsibility for Financial Reporting	75
Significant Accounting Policies	Notes 01 to 40 the financial statements – Summary Significant Accounting Policies and Significant Accounting Policies	91 to 157
Going Concern	Note 02 to the financial statements – Going Concern	91
Income	Note 05 to the financial statements – Gross Income	105
Financial Results and Appropriations	Statement of Profit or loss	86
	Statement of Comprehensive Income	86
	Statement of Financial Position	87
	Statement of Changes in Equity	88 to 89
	Statement of Cash Flows	90
Stated Capital and Reserves	Statement of Changes in Equity	88 to 89
	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 26 financial statements)	131
Dividend on Ordinary Shares	Note 12 to the financial statements - Dividends Paid	111
	The interim dividend amounting to Rs.2/- per share and the total dividend amount of Rs. 401,925,112/- as at 31 March 2019, announced to the Colombo Stock Exchange on 11 March 2019 shall be considered as the final dividend for the year ended 31 March 2019 and there shall be no more dividends declared for the said year	
Taxation	Note 10 to the financial statements - Income Tax expense	110
	Note 31 to the financial statements - Deferred Income Tax Liability	141
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 2019 amounted to LKR 765Mn and LKR 430 Mn respectively (2018 Group: LKR. 1,568 Mn and Company: LKR. 480 Mn). Details are given in Note 14 to 17 to the financial statements.	113 to 126
	The capital expenditure approved and contracted for and not contracted for as at Statement of Financial Positions date are given in Note 34 to the financial statements on page 142 Capital Commitments.	142
Property, Plant and Equipment	Note 14 to the financial statements - Property, Plant and Equipment	113
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.	33
Events after the Reporting Date	Notes 38 to the financial statements - Events Occurring After the Reporting Period	146
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.	144 to 145
	Particulars of entries in the interest register are set out in note 36 to the Financial statements	

Disclosure	Note Reference	Page
Historical Information	Information relating to earnings, dividend, net assets and market capitalization is given in the Historical Financial Information, investor ratios.	164 to 167
Shareholdings	Shareholders & investors information	168 to 169
Equitable Treatment to Shareholders	The Company has always ensured that all shareholders are treated equitably.	37
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.	52 to 57
Directors' Interests in Transactions	Notes 36 to the financial statements - Related Party Transactions	144 to 145
Directors' Emoluments	Board and Executive Remuneration	108
Corporate Governance	Corporate Governance Report	20
Directors' meetings		23
Risk Management and Internal Control	Risk Management and Internal control	40
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 26th Annual General Meeting of the company is convened on 27 June 2019, at 12.00 noon at the Lotus Room of the Bandaranaike Memorial International Conference Hall (BMICH) Baudhaloka Mawatha ,Comolnbo 07. The Notice of the 26th 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

Sunil G. Wijesinha
Chairman

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

29 May 2019

Managing Director's and Senior 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 Senior 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. KPMG, Chartered Accountants and their report is given on pages 83 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
29 May 2019

Thusith Jayawardana
Senior Manager - Finance

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 157 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

29 May 2019

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)

N B Weerasekera
(Independent, Non-Executive Director)

M. S. Mawzoon
(Non-Independent, Non-Executive Director)
(Appointed w. e. f. 25 May, 2018)

Profiles of the members are given on pages 16 to 17 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 04 times during the year.

Members and attendance at meetings held during the year ended 31 March 2019 are given below.

A N Fernando	04/04
S G Wijesinha	04/04
N B Weerasekera	01/04
M S Mawzoon	01/04

The Chief Executive Officer and Senior 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. KPMG 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 2019.

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, Senior 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 40 to 42.

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.

The Auditors have expressed their willingness to continue in office. The Audit Committee at a meeting held on 21 May 2019 recommended that they be re-appointed as Auditors. A resolution to re-appoint the Auditors and to authorize the Directors to determine their remuneration will be proposed at the Annual General Meeting.

Regulatory Compliance

Reviewed the procedures established by Management for compliance with the requirements of regulatory bodies. The Chief Executive Officer along with the Senior 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

29 May 2019

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 and N. B. Weerasekera.

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 03 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

N B Weerasekera 01 of 04 meetings

M S Mawzoon 01 of 04 meetings
(Appointed w. e. f. 25 May, 2018)

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 complied as required under section 9 of the listing rules are presented under note 36 to the financial statements.

On behalf of the board,

A.N.Fernando
Chairman

29 May 2019

Report of the Nominations & Remuneration 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)

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

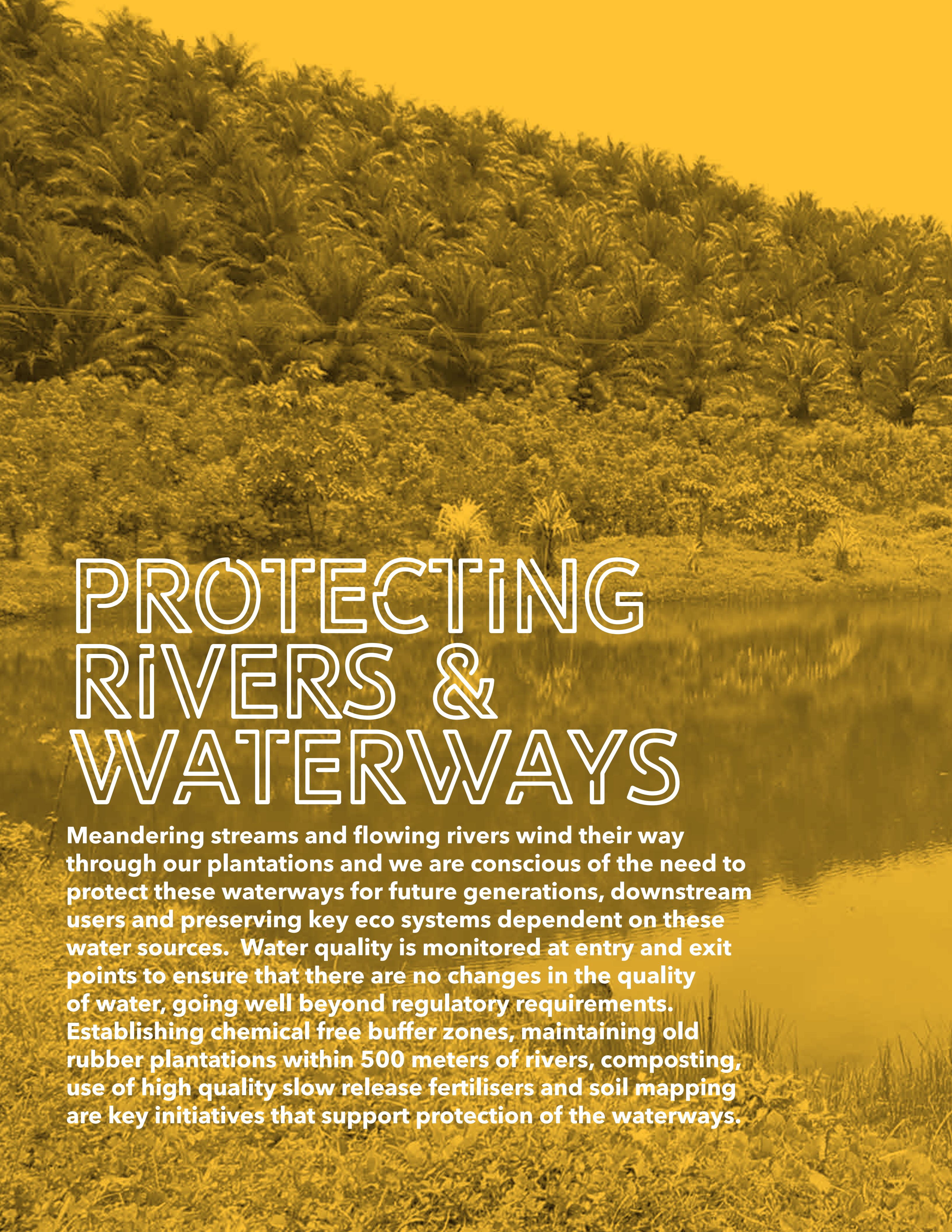
Non-executive Directors receive fees for services on Board and Board Committees. Non-executive directors do not receive short-term incentives and do not participate in any long-term incentive schemes. The fees for the Non-executive Directors are recommended by the remuneration committee to the Board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

The Directors emoluments are disclosed on note 09 to the financial statements.

On behalf of the Remuneration Committee;

G. Sathasivam
Chairman - Remuneration Committee

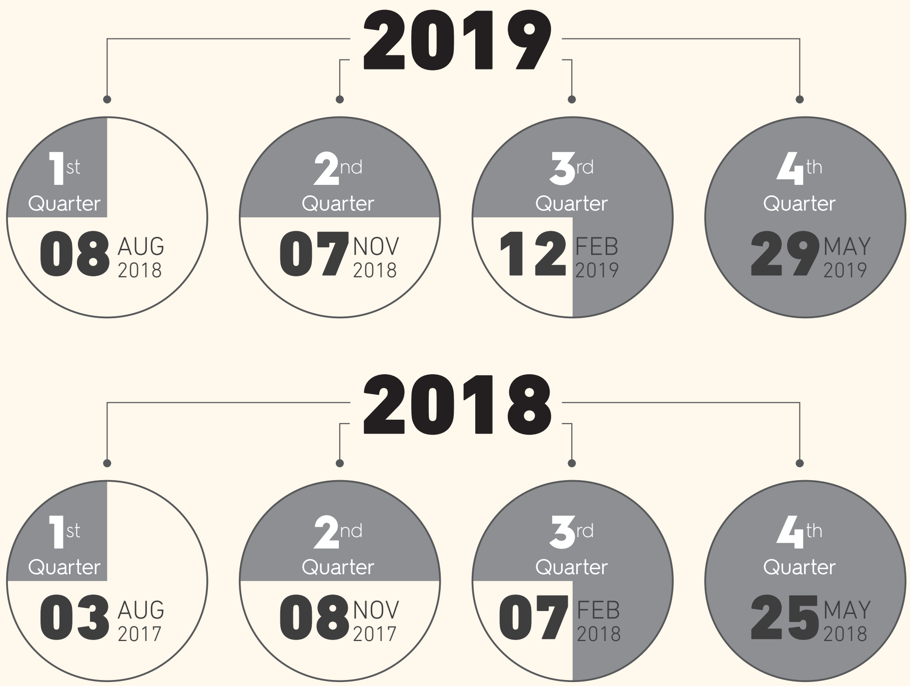
29 May 2019



PROTECTING RIVERS & WATERWAYS

Meandering streams and flowing rivers wind their way through our plantations and we are conscious of the need to protect these waterways for future generations, downstream users and preserving key eco systems dependent on these water sources. Water quality is monitored at entry and exit points to ensure that there are no changes in the quality of water, going well beyond regulatory requirements. Establishing chemical free buffer zones, maintaining old rubber plantations within 500 meters of rivers, composting, use of high quality slow release fertilisers and soil mapping are key initiatives that support protection of the waterways.

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
2018/2019	-	Annual Report Published on 06 June 2019 and 26th AGM on 27 June 2019

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF WATAWALA PLANTATIONS PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Watawala Plantations PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31st March 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies set out on pages 86 to 157.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31st March 2019, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

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

Key Audit Matters

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

1. Measurement of Biological Assets

Refer to the significant accounting policies in Note 3.5.3 and explanatory in Notes 16 and 17 to the financial statements.

Risk Description

The Group has reported bearer biological assets amounting to Rs.2673 Mn and biological assets livestock carried at fair value amounting to Rs. 663 Mn as at 31st March 2019.

Bearer biological assets mainly include mature and immature palm oil, tea, rubber and other trees in identified in plantation fields. Inappropriate transfer from immature to mature plantations has a significant impact on the carrying value of the bearer plants and the reported profits as capitalization of costs will cease from the point of transfer and the mature plantations are depreciated over the useful lives of the plants. 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 depends on the soil condition, weather patterns and plant breed.

The biological assets livestock include cattles which are measured at fair value less cost to sell. The management has used internally developed discounted cash flow method to calculate the fair value of the Group's biological assets as at the reporting date. The calculation of the fair value of biological assets involves significant degree of judgments, particularly in respect of expected production, raw milk market prices, expected cost and discounting factor.

We considered measurement of biological assets as a key audit matter due to the magnitude of the value of bearer biological assets and significant management judgment involved in determining the point at which a plant is deemed ready for commercial harvesting. Further, valuation of consumable biological assets involved significant assumptions and judgments in determining the fair value which could be subject to error or potential management bias.

Our audit procedures included for bearer biological assets;

- Understanding the process of immature to mature transfer and testing the design, implementation and operating effectiveness of key internal controls in relation to bearer biological assets.
- Obtaining schedules of costs incurred and capitalized under immature plantations as well as cost transferred to mature plantations by each estate and reconciling those balances to the general ledger on sample basis, verifying the reconciling items and obtaining explanations from management for any significant variances identified.
- Physical verification of fields on sample basis and cross checked with the classification of immature and mature plantations.
- Testing immature to mature cost transfer worksheet for selected estates to check whether the amounts transferred during the year were consistent with the company accounting policy and industry norms.
- Assessing the adequacy of the disclosures in the financial statements and consistency with the accounting policies.

Our audit procedures included for biological assets livestock;

- Understanding the process of valuation and testing the design and operating effectiveness of the key controls relation to the valuation of livestock.
- Challenging the methodologies adopted in the valuation of livestock with reference to the requirements of the prevailing accounting standards.
- Challenging the key assumptions and methodology used in the valuation, in particular the discount rate, average milk production, selling price of milk, average cost per cow, weight and selling price of the cattles in evaluating the appropriateness of the valuation methodology and discount rate used.
- Evaluating the accuracy, completeness and reasonableness of the data and inputs used for the valuation of livestock and physical verification of selected cows during our field visits.
- Comparing the discount rate, normal life cycle of a milking cow, milking yield per lactation with available industry data.
- Evaluating the adequacy of the Group's disclosures regarding the degree of judgment and estimation involved and the sensitivity of the assumptions and estimates.

2. Valuation of Retirement benefit obligations

Refer to the significant accounting policies in Note 3.5.6.2 and explanatory Note 29 of the financial statements.

Risk Description

The Group has recognized retirement benefit obligation of Rs. 243 Mn as at 31st March 2019. The retirement benefit obligations of the Group is significant in the context of the total liabilities of the Group. The valuation of the Group's retirement benefit obligations requires significant judgment and estimation to be applied across numerous assumptions, including salary increases and discount rate. Small changes in those assumptions could have a significant effect on the financial performance and financial position of the Group. Management engaged an independent actuary to assist them in the computation of the Retirement benefit obligations.

We considered the computation of the retirement benefit obligations to be a key audit matter due to the magnitude of the amounts recognized in the financial statements as well as estimation uncertainty involved in determining the amounts.

Our audit procedures included;

- Assessing the competency, objectivity and capabilities of the independent actuary engaged by the management.
- Testing the samples of the employees' details used in the computation to the human resource records and performed re-computation of the post-employment benefit liabilities with the assistance of our internal valuation specialist.
- Challenging the key assumptions used in the valuation, in particular the discount rate, inflation rate, future salaries increases and mortality rates.
- Evaluating the accuracy, completeness and reasonableness of the employee data used for the calculation of retirement benefit obligations.
- Comparing the discount rate, inflation rate, mortality rate and future pension increases to market available data.
- Assessing the adequacy of the disclosures made to the financial statements in accordance with the relevant accounting standards.

Other Matter

The Financial statements of the Group and the Company for the year ended 31st March 2018 were audited by another auditor who expressed an unmodified opinion on those financial statements on 25th May 2018.

Other Information

Management is responsible for the other information. The other information comprises the information included in 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 express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information 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, 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 financial statements, management is responsible for assessing the 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 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 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 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 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.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 3029.

KPMG

Chartered Accountants

Colombo, Sri Lanka
29th May 2019

Consolidated statement of profit or loss and other comprehensive income

(All amounts in Sri Lankan Rupees thousands)

	Notes	Group		Company	
For the year ended 31 March		**2019**	**2018**	**2019**	**2018**
Revenue	5	3,081,760	4,948,755	2,588,459	4,764,455
Cost of sales		(1,941,278)	(3,695,137)	(1,279,111)	(3,360,797)
Gross profit	5	1,140,482	1,253,618	1,309,348	1,403,658
Other income	6	118,305	184,255	56,641	131,021
Gain/(loss) on changes in fair value of biological assets	7	(21,968)	46,930	2,101	18,202
Administrative expenses		(200,355)	(335,132)	(191,698)	(327,309)
Operating profit		1,036,464	1,149,671	1,176,392	1,225,572
Finance income	8	18,741	117,854	49,576	136,175
Finance costs	8	(133,209)	(104,287)	(45,410)	(85,665)
Net finance Income/(Costs)		(114,468)	13,567	4,166	50,510
Profit before income tax	9	921,996	1,163,238	1,180,558	1,276,082
Income tax expenses	10	(158,985)	(224,570)	(159,009)	(225,546)
Profit for the year		763,011	938,668	1,021,549	1,050,536
Other comprehensive income					
Items that will not be subsequently reclassified to profit or loss					
Actuarial gain/(loss) on retirement benefit obligations	29	(26,124)	35,656	(21,674)	33,803
Tax on actuarial gain/(loss)	31	3,034	(3,380)	3,034	(3,380)
Other comprehensive income for the year (net of tax)		(23,090)	32,276	(18,640)	30,423
Total comprehensive income for the year		739,921	970,944	1,002,909	1,080,959
Profit is attributable to:					
Equity holders of the parent		837,495	967,485	1,021,549	1,050,536
Non-controlling interests		(74,484)	(28,817)	-	-
Profit for the year		763,011	938,668	1,021,549	1,050,536
Total comprehensive income attributable to :					
Equity holders of the parent		815,818	999,173	1,002,909	1,080,959
Non-controlling interests		(75,897)	(28,229)	-	-
Total comprehensive income for the year		739,921	970,944	1,002,909	1,080,959
Basic earnings per share (Rs.)	11	4.17	4.16	5.08	4.52

Figures in brackets indicate deductions

The financial statements are to be read in conjunction with the related notes, which form a part of the consolidated financial statements of the Group set out on pages 91 to 157.

Consolidated statement of financial position

(All amounts in Sri Lankan Rupees thousands)

As at 31 March	Notes	Group 2019	Group 2018	Company 2019	Company 2018
ASSETS					
Non-Current Assets					
Right to use of land	13	77,120	80,079	70,898	73,619
Property, plant and equipment	14	2,200,469	2,048,247	667,751	611,642
Intangible assets	15	24,925	24,844	18,839	23,367
Bearer biological assets	16	2,673,393	2,489,314	2,546,832	2,358,929
Biological assets - consumable	17.1	38,356	37,966	-	-
Biological assets - livestock	17.2	662,620	539,602	-	-
Investment fund	18	312,051	288,595	312,051	288,595
Investment in subsidiaries	19	-	-	627,352	627,352
Investment in debenture	20	-	-	174,088	-
Total Non-Current Assets		**5,988,934**	**5,508,647**	**4,417,811**	**3,983,504**
Current Assets					
Inventories	21	143,089	291,830	100,790	191,788
Biological assets-produce on bearer plants	17.3	31,271	29,143	30,831	28,730
Trade and other receivables	22	313,198	391,205	258,619	327,396
Loan given to related party	23	-	-	222,259	10,000
Amount due from related party	24	21,918	10,311	21,918	10,311
Cash and cash equivalents	25	204,001	180,264	199,064	147,834
Total Current Assets		**713,477**	**902,753**	**833,481**	**716,059**
Total Assets		**6,702,411**	**6,411,400**	**5,251,292**	**4,699,563**
EQUITY AND LIABILITIES					
Capital and reserves					
Stated capital	26	460,000	460,000	460,000	460,000
Retained earnings		3,275,437	2,911,785	3,543,722	2,992,979
Equity attributable to the equity holders of the parent		**3,735,437**	**3,371,785**	**4,003,722**	**3,452,979**
Non controlling interests		187,074	262,971	-	-
Total equity		**3,922,511**	**3,634,756**	**4,003,722**	**3,452,979**
Non-Current Liabilities					
Interest bearing borrowings	27	1,111,324	1,305,797	63,382	97,936
Lease Liability to -SLSPC and JEDB	28	125,976	125,790	125,976	125,790
Retirement benefit obligations	29	242,717	193,981	211,653	171,130
Deferred income and capital grants	30	193,105	243,659	48,515	50,872
Deferred tax liabilities	31	376,417	354,763	376,417	354,798
Total Non-Current Liabilities		**2,049,539**	**2,223,990**	**825,943**	**800,526**
Current Liabilities					
Interest bearing borrowings	27	144,483	33,623	33,890	33,230
Lease Liability to -SLSPC and JEDB	28	2,911	2,799	2,911	2,799
Trade and other payables	32	411,150	439,008	351,463	369,911
Amount due to related parties	33	27,614	-	-	-
Current tax liabilities		33,450	40,636	33,363	40,118
Bank overdrafts	25	110,753	36,588	-	-
Total Current Liabilities		**730,361**	**552,654**	**421,627**	**446,058**
Total Liabilities		**2,779,900**	**2,776,644**	**1,247,570**	**1,246,584**
Total Equity and Liabilities		**6,702,411**	**6,411,400**	**5,251,292**	**4,699,563**

I certified that these financial statements have been prepared in compliance with the requirements of the Companies Act No 07 of 2007.

Thusith Jayawardane
Senior Manager-Finance

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

V Govindasamy
Managing Director

Sunil G. Wijesinha
Chairman

29 May 2019
Colombo

The financial statements are to be read in conjunction with the related notes, which form a part of the consolidated financial statements of the Group set out on pages 91 to 157.

