Kelani Valley Plantations®

ANNUAL REPORT 2016/17

Unceasingly


KELANI VALLEY PLANTATIONS HAS ALWAYS BEEN INTRICATELY CONNECTED TO THE ROOTS AND NATURE THAT MAKES OUR BUSINESS GROW AND FLOURISH. WITH FORTITUDE, COMMITMENT AND TEAMWORK WE PERSEVERED AND WAS ABLE TO LOOK AT WHAT MAKES US WHO WE ARE. LAUDED AND RECOGNISED IN THE YEAR UNDER REVIEW, OUR TEAM RALLIED TOGETHER AND REMAINED STRONG AS WE WORKED TOGETHER TO LAY THE FOUNDATION THAT WOULD SPRINGBOARD US TO BIGGER AND BETTER THINGS IN THE FUTURE. WE JOURNEYED ON, RELENTLESS, AND WITH A PRESTIGIOUS 25 YEARS IN OUR STEAD, WE WILL CONTINUE TO WORK UNCEASINGLY IN BECOMING