Statement of changes in equity - Group

(all amounts in Sri Lankan Rupees thousands)

	Attributable to equity holders of the parent				
	Stated capital	Retained earnings	Total	Non controling interests	Total Equity
Balance at 1 April 2017	460,000	5,298,935	5,758,935	291,200	6,050,135
Profit for the year	-	967,485	967,485	(28,817)	938,668
Actuarial gain on retirement benefit obligations	-	35,068	35,068	588	35,656
Tax on actuarial gain on retirement benefit obligations	-	(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	-	(351,889)	(351,889)	-	(351,889)
Net assets Vested with HPL (Note 37.1)	-	(1,856,198)	(1,856,198)	-	(1,856,198)
Payment for shares repurchased	-	(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
Balance at 1 April 2018	460,000	2,911,785	3,371,785	262,971	3,634,756
Profit for the year	-	837,495	837,495	(74,484)	763,011
Actuarial loss on retirement benefit obligations	-	(24,711)	(24,711)	(1,413)	(26,124)
Tax on actuarial loss on retirement benefit obligations	-	3,034	3,034	-	3,034
Total comprehensive income for the year	-	815,818	815,818	(75,897)	739,921
Transactions with owners of the Company, recognised directly in equity					
Dividends paid	-	(452,166)	(452,166)	-	(452,166)
Total transactions with owners	-	(452,166)	(452,166)		(452,166)
Balance at 31 March 2019	460,000	3,275,437	3,735,437	187,074	3,922,511

Figures in brackets indicate deductions

The financial statements are to be read in conjunction with the related notes, which form a part of the consolidated financial statements of the Group set out on pages 91 to 157.

Statement of changes in equity - Company

(all amounts in Sri Lankan Rupees thousands)

	Stated capital	Retained earnings	Total equity
Balance at 1 April 2017	460,000	5,298,343	5,758,343
Profit for the year	-	1,050,536	1,050,536
Actuarial gain on retirement benefit obligations	-	33,803	33,803
Tax on actuarial gain on retirement benefit obligations	-	(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	-	(351,889)	(351,889)
Net assets Vested with HPL (Note 37.1)		(1,856,198)	(1,856,198)
Payment for shares repurchased		(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**
Balance at 1 April 2018	460,000	2,992,979	3,452,979
Profit for the year	-	1,021,549	1,021,549
Actuarial loss on retirement benefit obligations	-	(21,674)	(21,674)
Tax on actuarial loss on retirement benefit obligations	-	3,034	3,034
Total comprehensive income for the year	-	**1,002,909**	**1,002,909**
Transactions with owners of the Company, recognised directly in equity			
Dividends paid	-	(452,166)	(452,166)
Total transactions with owners	-	**(452,166)**	**(452,166)**
Balance at 31 March 2019	**460,000**	**3,543,722**	**4,003,722**

Figures in brackets indicate deductions

The financial statements are to be read in conjunction with the related notes, which form a part of the consolidated financial statements of the Group set out on pages 91 to 157.

Consolidated Statement of cash flows

(all amounts in Sri Lankan Rupees thousands)

For the year ended 31 March	Group 2019	Group 2018	Company 2019	Company 2018
Cash flows from operating activities				
Profit before taxation	921,996	1,163,238	1,180,558	1,276,082
Adjustments for:				
Depreciation and amortisation	271,498	317,768	193,101	278,595
Provision for retirement benefit obligations	44,698	90,894	38,638	87,558
Profit on disposal of property, plant and equipment	(13,810)	(17,831)	(11,779)	(17,834)
Profit on sale of rubber trees	(33,105)	(72,625)	(33,105)	(72,625)
Writeoff of consumable biological assets	7	-	-	-
Gain on fair valuation of consumable biological assets	(397)	(5,072)	-	(8,237)
Gain on fair valuation of produce on bearer plants	(2,128)	(10,073)	(2,101)	(9,965)
Loss / (Gain) on fair valuation of livestock	24,493	(31,785)	-	-
Income from investment fund	(23,456)	(30,276)	(23,456)	(30,276)
Amortisation of capital grants	(50,554)	(53,862)	(2,357)	(5,665)
Amortisation of other assets	-	(3,200)	-	(3,200)
Fair value loss on convertible debenture	-	-	3,236	-
Net finance costs/(income)	114,468	(13,567)	(4,166)	(50,510)
Profit before working capital changes	**1,253,710**	**1,333,609**	**1,338,569**	**1,443,923**
Changes in working capital				
- Inventories	148,741	(57,579)	90,998	(4,388)
- Trade and other receivables	78,007	9,778	68,777	(25,231)
- Amount due from related party	(11,607)	269,424	(40,161)	269,424
- Amount due to related parties	27,614	-	-	-
- Trade and other payables	(19,424)	110,728	(10,014)	100,116
Cash generated from operations	**1,477,041**	**1,665,960**	**1,448,169**	**1,783,844**
Net finance costs/(income)	(114,468)	13,567	4,166	50,510
Income Tax paid	(141,483)	(326,263)	(141,111)	(323,490)
Retirement benefit obligations paid	(22,086)	(80,850)	(19,789)	(76,731)
Net cash generated from operating activities	**1,199,004**	**1,272,414**	**1,291,435**	**1,434,133**
Cash flows from investing activities				
Additions to property, plant and equipment	(277,434)	(954,363)	(121,071)	(136,936)
Addition to intangible assets	(5,364)	(2,462)	-	(1,098)
Additions to Bearer biological assets	(323,191)	(344,662)	(308,992)	(318,058)
Additions to Consumable biological assets	-	(24,193)	-	(24,186)
Proceeds from sale of bearer trees	33,105	81,255	33,105	81,255
Proceeds from sale of property, plant and equipment	14,878	18,028	11,978	17,628
Adjustments to Property,plant and equipment	-	1,585	-	1,585
Additions to livestock	(159,205)	(241,889)	-	-
Proceeds from sale of livestock	11,694	-	-	-
Settlements made to Hatton Plantations PLC	-	(216,227)	-	(216,227)
Loan given to related parties	-	-	(201,029)	(10,000)
Investment in debenture	-	-	(160,000)	-
Net cash used in investing activities	**(705,517)**	**(1,682,928)**	**(746,009)**	**(606,037)**
Cash flows from financing activities				
Dividends paid	(452,166)	(351,889)	(452,166)	(351,889)
Payment for shares repurchased	-	(1,178,236)	-	(1,178,236)
Proceeds from borrowings	250,000	1,298,761	-	89,854
Repayments of borrowings	(331,894)	(94,453)	(33,894)	(93,800)
Repayment of SLSPC and JEDB lease	(8,136)	(8,136)	(8,136)	(8,136)
Repayment of lease principal	(1,719)	-	-	-
Net cash used in financing activities	**(543,915)**	**(333,953)**	**(494,196)**	**(1,542,207)**
(Decrease) / increase in cash and cash equivalents	(50,428)	(744,467)	51,230	(714,111)
Cash and cash equivalents at the beginning of the year	143,676	888,143	147,834	861,945
Cash and cash equivalents at the end of the year	93,248	143,676	199,064	147,834

Figures in brackets indicate deductions

The financial statements are to be read in conjunction with the related notes, which form a part of the consolidated financial statements of the Group set out on pages 91 to 157.

Notes to the Financial Statements

1. Reporting entity

1.1 Domicile and legal form

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 Group as at and for the year ended 31st March 2019 comprise the Financial Statements of the Company and its subsidiaries Watawala Dairy Ltd and Watawala Tea Australia (Pty) Ltd. (together referred to as the 'Group')

1.2 Principal activities and nature of operations

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

1.3 Parent and ultimate parent enterprise

The parent of the Watawala Plantations PLC is Estate Management Services (Private) Limited and ultimate parent company is Sunshine Holdings PLC.

2. Basis of preparation

2.1 Statement of Compliance

The Consolidated Financial Statements of the Group and the separate Financial Statements of the Company comprise the Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and Statement of Cash Flows, together with the notes to the Financial Statements and Significant Accounting Policies which have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRSs/ LKASs) promulgated by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and with the requirements of the Companies Act No. 07 of 2007 and Sri Lanka Accounting and Auditing Standards Act No 15 of 1995. These Financial Statements, except information on Cash Flows, have been prepared following the accrual basis of accounting.

2.2 Approval of Financial Statements by Directors

The Consolidated Financial Statements were authorized for issue by the Board of Directors on 29th May 2019.

2.3 Basis of Measurement

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

- Leasehold right to Bare Land of JEDB/SLSPC estates has been revalued as described in Note 13: Right to use of land
- Consumable Biological Assets are measured at fair value less costs to sell per LKAS 41 – Agriculture.
- Liability for Retirement Benefit Obligation is recognized as the present value of the defined benefit obligation based on actuarial valuation as per LKAS 19: Employee benefits.
- Agriculture produce harvested from biological assets are measured at fair value as per LKAS 41: Agriculture.

2.4 Functional and Presentation Currency

The Consolidated Financial Statements are presented in Sri Lankan Rupees which is the Group's functional currency. All financial information presented in Sri Lankan Rupees has been rounded to the nearest rupee, unless stated otherwise.

2.5 Presentation of Financial Statements

The assets and liabilities of the Group presented in the statement of financial position are grouped

by nature and listed in an order that reflects their relative liquidity and maturity pattern.

2.6 Materiality and Aggregation

Each material class of similar items is presented separately in the financial statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by LKAS 1: Presentation of Financial Statements.

Financial assets and financial liabilities are offset and the net amount report in the statement of financial position, only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on net basis, or to realize the assets and settle the liability simultaneously.

2.7 Going Concern

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

2.8 Use of Estimates and Judgements

The preparation of Financial Statements in conformity with Sri Lanka Accounting Standards (LKASs) requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

Judgments and estimates are based on historical experience and other factors, including expectations that are believed to be reasonable under the circumstances. Hence, actual experience and results may differ from these judgements and estimates.

Estimates and underlying assumption are reviewed on a ongoing basis. Revision to accounting estimates are recongnised in the period in which the estimates are revised and in any future period affected.

Information about critical estimates and judgements in applying accounting policies that have the most significant effect on the amounts recognised in the Financial Statements is included in the following notes:

Note 14 -Tangible Assets other than Biological Assets

Note 17 - Consumable Biological Assets

Note 29 - Retirement Benefit Obligations

2.9 Determination of fair values

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk. Several of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities.

When measuring fair value of an asset or liability, the Group uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques.

Level 1 : inputs are unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 : inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 : inputs are inputs that are not based on observable market data (unobservable inputs).

If inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Fair values have been determined for measurement and disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair value is disclosed in the notes specific to that asset or liability.

2.10 Fair value of non-financial assets

The fair value used by the Group in the measurement of non-financial assets is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market that is accessible by the Group for the asset or liability

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

Except for the changes mentioned, all the accounting policies set out below have been applied consistently to all periods presented in these financial statements.

3.1 Changes in Accounting Policies

The following changes in accounting policies are reflected in Group's financial statements as at and for the year ended 31st March 2019.

The Group has adopted SLFRS 15 Revenue from Contracts with Customers and SLFRS 9 Financial Instruments from 1st April 2018.

Notes to the consolidated financial statements (contd)

Due to the transition methods chosen by the Group in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards.

The effect of initially applying these standards is mainly attribute to the followings;

- An increase of impairment losses recognized on financial assets.
- Revenue recognition.
- Valuation of debenture

3.1.1 SLFRS 15 Revenue from Contracts with Customers

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaced LKAS 18 Revenue, LKAS 11 Construction Contracts and related interpretations. Under SLFRS 15, revenue is recognized when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

The information presented for 2017/18 has not been restated. It is presented as previously reported, under LKAS 18, LKAS 11 and related interpretations. Additionally, the disclosure requirements in SLFRS 15 have not generally been applied to comparative information.

3.1.2 SLFRS 9 Financial Instruments

SLFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. The standards replaces LKAS 39 Financial Instruments: Recognition and Measurement.

As a result of adoption of SLFRS 9, the Company has adopted consequential amendments to LKAS 1 Presentation of financial statements, which require impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI. Impairment loss on financial assets are presented under "finance costs", similar to the presentation under LKAS 39, and not presented separately in the statement of profit or loss and OCI due to materiality considerations.

Additionally, the Company has adopted consequential amendments to SLFRS 7 financial instruments, disclosures that are applied to disclosures in 2018, but have not been generally applied to comparative information.

Classification and measurement of financial assets and financial liabilities

SLFRS 9 contains three principal classification categories for financial assets; measured at amortized cost, FVOCI and FVTPL. The classification of financial assets under SLFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. SLFRS 9 eliminates the previous LKAS 39 categories of held to maturity, loans and receivables and available for sale.

SLFRS 9 largely retains the existing requirements in LKAS 39 for the classification and measurement of financial liabilities.

The adoption of SLFRS 9 has no significant effect on the Company's accounting policies related to financial liabilities.

The following table explains the original measurement categories under LKAS 39 and the new measurement categories under SLFRS 9 for each class of the Company's financial assets and financial liabilities as at 1st January 2018.

The effect of adopting SLFRS 9 on the carrying amounts of financial assets as at 1st April 2018 relates solely to the new impairment requirements.

Financial Assets	Original Classification under LKAS 39	New Classification under SLFRS 9
Investment Fund	Fair value through Profit or loss	Fair value through Profit or loss
Trade and Other Receivables	Loans and Receivables	Amortised Cost
Amounts Due from Related Companies	Loans and Receivables	Amortised Cost
Cash and Cash Equivalents	Loans and Receivables	Amortised Cost

(i) Trade and Other Receivables that were classified as loans and receivables under LKAS 39 are now classified at amortised cost.

(ii) Amounts Due from Related Company that were classified as loans and receivables under LKAS39 are now classified at amortised cost.

(iii) Cash and cash equivalents includes cash in hand, balances with banks and short term monetary investment with maturities less than 3 months. These were classified as loans and receivables under LKAS 39 and now as amortized cost.

Notes to the consolidated financial statements (contd)

The effect of adopting SLFRS 9 on the carrying amounts of financial liabilities as at 1st April 2018.

Financial Liabilities	Original Classification under LKAS 39	New Classification under SLFRS 9
Trade and Other Payables	Other Financial Liabilities	Other Financial Liabilities
Amounts due to Related Companies	Other Financial Liabilities	Other Financial Liabilities
Income Tax Payable	Other Financial Liabilities	Other Financial Liabilities
Bank Overdraft	Other Financial Liabilities	Other Financial Liabilities
Net liability to lessor	Other Financial Liabilities	Other Financial Liabilities
Interest Bearing borrowings	Other Financial Liabilities	Other Financial Liabilities

* There were no changes to the classification of financial liabilities.

There were no changes of the carrying amounts of financial assets and financial liabilities under LKAS 39 to the carrying amounts under SLFRS 9 on transition to SLFRS 9 on 1st April 2018.

Impairment of financial assets

SLFRS 9 replaces the "incurred loss' model in LKAS 39 with an "expected credit risk model". The new impairment model applies to financial assets carried at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under SLFRS 9 credit losses are recognized earlier than under LKAS 39.

For assets in the scope of the SLFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile.

The Company has determined that the application of SLFRS 9 impairment requirements at 1st April 2018 not result in an allowance for impairment.

3.2 Basis of consolidation

The Financial Statements of the Company and Group comprise the Financial Statements of the Company and its Subsidiaries for the year ended 31st March 2019.

3.2.1 Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, based on are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The Group measures goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus
- The recognised amount of any non – controlling interest in acquiree; plus
- If the business combination is achieved in stages, the fair value of the pre – existing equity interest in the acquire; less
- The net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

3.2.2 Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity if it 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 over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date when control ceases.

3.2.3 Non-controlling interests (“NCI”)

NCI are measured at their proportionate share of the acquiree’s identifiable net assets at the acquisition date. Changes in the Group’s interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

3.2.4 Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group’s interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Notes to the consolidated financial statements (contd)

3.3 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.

3.4 Foreign currency translations

Transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions.

At each reporting date, monetary items denominated in foreign currencies are translated at the closing rate. Non-monetary items measured at fair value are translated at the rates prevailing on the date when the fair value was determined.

Non-monetary items measured at historical cost are translated at the rates prevailing on the date of transaction.

Exchange differences arising on the settlement of monetary items and on the translation of monetary items are included in profit or loss for the period.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences which are recognized in other comprehensive income.

3.5 Assets and Bases of their Valuation

Assets classified as current assets in the Statement of Financial Position are cash, bank balances and those which are expected to be realized in cash, during the normal operating cycle of the Group's business, or within one year from the reporting date, whichever is shorter. Assets other than current assets are those which the Group intends to hold beyond a period of one year from the reporting date.

3.5.1 Property, Plant and Equipment

3.5.1.1 Recognition and measurement

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, except for Bare Land on Lease which is stated at revalued amount on 18th June 1992 less subsequent accumulated depreciation and accumulated Impairment losses.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

3.5.1.2 Owned Assets

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. The cost of self-constructed assets includes the cost of materials, direct labour, and any other costs directly attributable to bringing the asset to the working condition for its intended use. This also includes cost of dismantling and removing the items and restoring at the site on which they are located and borrowing cost on qualifying assets.

3.5.1.3 Land Development Costs

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

These costs have been capitalised and amortised over the remaining lease period.

Permanent impairment to land development costs are charged to the profit or loss statement in full or reduced to the net carrying amounts of such assets in the year of occurrence after ascertaining the loss.

3.5.1.4 Capital Work-in-Progress

The cost of capital work-in-progress is the cost of purchase or construction together with any related expenses thereon. Capital work-in-progress is transferred to the respective asset accounts at the time of first utilization or at the time the asset is commissioned.

3.5.1.5 Leased Assets

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

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

Leases where the lessor effectively retains substantially all the risks and benefits of ownership over the leased term are classified as operating leases. Lease payments (excluding costs for services such as insurance and maintenance) paid under operating leases are recognised as an expense in the Statement of Profit or Loss and Other Comprehensive Income on a straight-line basis over the lease term.

Notes to the consolidated financial statements (contd)

3.5.1.6 Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised.

The costs of the day-to-day servicing of property, plant and equipment are recognised in the Statement of Profit or Loss and Other Comprehensive Income as incurred.

3.5.1.7 Borrowing Costs

Borrowing costs that are directly attributable to acquisition, construction or production of a qualifying asset which takes a substantial period of time to get ready for its intended use or sale, are capitalised as a part of the asset. The amounts of the borrowing costs which are eligible for capitalisation are determined in accordance with LKAS 23 - Borrowing Costs.

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

3.5.1.8 Depreciation and amortisation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value. Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful life of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

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

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

Depreciation method, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

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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 useful life or the remaining period of the lease.

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.

3.5.1.1 Derecognition

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other income in profit or loss and the revalued assets are disposed, the amount included in revaluation surplus reserve is transferred to retained earnings.

When revalued assets are disposed, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

Notes to the consolidated financial statements (contd)

3.5.2 Intangible Assets

An intangible asset is recognised if it is probable that economic benefits attributable to the assets will flow to the entity and cost of the assets can be measured reliably and carried at cost less accumulated amortisation and accumulated impairment losses.

3.5.2.1 Software

Purchased software is recognized as an intangible asset and is amortized on a straight-line basis over its useful life

The estimated useful life is as follows:

Asset Category	Useful life
Enterprise Resource Planning System	6 years

3.5.3 Biological Assets

Biological assets are classified as Bearer Biological assets and Consumable Biological assets. Bearer Biological assets include palm oil, tea, cinnamon and rubber trees, those that are not intended to be sold or harvested, but are however used to grow for harvesting agricultural produce from such Biological assets. Consumable Biological assets include managed timber trees (those that are to be sold as Biological assets) and livestock of Cattle.

Biological assets are further classified into Mature Biological assets and Immature Biological assets. Mature Biological assets are those that have attained harvestable specifications or are able to sustain regular harvests. Immature Biological assets are those that have not yet attained harvestable specifications.

3.5.3.1 Recognition and Measurement

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

The Bearer Biological assets are measured at cost less accumulated depreciation and accumulated impairment losses, if any, in terms of LKAS 16 - Property, Plant and Equipment.

The managed timber trees are measured on initial recognition and at the end of each reporting period at its fair value less cost to sell in terms of LKAS 41. The cost is treated as approximation to fair value of young plants (age below 4 years) as the impact on biological transformation of such plants to price during this period is immaterial.

The live stock are initially measured at cost and subsequently fair valued at each reporting date.

3.5.3.2 Bearer Biological Assets

The costs of land preparation, rehabilitation, new planting, replanting, crop diversification, interplanting, fertilising and so on incurred between the time of planting and harvesting (when the planted area attains maturity), are classified as immature plantations. These immature plantations are shown at direct costs plus attributable overheads including interest attributable to long-term loans used for financing immature plantations. The expenditure incurred on Bearer Biological assets (Palm oil, Tea, Cinnamon and Rubber fields) which comes into bearing during the year, is transferred to mature plantations.

Permanent impairments to Bearer Biological Assets are charged to the Statement of Profit or Loss and Other Comprehensive Income.

3.5.3.3 Infilling Cost on Bearer Biological Assets

The land development costs incurred in the form of infilling are capitalised when infilling results in an increase in the economic life of the relevant field beyond its previously assessed standard of performance and infilling costs so capitalised are depreciated over the newly assessed remaining useful economic life of the relevant mature plantation.

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

3.5.3.4 Growing crop nurseries

Nursery cost includes the cost of direct materials, direct labour and appropriate proportion of directly attributable overheads.

3.5.3.5 Depreciation

Mature Plantations (Replanting and New Planting) are depreciated on a straight line basis over the expected period of their commercial harvesting.

The expected periods of commercial harvesting for each category of crops are as follows:

	Freehold assets (Years)	Leasehold assets (Years)
- Tea	33	30
- Rubber	20	20
- Palm oil	20	20
- Cinnamon	30	-
- Caliandra	15	-
- Grass	5	-
- Coconut	33	-

No depreciation is provided for Immature Plantations.

Notes to the consolidated financial statements (contd)

3.5.3.6 Consumable Biological Assets

The fair value of timber trees is measured using Discounted Cash Flow (DCF) method taking into consideration the current market prices of timber applied to expected timber content of a tree at maturity.

The main variables in DCF model are as follows:

Variable	Comment
Timber Content	Estimated based on physical verification of girth, height and considering the growth of each species, and factoring in all the prevailing statutory regulations enforced against harvesting of timber coupled with the forestry plan of the Group.
Economic Useful life	Estimated based on the normal life span of each species by factoring in the forestry plan of the Group.
Selling Price	Three-year annual rolling average selling prices of managed timber fields of the respective region/group of the Group.
Discount Rate	Discount rate reflects the possible variations in the Cash flows and the risk related to the biological assets.

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

3.5.3.7 Livestock

Livestock are measured at their fair value less estimated cost to dispose with any change therein recognised in Statement of profit or loss and other comprehensive 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 livestock is determined on yield basis valuation which considers the present value of 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 discounted 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.

3.5.3.8 Non Harvested Produce Crop on Bearer Biological Assets

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

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

For the valuation of the produce, the Company uses value of unharvested fresh fruit bunches(FFB) of Oil Palm is measured using the actual price used to purchase FFB from out growers and the value of the unharvested green leaves is measured using the bought-leaf rate (current month) less cost of harvesting and transport.

3.5.4 Financial Instruments

3.5.4.1 Recognition and Initial Measurement

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not an FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

i) Policy applicable from 1st January 2018

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequently to their recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Notes to the consolidated financial statements (contd)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payment of principal and interest on the principal amount outstanding.

On the initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial assets that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

a) Business model assessment:

The Group makes an assessment of the objectives of the business model in which a financial asset is held as a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets:
- How the performance of the portfolio is evaluated and reported to the Group's management.
- The risks that affect the performance of the business model (and the financial assets held within the business model) and how those risks are managed;
- The frequency, volume and timing of sales of financial assets in prior periods, the reason for such sale and expectation about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

ii) policy applicable before 1st April 2018

The Company classified its financial assets into one of the following categories.

- Loans and receivables
- Held to maturity
- Available for sale and
- At FVTPL, and within this category as;
- Held for trading
- Designated as at FVTPL

Notes to the consolidated financial statements (contd)

Financial assets at FVTPL	Measured at fair value and changes therein, including any interest or dividend income, were recognised in profit or loss.
Held-to-maturity financial assets	Measured at amortised cost using the effective interest method.
Loans and receivables	Measured at amortised cost using the effective interest method.
Available for sale financial assets	Measured at fair value and changes therein, other than impairment losses, interest income and foreign currency differences on debt instruments, were recognised in OCI and accumulated in the fair value reserve. When these assets were deregnised, the gain or loss accumulated in equity was reclassified to profit or loss.

3.5.4.2 Financial Liabilities

Financial Liabilities - Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost of FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

3.5.4.3 Derecognition

Financial Assets
The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial Liabilities
The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

3.5.4.4 Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

3.5.4.5 Impairment - Financial Assets

i) Policy applicable from 1st April 2018

The Group recognises loss allowances for ECLs on:

- financial assets measured at amortised cost and debt investments measured at FVOCI
- The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:
- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

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- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or the financial asset is more than 90 days past due.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Group considers this to be higher credit rating.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

Twelve month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is "credit impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset occurred.

Evidence that a financial asset is credit impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or being more than 90 days past due;
- It is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for a security because of financial difficulties.

Write-off

For individual customers, the Group has a policy of writing off the gross carrying amount as approved by the Board of Directors based on historical experience of recoveries of similar assets. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due. Evidence of impairment included a significant or prolonged decline in its fair value below its cost.

iii) Policy applicable before 1st April 2018

Financial assets not classified as at FVTPL were assessed at each reporting date to determine whether there was objective evidence of impairment.

Objective evidence that financial assets were impaired included:

- default or delinquency by a debtor;
- restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
- indications that a debtor or issuer would enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security because of financial difficulties; or
- observable data indicating that there was a measurable decrease in the expected cash flows from a group of financial assets

For an investment in an equity instrument, objective evidence of impairment included a significant or prolonged decline in its fair value below its cost. The Company considered a decline of 20% to be significant and a period of nine months to be prolonged.

3.5.4.6 Impairment of Non-Financial assets

The carrying amounts of the Group's non-financial assets, other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows

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of other assets or groups of assets (the "cash-generating unit, or CGU").

The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (Company of units) on a pro rata basis.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3.5.5 Liabilities and Provisions

A provision is recognized in the Consolidated Statement of Financial Position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

3.5.6 Employee Benefits

3.5.6.1 Defined Contribution Plans

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

Employees Provident Fund (EPF) / Estate Staff's Provident Society (ESPS) / Ceylon Planter's Provident Society (CPPS)

The Group and employee collectively contribute 12% and 8% respectively on the salary of each employee to the each of the contribution plans

Employees Trust Fund (ETF)

The Group contributes 3% of the salary of each employee to the Employees' Trust Fund.

3.5.6.2 Retirement Benefit Obligations

The retirement benefit plan adopted is as required under the Payment of Gratuity Act No.12 of 1983 and the Indian Repatriate Act No.34 of 1978 to eligible employees. This item is grouped under Employee Benefits in the Statement of Financial Position. Provision for Gratuity on the Employees of the Company is based on an actuarial valuation, using the Projected Unit Credit (PUC) method as recommended by Sri Lanka Accounting Standards No.19 "Employee Benefits". The actuarial valuation was carried out by a professionally qualified firm of actuaries, Messer's Actuarial and Management Consultants (Private) Limited as at 31st March 2019.

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

The liability is not externally funded.

3.5.7 Inventories

3.5.7.1 Agricultural Produce harvested from Biological Assets

Agricultural produce harvested from Biological Assets is measured at its fair value less cost to sell

at the point of harvest. The finished and semifinished inventories from agricultural produce are valued by adding the cost of conversion to the fair value of agricultural produce.

3.5.7.2 Agricultural Produce after further processing

Further processed output of Agricultural Produce is valued at the lower of cost and estimated net realisable value, after making due allowances for obsolete and slow-moving items. Net realisable value is the estimated selling price at which stocks can be sold in the ordinary course of business less the estimated cost of completion and estimated cost necessary to make the sale.

3.5.7.3 Input Material, Consumables and Spares

Valued at actual cost on weighted average basis.

3.5.8 Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances, call deposits, demand deposits and short-term highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value net of bank overdrafts that are repayable on demand for the purpose of the Statement of Cash Flows.

Notes to the consolidated financial statements (contd)

3.5.9 Contingent Liabilities

Contingent Liabilities are possible assets or obligations that arise from a past event and would be confirmed only on the occurrence or non occurrence of uncertain future events, which are beyond the Group's control.

3.5.10 Deferred Income

Government Grants and Subsidies

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

Grants related to Property, Plant and Equipment other than grants received for forestry are initially deferred and allocated to income on a systematic basis over the useful life of the related Property, Plant and Equipment. Grants received for forestry are initially deferred and credited to Statement of Profit or Loss and Other Comprehensive Income immediately the related blocks of trees are harvested.

3.6 Statement of Profit or Loss and Other Comprehensive Income

For the purpose of presentation of the Statement of Profit or Loss and Other Comprehensive Income, the Directors are of the opinion that function of expenses method presents fairly the elements of the Group's performance, and hence such presentation method is adopted in line with the provisions of LKAS 1 - Presentation of Financial Statements.

3.6.1 Revenue Recognition

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognizes revenue when it transfers control over a service to a customer.

i) Policy applicable from 1st April 2018

Revenue principally consists of tea auction sales. Revenue is recognised over time as the services are provided. The Group considers sales and delivery of services as one performance obligation and recognises revenue when it transfers control of goods to the customer.

Disaggregation of revenue

SLFRS 15 requires an entity to disaggregate revenue from contracts with customers into categories that depict how the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors.

ii) Policy applicable prior to 1st April 2018

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue and the associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and sales taxes. The following specific criteria are used for the purpose of recognition of revenue.

3.6.1.1 Sale of Goods

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

3.6.1.2 Interest Income

Interest Income is recognised as the interest accrued (taking into account the effective yield on the asset) unless collectability is in doubt.

3.6.1.3 Gain and Losses on Disposal

Gains and losses on disposal of an item of Property, Plant and Equipment are determined by comparing the net sales proceeds with the carrying amounts of Property, Plant and Equipment and are recognised within other operating income in the Statement of Profit or Loss.

3.6.2 Operating Expenses

All expenses incurred in the day-to-day operations of the business and in maintaining the property, plant and equipment in a state of efficiency have been charged to the Statement of Profit or Loss and Other Comprehensive Income in arriving at the profit/(loss) for the year. Provision has also been made for impairment of non-financial assets, slow-moving stocks, overgrown nurseries, all known liabilities and depreciation on property, plant and equipment.

3.6.3 Finance Cost

Finance costs comprise interest expense on external borrowings and related party loans and payments made under operating leases. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method. Payments made under operating leases are recognised in profit or loss on a straight line basis over the term of the lease. Lease incentives received may be recognised as an integral part of the total lease expense, over the term of the lease.

3.6.4 Income Tax Expense

Income Tax expense comprising current and deferred tax. Income tax expense is recognised in Statement of Profit or Loss and Other Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

3.6.4.1 Current Taxes

Current tax expenses for the current and comparative periods are measured at the amount paid or expected to be payable to the Commissioner General of Inland Revenue on taxable income for the respective year of assessment computed in accordance with the provisions of the Inland Revenue Act, No. 24 of 2017 as amended by subsequent legislation enacted or substantively enacted by the reporting date.

3.6.4.2 Deferred Taxation

Deferred taxation is recognised using the Balance Sheet liability method, in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

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

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax assets and deferred tax liabilities are offset, if legally enforceable right exists to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity and the same taxation authority.

3.7 Statement of Cash Flows

The Statement of Cash Flows has been prepared using the indirect Method'. Interest paid is classified as operating cash flows, interest received and dividends received are classified as investing cash flows while dividend paid and Government grants received are classified as financing cash flows for the purpose of presentation of the Statement of Cash Flows.

3.8 Segmental Reporting

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

Revenue and Expenditure directly attributable to each segment are allocated to the respective segments. Revenue and Expenditure not directly attributable to a segment are allocated on the basis of their resource utilization, wherever possible. Unallocated items comprise mainly income accrued and expenses incurred at Head office level.

Assets and Liabilities directly attributable to each segment are allocated to the respective segments. Assets and Liabilities which are not directly attributable to a segment are allocated on a reasonable basis wherever possible. The activities of the segments are described in note 5 to the Financial Statements on pages 106 and 107.

3.9 Related Party Transactions

Disclosure has been made in respect of the transactions in which one party has the ability to control or exercise significant influence over the financial and operating policies/decisions of the other, irrespective of whether or not a price is being charged. A detailed Related Party Transaction analysis is presented in note 36.

3.10 Earnings per Share

The Group presents Earnings per Share (EPS) data for its ordinary shares. EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period.

3.11 Events after the Reporting Date

The materiality of the events after the reporting date has been considered and appropriate adjustments and provisions have been made in the Consolidated Financial Statements wherever necessary.

Notes to the consolidated financial statements (contd)

4. New accounting standards issued but not effective as at reporting date

The Institute of Chartered Accountants of Sri Lanka has issued the following new Sri Lanka Accounting Standard which will become applicable for financial periods beginning on or after 1st January 2019. Accordingly, this Standard has not been applied in preparing these Consolidated Financial Statements.

4.1. Sri Lanka Accounting Standard 16 "Leases"

SLFRS 16 requires lessees to recognise all leases on their Consolidated Statement of Financial Position as lease liabilities, with the corresponding right of-use assets. The profit or loss recognition pattern for recognised leases will be similar to existing finance lease accounting, with interest and depreciation expense recognised separately in Profit or Loss. SLFRS 16 is effective for annual periods beginning on or after 1st January 2019.

5. Segmental analysis by principal activities

The analysis of the performance by the principal activities, are as follows:

In Rs. '000's	Group Year ended 31 March		Company Year ended 31 March	
	2019	2018	2019	2018
Revenue				
Tea	72,734	2,462,524	72,734	2,462,524
Palm oil & allied products	2,468,460	2,031,142	2,468,460	2,031,142
Exports	47,265	281,336	47,265	270,789
Dairy Farming	493,301	173,753	-	-
	3,081,760	4,948,755	2,588,459	4,764,455
Gross profit / (loss)				
Tea	1,780	264,106	1,780	266,783
Palm oil	1,301,219	1,105,751	1,301,219	1,105,751
Exports	6,349	32,252	6,349	31,124
Dairy Farm	(168,866)	(148,491)	-	-
	1,140,482	1,253,618	1,309,348	1,403,658

A Segment is a distinguishable component of the group that is engage either in providing product or services (Business Segments), or in providing products or services within a particular economic environment (geographical segments), which is subject to risks and rewards that are different from those of other segments.

Segment information is presented in respect of the Group's business. There are no distinguishable components to be identified as geographical segments for the group. The business segments are reported based on the Group management and reporting structure.

Notes to the consolidated financial statements (contd)

5.1 Segmental analysis by principal activities - Group

	Palm Oil		Dairy		Other		Inter segment adjustments		Total	
Year ended 31 March	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Revenue	2,468,460	2,031,142	493,301	173,753	119,999	2,743,860	-	-	3,081,760	4,948,755
Gross (loss) / profit	1,301,219	1,105,751	(168,866)	(148,491)	8,129	296,358	-	-	1,140,482	1,253,618
Other operating income	-	-	42,486	79,285	58,742	149,223	(4,891)	2,677	96,337	231,185
Administrative expenses	(187,165)	(173,502)	(7,181)	(6,264)	(4,533)	(155,171)	(1,476)	(195)	(200,355)	(335,132)
									-	-
Operating profit / (Loss)	1,114,054	932,249	(133,561)	(75,470)	62,338	290,410	(6,367)	2,482	1,036,464	1,149,671
Net finance (costs) / income	6,907	48,023	(101,063)	(16,281)	(2,741)	2,430	(17,571)	(20,605)	(114,468)	13,567
Profit / (Loss) before tax	1,120,961	980,272	(234,624)	(91,751)	59,597	292,840	(23,938)	(18,123)	921,996	1,163,238
Tax	(150,665)	(204,315)	-	976	(8,344)	(21,231)	24	-	(158,985)	(224,570)
Profit / (Loss) for the year	970,296	775,957	(234,624)	(90,775)	51,253	271,609	(23,914)	(18,123)	763,011	938,668
Other Comprehensive Income										
Actuarial gain / (Loss) on gratuity	(21,674)	3,963	(4,450)	1,853	-	29,840	-	-	(26,124)	35,656
Tax on actuarial gain / (Loss) on gratuity	3,034	(396)	-	-	-	(2,984)	-	-	3,034	(3,380)
Total other comprehensive income / (expenses)	(18,640)	3,567	(4,450)	1,853	-	26,856	-	-	(23,090)	32,276
Total comprehensive income / (expenses) for the year	951,656	779,524	(239,074)	(88,922)	51,253	298,465	(23,914)	(18,123)	739,921	970,944
Total assets	4,988,727	4,417,589	1,451,119	1,711,837	262,565	281,974	-	-	6,702,411	6,411,400
Total liabilities	1,185,191	1,121,926	1,532,330	1,530,060	62,379	124,658	-	-	2,779,900	2,776,644
Other segment items										
Capital expenditure	408,560	273,655	335,131	1,328,275	21,503	206,623	-	-	765,194	1,808,553
Depreciation	180,861	123,028	78,159	38,934	9,519	150,368	-	-	268,539	312,330
Amortisation	2,585	5,199	238	239	136	-	-	-	2,959	5,438

Notes to the consolidated financial statements (contd)

5.2 Segmental analysis by principal activities - Company

	Palm Oil		Other		Total	
Year ended 31 March	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Revenue	2,468,460	2,031,142	119,999	2,733,313	2,588,459	4,764,455
Gross profit	1,301,219	1,105,751	8,129	297,907	1,309,348	1,403,658
Other income	-	-	58,742	149,223	58,742	149,223
Administrative expenses	(187,165)	(173,502)	(4,533)	(153,807)	(191,698)	(327,309)
Operating profit	1,114,054	932,249	62,338	293,323	1,176,392	1,225,572
Net finance (costs) / income	6,907	48,022	(2,741)	2,488	4,166	50,510
Profit before tax	1,120,961	980,271	59,597	295,811	1,180,558	1,276,082
Tax expenses	(150,665)	(204,314)	(8,344)	(21,232)	(159,009)	(225,546)
Net profit	970,296	775,957	51,253	274,579	1,021,549	1,050,536
Other Comprehensive Income						-
Actuarial gain / (loss) on gratuity	(21,674)	3,963	-	29,840	(21,674)	33,803
Tax on actuarial gain / (loss) on gratuity	3,034	(396)	-	(2,984)	3,034	(3,380)
Total other comprehensive income/ (expenses)	(18,640)	3,567	-	26,856	(18,640)	30,423
Total comprehensive income for the year	**951,656**	**779,524**	**51,253**	**301,435**	**1,002,909**	**1,080,959**
						-
Total assets	4,988,727	4,417,589	262,565	281,974	5,251,292	4,699,563
Total liabilities	1,185,191	1,121,926	62,379	124,658	1,247,570	1,246,584
Other segment items						
Capital expenditure	408,560	273,655	21,503	206,623	430,063	480,278
Depreciation	180,861	123,028	9,519	150,368	190,380	273,396
Amortisation	2,585	5,199	136	-	2,721	5,199

6. Other income

In Rs. '000's	**Note**	**Group Year ended 31 March**		**Company Year ended 31 March**	
		2019	**2018**	**2019**	**2018**
Profit from disposal of property, plant and equipment		13,810	17,831	11,779	17,834
Amortisation of capital grants	30	50,554	53,862	2,357	5,665
Sale of rubber trees		33,105	72,625	33,105	72,625
Rent income		3,658	2,661	3,658	2,661
Income from increase in net asset value of investment fund	18	23,456	29,733	23,456	29,733
Fair value loss on convertible debenture	20	-	-	(3,236)	-
Income/(loss) from sundry operations		(6,278)	7,543	(14,478)	2,503
		118,305	**184,255**	**56,641**	**131,021**

Notes to the consolidated financial statements (contd)

7. Gain/(loss) on changes in fair value of biological assets

In Rs. '000's	Note	Group Year ended 31 March		Company Year ended 31 March	
		2019	2018	2019	2018
Fair value gain on produce on bear plants	17.3	2,128	10,073	2,101	9,965
Fair value gain on Consumable biological assets	17.1	397	5,072		8,237
Fair value gain/(loss) on livestock	17.2	(24,493)	31,785	-	-
		(21,968)	46,930	2,101	18,202

8. Net finance income / (costs)

In Rs. '000's	Group Year ended 31 March		Company Year ended 31 March	
	2019	2018	2019	2018
(i) Finance costs				
- Interest on tea board loan	(628)	(4,502)	(628)	(4,502)
- Interest on bank loans	(91,969)	(49,249)	(13,847)	(30,627)
- Interest on bank overdrafts	(9,635)	(478)	(1,285)	(478)
- Interest on lease liability to SLSPC/JEDB	(29,650)	(50,058)	(29,650)	(50,058)
- Interest on finance lease liabilities	(1,327)	-	-	-
Total finance costs	(133,209)	(104,287)	(45,410)	(85,665)
(ii) Finance income				
- Interest income on debenture	-	-	17,324	-
- Interest income on related party loan	-	-	14,358	-
- Interest income on short-term bank deposits	18,741	117,854	17,894	136,175
Total finance income	18,741	117,854	49,576	136,175
Net finance income/(costs)	(114,468)	13,567	4,166	50,510

Notes to the consolidated financial statements (contd)

9. Profit before income tax

Profit before income tax is stated after charging all the expenses including the following:

In Rs. '000's	Note	Group Year ended 31 March		Company Year ended 31 March	
		2019	2018	2019	2018
Auditors' remuneration					
- Audit		1,575	2,860	1,300	2,610
- Audit related		300	-	300	-
- Non audit		956	2,810	876	2,680
Amortisation					
- Right to use of land		2,959	5,438	2,721	5,199
Depreciation					
- Immovable leased assets		49	1,166	49	643
- Amortization intangible assets		5,283	4,399	4,528	4,345
- Property, plant and equipment		124,095	149,667	64,714	116,229
- Biological assets - bearer		139,112	157,098	121,089	152,179
Directors' emoluments		2,782	5,410	2,024	4,652
Personal costs	9.1	778,484	2,836,789	703,698	2,607,173

9.1 Personal costs

In Rs. '000's	Note	Group Year ended 31 March		Company Year ended 31 March	
		2019	2018	2019	2018
Wages and salaries		658,775	2,495,347	602,731	2,307,347
Defined contribution plan cost		53,011	206,968	40,329	171,968
Defined benefit plan cost	29	44,698	90,894	38,638	87,558
Workers' profit share bonus		22,000	43,580	22,000	40,300
		778,484	**2,836,789**	**703,698**	**2,607,173**
Average number of persons employed during the year		1,896	5,820	1,603	5,679
Average cost per employee Rs.'000		411	487	439	459

Notes to the consolidated financial statements (contd)

10. Income tax expenses

In Rs. '000's	Note	Group Year ended 31 March 2019	Group 2018	Company Year ended 31 March 2019	Company 2018
Income Tax charge for the year		134,297	175,194	134,356	175,194
Under provision with respect of prior years		-	29,175	-	30,151
Deferred tax recognised in the income statement	31	24,688	20,201	24,653	20,201
Taxes included in profit or loss		**158,985**	**224,570**	**159,009**	**225,546**
Deferred tax recognised in other comprehensive income		(3,034)	3,380	(3,034)	3,380
Taxes included in other comprehensive income		**(3,034)**	**3,380**	**(3,034)**	**3,380**
Taxes included in total comprehensive income		**155,951**	**227,950**	**155,975**	**228,926**

Tax is calculated using tax rates enacted for the year of assessment. The profits from agricultural activities are taxed at 14%. The profits from other activities are taxed at 14%, Export of bulk and packeted teas' are taxed at 14%.

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 of accounting profit to income tax:

In Rs. '000's	Group Year ended 31 March 2019	Group 2018	Company Year ended 31 March 2019	Company 2018
Profit before tax	921,996	1,163,238	1,180,558	1,276,082
Less: Income from other sources	(49,577)	(136,175)	(49,577)	(136,175)
Less: Exempted income	-	-	-	(29,943)
Add: Disallowable Expenses	252,758	399,672	252,758	399,672
Less: Allowable Expenses	(473,627)	(571,213)	(473,627)	(571,213)
Adjusted Profit for the year	**651,550**	**855,522**	**910,112**	**938,423**
Add : Income from other sources	49,577	136,175	49,577	136,175
Taxable Income	**701,127**	**991,697**	**959,689**	**1,074,598**
Income Tax Expense				
Tax at 14%	134,297	-	134,356	-
Tax at 10%	-	69,794	-	69,794
Tax at 28%	-	105,400	-	105,400
	134,297	**175,194**	**134,356**	**175,194**

Notes to the consolidated financial statements (contd)

11. Basic Earnings per share

Basic earnings per share has been calculated by dividing the profit for the year attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

Calculation of Earnings per share	Group Year ended 31 March		Company Year ended 31 March	
	2019	2018	2019	2018
Net profit attributable to shareholders (Rs.'000)	837,495	967,485	1,021,549	1,050,536
Weighted average number of ordinary shares in issue (thousands)	200,963	232,301	200,963	232,301
Basic earnings per share (Rs)	4.17	4.16	5.08	4.52

12. Dividends paid

Calculation of dividend per share	Group and Company Year ended 31 March	
	2019	2018
Interim dividend		
Interim dividend paid per share Rs. 2.00 (2017/18 - Rs. 0.75)	401,925	150,722
Final dividend		
Final dividend proposed and paid Rs. 0.25 (2016/17 - Rs . 0.85)	50,241	201,167
	452,166	351,889
Number of ordinary shares	200,963	200,963
Dividend per share	2.25	1.60

Notes to the consolidated financial statements (contd)

13. Right to use of land - Group and Company

	Group		Company	
In Rs. '000's	**2019**	**2018**	**2019**	**2018**
Cost				
Capitalised value (18 June 1992)	156,822	372,840	144,234	360,252
Vested with HPL	-	(216,018)	-	(216,018)
As at 31 March	156,822	156,822	144,234	144,234
Accumulated amortisation				
As at 1 April	76,743	174,367	70,615	168,478
Vested with HPL	-	(103,062)	-	(103,062)
Charge for the year	2,959	5,438	2,721	5,199
As at 31 March	79,702	76,743	73,336	70,615
Carrying value				
As at 31 March	77,120	80,079	70,898	73,619

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.

Notes to the consolidated financial statements (contd)

14. Property, Plant and Equipment

In Rs. '000's	Group		Company	
	31 March		31 March	
	2019	2018	2019	2018
Immovable estate assets on finance lease (other than land) (Note: 14.1.1 & 14.1.2)	965	1,014	929	978
Tangible Assets (Other than Biological Assets) (Note: 14.2.1 & 14.2.2)	2,199,504	2,047,233	666,822	610,664
	2,200,469	2,048,247	667,751	611,642

14.1.1 Immovable estate assets on finance lease (other than land) - Group

In Rs. '000's	Improvements to land	Other vested assets	Roads and bridges	Water supply	Buildings	Mini-hydro power plant	Machinery	Total
Cost								
As at 1 April 2017	3,340	3,305	484	3,838	93,279	1,540	32,506	138,292
Vested with HPL	(2,205)	(2,104)	(479)	(3,749)	(57,385)	(498)	(9,298)	(75,718)
As at 31 March 2018	1,135	1,201	5	89	35,894	1,042	23,208	62,574
As at 1 April 2018	1,135	1,201	5	89	35,894	1,042	23,208	62,574
As at 31 March 2019	1,135	1,201	5	89	35,894	1,042	23,208	62,574
Accumulated amortisation								
As at 1 April 2017	2,750	1,108	289	3,838	92,460	1,540	32,506	134,491
Charge for the year	74	26	8	-	1,058	-	-	1,166
Vested with HPL	(1,851)	(785)	(292)	(3,749)	(57,624)	(498)	(9,298)	(74,097)
As at 31 March 2018	973	349	5	89	35,894	1,042	23,208	61,560
As at 1 April 2018	973	349	5	89	35,894	1,042	23,208	61,560
Charge for the year	38	11	-	-	-	-	-	49
As at 31 March 2019	1,011	360	5	89	35,894	1,042	23,208	61,609
Net Carrying value								
As at 31 March 2019	124	841	-	-	-	-	-	965
As at 31 March 2018	162	852	-	-	-	-	-	1,014

(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.

Notes to the consolidated financial statements (contd)

14.1.2 Immovable estate assets on finance lease (other than land) - Company

In Rs. '000's	Improvements to land	Other vested assets	Roads and bridges	Water supply	Buildings	Mini Hydro power plant	Machinery	Total
Cost								
As at 1 April 2017	3,340	3,192	479	3,838	90,577	498	32,461	134,385
Vested with HPL	(2,205)	(2,104)	(479)	(3,749)	(57,385)	(498)	(9,298)	(75,718)
As at 31 March 2018	**1,135**	**1,088**	**-**	**89**	**33,192**	**-**	**23,163**	**58,667**
As at 1 April 2018	1,135	1,088	-	89	33,192	-	23,163	58,667
As at 31 March 2019	**1,135**	**1,088**	**-**	**89**	**33,192**	**-**	**23,163**	**58,667**
Accumulated amortization								
As at 1 April 2017	2,750	1,031	287	3,838	90,278	498	32,461	131,143
Charge for the year	74	26	5	-	538	-		643
Vested with HPL	(1,851)	(785)	(292)	(3,749)	(57,624)	(498)	(9,298)	(74,097)
As at 31 March 2018	**973**	**272**	**-**	**89**	**33,192**	**-**	**23,163**	**57,689**
As at 1 April 2018	973	272	-	89	33,192	-	23,163	57,689
Charge for the year	38	11	-	-	-	-	-	49
As at 31 March 2019	**1,011**	**283**	**-**	**89**	**33,192**	**-**	**23,163**	**57,738**
Net Carrying value								
As at 31 March 2019	124	805	-	-	-	-	-	929
As at 31 March 2018	162	816	-	-	-	-	-	978

(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.

14.2.1 Tangible Assets (Other than Biological Assets - Group

In Rs. '000's	Buildings	Capital work in progress	Motor vehicles	Plant and machinery	Equipment	Computer	Furniture and fittings	Others	Total
Cost									
As at 1 April 2017	956,241	438,846	433,186	1,581,497	175,405	18,511	40,610	182,130	3,826,426
Additions during the year	348,959	192,204	45,623	215,868	24,855	2,772	9,652	114,430	954,363
Capitalised during the year	317,368	(347,937)	-	-	1,421	561	4,635	23,952	-
Vested with HPL	(677,498)	(29,242)	(172,626)	(893,873)	(113,779)	(14,889)	(34,301)	(113,600)	(2,049,808)
Disposals made during the year		-	(15,852)	(2,061)	-	-	-	-	(17,913)
As at 31 March 2018	**945,070**	**253,871**	**290,331**	**901,431**	**87,902**	**6,955**	**20,596**	**206,912**	**2,713,068**
As at 1 April 2018	945,070	253,871	290,331	901,431	87,902	6,955	20,596	206,912	2,713,068
Adjustments	(22,013)	11,085	-	1,051	-	-	(339)	199	(10,017)
Additions during the year	-	176,207	20,334	39,865	10,585	960	1,585	27,898	277,434
Transfer during the year	428,427	(435,687)	-	-	-	-	-	7,260	-
Disposals made during the year		-	(14,643)	-	-	-	-	-	(14,643)
As at 31 March 2019	**1,351,484**	**5,476**	**296,022**	**942,347**	**98,487**	**7,915**	**21,842**	**242,269**	**2,965,842**
Accumulated depreciation									
As at 1 April 2017	194,502	-	223,576	789,144	123,028	14,132	33,056	52,001	1,429,439
Charge for the year	26,632	-	29,761	80,148	5,362	3,650	945	3,169	149,667
Vested with HPL	(150,801)	-	(103,533)	(471,170)	(94,220)	(13,573)	(28,315)	(35,734)	(897,346)
Disposals made during the year	-	-	(15,852)	(73)	-	-	-	-	(15,925)
As at 31 March 2018	**70,333**	**-**	**133,952**	**398,049**	**34,170**	**4,209**	**5,686**	**19,436**	**665,835**
As at 1 April 2018	70,333		133,952	398,049	34,170	4,209	5,686	19,436	665,835
Adjustments	-	-	-	(2,963)	(2,469)	(2,889)	(1,696)	-	(10,017)
Charge for the year	28,449	-	22,269	57,132	7,138	1,067	1,182	6,858	124,095
Disposals made during the year	-	-	(13,575)	-	-	-	-	-	(13,575)
As at 31 March 2019	**98,782**	**-**	**142,646**	**452,218**	**38,839**	**2,387**	**5,172**	**26,294**	**766,338**
Net carrying value									
As at 31 March 2019	1,252,702	5,476	153,376	490,129	59,648	5,528	16,670	215,975	2,199,504
As at 31 March 2018	874,737	253,871	156,379	503,382	53,732	2,746	14,910	187,476	2,047,233

14.2.2 Tangible Assets (Other than Biological Assets - Company

In Rs. '000's	Buildings	Capital work in progress	Motor vehicles	Plant and machinery	Equipment	Computer	Furniture and fittings	Others	Total
Cost									
As at 1 April 2017	860,012	39,966	369,667	1,491,984	141,196	18,207	39,985	177,446	3,138,463
Additions during the year	10,562	57,823	22,623	24,352	981	2,151	3,444	15,000	136,936
Transfer during the year	41,898	(47,365)	-	-	271	561	4,635	-	-
Vested with HPL	(677,498)	(29,242)	(172,626)	(893,873)	(113,779)	(14,889)	(34,301)	(113,600)	(2,049,808)
Disposals made during the year	-	-	(15,852)	(1,585)	-	-	-	-	(17,437)
As at 31 March 2018	**234,974**	**21,182**	**203,812**	**620,878**	**28,669**	**6,030**	**13,763**	**78,846**	**1,208,154**
As at 1 April 2018	234,974	21,182	203,812	620,878	28,669	6,030	13,763	78,846	1,208,154
Adjustments	1,291	(12,219)	-	1,051	-	-	(339)	199	(10,017)
Additions during the year	-	11,427	65,586	40,643	2,104	621	390	300	121,071
Transfer during the year	16,183	(16,183)	-	-	-	-	-	-	-
Disposals made during the year	-	-	(13,014)	-	-	-	-	-	(13,014)
As at 31 March 2019	**252,448**	**4,207**	**256,384**	**662,572**	**30,773**	**6,651**	**13,814**	**79,345**	**1,306,194**
Accumulated depreciation									
As at 1 April 2017	182,918	-	213,064	787,567	113,781	13,938	32,955	50,236	1,394,459
Charge for the year	15,758	-	22,072	68,763	2,833	3,528	855	2,420	116,229
Vested with HPL	(150,801)	-	(103,533)	(471,170)	(94,220)	(13,573)	(28,315)	(35,734)	(897,346)
Disposals made during the year	-	-	(15,852)	-	-	-	-	-	(15,852)
As at 31 March 2018	**47,875**	**-**	**115,751**	**385,160**	**22,394**	**3,893**	**5,495**	**16,922**	**597,490**
As at 1 April 2018	47,875	-	115,751	385,160	22,394	3,893	5,495	16,922	597,490
Adjustments	-	-	-	(2,963)	(2,469)	(2,889)	(1,696)	-	(10,017)
Charge for the year	5,906	-	18,978	36,427	807	826	439	1,331	64,714
Disposals	-	-	(12,815)	-	-	-	-	-	(12,815)
As at 31 March 2019	**53,781**	**-**	**121,914**	**418,624**	**20,732**	**1,830**	**4,238**	**18,253**	**639,372**
Carrying value									
As at 31 March 2019	198,667	4,207	134,470	243,948	10,041	4,821	9,576	61,092	666,822
As at 31 March 2018	187,099	21,182	88,061	235,718	6,275	2,137	8,268	61,924	610,664

14.2.3 The gross carrying values of fully depreciated property, plant and Equipment as at 31 March are as follows

In Rs. '000's	Group		Company	
	2019	2018	2019	2018
Motor vehicles	82,221	56,839	82,221	56,839
Plant and machinery	147,301	137,145	147,301	137,145
Equipment	15,215	13,440	15,215	13,440
Computer	2,771	2,103	2,771	2,103
Furniture and fittings	3,053	3,053	3,053	3,053
Others	7,671	6,554	7,671	6,554
	258,232	219,134	258,232	219,134

Notes to the consolidated financial statements (contd)

15. Intangible assets

In Rs. '000"s	Group 2019	Group 2018	Company 2019	Company 2018
Cost				
As at 1 April	32,459	29,997	30,928	29,830
Addition during the year	5,364	2,462	-	1,098
As at 31 March	**37,823**	**32,459**	**30,928**	**30,928**

	Group 2019	Group 2018	Company 2019	Company 2018
Accumulated amortization				
As at 1 April	7,615	3,216	7,561	3,216
Amortization during the year	5,283	4,399	4,528	4,345
As at 31 March	**12,898**	**7,615**	**12,089**	**7,561**
Net carrying value as at 31 March	**24,925**	**24,844**	**18,839**	**23,367**

16. BEARER BIOLOGICAL ASSETS

Group In Rs. '000's	2019 Oil palm	2019 Rubber	2019 Tea	2019 Others	2019 Total	2018 Oil palm	2018 Rubber	2018 Tea	2018 Others	2018 Total
On finance lease (Note 16.1)	1,653	9,391	5,458	-	16,502	2,638	20,692	5,796	-	29,126
Investments after formation of the Company (Note 16.2)	2,261,523	79,171	154,948	161,249	2,656,891	2,050,309	83,055	178,717	148,107	2,460,188
As at 31 March	**2,263,176**	**88,562**	**160,406**	**161,249**	**2,673,393**	**2,052,947**	**103,747**	**184,513**	**148,107**	**2,489,314**

Company	2019 Oil palm	2019 Rubber	2019 Tea	2019 Others	2019 Total	2018 Oil palm	2018 Rubber	2018 Tea	2018 Others	2018 Total
On finance lease (Note 16.1)	1,653	9,391	1,444	-	12,488	2,638	20,692	1,782	-	25,112
Investments after formation of the Company (Note 16.2)	2,261,523	79,171	115,335	78,315	2,534,344	2,050,309	83,055	119,063	81,390	2,333,817
As at 31 March	**2,263,176**	**88,562**	**116,779**	**78,315**	**2,546,832**	**2,052,947**	**103,747**	**120,845**	**81,390**	**2,358,929**

Notes to the consolidated financial statements (contd)

16.1 On Finance Lease

Group	2019				2018			
In Rs. '000's	Oil palm	Rubber	Tea	Total	Oil palm	Rubber	Tea	Total
As at 1 April	31,667	95,376	22,388	149,431	31,667	95,376	279,590	406,633
Vested with HPL	-	-	-	-	-	-	(257,202)	(257,202)
As at 31 March	31,667	95,376	22,388	149,431	31,667	95,376	22,388	149,431
Amortization			-					
As at 1 April	(29,029)	(74,685)	(16,591)	(120,305)	(27,789)	(71,506)	(203,665)	(302,960)
Amortization for the year	(985)	(11,300)	(339)	(12,624)	(1,240)	(3,179)	(5,134)	(9,553)
Vested with HPL	-	-	-	-	-	-	192,208	192,208
As at 31 March	(30,014)	(85,985)	(16,930)	(132,929)	(29,029)	(74,685)	(16,591)	(120,305)
Net Carrying Amount	1,653	9,391	5,458	16,502	2,638	20,691	5,797	29,126
Company	**2019**				**2018**			
In Rs. '000's	**Oil palm**	**Rubber**	**Tea**	**Total**	**Oil palm**	**Rubber**	**Tea**	**Total**
As at 1 April	31,667	95,376	10,185	137,228	31,667	95,376	267,387	394,430
Vested with HPL	-	-	-	-	-	-	(257,202)	(257,202)
As at 31 March	31,667	95,376	10,185	137,228	31,667	95,376	10,185	137,228
Amortization				-				
As at 1 April	(29,029)	(74,685)	(8,402)	(112,116)	(27,789)	(71,506)	(195,393)	(294,688)
Amortization for the year	(985)	(11,300)	(339)	(12,624)	(1,240)	(3,179)	(5,217)	(9,636)
Vested with HPL	-	-	-	-			192,208	192,208
As at 31 March	(30,014)	(85,985)	(8,741)	(124,740)	(29,029)	(74,685)	(8,402)	(112,116)
Net Carrying Amount	1,653	9,391	1,444	12,488	2,638	20,691	1,783	25,112

Notes to the consolidated financial statements (contd)

16.2 Investments after Formation of the Company

In Rs. '000's	Note	Group 2019	Group 2018	Company 2019	Company 2018
Immature plantations	16.2.1	508,133	691,309	509,052	682,644
Mature plantations	16.2.2	2,131,853	1,756,552	2,008,387	1,636,828
Growing Crop Nurseries	16.2.3	16,905	12,327	16,905	14,345
As at 31 March		2,656,891	2,460,188	2,534,344	2,333,817

16.2.1 Immature plantations

Group	2019					2018				
In Rs. '000's	Oil palm	Rubber	Tea	Others	Total	Oil palm	Rubber	Tea	Others	Total
Cost										
As at 1 April	574,411	28,997	44,758	43,143	691,309	336,442	39,957	155,698	35,026	567,123
Write off during the year	-	-	(2,018)	-	(2,018)	-	-	-	-	-
Additions during the year	306,221	-	-	14,312	320,533	301,684	-	7,588	10,212	319,484
Transfers from nurseries during the year	-	-	21	77	98	12,942	-	2,540	-	15,482
Transfers to mature plantations during the year	(390,533)	(14,652)	(42,761)	(53,843)	(501,789)	(76,657)	(2,404)	(9,104)	(2,095)	(90,260)
Disposal made during the year	-	-	-	-	-	-	-	(303)	-	(303)
Vested with HPL	-	-	-	-	-	-	(8,556)	(111,661)	-	(120,217)
As at 31 March	490,099	14,345	-	3,689	508,133	574,411	28,997	44,758	43,143	691,309

Company	2019					2018				
In Rs. '000's	Oil palm	Rubber	Tea	Others	Total	Oil palm	Rubber	Tea	Others	Total
Cost										
As at 1 April	574,411	28,997	35,174	44,062	682,644	336,442	39,957	141,751	35,945	554,095
Additions during the year	306,221	-	-	113	306,334	301,684	-	5,387	10,212	317,283
Transfers from nurseries during the year	-	-	21	77	98	12,942	-	-	-	12,942
Transfers to mature plantations during the year	(390,533)	(14,652)	(35,195)	(39,644)	(480,024)	(76,657)	(2,404)	-	(2,095)	(81,156)
Disposal during the year	-	-	-	-	-	-	-	(303)	-	(303)
Vested with HPL	-	-	-	-	-	-	(8,556)	(111,661)	-	(120,217)
As at 31 March	490,099	14,345	-	4,608	509,052	574,411	28,997	35,174	44,062	682,644

Notes to the consolidated financial statements (contd)

16.2.2 Mature plantations

Group	2019					2018				
In Rs. '000's	Oil palm	Rubber	Tea	Others	Total	Oil palm	Rubber	Tea	Others	Total
Cost										
As at 1 April	2,036,992	122,590	207,100	109,346	2,476,028	1,960,335	172,405	820,449	315,504	3,268,693
Transfer from Immature	390,533	14,652	42,761	53,843	501,789	76,657	2,404	9,104	2,095	90,260
Addition during the year	-	-	-	-	-	-	-	24,403	-	24,403
Disposal During the year	-	(23,516)	-	-	(23,516)	-	(52,219)	-	-	(52,219)
Vested with HPL	-	-	-	-	-	-	-	(646,856)	(208,253)	(855,109)
As at 31 March	**2,427,525**	**113,726**	**249,861**	**163,189**	**2,954,301**	**2,036,992**	**122,590**	**207,100**	**109,346**	**2,476,028**
Depreciation										
As at 1 April	(573,344)	(68,532)	(73,141)	(4,459)	(719,476)	(475,240)	(87,256)	(244,884)	(100,779)	(908,159)
Charge for the year	(99,662)	(3,884)	(21,772)	(1,170)	(126,488)	(98,104)	(21,336)	(18,553)	(9,552)	(147,545)
Disposal During the year	-	23,516	-	-	23,516	-	40,060	-	-	40,060
Vested with HPL	-	-	-	-	-	-	-	190,296	105,872	296,168
As at 31 March	(673,006)	(48,900)	(94,913)	(5,629)	(822,448)	(573,344)	(68,532)	(73,141)	(4,459)	(719,476)
Net Carrying Amount	1,754,519	64,826	154,948	157,560	2,131,853	1,463,648	54,058	133,959	104,887	1,756,552

Company	2019					2018				
In Rs. '000's	Oil palm	Rubber	Tea	Others	Total	Oil palm	Rubber	Tea	Others	Total
As at 1 April	2,036,992	122,590	123,748	39,692	2,323,022	1,960,335	172,405	770,604	245,850	3,149,194
Transfer from Immature	390,533	14,652	35,195	39,644	480,024	76,657	2,404	-	2,095	81,156
Disposal During the year	-	(23,516)	-	-	(23,516)	-	(52,219)	-	-	(52,219)
Vested with HPL	-	-	-	-	-	-	-	(646,856)	(208,253)	(855,109)
As at 31 March	2,427,525	113,726	158,943	79,336	2,779,530	2,036,992	122,590	123,748	39,692	2,323,022
Depreciation										
As at 1 April	(573,344)	(68,532)	(39,859)	(4,459)	(686,194)	(475,240)	(87,256)	(216,604)	(100,779)	(879,879)
Charge for the year	(99,662)	(3,884)	(3,749)	(1,170)	(108,465)	(98,104)	(21,336)	(13,551)	(9,552)	(142,543)
Disposal During the year	-	23,516	-	-	23,516	-	40,060	-	-	40,060
Vested with HPL	-	-	-	-	-	-	-	190,296	105,872	296,168
As at 31 March	(673,006)	(48,900)	(43,608)	(5,629)	(771,143)	(573,344)	(68,532)	(39,859)	(4,459)	(686,194)
Net Carrying Amount	1,754,519	64,826	115,335	73,707	2,008,387	1,463,648	54,058	83,889	35,233	1,636,828

Notes to the consolidated financial statements (contd)

16.2.3 Growing Crop Nurseries

In Rs.'000's	Group		Company	
	2019	2018	2019	2018
As at 1 April	12,327	27,594	14,345	29,090
Additions during the year	4,676	775	2,658	775
Transfers to immature plantations during the year	(98)	(15,482)	(98)	(12,942)
Vested with Hatton Plantations PLC	-	(560)	-	(2,578)
As at 31 March	**16,905**	**12,327**	**16,905**	**14,345**

(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 and 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 trees.

17. Biological assets

17.1 Consumable biological assets- Group

In Rs.'000's	Nursery	Immature plantations	Mature plantations	Total
Cost/Fair value				
As at 1 April 2017	1,904	121,893	525,034	648,831
Additions during the year	(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 HPL	(1,117)	(89,013)	(550,000)	(640,130)
As at 31 March 2018	7	31,300	6,659	37,966
Transfers from immature to mature	-	(6,568)	6,568	-
Write off during the year	(7)	-	-	(7)
Gain arising from changes in fair value less cost to sell	-	-	397	397
As at 31 March 2019	**-**	**24,732**	**13,624**	**38,356**

Notes to the consolidated financial statements (contd)

Consumable biological assets- Company

In Rs.'000'	Nursery	Immature plantations	Mature plantations	Total
Cost/Fair value				
As at 1 April 2017	1,892	84,299	521,516	607,707
Additions / (transfer) during the year	(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 Hatton Plantations PLC	(1,117)	(89,013)	(550,000)	(640,130)
As at 31 March 2018				
As at 31 March 2019	-	-	-	-

Immature plantations

Managed trees which are less than five years old considered to be immature consumable biological assets amounting to Rs. 25 million as at 31st March 2019 (2018: Rs. 31 million). The cost of immature trees is treated as approximate to fair value particularly on the grounds that little biological transformation has taken place and impact of the biological transformation on price is not material. When such plantations become mature , the additional investments since taken over to bring them to maturity are transferred from immature to mature.

17.1.1 Measurement of Fair value

The valuation of consumable biological assets was carried by Mr.S. Sivaskantha, an independent Incorporated Valuation Surveyor, using Discounted Cash Flows (DCF) methods. The Valuation Report dated 31st March 2019 has been prepared based on the physically verified timber statistics provided by the Company.

The future cash flows are determined by reference to current timber prices.

a) The fair value measurement for the consumable biological assets has been categorized as Level 3 fair value based on the inputs to the valuation technique used.

b) Level 3 Fair Value
Breakdown of total gains and losses recognized in respect of Level 3 fair value of Consumable Biological Assets.

In Rs. '000's	Group	
For the year ended 31 March	2019	2018
Gain included in Profit or loss for the year	397	5,072
Total Gain for the year	**397**	**5,072**

Notes to the consolidated financial statements (contd)

C) Valuation techniques and significant unobservable inputs

Following table shows the valuation techniques used in measuring Level 3 fair value of consumable biological assets as well as the significant unobservable inputs used for the valuation as at 31st March 2019.

Type	Valuation technique used	Significant Unobservable Inputs	Inter-relationship between key unobservable inputs and fair value measurement
Standing timber Standing timber older than 4 years.	Discounted cash flows The valuation model considers present value of future net cash flows expected to be generated by the plantation from the timber content of managed timber plantation on a tree-per-tree basis . Expected cash flows are discounted using a risk-adjusted discount rate of 14.5%.	Determination of Timber Content Timber trees in inter-crop areas and pure crop areas have been identified field-wise and spices were identified and harvestable trees were separated, according to their average girth and estimated age. Timber trees that have not come up to a harvestable size are valued working out the period that would take for those trees to grow up to a harvestable size. Determination of Price of Timber Trees have been valued as per the current timber prices per cubic meter based on the industry average prices logs sawn timber at the popular timber traders in Sri Lanka. In this exercise, following factors have been taken into consideration. a) Cost of obtaining approval of felling. b) Cost of felling and cutting into logs. c) Cost of transportation. d) Sawing cost. e) Cost of sale Risk-adjusted discount rate. 2019 - 14.5%.	The estimated fair value at the time of harvesting each specific species is sensitive to the following variables, - the estimated timber content - the estimated timber prices per cubic meter - the estimated selling related costs - the estimated maturity age - the risk-adjusted discount rate.

Notes to the consolidated financial statements (contd)

17.1.2 Sensitivity Analysis

Sensitivity Variation on Sales Price

Values as appearing in the statement of financial position are sensitive to price changes with regard to the average sales prices applied. Simulations made for timber show that an increase or decrease by 10% of the estimated future selling price has the following effect on the fair value of biological assets:

	+10%	2019	-10%
Consumable biological assets (Timber)	12,261	13,624	14,986
Total	**12,261**	**13,624**	**14,986**

Sensitivity Variation on Discount Rate

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

	+10%	2019	-10%
Consumable biological assets (Timber)	13,487	13,624	13,759
Total	**13,487**	**13,624**	**13,759**

17.2 Biological assets - Livestock

Livestock is measured 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'	31 March Group	
	2019	2018
As at 1 April	539,602	24,944
Additions during the year	159,205	482,873
Disposals during the year	(11,694)	-
Change in fair value during the year	(24,493)	31,785
As at 31 March	**662,620**	**539,602**

Notes to the consolidated financial statements (contd)

17.2.1 Valuation techniques and significant unobservable inputs

Following table shows the valuation techniques used in measuring Level 3 fair value of biological assets - livestock as well as the significant unobservable inputs used for the valuation as at 31st March 2019.

Type	Valuation technique used	Significant Unobservable Inputs	Inter-relationship between key unobservable inputs and fair value measurement
Livestock Livestock comprises cattle	Discounted cash flows The valuation model considers present value of future net cash flows expected to be generated by the cattles based on lactation wise annual milking averages and costs incurred. Expected cash flows are discounted using a risk-adjusted discount rate of 15.5%.	Determination of selling price Selling price has been determined based on the market prices. Determination of cost per cow Cost per cow has been determined based on the adjusted cost during the year. Determination of discount factor Risk adjusted discount rate of 15.5% has been use for the valuation. Determination of yield Yeild has been determined based on the actual milk production in each lactation.	The estimated fair value would increase / (decrease) - the estimated milking prices were higher / (lower) - the estimated yield per cow cow were higher / (lower) - the risk-adjusted discount rate were higher / (lower)

17.2.2 Sensitivity Analysis

Sensitivity Variation on Sales Price

Values as appearing in the statement of financial position are sensitive to price changes with regard to the average sales prices applied. Simulations made for livestock show that an increase or decrease by 10% of the estimated future selling price has the following effect on the fair value of biological assets:

	-10% Rs.	2,019 Rs.	+10% Rs.
Live Stock	418,531	662,620	906,711
Total	**418,531**	**662,620**	**906,711**

Sensitivity Variation on Cost

Values as appearing in the statement of financial position are sensitive to cost changes with regard to the average cost applied. Simulations made for livestock show that an increase or decrease by 10% of the estimated future cost has the following effect on the fair value of biological assets:

	-10% Rs.	2,019 Rs.	+10% Rs.
Live Stock	844,913	662,620	480,328
Total	**844,913**	**662,620**	**480,328**

Notes to the consolidated financial statements (contd)

Sensitivity Variation on Discount Rate

Values as appearing in the Statement of Financial Position are sensitive to changes of the discount rate applied. Simulations made for livestock show that an increase or decrease by 1% of the estimated future discount rate has the following effect on the fair value of biological assets:

	-1% Rs.	2019 Rs.	+1% Rs.
Live Stock	679,968	662,620	646,085
Total	679,968	662,620	646,085

Sensitivity Variation on yield

Values as appearing in the Statement of Financial Position are sensitive to changes of the discount rate applied. Simulations made for livestock show that an increase or decrease by 1% of the estimated future discount rate has the following effect on the fair value of biological assets:

	-1% Rs.	2,019 Rs.	+1% Rs.
Live Stock	616,513	662,620	709,166
Total	616,513	662,620	709,166

17.3 Biological assets-Produce on bearer plants

In Rs.'000's	Group		Company	
	2019	2018	2019	2018
As at 1 April	29,143	35,757	28,730	35,452
Fair value gain on growing crops	2,128	10,073	2,101	9,965
Vested with HPL	-	(16,687)	-	(16,687)
As at 31 March	31,271	29,143	30,831	28,730

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

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

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 and the value of unharvested fresh fruit bunches(FFB) of Oil Palm is measured using the actual price used to purchase FFB from out growers.

Notes to the consolidated financial statements (contd)

18. Investment Fund

In Rs.'000's	31 March Group and Company 2019	2018
As at 1 April	288,595	258,319
Gain on increase in net assets value during the year	23,456	30,276
As at 31 March	**312,051**	**288,595**

The fund managed by Guardian Fund Management Limited, comprises mainly Quoted Shares, Unit trust investments, listed debentures and fixed term deposits . The average yield for the year was 12.80% (2018 -11.72%).

The Net asset value of the Investment fund comprise of following as at 31 march.

In Rs.'000's	Group and Company 2019	2018
Instrument Type		
Investment in Quoted Shares	20,948	29,256
Investment in Debentures	183,743	177,880
Investment in Fixed Deposit	78,539	69,534
Investment in Unit Trust	24,552	7,139
Cash at Bank	343	450
Sales Proceed Receivable	3,493	4,309
Interest Receivable	1,441	27
Dividend Receivable	26	-
Purchases Awaiting Settlement	(678)	-
Debenture WHT Payable	(356)	-
	312,051	288,595

Notes to the consolidated financial statements (contd)

19. Investments in subsidiaries

In Rs.'000's			Company	
	% Holding	No of Shares	2019	2018
Watawala Tea Australia (Pty) Limited	100%	7,500	852	852
Watawala Dairy Limited	68.25%	62,350,002	626,500	626,500
			627,352	**627,352**

Summarised financial information of Watawala Dairy Limited

In Rs.'000's	2019	2018
Non current assets	2,418,873	2,173,100
Current assets	100,050	181,150
Total assets	**2,518,923**	**2,354,250**
Non current liabilities	1,223,595	1,423,500
Current liabilities	530,016	103,688
Total liabilities	**1,753,611**	**1,527,188**
Revenue	493,301	173,753
Loss for the year	(234,624)	(90,774)
Total comprehensive expense for the year	**(239,074)**	**(88,921)**

Summarised financial information of Watawala Tea Australia (Pty) Limited

In Rs.'000's	2019	2018
Total assets	2,204	15,683
Total liabilities	872	12,908
Net assets	**1,332**	**2,775**
Loss for the year	**(1,017)**	**(294)**

20. Investment in debenture

In Rs.'000's	Company	
	2019	2018
As at 1 April	-	-
Debenture granted during the year	160,000	-
Interest accrued during the year	17,324	-
Fair value loss recognised during the year	(3,236)	-
As at 31 March	**174,088**	-

The Company has invested on a 3 year convertible debenture on 1st June 2018 at the rate of 13% amounting to Rs.160,000,000 (face value) at maturity value of Rs.230,863,600 raised by Watawala Dairy Limited during the year ended 31st March 2019.

The instrument has been classified as fair value through profit or Loss as per SLFRS 9 "Financial Instruments".

Notes to the consolidated financial statements (contd)

a) Fair Value Hierarchy

The fair value measurements of Convertible Debenture have been catergorised as Level 3 fair values based on assumptions.

b) Valuation techniques and significant unobservable inputs

Following table shows the valuation techniques used in measuring Level 3 fair value of convertible debenture as well as the significant unobservable inputs used for the valuation as at 31st March 2019.

Type	Valuation technique used	Significant Unobservable Inputs	Inter-relationship between key unobservable inputs and fair value measurement
Convertible Debenture	Market Comparison / Discounted cash flows	Not applicable	Not applicable
The convertible debenture for 3 years.	The fair value is estimated considering : - Current or recent quoted prices for identical securities in the markets that are not active and; - a net present value calculated using discount rates derived from quoted yields of securities with unsimilar maturity and adjusted by the illiquidity factor.		

c) Sensitivity Variation on Discount Rate

Values as appearing in the Statement of Financial Position are sensitive to changes of the discount rate applied. Simulations made for convertible Debenture show that an increase or decrease by 1% of the estimated future discount rate has the following effect on the net present value of Convertible Debenture:

Rs.	-1%	2019	+1%
Fair value of convertible debenture	177,861	174,088	170,398
Total	177,861	174,088	170,398

21. Inventories

In Rs.'000's	Group		Company	
As at 31 March	2019	2018	2019	2018
Produce stock	40,334	48,836	40,125	38,949
Export general stocks	-	84,456	-	84,456
Raw materials, spares and consumables	102,755	158,538	60,665	68,383
	143,089	291,830	100,790	191,788

Notes to the consolidated financial statements (contd)

22. Trade and other receivables

In Rs.'000's	Group		Company	
As at 31 March	2019	2018	2019	2018
Trade receivables	31,192	84,326	5,236	60,680
Employee advances	20,844	19,276	18,971	17,912
Prepayments and Advances	116,309	131,101	102,001	96,218
Taxes recoverable-net	119,257	113,267	116,749	113,267
Other receivables	25,596	43,235	15,662	39,319
	313,198	**391,205**	**258,619**	**327,396**

(i) Taxes recoverable 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 10 months.

23. Loans given to related party

In Rs.'000's	Group		Company	
As at 31 March	2019	2018	2019	2018
As at 1 April	-	-	10,000	-
Loans granted during the year	-	-	201,029	10,000
Interest accrued during the year	-	-	11,230	-
As at 31 March	-	-	222,259	10,000

The Company has granted short term loans which is repayable on demand from Watawala Dairy Limited at an interest rate of AWPLR + 0.5%. Related company loans stated above are unsecured and the settlement occurs in cash on the date of maturity.

24. Amounts due from Related parties

In Rs.'000's	Group		Company	
As at 31 March	2019	2018	2019	2018
Pyramid Lanka (Private) Limited	21,918	10,311	21,918	10,311
	21,918	**10,311**	**21,918**	**10,311**

Notes to the consolidated financial statements (contd)

25. Cash and cash equivalents

In Rs.'000's	Group		Company	
As at 31 March	**2019**	**2018**	**2019**	**2018**
Cash at bank	60,838	138,377	56,654	130,986
Cash in hand	882	336	325	284
Short term bank deposits	142,281	41,551	142,085	16,564
	204,001	180,264	199,064	147,834

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

In Rs.'000's	Group		Company	
As at 31 March	**2019**	**2018**	**2019**	**2018**
Bank overdrafts	(110,753)	(36,588)	-	-
Cash and bank balances	204,001	180,264	199,064	147,834
	93,248	143,676	199,064	147,834

26. Stated capital

In Rs.'000's	Group and Company	
	2019	**2018**
200,962,556 ordinary shares and 1 golden share	460,000	460,000
As at 31 March	460,000	460,000

26.1 Movement in Stated capital

	Group and Company	
	2019	**2018**
Balance as at 1 April	200,962,556	236,666,671
Acquisition of own shares	-	(35,704,115)
Balance as at 31 March	200,962,556	200,962,556

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 22nd January 2018.Consequently,total of 35,704,115 shares were repurchased at a consideration of Rs.1,178,235,795.

Notes to the consolidated financial statements (contd)

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. (JEDB/SLSPC)

(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.

27. Interest bearing borrowings

27.1 Movement of borrowings during the year:

	Group			31 March 2019	31 March 2018
In LKR.'000'	**Lease**	**Tea Board**	**Term loan**	**Total**	**Total**
As at 1 April	10,254	6,166	1,323,000	1,339,420	443,324
Obtained during the year	-	-	250,000	250,000	1,298,761
Repaid during the year	(1,719)	(2,644)	(329,250)	(333,613)	(94,453)
Vested with Hatton Plantations PLC		-	-	-	(308,212)
	8,535	3,522	1,243,750	1,255,807	1,339,420

	Company		31 March 2019	31 March 2018
In Rs.'000's	**Tea Board**	**Term loan**	**Total**	**Total**
As at 1 April	6,166	125,000	131,166	443,324
Obtained during the year	-	-	-	89,854
Repaid during the year	(2,644)	(31,250)	(33,894)	(93,800)
Vested with Hatton Plantations PLC	-	-	-	(308,212)
	3,522	93,750	97,272	131,166

Notes to the consolidated financial statements (contd)

27.2 Analysis of borrowings by year of repayment

In LKR.'000'	Group 31 March 2019	Group 31 March 2018	Company 31 March 2019	Company 31 March 2018
Repayable within one year				
Term loans	141,450	31,250	31,250	31,250
Tea Board	2,640	1,980	2,640	1,980
Lease	393	393	-	
	144,483	33,623	33,890	33,230
Repayable after one year				
Term loans	1,102,300	1,291,750	62,500	93,750
Tea Board	882	4,186	882	4,186
Lease	8,142	9,861	-	
	1,111,324	1,305,797	63,382	97,936
Total borrowings	1,255,807	1,339,420	97,272	131,166

27.3 Lender-wise Summery

Group	Outstanding liability			Outstanding liability		
	Repayable within one year	Repayable after one year	Balance as at 31 March 2019	Repayable within one year	Repayable after one year	Balance as at 31 March 2018
Hatton National Bank PLC	91,250	362,500	453,750	31,250	453,750	485,000
Hatton National Bank PLC-Lease	393	8,142	8,535	393	9,861	10,254
State Bank of India	45,000	495,000	540,000	-	540,000	540,000
People's Bank	5,200	244,800	250,000	-	-	-
Standard Chartered Bank	-	-	-	-	298,000	298,000
Tea board Loan	2,640	882	3,522	1,980	4,186	6,166
	144,483	1,111,324	1,255,807	33,623	1,305,797	1,339,420

Company	Outstanding liability			Outstanding liability		
	Repayable within one year	Repayable after one year	Balance as at 31 March 2019	Repayable within one year	Repayable after one year	Balance as at 31 March 2018
Hatton National Bank PLC	31,250	62,500	93,750	31,250	93,750	125,000
Tea board Loan	2,640	882	3,522	1,980	4,186	6,166
	33,890	63,382	97,272	33,230	97,936	131,166

27.3.1 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 2018 / 2019			Outstanding liability 2017 / 2018			
Year	Original amount	Interest rate % p.a.	Repayable within one year	Repayable after one year	Balance as at 31 March 2019	Repayable within one year	Repayable after one year	Balance as at 31 March 2018	Repayment terms
2017/18	360,000	AWPLR + 1.25%	60,000	300,000	360,000	-	360,000	360,000	To be paid in 12 equal bi-annual installments of LKR 30 Mn after a grace period of 18 months.
Sub total	360,000		60,000	300,000	360,000	-	360,000	360,000	

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

Purpose

To purchase a lorry with chasis

			Group Outstanding liability 2018 / 2019			Outstanding liability 2017 / 2018			
Year	Original amount	Interest rate % p.a.	Repayable within one year	Repayable after one year	Balance as at 31 March 2019	Repayable within one year	Repayable after one year	Balance as at 31 March 2018	Repayment terms
2017/18	10,907	14%	393	8,142	8,535	393	9,861	10,254	60 equal monthly instalments commencing from October 2017
Sub total	10,907		393	8,142	8,535	393	9,861	10,254	

Security - Absolute ownership of the leased vehicle

27.3.1 Hatton National Bank PLC (contd)

Purpose

To finance replanting

			Company Outstanding liability 2018/ 2019			Outstanding liability 2017 / 2018			
Year	**Original amount**	**Interest rate % p.a.**	**Repayable within one year**	**Repayable after one year**	**Balance as at 31 March 2019**	**Repayable within one year**	**Repayable after one year**	**Balance as at 31 March 2018**	**Repayment terms**
2014	250,000	AWPLR + 0.5%	31,250	62,500	93,750	31,250	93,750	125,000	96 equal monthly instalments commencing from April 2014
Sub total	250,000		31,250	62,500	93,750	31,250	93,750	125,000	

Security - Unsecured

27.3.2 State Bank of India

Purpose

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

			Group Outstanding liability 2018 / 2019			Outstanding liability 2017 / 2018			
Year	**Original amount**	**Interest rate % p.a.**	**Repayable within one year**	**Repayable after one year**	**Balance as at 31 March 2019**	**Repayable within one year**	**Repayable after one year**	**Balance as at 31 March 2018**	**Repayment terms**
2017/18	540,000	AWPLR - 0.25%	45,000	495,000	540,000	-	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		45,000	495,000	540,000	-	540,000	540,000	

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

Notes to the consolidated financial statements (contd)

27.3.3 People's Bank

Purpose

To finance the import of cattles for Watawala Dairy Ltd.

			Group						
			Outstanding liability 2018 / 2019			Outstanding liability 2017 / 2018			
Year	Original amount	Interest rate % p.a.	Repayable within one year	Repayable after one year	Balance as at 31 March 2019	Repayable within one year	Repayable after one year	Balance as at 31 March 2018	Repayment terms
2018/19	250,000	AWPLR +2%	5,200	244,800	250,000	-	-	-	To be paid in 48 equal monthly installments of LKR 5.2 Mn after a grace period of 12 months.
Sub total	250,000		5,200	244,800	250,000	-	-	-	

Security - Corporate guarantee from Watawala Plantations PLC

27.3.3 Standard Chartered Bank

Purpose

To finance the import of cattles for Watawala Dairy Ltd.

			Group						
			Outstanding liability 2018 / 2019			Outstanding liability 2017 / 2018			
Year	Original amount	Interest rate % p.a.	Repayable within one year	Repayable after one year	Balance as at 31 March 2019	Repayable within one year	Repayable after one year	Balance as at 31 March 2018	Repayment terms
2017	298,000	AWPLR +1.5%	-	-	-	-	298,000	298,000	To be paid in 36 equal monthly installments of LKR 8.2 Mn after a grace period of 12 months.
Sub total	298,000		-	-	-	-	298,000	298,000	

Security - Corporate guarantee from Watawala Plantations PLC

27.3. 4 Tea Board

Purpose

For replanting and working capital financing

				Company Outstanding liability 2018/ 2019			Outstanding liability 2017 / 2018			
Year	Loan number	Original amount	Interest rate % p.a.	Repayable within one year	Repayable after one year	Balance as at 31 March 2019	Repayable within one year	Repayable after one year	Balance as at 31 March 2018	Repayment terms
2016/17	1	38,000	0.41%	2,640	882	3,522	1,980	4,186	6,166	36 equal monthly instalments commencing from August 2017
Sub total		38,000		2,640	882	3,522	1,980	4,186	6,166	

Security - Unsecured

28. Lease Liability to SLSPC and JEDB

	Group		Company	
	2019	2018	2019	2018
Gross liability				
Balance as at 1 April	216,563	565,864	216,563	565,864
Adjustment related to prior years	3,097	-	3,097	-
Less: paid during the year	(8,136)	(8,136)	(8,136)	(8,136)
Vested with Hatton Plantations PLC	-	(341,165)	-	(341,165)
Balance as at 31 March	211,524	216,563	211,524	216,563
Finance charge allocated to future periods				
Balance as at 1 April	87,974	235,423	87,974	235,423
Less:finance charges written off during the year	(5,337)	(5,445)	(5,337)	(5,445)
Vested with Hatton Plantations PLC	-	(142,004)	-	(142,004)
Balance as at 31 March	82,637	87,974	82,637	87,974
Net liability	128,887	128,589	128,887	128,589

As at 31 March	2019			2018		
	Current	Non-current	Total	Current	Non-current	Total
Gross liability	8,136	203,388	211,524	8,151	208,412	216,563
Less: Interest in suspense	(5,225)	(77,412)	(82,637)	(5,352)	(82,622)	(87,974)
Net liability to lessor	2,911	125,976	128,887	2,799	125,790	128,589

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 2019	128,887	2,911	12,252	113,724
As at 31 March 2018	128,589	2,799	12,390	113,400

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 4% p.a.

The interest in suspense is the total amount of interest payable during the remaining tenure of the lease at 4% 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.

Notes to the consolidated financial statements (contd)

29. Retirement benefit obligations

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

In Rs. '000's	Group		Company	
31 March	2019	2018	2019	2018
As at 1 April	193,981	908,192	171,130	882,705
Current service cost for the year	16,141	38,673	12,709	36,802
Interest cost for the year	28,557	52,221	25,929	50,756
Actuarial gain / (loss) for the year	26,124	(35,656)	21,674	(33,803)
Benefits paid for the year	(22,086)	(80,850)	(19,789)	(76,731)
Vested with HPL	-	(688,599)	-	(688,599)
At 31 March	**242,717**	**193,981**	**211,653**	**171,130**

The charge to the statement of profit or loss and other comprehensive income is as follows:

In Rs. '000's	Group		Company	
	2019	2018	2019	2018
Current service cost	16,141	38,673	12,709	36,802
Interest cost	28,557	52,221	25,929	50,756
Total included in profit or loss	**44,698**	**90,894**	**38,638**	**87,558**
Actuarial gain/(loss) recognised in the statement of other comprehensive income	26,124	(35,656)	21,674	(33,803)

An actuarial valuation for defined benefit obligation was carried out as at 31 March 2019 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 of Group and Company by the actuarial valuer:

(i)	Discount rate	12 % p.a. (2018 - 11.5%)
(ii)	Rate of salary increase	
	- estate workers	25% every three years
	- estate staff	25% every three years and 2% 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)	Wage rate	Rs. 700 (2018 - Rs. 500)
(vi)	No of employees	
	Company	1,603 (2018 - 1,525)
	Group	1,896 (2018 - 2,015)

Notes to the consolidated financial statements (contd)

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 2019, a sensitivity analysis was carried out for all employees assuming the following salary/wage escalation rate and discount rate.

Group-In Rs. '000's		**Present value of defined benefit obligations**		
Discount rate	**Salary /Wage escalation Rate**	**Staff**	**Workers**	**Total**
One percentage point increase	As given above	60,941	165,902	226,843
One percentage point decrease	As given above	69,154	191,565	260,719
As given above	One percentage point increase	69,253	182,315	251,568
As given above	One percentage point decrease	60,794	173,619	234,413

Company-In Rs. '000's		**Present value of defined benefit obligations**		
Discount rate	**Salary /Wage escalation Rate**	**Staff**	**Workers**	**Total**
One percentage point increase	As given above	59,152	138,656	197,808
One percentage point decrease	As given above	67,089	160,242	227,331
As given above	One percentage point increase	67,186	152,455	219,641
As given above	One percentage point decrease	59,008	145,164	204,172

30. Deferred income and capital grants

In Rs. '000's	**Group**		**Company**	
	2019	**2018**	**2019**	**2018**
Cost				
As at 1 April	335,283	345,038	94,299	345,038
Additions during the year	-	240,984	-	-
Vested with HPL	-	(250,739)	-	(250,739)
Balance at 31 March	**335,283**	**335,283**	**94,299**	**94,299**
Accumulated amortization				
As at 1 April	91,624	151,510	43,427	151,510
Amortization during the year	50,554	53,862	2,357	5,665
Vested with HPL	-	(113,748)		(113,748)
Balance as 31 March	**142,178**	**91,624**	**45,784**	**43,427**
Carrying value as at 31 March	**193,105**	**243,659**	**48,515**	**50,872**

Funds have been received from 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 grant represents the difference between the cost incurred by the government in importing cattle and the subsidised price paid by the Company to acquire the cattle.

Notes to the consolidated financial statements (contd)

31. Deferred tax liabilities

In Rs. '000's	Group		Company	
As at 31 March	2019	2018	2019	2018
As at 1 April	354,763	331,182	354,798	331,217
Recognised in statement of profit or loss	24,688	20,201	24,653	20,201
Recognised in other comprehensive income	(3,034)	3,380	(3,034)	3,380
As at 31 March	**376,417**	**354,763**	**376,417**	**354,798**

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:

In Rs. '000's	2019		2018	
	Temporary Difference	Tax Effect	Temporary Difference	Tax Effect
Group				
Property plant and equipment	(431,420)	(60,399)	(464,599)	(65,165)
Biological assets - bearer	(2,517,439)	(352,442)	(2,311,485)	(331,864)
Retirement benefit obligations	211,654	29,632	171,130	28,022
Capital grants	48,515	6,792	50,871	14,244
	(2,688,690)	**(376,417)**	**(2,554,083)**	**(354,763)**
Company				
Property plant and equipment	(431,420)	(60,399)	(464,724)	(65,200)
Biological assets - bearer	(2,517,439)	(352,442)	(2,311,485)	(331,864)
Retirement benefit obligations	211,654	29,632	171,130	28,022
Capital grants	48,515	6,792	50,871	14,244
	(2,688,690)	**(376,417)**	**(2,554,208)**	**(354,798)**

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 effective rate of 14% as at 31 March 2019. (2018 - 13.89%)

Notes to the consolidated financial statements (contd)

32. Trade and other payables

In Rs. '000's	Group		Company	
As at 31 March	2019	2018	2019	2018
Trade payables	119,168	129,121	79,433	95,712
Employee related dues	66,555	61,724	60,385	55,981
Provisions and accruals	138,471	165,381	131,723	148,383
Retention payable	1,330	10,843	-	-
WHT Payable	56,315	15,072	56,315	15,072
Sundry contractors estate	16,160	12,093	16,160	12,093
Other payables	13,151	44,774	7,447	42,670
	411,150	439,008	351,463	369,911

33. Amount due to related parties

In Rs. '000's	Group		Company	
As at 31 March	2019	2018	2019	2018
Hatton Plantations PLC	5,364	-	-	-
Duxton Asset Management Limited	22,250	-	-	-
	27,614	-	-	-

34. Commitments

a) Operating leases

The Company has operating leases with Central Finance PLC where 2019/20 lease payments of the contract as at the reporting date is Rs.3,804,256

b) Capital commitments

There are no material commitments as at the reporting date where require disclosures in the financial statements

Notes to the consolidated financial statements (contd)

35. Contingent liabilities

In Rs. '000's	Group		Company	
As at 31 March	2019	2018	2019	2018
Bank guarantees	17,844	49,954	17,844	49,954
Corporate guarantees	-	-	1,150,000	910,200
	17,844	49,954	1,167,844	960,154

Bank guarantees has been issued in favour of the Sri Lanka Customs to facilitate the Company to import 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,for the loans obtained by Watawala Dairy Limited.

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

Notes to the consolidated financial statements (contd)

36. Related party transactions

Name of the company In Rs. '000's	Nature of relationship	Name of Directors	Nature of Trasaction	Transaction amount 2019	Transaction amount 2018	Balance as at 31 March 2019	Balance as at 31 March 2018
Pyramid Lanka (Pvt) Ltd	Affiliate	Mr. M.S. Mawzoon	Sales	2,004,234	1,723,902	21,918	10,311
		Mr. P Karunagaran	Settlements	(1,992,627)	(1,713,591)		
Watawala Tea Ceylon Limited	Affiliate	Mr. Vish Govindasamy	Purchase of goods	(34)	-	-	-
		Mr. M.S. Mawzoon	Service Income	1,150	3,438		
		Mr. L. Ramanayake	Settlements	(1,116)	(3,438)		
Sunshine Tea (Pvt) Ltd	Affiliate	Mr. G. Sathasivam	Purchases	(7,485)	(18,602)	-	-
			Service Cost	(864)	327		
			Settlements	8,349	18,275		
Sunshine Holdings PLC	Parent	Mr. Vish Govindasamy	Service Cost	(70,476)	(82,881)	-	-
		Mr. G. Sathasivam	Sale of tea	-	66		
			Settlements	70,476	82,815		
Watawala Diary Limited	Subsidiary	Mr Sunil G. Wijesinha.	Debenture	160,000	-	399,347	10,000
		Mr. Vish Govindasamy	Debenture interest	17,324	-		
		Mr. M S Mawzoon	Loan	211,029	-		
			Interest	14,358	-		
			Purchases	(49,279)	(18,047)		
			Sales		2,503		
			Settlements	45,915	25,544		
Hatton Plantations PLC	Affiliate	Mr. Vish Govindasamy	Purchase of goods and services			(5,364)	(1,347)
		Mr. Sunil Wijesinha					
		Mr. G Sathasivam		(113)	-		
		Mr. A N Fernando	Sales	7,000	-		
		Mr. M.S. Mawzoon	Purchase of Fixed Assets				
		Mr. L. Ramanayake		(1,600)	-		
		Mr. N S Weerasekara					
		Mr. P Karunagaran	Sales	31,296	-		
			Lease Income	1,250	-		
			Purchases	2,935	-		
			Settlements	(44,785)	-		
Duxton Asset Management (Private) Limited	Affiliate	Mr. J.D. Sheehy	Consultation Fees	(22,250)	-	(22,250)	-
		Mr. J.P. Shopov					

Notes to the consolidated financial statements (contd)

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) Transactions with key management personnel

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

In Rs. '000's	Group		Company	
For the year ended 31 March	2019	2018	2019	2018
Salaries and other short term employee benefits	10,966	34,888	10,966	38,536

Major transactions with related parties

The following recurrent and non recurrent related party transactions were taken place during the year ended 31st March 2019 in the course of business where the aggregate value of series of recurrent transactions exceeds 10% of gross revenue and the non recurrent transactions exceeds 10% of equity or 5% of total assets as per the financial statements for the year ended 31st March 2019.

Name of the related party	Relationship	Nature of the recurrent transactions	Aggregate value of related party recurrent transactions during the financial year (In Rs. '000's)	Aggregate value of related party recurrent transactions as % of group revenue
Pyramid Lanka (Pvt) Limited	Affiliate	Sales	2,004,234	77.4%

Name of the related party	Relationship	Nature of the Non-recurrent transactions	Aggregate value of related party non-recurrent transactions during the financial year (In Rs. '000's)	Value of related party non-recurrent transactions as a % of	
				Equity	Total Assets
Watawala Dairy Limited	Subsidiary	Debenture/loan/ interest	402,711	10.1%	7.7%

The above transactions were reported to the board and the related party Review Committee of the company during the year.

37. Comparative Information

The comparative information includes adjustment related to asset and liabilities vested with Hatton Plantations PLC (Note 37.1) and the Comparative figures have been reclassified wherever necessary to conform with the current year's presentation.

37.1 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" permitted 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(Exercising Civil Jurisdiction) held in Colombo on 20 July 2017 in Case No HC(Civil)/28/2017 CO and the Honorable 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 (Exercising Civil Jurisdiction) held on 26th September 2017 and the Honorable 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 Limited as at 30th September 2017.

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

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

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

38. Events after the reporting date

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

39. Financial risk management

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	
	2019	2018
Rate of exchange LKR per 1 USD	176.13	155.97

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 2019, if the USD had strengthened/weakened 1% against the financial year with all other variables held constant, profit after tax would have been Rs 1,044,125 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.

The interest rate profile of the Group's interest-bearing financial instruments as reported to the management of the Group as follows;

In Rs. '000's	Group		Company	
	2019	2018	2019	2018
Variable rate instruments				
Financial assets				
Loans given to related party	-	-	222,259	10,000
	-	-	222,259	10,000
Financial Liabilities				
Interest bearing borrowings	1,255,807	1,339,420	97,272	131,166
Bank overdrafts	110,753	36,588	-	-
	1,366,560	1,376,008	97,272	131,166

Notes to the consolidated financial statements (contd)

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain shareholder, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital and level of dividends to ordinary shareholders.

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

In Rs. '000's	Group		Company	
	2019	2018	2019	2018
Total Liabilities	2,779,900	2,776,644	1,247,570	1,246,584
Less: Cash and Cash Equivalents	(204,001)	(180,264)	(199,064)	(147,834)
Net Debt	2,575,899	2,596,380	1,048,506	1,098,750
Total Equity	**3,922,511**	**3,634,756**	**4,003,722**	**3,452,979**
Net Debt to Equity Ratio	65.7%	71.4%	26.2%	31.8%

(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.

Credit risk is the risk of financial loss to the Group if a customer fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

Notes to the consolidated financial statements (contd)

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

In Rs. '000's	Group		Company	
	2019	2018	2019	2018
Trade receivables	31,192	84,326	5,236	60,680
Employee advances	20,844	19,276	18,971	17,912
Other receivables	25,596	43,235	15,662	39,319
Amounts due from related companies	21,918	10,311	21,918	10,311
Investment in debenture	-	-	174,088	-
Loan given to related party	-	-	222,259	10,000
Balances with banks	203,119	179,928	198,739	147,550
	302,669	337,076	656,873	285,772

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets from individual customers as at 31st March 2019.

In Rs. '000's Group	Weighted average loss rate	Gross carrying amount	Impairment loss allowance	Credit Impaired
31st March 2019				
Past due (0-60 days)	100%	31,192	-	No
Past due (61-120 days)	0%	-	-	No
Past due (121-364 days)	0%	-	-	No
More than 1 year	0%	-	-	No
		31,192	-	
31st March 2018				
Past due (0-60 days)	100%	84,326	-	No
Past due (61-120 days)	0%	-	-	No
Past due (121-364 days)	0%	-	-	No
More than 1 year	0%	-	-	No
		84,326		

Notes to the consolidated financial statements (contd)

In Rs. '000's Company	Weighted average loss rate	Gross carrying amount	Impairment loss allowance	Credit Impaired
31st March 2019				
Past due (0-60 days)	100%	5,236	-	No
Past due (61-120 days)	0%	-	-	No
Past due (121-364 days)	0%	-	-	No
More than 1 year	0%	-	-	No
		5,236	-	
31st March 2018				
Past due (0-60 days)	100%	60,680	-	No
Past due (61-120 days)	0%	-	-	No
Past due (121-364 days)	0%	-	-	No
More than 1 year	0%	-	-	No
		60,680	-	

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.

Notes to the consolidated financial statements (contd)

The following are the contractual maturities of financial assets and liabilities.

Group - As at 31 March 2019 In Rs. '000's	Carrying amount	Contractual cashflows	12 Months or less	2-3 Years	4-5 Years	More than 5 Years
Non-Derivative Financial liabilities						
Interest bearing borrowings	1,255,807	1,255,807	144,483	493,066	423,258	195,000
Trade and other payables	411,150	411,150	411,150	1,233,450	-	-
Amount due to related parties	27,614	27,614	27,614	82,842	-	-
Bank overdrafts	110,753	110,753	110,753	332,259	-	-
	1,805,324	1,805,324	694,000	2,141,617	423,258	195,000

Group - As at 31 March 2018 'Rs. '000's	Carrying amount	Contractual cashflows	12 Months or less	2-3 Years	4-5 Years	More than 5 Years
Non-Derivative Financial liabilities						
Interest bearing borrowings	1,339,420	1,339,420	33,623	452,519	403,278	450,000
Trade and other payables	439,008	439,008	439,008	-	-	-
Bank overdrafts	36,588	36,588	36,588	-	-	-
Total financial liabilities	1,815,016	1,815,016	509,219	452,519	403,278	450,000

Company - As at 31 March 2019 In Rs. '000's	Carrying amount	Contractual cashflow	12 Months or less	2-3 Years	4-5 Years	More than 5 Years
Non-Derivative Financial liabilities						
Interest bearing borrowings	97,272	97,272	31,250	62,500	-	-
Trade and other payables	351,463	351,463	351,463	-	-	-
	448,735	448,735	382,713	62,500	-	-

Company - As at 31 March 2018 In Rs. '000's	Carrying amount	Contractual cashflow	12 Months or less	2-3 Years	4-5 Years	More than 5 Years
Non-Derivative Financial liabilities						
Interest bearing borrowings	131,166	131,166	33,230	97,936	-	-
Trade and other payables	369,911	369,911	369,911	-	-	-
Total financial liabilities	501,077	501,077	403,141	97,936	-	-

Notes to the consolidated financial statements (contd)

(iv) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorisation of transactions.
- Requirements for the reconciliation and monitoring of transactions.
- Compliance with regulatory and other legal requirements.
- Documentation of controls and procedures.
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified.
- Requirements for the reporting of operational losses and proposed remedial actions.
- Development of contingency plans.
- Training and professional development.
- Ethical and business standards.
- Risk mitigation, including insurance when this is effective.

Compliance with Group standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the Management and summaries are submitted to the senior management of the Group.

40. Fair values of financial instruments

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level I: Quoted market price (unadjusted) in an active market for an identical instrument.

Level II: Valuation techniques based on observable inputs, either directly – i.e. as prices or indirectly – i.e. derived from prices. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level III: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Notes to the consolidated financial statements (contd)

Financial instruments not carried at fair value and valuation bases

The table below analyse classification of financial instrument and financial instruments measured at fair value at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

Group - As at 31 March 2019 In Rs. '000's	Fair value through Profit or loss	Amortised cost	Fair value through other comprehensive income
Financial assets measured at fair value			
Investment fund	312,051	-	-
	312,051	-	-
Financial assets not measured at fair value			
Trade and Other receivables	-	313,198	-
Amounts due from related party	-	21,918	-
Cash at banks and in hand	-	204,001	-
	-	**539,117**	-
Total financial assets	**312,051**	**539,117**	-
Financial liabilities not measured at fair value			
Interest bearing borrowings	-	1,255,807	-
Trade and other payables	-	411,150	-
Amount due to related parties	-	27,614	-
Current tax liabilities	-	33,450	-
Bank overdrafts	-	110,753	-
	-	**1,838,774**	-
Total financial liabilities	-	**1,838,774**	-

Group - As at 31 March 2018 In Rs. '000's	Held for trading	Loans and receivables	Other financial Liabilities
Financial assets measured at fair value			
Investment fund	288,595	-	-
	288,595	-	-
Financial assets not measured at fair value			
Trade and Other receivables	-	391,205	-
Amounts due from related party	-	10,311	-
Cash at banks and in hand	-	180,264	-
	-	**581,780**	-
Total financial assets	**288,595**	**581,780**	-
Financial liabilities not measured at fair value			
Interest bearing borrowings	-	-	1,339,420
Trade and other payables	-	-	439,008
Amount due to related company	-	-	-
Current tax liablities	-	-	40,636
Bank overdrafts	-	-	36,588
Total financial liabilities	-	-	**1,855,652**

Notes to the consolidated financial statements (contd)

Total carrying amount	Level 1	Level 2	Level 3	Total Fair value
312,051	-	312,051	-	312,051
312,051	**-**	**312,051**	**-**	**312,051**
313,198	-	-	313,198	313,198
21,918	-	-	21,918	21,918
204,001	-	204,001	-	204,001
539,117	**-**	**204,001**	**335,116**	**539,117**
851,168	**-**	**516,052**	**335,116**	**851,168**
1,255,807	-	1,255,807	-	1,255,807
411,150	-	-	411,150	411,150
27,614	-	-	27,614	27,614
33,450	-	-	33,450	33,450
110,753	-	110,753	-	110,753
1,838,774	**-**	**1,366,560**	**472,214**	**1,838,774**
1,838,774	**-**	**1,366,560**	**472,214**	**1,838,774**

Total carrying amount	Level 1	Level 2	Level 3	Fair value
288,595	-	288,595	-	288,595
288,595	**-**	**288,595**	**-**	**288,595**
391,205	-	-	391,205	391,205
10,311	-	-	10,311	10,311
180,264	-	180,264	-	180,264
581,780	**-**	**180,264**	**401,516**	**581,780**
870,375	**-**	**468,859**	**401,516**	**870,375**
1,339,420	-	1,339,420	-	1,339,420
439,008	-	-	439,008	439,008
-	-	-	-	-
40,636	-	-	40,636	40,636
36,588	-	36,588	-	36,588
1,855,652	**-**	**1,376,008**	**479,644**	**1,855,652**

Notes to the consolidated financial statements (contd)

Company - As at 31 March 2019 In Rs. '000's	Fair value through Profit or loss	Amortised cost	Fair value through other comprehensive income
Financial assets measured at fair value			
Investment fund	312,051	-	-
Investment in Debenture	174,088	-	-
	486,139	-	-
Financial assets not measured at fair value			
Trade and Other recievables	-	258,619	-
Loans given to related party	-	222,259	-
Amounts due from related party	-	21,918	-
Cash at banks and in hand	-	199,064	-
	-	701,860	-
Total financial assets	486,139	701,860	-
Financial liabilities not measured at fair value			
Interest bearing borrowings	-	97,272	-
Trade and other payables	-	351,463	-
Current tax liablities	-	33,363	-
	-	482,098	-
Total financial liabilities	-	482,098	-

Company - As at 31 March 2018 'Rs. '000's	Held for trading	Loans and receivables	Other financial Liabilities
Financial assets measured at fair value			
Investment fund	288,595	-	-
	288,595	-	-
Financial assets not measured at fair value			
Trade and Other recievables	-	327,396	-
Loans given to related party	-	10,000	-
Amounts due from related party	-	10,311	-
Cash at banks and in hand	-	147,834	-
	-	495,541	-
Total financial assets	288,595	495,541	-
Financial liabilities not measured at fair value			
Interest bearing borrowings	-	-	131,166
Trade and other payables	-	-	369,911
Current tax liablities	-	-	40,118
Total financial liabilities	-	-	541,195

Notes to the consolidated financial statements (contd)

Total carrying amount	Level 1	Level 2	Level 3	Total Fair value
312,051	-	312,051	-	312,051
174,088	-	174,088	-	174,088
486,139	**-**	**486,139**	**-**	**486,139**
258,619	-	-	258,619	258,619
222,259	-	-	222,259	222,259
21,918	-	-	21,918	21,918
199,064	-	199,064	-	199,064
701,860	**-**	**199,064**	**502,796**	**701,860**
1,187,999	**-**	**685,203**	**502,796**	**1,187,999**
97,272	-	97,272	-	97,272
351,463	-	-	351,463	351,463
33,363	-	-	33,363	33,363
482,098	**-**	**97,272**	**384,826**	**482,098**
482,098	**-**	**97,272**	**384,826**	**482,098**

Total carrying amount	Level 1	Level 2	Level 3	Fair value
288,595	-	288,595	-	288,595
288,595	**-**	**288,595**	**-**	**288,595**
327,396	-	-	327,396	327,396
10,000	-	-	10,000	10,000
10,311	-	-	10,311	10,311
147,834	-	147,834	-	147,834
495,541	**-**	**147,834**	**347,707**	**495,541**
784,136	**-**	**436,429**	**347,707**	**784,136**
131,166	-	131,166	-	131,166
369,911	-	-	369,911	369,911
40,118	-	-	40,118	40,118
541,195	**-**	**131,166**	**410,029**	**541,195**

PROTECTING BIO DIVERSITY

Our plantations are home to a wide variety of flora and fauna and host numerous and complex eco systems. We have carried out a survey of the biodiversity in the oil palm plantations as part of the RSPO certification process to provide a reference point for future monitoring. Our plantations are home to xx endangered and vulnerable species as per the IUCN classification which is testimony to our commitment to the environment, preserving it for future generations while meeting the needs of the present.

Number of Permanent Buildings Available as at 31 March 2019

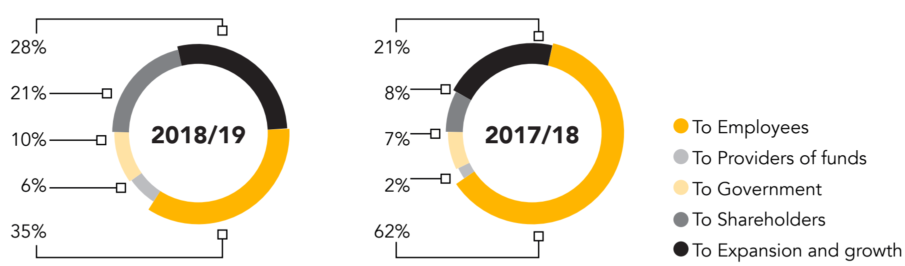
Buildings	No. of Buildings				
	HMD	TLG/OP	NKD	OPM	TOTAL
No of Factories	2	1	1	1	5
No of Bungalows	7	8	4	2	21
No of Senior Staff Bungalows	10	11	11	3	35
No of Junior Staff Bungalows	18	16	15	1	50
No of Double Barrack Lines	9	147	110		266
No of Single Barrack Lines	31	190	64		285
No of Twin Cottages	51	196	100		347
No of Single Cottages	0	27	122		149
No of Creches	5	7	1		13
No of Dispensary	1	1	2		4
No of Maternity Ward	0		0		0
No of Minor Buildings	19	20	17		56
No of Training Centers	0	1	0		1
No of Self Help Housing	244	64	0		308
Any Other Buildings - EWHC Building/ Badminton Court/ Central Garage/ Community center/ Main Office)	1		5		6

**TLG Tea Factory Leased Out

Value Added Statement

	Group				Company			
LKR '000	2018/2019	%	2017/2018	%	2018/2019	%	2017/2018	%
Revenue	3,081,760		4,948,755		2,588,459		4,764,455	
Other income	96,337		231,185		58,742		149,223	
	3,178,097		5,179,940		2,647,201		4,913,678	
Cost of materials and services obtained	(973,209)		(599,408)		(426,533)		(536,530)	
Value Addition	2,204,888		4,580,532		2,220,668		4,377,148	
Value allocated to:								
To Employees								
Salaries,wages and other benefits	778,484	35	2,836,789	62	703,698	32	2,607,173	60
To Providers of funds								
Interest to money lenders	133,209	6	104,287	2	45,410	3	85,665	2
To Government								
JEDB/SLSPC Lease rental	33,449		52,680		33,449		52,680	
Value Added Tax	2,603		-		2,603		-	
Nation Bulding Tax	49,040		45,879		49,040		45,879	
Economics Service Charges	14,426		30,738		12,634		30,738	
Stamp Duty	182		337		174		337	
Income Tax	134,297		204,369		134,356		205,345	
	233,998	10	334,002	7	232,257	10	334,978	7
To providers of capital								
Dividend paid to shareholders	452,166	21	351,889	8	452,166	20	351,889	8
To Expansion and growth								
Profit retained	310,845		615,596		569,383		698,647	
Depreciation & ammotization	271,498		317,768		193,101		278,595	
Deferred Taxation	24,688		20,201		24,653		20,201	
	607,031	28	953,565	21	787,137	35	997,443	23
	2,204,888	100	4,580,532	100	2,220,668	100	4,377,148	100

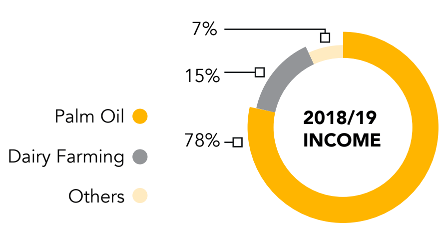
	GROUP		GROUP	
	2018/2019		2017/2018	
To Employees	778,484	35%	2,836,789	62%
To Providers of funds	133,209	6%	104,287	2%
To Government	233,998	10%	334,002	7%
To Shareholders	452,166	21%	351,889	8%
To Expansion and growth	607,031	28%	953,565	21%
	2,204,888	100%	4,580,532	100%

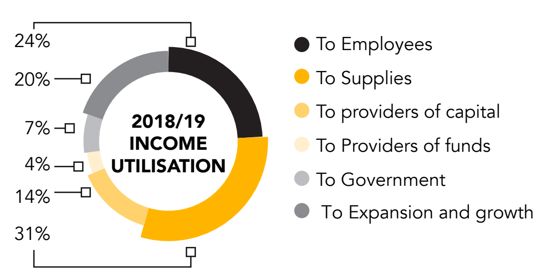


Sources and Utilisation of Income

Rs.'000	Group 2018/2019		Group 2017/2018		Group 2016/2017		Group 2015/2016		Group 2014/2015
Sources Of Income									
Palm Oil	2,468,460	78%	2,031,142	40%	2,162,347	33%	1,503,584	23%	1,555,064
Dairy Farming	493,301	15%	173,753	3%	32,560	0%	-		-
Others	216,336	7%	2,975,045	57%	4,453,709	67%	4,929,377	77%	5,412,578
	3,178,097	100%	5,179,940	100%	6,648,616	100%	6,432,961	100%	6,967,642
Utilisation Of Income									
To Employees									
Salaries,wages and other benefits	778,484	24%	2,641,360	51%	3,107,065	47%	3,138,680	49%	3,309,409
To Providers of funds									
Interest paid to money lenders	133,209	4%	104,287	2%	118,802	2%	95,759	1%	100,475
To Supplies & Service Providers	973,209	31%	794,837	15%	1,642,064	25%	2,177,371	34%	2,650,464
To Providers of capital									
Dividend paid to shareholders	452,166	14%	351,889	7%	331,333	5%	118,333	2%	343,166
To Government									
Lease Rent,VAT,NBT,BTT,SRL	233,998	7%	334,002	7%	176,862	3%	126,768	2%	166,595
To Expansion & growth									
Retained Profits,depreciation	607,031	20%	953,565	18%	1,272,490	19%	776,050	12%	397,533
	3,178,097	100%	5,179,940	100%	6,648,616	100%	6,432,961	100%	6,967,642

	GROUP 2018/2019	%	GROUP 2017/2018	%
To Employees	778,484	24%	2,641,360	51%
To Supplies	973,209	31%	795,047	15%
To providers of capital	452,166	14%	351,889	7%
To Providers of funds	133,209	4%	104,287	2%
To Government	233,998	7%	334,002	7%
To Expansion and growth	607,031	20%	953,565	18%
	3,178,097	100%	5,180,150	100%





Estate Hectarage Statement

Area (Ha)	2018/2019	2017/2018	2016/2017	2015/2016	2014/2015	2013/2014	2012/2013	2011/2012	2010/2011
Tea Mature	63.71	105.26	4,223.50	4,363.98	4,369.24	4,373.35	4,356.79	4,346.78	4,334.04
Tea Immature	3.75	4.75	61.04	101.44	100.40	77.30	115.61	113.87	126.61
Tea	67.46	110.01	4,284.54	4,465.42	4,469.64	4,450.65	4,472.40	4,460.65	4,460.65
Rubber Mature	172.74	221.30	370.95	426.16	520.73	651.62	687.33	860.52	1,045.52
Rubber Immature	-	-	24.00	24.00	38.50	49.86	34.74	66.47	82.47
Rubber	172.74	221.30	394.95	450.16	559.23	701.48	722.07	926.99	1,127.99
OP Mature	2,692.14	2,655.53	2,547.46	2,401.34	2,152.63	1,935.69	1,909.51	1,871.41	1,874.52
OP Immature	843.62	940.21	723.70	755.67	904.04	985.59	1,161.60	975.20	787.41
Oil Palm	3,535.76	3,595.74	3,271.16	3,157.01	3,056.67	2,921.28	3,071.11	2,846.61	2,661.93
Fuelwood	-	-	1,058.14	1,069.09	1,388.41	1,495.31	1,392.00	1,332.00	997.13
Nursery	11.17	11.17	23.25	25.90	28.40	28.40	42.40	33.69	31.94
Minor Crop	76.96	76.96	173.59	174.32	186.08	177.49	174.12	211.37	208.82
Other Area	962.88	811.79	2,812.80	3,098.11	2,751.58	2,665.40	2,565.91	2,628.70	2,951.55
Other	1,051.01	899.92	4,067.78	4,365.82	4,353.22	4,366.60	4,174.43	4,205.76	4,189.44
Company	4,826.97	4,826.97	12,018.43	12,438.41	12,438.76	12,440.01	12,440.01	12,440.01	12,440.01

Crops and Yields

Production (Kg'000)

Region	2018/19	2017/18	2016/17	2015/16	2014/15	2013/14	2012/13	2011/12	2010/11	2009/10
Tea										
Watawala	-	-	1,893	2,489	2,754	2,563	2,778	2,245	2,364	2,189
Hatton	-	-	3,459	4,297	4,402	4,388	4,066	3,875	3,872	3,577
Lindula	-	-	1,835	2,323	2,881	2,682	2,759	2,388	2,513	2,359
Udugama	125	187	235	303	274	294	285	886	1,081	963
Tea	125	187	7,422	9,413	10,311	9,926	9,888	9,394	9,830	9,087
Rubber	-	-	-	268	325	490	535	648	674	658
Palm oil	11,870	10,775	10,622	9,008	8,854	8,127	7,455	6,584	5,080	6,164

Yield per hectarage (kg)

Region	2018/19	2017/18	2016/17	2015/16	2014/15	2013/14	2012/13	2011/12	2010/11	2009/10
Tea										
Watawala	-	-	1,269	1,373	1,533	1,420	1,533	1,262	1,209	1,152
Hatton	-	-	1,224	1,441	1,624	1,570	1,532	1,365	1,342	1,378
Lindula	-	-	1,152	1,444	1,523	1,415	1,472	1,343	1,396	1,295
Udugama	1,535	1,428	1,475	1,871	1,761	1,745	1,762	1,799	1,782	1,752
Tea	1,535	-	1,213	1,439	1,568	1,480	1,517	1,345	1,344	1,304
Rubber	-	-	-	629	625	752	778	753	645	604
Palm oil	3,768	3,678	3,786	3,294	3,757	3,765	3,537	3,156	2,391	2,973

Historical Financial Information

LKR.'000	Group 2009/10	Company 2009/10	Group 2010/11	Company 2010/11	Group 2011/12	Company 2011/12	Group 2012/13	Company 2012/13
INCOME STATEMENT								
Revenue	5,615,167	5,611,731	6,158,246	4,663,744	4,175,431	4,172,214	5,434,779	5,340,962
Cost of sales	(4,763,928)	(4,750,844)	(4,958,450)	(3,980,740)	(3,777,264)	(3,777,264)	(4,383,731)	(4,292,729)
Gross profit	851,239	860,887	1,199,796	683,004	398,167	394,950	1,051,048	1,048,233
Other Operating income	130,603	132,303	124,369	239,309	348,716	621,206	139,585	140,575
Administrative expenses	(164,099)	(178,687)	(342,364)	(220,759)	(211,331)	(203,235)	(246,238)	(242,464)
Distribution expenses	(231,657)	(231,375)	(167,142)	-	-	-	-	-
Management fees	(75,798)	(75,798)	(90,033)	(90,033)	(49,331)	(49,331)	(137,510)	(137,510)
Operating profit	510,288	507,330	724,626	611,521	486,221	763,590	806,885	808,834
Net finance cost	(79,669)	(79,711)	(85,984)	(84,951)	(111,103)	(111,103)	(77,530)	(77,919)
Profit /(loss) before Tax	430,619	427,619	638,642	526,570	375,118	652,487	729,355	730,915
Tax expense	(4,000)	(4,000)	3,830	5,830	(89,837)	(89,196)	(49,111)	(49,041)
Profit /(loss) for the year	426,619	423,619	642,472	532,400	285,281	563,291	680,244	681,874
Profit from discontinued operations	-	-	-	-	169,756	-		-
Profit for the year	426,619	423,619	642,472	532,400	455,037	563,291	680,244	681,874
Other Comprehensive Income								
Available for sale investment	-	-	-	-	-	-	-	-
Actuarial gain/(loss) on gratuity	-	-	-	-	(148,035)	(148,035)	80,430	80,430
Tax on acturail gain/(loss) on gratuity	-	-	-	-	32,418	32,418	(35,462)	(35,462)
Total other comprehensive income for the year (net of tax)	-	-	-	-	(115,617)	(115,617)	44,968	44,968
Total comprehensive income for the year	426,619	423,619	642,472	532,400	339,420	447,674	725,212	726,842
Attributable to:								
Equity holders of the Company	429,900	-	642,468	-	339,420	447,674	725,212	726,842
Non controling interest	3,281	-	-	-	-	-	-	-
Total Comprehensive income for the year	426,619	-	642,472	532,400	339,420	447,674	725,212	726,842
Statment of Financial Position								
Non Current Assets								
Right to used of land	247,718	247,718	240,683	240,683	233,648	233,648	226,613	226,613
Immovable estate assets on finance lease	229,768	229,768	212,121	212,121	194,474	194,474	176,827	176,827
Property, Plant and equipment	1,486,213	1,478,604	1,750,413	1,632,149	1,690,078	1,690,078	1,697,655	1,697,655
Intangible assets	-	-	-	-	-	-	-	-
Bearer plants	1,603,713	1,603,713	1,825,149	1,825,149	2,115,980	2,115,980	2,316,658	2,316,658
Biological assets-consumables	-	-	615,816	615,816	630,566	630,566	531,190	531,190
Biological assets-livestock	-	-	19,355	19,355	20,037	20,037	32,231	32,231
Investment in fund	-	-	-	-	42,641	42,641	127,267	127,267
Investment in subsidiaries	-	-	-	355,852	-	852	-	852
Investment in debenture	-	-	-	-	-	-	-	-
Available for sale financial Assets	-	-	-	-	-	-	-	-
Total Non Current Assets	3,567,412	3,559,803	4,663,537	4,901,125	4,927,424	4,928,276	5,108,441	5,109,293
Current Assets								
Inventories	540,583	540,583	760,125	531,484	465,980	465,980	635,951	635,951
Biological assets-growing crops on bearer plants	-	-	-	-	-	-	-	-
Trade and other receivables	464,611	471,112	487,347	311,213	324,290	342,374	444,289	435,631
Loan given to related pary								
Amounts due from Related parties	-	-	-	-	-	-	-	-
Investments in unit trusts	-	-	-	-	-	-	-	-
Cash and cash equivalents	53,442	52,369	40,697	15,061	470,231	447,716	443,333	431,799
Total Current Assets	1,058,636	1,064,064	1,288,169	857,758	1,260,501	1,256,070	1,523,573	1,503,381
Total Assets	**4,626,048**	**4,623,867**	**5,951,706**	**5,758,883**	**6,187,925**	**6,184,346**	**6,632,014**	**6,612,674**

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	Group 2018/19	Company 2018/19
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	3,081,760	2,588,459
(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)	(1,941,278)	(1,279,111)
945,575	942,466	800,044	797,798	853,361	851,238	1,673,186	1,703,515	1,253,618	1,403,658	1,140,482	1,309,348
89,656	89,555	119,151	119,151	134,192	134,192	146,851	142,808	231,185	149,223	96,337	58,742
(264,586)	(261,270)	(369,572)	(367,487)	(318,502)	(315,960)	(326,336)	(324,227)	(335,132)	(327,309)	(200,355)	(191,698)
-	-	-	-	-	-	-	-	-	-	-	-
(92,264)	(92,264)	-	-	-	-	-	-	-	-	-	-
678,381	678,487	549,623	549,462	669,051	669,470	1,493,701	1,522,096	1,149,671	1,225,572	1,036,464	1,176,392
(97,600)	(97,600)	(85,874)	(85,919)	(78,815)	(78,834)	(47,620)	(76,279)	13,567	50,510	(114,468)	4,166
580,781	580,887	463,749	463,543	590,236	590,636	1,446,081	1,445,817	1,163,238	1,276,082	921,996	1,180,558
(83,587)	(83,435)	(73,002)	(72,978)	(72,486)	(72,415)	(220,422)	(216,156)	(224,570)	(225,546)	(158,985)	(159,009)
497,194	497,452	390,747	390,565	517,750	518,221	1,225,659	1,229,661	938,668	1,050,536	763,011	1,021,549
	-		-	-	-	-	-	-	-	-	-
497,194	497,452	390,747	390,565	517,750	518,221	1,225,659	1,229,661	938,668	1,050,536	763,011	1,021,549
-	-	-	-	10,763	10,763	-	-	-	-	-	-
(89,302)	(89,302)	19,854	19,854	102,714	102,714	92,604	88,451	35,656	33,803	(26,124)	(21,674)
26,155	26,155	(3,022)	(3,022)	(15,585)	(15,585)	(8,845)	(8,845)	(3,380)	(3,380)	3,034	3,034
(63,147)	(63,147)	16,832	16,832	97,892	97,892	83,759	79,606	32,276	30,423	(23,090)	(18,640)
434,047	434,305	407,579	407,397	615,642	616,113	1,309,418	1,309,267	970,944	1,080,959	739,921	1,002,909
434,047	434,305	407,579	407,397	615,642	616,113	1,310,218	1,309,267	999,173	1,080,959	815,818	1,002,909
-	-	-	-	-	-	(800)	-	(28,229)	-	(75,897)	-
434,047	434,305	407,579	407,397	615,642	616,113	1,309,418	1,309,267	970,944	1,080,959	739,921	1,002,909
219,578	219,578	212,543	212,543	205,508	205,508	198,473	191,774	80,079	73,619	77,120	70,898
159,492	159,492	142,033	142,033	124,574	124,574	107,474	102,984	-	26,090	-	-
1,840,625	1,840,625	1,921,745	1,921,745	1,835,454	1,835,454	2,423,768	1,770,618	2,048,247	611,642	2,200,469	667,751
-	-	-	-	-	-	-	-	24,844	23,367	24,925	18,839
2,518,564	2,518,564	2,743,030	2,743,030	2,794,625	2,794,625	2,955,251	2,850,482	2,489,314	2,358,929	2,673,393	2,546,832
575,944	575,944	566,967	566,967	608,995	608,995	648,831	607,707	37,966	-	38,356	-
45,061	45,061	40,256	40,256	27,535	27,535	24,944	-	539,602	-	662,620	-
200,000	200,000	220,262	220,262	234,369	234,369	258,319	258,319	288,595	288,595	312,051	312,051
-	852	-	852	-	852	-	627,352	-	627,352	-	627,352
-	-	-	-	-	-	-	-	-	-	-	174,088
-	-	10,882	10,882	21,645	21,645	21,645	21,645	-	-	-	-
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	5,988,934	4,417,811
939,982	939,982	693,086	693,086	637,773	637,773	732,988	686,138	291,830	191,788	143,089	100,790
-	-	-	-	-	-	35,757	35,452	29,143	28,730	31,271	30,831
447,044	440,506	491,241	488,148	560,954	560,866	537,199	438,380	391,205	327,396	313,198	258,619
										-	222,259
-	-	-	-	-	-	279,735	279,735	10,311	10,311	21,918	21,918
-	-	-	-	564,597	564,597	-	-	-	-	-	-
114,660	111,851	72,031	67,832	130,178	113,730	888,143	861,945	180,264	147,834	204,001	199,064
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	713,477	833,481
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**	**6,702,411**	**5,251,292**

Historical Financial Information

LKR.'000	Group 2009/10	Company 2009/10	Group 2010/11	Company 2010/11	Group 2011/12	Company 2011/12	Group 2012/13	Company 2012/13
Capital and reserves								
Stated capital	460,000	460,000	460,000	460,000	460,000	460,000	460,000	460,000
Retained earnings	1,584,167	1,583,297	2,721,150	2,611,078	2,859,403	2,857,585	3,383,448	3,383,260
Total equity attributable to equity holders of the company	2,044,167	2,043,297	3,181,150	3,071,078	3,319,403	3,317,585	3,843,448	3,843,260
Minority interests	290	-	-	-	-	-	-	-
Total equity	-	-	-	-	-	-	-	-
Non-current liabilites								
Long term borrowings	412,824	412,824	304,730	304,730	210,727	210,727	100,568	100,568
Lease Liability to - SLSPC and JEDB	370,870	370,870	365,560	365,560	360,253	360,253	354,293	354,293
Retirement benefit obligation	643,388	643,388	643,872	638,008	815,851	815,851	801,767	801,767
Deferred income and capital grants	228,732	228,732	255,798	255,798	244,935	244,935	234,585	234,585
Deferred tax liability	-	-	27,129	26,161	82,792	82,939	118,462	118,751
Total Non-current liabilities	1,655,814	1,655,814	1,597,089	1,590,257	1,714,558	1,714,705	1,609,675	1,609,964
Current liabilities								
Short-term borrowings	262,895	262,895	437,029	437,029	546,145	546,145	470,152	470,152
Lease Liability to - SLSPC and JEDB	5,113	5,113	5,313	5,313	5,310	5,310	5,750	5,750
Trade and other payables	589,297	588,277	717,122	642,236	588,677	587,631	654,087	634,858
Amount due to related parties								
Current tax payable	68,472	68,471	14,003	12,970	13,832	12,970	48,902	48,690
Bank overdrafts								
Total Current liabilities	925,777	924,756	1,173,467	1,097,548	1,153,964	1,152,056	1,178,891	1,159,450
Total Liabilities	2,581,591	2,580,570	2,770,556	2,687,805	2,868,522	2,866,761	2,788,566	2,769,414
Total Equity & Liabilities	4,626,048	4,623,867	5,951,706	5,758,883	6,187,925	6,184,346	6,632,014	6,612,674
CASH FLOW								
Cash generated/(used in) from/to operations	891,758	893,936	856,487	981,602	1,020,651	604,155	1,049,724	1,059,071
Net cash inflow/(outflow) from operating activities	752,710	754,846	686,166	813,026	815,083	399,399	883,607	893,598
Net cash inflow/(outflow) from investing activities	(727,659)	(725,173)	(694,755)	(846,182)	(194,182)	224,623	(517,667)	(516,677)
Net cash inflow/(outflow) from financing activities	120,393	120,393	(123,925)	(123,921)	(308,782)	(308,782)	(395,581)	(395,581)
Increase/(decrease) in cash and cash equivalents	145,444	150,066	(132,514)	(157,077)	312,119	315,240	(29,641)	(18,660)
OPERATING RATIOS								
Annual turnover growth %	36	36	10	(17)	(32)	(11)	30	28
Profit Growth %	471	430	51	26	(47)	(16)	114	62
Turnover per employee (Rs.'000)	431	430	472	358	342	342	445	438
FINANCIAL RATIOS								
Return on equity %	20.87	20.73	20.20	17.34	10.23	13.49	18.87	18.91
Current ratio (Times)	1.14	1.15	1.10	0.78	1.09	1.09	1.29	1.30
Debt equity ratio (Times)	0.33	0.33	0.23	0.24	0.23	0.23	0.15	0.15
Interest cover (Times)	6.41	6.36	8.43	7.20	4.38	6.87	10.41	10.38
Total assets to current liabilities %	20%	20%	20%	19%	19%	19%	18%	18%
Dividend payout ratio	153%	154%	31%	38%	24%	19%	8%	8%
INVESTOR RATIOS								
Annualised earning per share (Rs.)	1.80	1.79	2.71	2.25	1.43	1.89	3.06	3.07
Price earning share (Times)	9.76	9.83	4.20	1.11	5.20	4.20	3.90	3.89
Dividend per share (Rs.)	2.75	2.75	0.85	0.85	0.35	0.35	0.25	0.25
Dividend cover (Times)	6.55	6.51	3.19	2.65	4.10	5.40	12.26	12.28
Market Capitalization (Rs.'000)	4,165,333	4,165,333	5,916,675	5,916,675	2,366,670	2,366,670	2,650,670	2,650,670
Net assets value per share (Rs.)	8.64	8.63	13.44	12.98	14.03	14.02	16.24	16.24

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	Group 2018/19	Company 2018/19
460,000	460,000	460,000	460,000	460,000	460,000	460,000	460,000	460,000	460,000	460,000	460,000
3,758,328	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	3,275,437	3,543,722
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	3,735,437	4,003,722
-	-	-	-	-	-	291,200	-	262,971	-	187,074	-
-	-	-	-	-	-	6,050,135	5,758,343	3,634,756	3,452,979	3,922,511	4,003,722
270,242	270,242	187,500	187,500	388,741	388,741	325,006	325,006	1,305,797	97,936	1,111,324	63,382
348,506	348,506	342,526	342,526	336,296	336,296	328,412	328,412	125,790	125,790	125,976	125,976
949,697	949,697	1,005,185	1,005,185	976,639	976,639	908,192	882,705	193,981	171,130	242,717	211,653
223,803	223,803	213,610	213,610	203,569	203,569	193,528	193,528	243,659	50,872	193,105	48,515
144,930	145,040	206,954	207,040	267,005	267,040	331,182	331,217	354,763	354,798	376,417	376,417
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	2,049,539	825,943
304,574	304,574	183,809	183,809	148,751	148,751	118,318	118,318	33,623	33,230	144,483	33,890
5,980	5,980	6,210	6,210	6,460	6,460	6,720	6,720	2,799	2,799	2,911	2,911
540,940	532,265	671,541	665,127	610,617	594,618	688,426	630,019	439,008	369,911	411,150	351,463
										27,614	
53,950	53,950	14,000	14,000	28,079	28,000	162,608	158,263	40,636	40,118	33,450	33,363
								36,588	-	110,753	-
905,444	896,769	875,560	869,146	793,907	777,829	976,072	913,320	552,654	446,058	730,361	421,627
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	2,779,900	1,247,570
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	6,702,411	5,251,292
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	1,773,844	1,465,716	1,253,139
414,214	422,940	1,118,598	1,117,208	835,038	822,789	1,376,538	1,475,399	1,271,659	1,424,133	1,199,004	1,107,730
(682,262)	(682,262)	(608,804)	(608,804)	(254,164)	(254,164)	(185,448)	(294,059)	(1,682,928)	(596,037)	(705,517)	(562,304)
251,230	251,230	(592,568)	(592,568)	138,815	138,815	(396,019)	(396,019)	(296,610)	(1,541,207)	(543,915)	(494,196)
(16,818)	(8,092)	(82,774)	(84,164)	719,689	707,440	795,071	785,321	(707,879)	(714,111)	(50,428)	51,230
15	15	10	10	(8)	(8)	3	3	(24)	(25)	(38)	(46)
(40)	(40)	(6)	(6)	51	51	113	113	(26)	(17)	(19)	(3)
541	532	628	621	590	583	646	655	850	3,124	1,625	1,615
10.29	10.30	9.52	9.51	12.88	12.89	21.64	22.74	28.69	31.31	18.86	25.05
1.66	1.66	1.43	1.44	2.39	2.41	2.53	2.52	1.63	1.61	0.98	1.98
0.14	0.14	0.09	0.09	0.11	0.11	0.07	0.08	0.41	0.08	0.32	0.02
6.95	6.95	6.40	6.40	8.49	8.49	31.37	19.95	11.02	14.48	9.05	(282.38)
13%	13%	12%	12%	10%	10%	11%	10%	9%	9%	11%	8%
27%	27%	29%	29%	2%	19%	27%	27%	38%	35%	0.59	0.44
1.83	1.84	1.72	1.72	2.60	2.60	5.18	5.20	4.16	4.52	3.80	5.08
4.66	4.66	12.11	12.12	8.82	8.81	4.71	4.70	7.15	6.39	4.17	5.08
0.50	0.50	0.50	0.50	0.75	0.75	1.50	1.50	1.60	1.60	2.25	2.25
3.67	3.67	3.44	3.44	3.47	3.47	3.70	3.71	2.60	2.83	1.69	2.26
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	3,717,807	3,717,807
17.82	17.82	18.10	18.10	20.20	20.20	24.33	24.33	18.00	17.18	18.59	19.92

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 2019 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 2019: 15,582 (2018: 15,700)

Public share holding

The Percentage of shares held by the public : 25.76% (2018 - 25.78%)

	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 1.1 Bn	25.76%	15,579

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	(%)
1-1,000	8,225	52.79	3,771,228	1.88	9	0.06	4,371	0.00	8,234	52.84	3,775,599	1.88
1,001-5,000	7,073	45.39	13,150,453	6.54	3	0.02	9,100	0.00	7,076	45.41	13,159,553	6.55
5,001-10,000	146	0.94	1,085,124	0.54	5	0.03	37,400	0.02	151	0.97	1,122,524	0.56
10,001-50,000	81	0.52	1,812,409	0.90	2	0.01	81,667	0.04	83	0.53	1,894,076	0.94
50,001-100,000	16	0.10	1,203,467	0.60	2	0.01	149,086	0.07	18	0.12	1,352,553	0.67
100,001-500,000	11	0.07	2,258,693	1.12	0	-	-	0.00	11	0.07	2,258,693	1.12
500,001-1,000,000	2	0.01	1,552,900	0.77	0	-	-	0.00	2	0.01	1,552,900	0.77
Over 1,000,000	7	0.04	175,846,658	87.50	0	-	-	0.00	7	0.04	175,846,658	87.50
	15,561	99.87	200,680,932	99.86	21	0.13	281,624	0.14	15,582	100	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	(%)
1-1,000	8,213	52.71	3,766,040	1.87	21	0.13	9,559	0.00	8,234	52.84	3,775,599	1.88
1,001-5,000	7,052	45.26	13,077,467	6.51	24	0.15	82,086	0.04	7,076	45.41	13,159,553	6.55
5,001-10,000	143	0.92	1,059,291	0.53	8	0.05	63,233	0.03	151	0.97	1,122,524	0.56
10,001-50,000	72	0.46	1,607,963	0.80	11	0.07	286,113	0.14	83	0.53	1,894,076	0.94
50,001-100,000	14	0.09	1,013,420	0.50	4	0.03	339,133	0.17	18	0.12	1,352,553	0.67
100,001-500,000	5	0.03	1,267,619	0.63	6	0.04	991,074	0.49	11	0.07	2,258,693	1.12
500,001-1,000,000	1	0.01	552,900	0.28	1	0.01	1,000,000	0.50	2	0.01	1,552,900	0.77
Over 1,000,000	3	0.02	25,285,890	12.58	4	0.03	150,560,768	74.92	7	0.04	175,846,658	87.50
Total	15,503	99.49	47,630,590	23.70	79	0.51	153,331,966	76.30	15,582	100	200,962,556	100.00

Share Trading Information From 1 April to 31 March

	2019	2018
Highest during the period	30.60	36.10
Lowest during the period	18.00	24.00
Closing price	18.50	28.90
No. of Transactions	1,565.00	3,727
No. of Shares Traded	1,772,579.00	12,910,765
Value of Shares Traded (Rs)	46,989,188.20	405,774,447.40

Twenty (20) Largest Shareholders as at

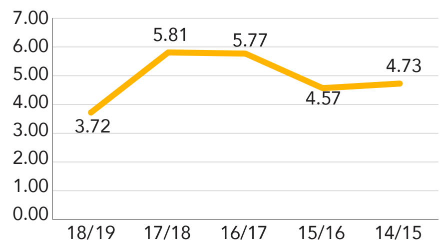
Name	31st March 2019		31st March 2018	
	No of Shares held	% of the holding	No of Shares held	% of the holding
Estate Management Services (Pvt) Ltd.	149,195,309	74.24	149,195,309	74.24
Sampath Bank Plc/ Seylan Bank Plc/ Dr.T.Senthilverl	23,576,097	11.73	22,480,010	11.19
K.C. Vignarajah	2,148,684	1.07	2,148,644	1.07
SSBT-Deustche Bank ag Singapore A/S 01	1,365,459	0.68	1,365,459	0.68
Vyjayanthi & Company Limited	1,000,000	0.50	1,000,000	0.50
N. Muljie	552,900	0.28	552,900	0.28
M.I. Abdul Hameed	350,000	0.17	350,000	0.17
S. Vignarajah	258,811	0.13	258,783	0.13
Cocoshell Activated Carbon Company Limited	251,666	0.13	251,666	0.13
Union Investments Private Ltd	218,333	0.11	218,333	0.11
Best Real Invest Co Services (Private) Limited	160,964	0.08	160,964	0.08
C M Holdings Plc	141,667	0.07	141,667	0.07
Adamjee Lukmanjee & Sons (Pvt) Ltd	117,135	0.06	117,135	0.06
D.C.D.L.S.D. Perera	115,000	0.06	115,000	0.06
K.G.M. Pieris	104,917	0.05	104,917	0.05
Life Insurance Corporation (Lanka) Ltd	101,309	0.05	-	0.00
Al - Haj S.M.M. Hussain Charitable Trust	100,000	0.05	-	0.00
M.M. Hashim	100,000	0.05	135,869	0.07
M H M Nazeer	100,000	0.05	-	0.00
Pershing Llc S/A Averbach Grauson & Co.	96,667	0.05	166,667	0.08
Mr M.M. Hashim	96,208	0.05	-	0.00
Mrs R D M Perera	80,000	0.04	-	0.00
Sub Total	180,231,126	89.70	178,997,794	89.09
Other Shareholders	20,731,430	10.30	21,964,762	10.91
Grand Total	200,962,556	100.00	200,962,556	100.00

Share trading information-last five years

LKR.	2018/19	2017/18	2016/17	2015/16	2014/15
Highest during the year	30.60	36.10	24.50	25.50	21.00
Lowest during the year	18.00	24.00	17.70	17.00	9.90
As at 31st March	18.50	28.90	24.40	19.30	20.00
No.of shares	200,962,556	200,962,556	236,666,671	236,666,671	236,666,671

Market Capitalisation

Year	Rs. Bn
2018/2019	3.72
2017/2018	5.81
2016/2017	5.77
2015/2016	4.57
2013/2014	4.73



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	181	
	102-2 Activities, brands, products and services	About Us	04	
	102-3 Location of headquarters	Corporate Information	181	
	102-4 Location of operations	About us	04	
	102-5 Ownership and legal form	Corporate Information	181	
	102-6 Markets served	About Us	04	
	102-7 Scale of the organisation	About Us	04	
	102-8 Information on employees and other workers	Human Capital and Community Integration	58	
	102-9 Supply chain	Social and Relationship Capital	65	
	102-10 Significant changes to the organisation and supply chain			There were no significant changes
	102-11 Precautionary principle	Risk Management	40	
	102-12 External initiatives	About Us	04	
	102-13 Membership of associations	About Us	04	
	102-14 Statement from senior decision maker	Chairman's Message	10 & 11	
	102-16 Values, principles, norms and standards of behaviour	Our Values Corporate Governance	36 20 to 32	
	102-18 Governance Structure	Corporate Governance	20 to 32	
	102-40 List of stakeholder groups	Stakeholder engagement	37	
	102-41 Collective bargaining agreements	Nurturing Human Capital- Fair remuneration / Freedom of Association	59	
	102-42 Identifying and selecting stakeholders	Stakeholder engagement	37	
	102-43 Approach to stakeholder engagement	Stakeholder engagement	37	
	102-44 Key topics and concerns raised	Stakeholder engagement / Determining material issues	37	
	102-45 Entities included in the consolidated financial statements	Note 01 to financial statements	86 to 157	
	102-46 Defining report content and topic boundary	About This Report	02	
	102-47 Material topics	Materiality	40	
	102-48 Restatement of information	N/a	-	
	102-49 Changes in reporting	N/a	-	
	102-50 Reporting period	About this Report	02	
	102-51 Date of most recent report	Financial statements	86 to 157	
	102-52 Reporting cycle	About this report	02	

GRI Standard	Disclosure	Reference	Page number	Omission
	102-53 Contact point for questions regarding Report	About this report	02	
	102-54 Claims of reporting in accordance with GRI Standards	About this report	02	
	102-55 GRI context index	Complied	-	
	102-56 External assurance		-	Not assured
	Material topics		-	
	Economic Performance		-	
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	Finance capital	48	
	103-2 The Management Approach and its components	Finance Capital	48	
	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	39	
GRI 201: Economic Performance 2016	201-1- Direct economic value generated and distributed	Value added statement	161	
	201-3 Defined benefit plan obligations and other retirement plans	Note to Financial statements	91 to 157	
	Raw Material			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	Natural Capital- Responsible Chemical Consumption	52 54	
	103-2 The Management Approach and its components	Natural Capital- Responsible Chemical Consumption Natural Capital- Responsible Chemical Consumption	52 54 52 54	
	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 Standard	Disclosure	Reference	Page number	Omission
GRI 301: Raw materials (2016)	301-1: Raw materials used by weight or volume	Natural Capital- Responsible Chemical Consumption	52 54	
	Energy			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	Natural Capital - Clean Energy	55	
	103-2 The Management Approach and its components	Natural Capital - Clean Energy	55	
	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	Natural Capital - Clean Energy	55	
	302-5 Energy intensity	Natural Capital - Clean Energy	55	
	303-6 Reduction of energy consumption	Natural Capital - Clean Energy	55	
	Water		55	
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	Natural Capital – Water Footprint	55	
	103-2 The Management Approach and its components	Natural Capital – Water Footprint	55	
	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	-	
	303-1 Water withdrawal by source	Natural Capital – Water Footprint	55	
	303-2 Water sources significantly affected by withdrawal of water	Natural Capital – Water Footprint	55	
	303-3 Water recycled and reused	Natural Capital – Water Footprint	55	
	Emissions			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	Natural Capital -Emissions	56	

GRI Standard	Disclosure	Reference	Page number	Omission
	103-2 The Management Approach and its components	Natural Capital -Emissions	56	
	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	Natural Capital -Emissions	56	
	305-2 Energy indirect greenhouse gas (GHG) emissions (Scope 2)	Natural Capital -Emissions	56	
	305-5 Reduction of greenhouse gas emissions	Natural Capital -Emissions	56	
	Effluents and Waste			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	Natural Capital - Effluents	56	
	103-2 The Management Approach and its components	Natural Capital - Effluents	56	
	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	Natural Capital – Water Footprint	55	
	306-2 Waste by type and disposal method	Effluents	56	
	Employment			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	Human Capital and Social integration	58	
	103-2 The Management Approach and its components	Human Capital and 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 401: Employment 2016	401-1 Employee hires and turnover	Human Capital and Social integration	58	
	401-3 Parental leave	Human Capital and Social integration	58	
	Health and Safety			

GRI Standard	Disclosure	Reference	Page number	Omission
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	Health and Safety	60	
	103-2 The Management Approach and its components	Health and Safety	60	
	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	60	
	Training and education			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	Training and development	61	
	103-2 The Management Approach and its components	Training and development	61	
	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	61	
	404-2 Programs for upgrading skills and transition assistance programmes	Training and development	61	
	404-3 Percentage of employees receiving regular performance and career development reviews	Training and development	61	
	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	62	
	103-2 The Management Approach and its components	Child Labour, Forced Labour, Human rights and Non-Discrimination	62	

GRI Standard	Disclosure		Reference	Page number	Omission
	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	62	
	103-2	The Management Approach and its components	Driving Social Integration	62	
	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	62	

Notice of Meeting

Notice is hereby given that the Twenty Sixth (26th) 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 27th of June 2019 at 12.00 noon 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 2019 with the report of the Auditors thereon.

2. To propose the following resolution as an ordinary resolution for the appointment of Mr. A.N.Fernando who has reached the age of 72 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 72 years prior to this Annual General Meeting and that he be reappointed"

3. To propose the following resolution as an ordinary resolution for the appointment of Mr. G.Sathasivam who has reached the age of 72 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 72 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. S.G.Wijesinha who has reached the age of 72 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. S.G.Wijesinha who has reached the age of 70 years prior to this Annual General Meeting and that he be reappointed"

5. To re-elect Mr. M.S.Mawzoon who retires by rotation at the Annual General Meeting, a Director as per Article 30 of the Article of Association.

6. To appoint Messrs. KPMG, (Chartered Accountants) as Auditors of the company and authorize the Directors to determine their remuneration.

7. To authorize the Directors to determine contributions to Charities.

By order of the Board
Corporate Advisory Services (Pvt) Ltd
Secretaries, Watawala Plantations PLC
Colombo
29 May 2019

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 sixth (26th) Annual General Meeting of the Company to be held on Thursday the 27th June 2019 at 12.00 noon 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 2019 with the report of the Auditors thereon.	☐	☐
2. To pass an ordinary resolution to re-appoint Mr. A.N.Fernando who has reached the age of seventy two, as a Director.	☐	☐
3. To pass an ordinary resolution to re-appoint Mr. G.Sathasivam who has reached the age of seventy two, as a Director.	☐	☐
4. To pass an ordinary resolution to re-appoint Mr. S.G. Wijesinha who has reached the age of seventy, as a Director.	☐	☐
5. To re-elect Mr. M.S. Mawzoon who retires by rotation at the Annual General Meeting, a Director.	☐	☐
6. To re appoint Messrs. KPMG, (Chartered Accountants) as Auditors of the company and authorize the Directors to determine their remuneration.	☐	☐
7. To authorize the Directors to determine contributions to Charities.	☐	☐

Dated this …………………..day of ………………………2019

....
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.

Glossary

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.

HPL

Hatton Plantations PLC

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

FFB : Fresh Fruit Bunches (Palm oil)

ROCE : Return on Capital Employed

CAPEX : Capital Expenditure

NED : Non-Executive Director

RPTRC : Related Party Transactions and Review Committee

NRC : Nominations and Remuneration Committee.

AC : Audit Committee

RSPO : Roundtable on Sustainable Palm Oil

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 - Chairman
G. Sathasivam (Alternate-S. G. Sathasivam)
V. Govindasamy - Managing Director
A. N. Fernando
M. S. Mawzoon
N. B. Weerasekare
P. Karunagaran (Alternate-T. Sidique)

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

Registrars

Corporate Services (Private) Limited
No 216, de Saram Place, Colombo 10

Auditors
KPMG (Chartered Accountants)
No 32A, Sir Mohomad Macan Markar Mawatha, Colombo

Bankers
Hatton National Bank PLC
Commercial Bank of Ceylon PLC
Amana Bank Ltd
ICICI Bank
MCB Bank Ltd
Nations Trust Bank
Seylan Bank
Cargills Bank Limited

Lawyers
FJ & G de Saram
(Attorneys-at-Law)
No 216, de Saram Place, Colombo 10

Nithya Partners
97A, Galle Road
Colombo -03

Registered Office
60, Dharmapala Mawatha, Colombo 03,
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Web: www.watawalaplantations.lk

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'C+' designs

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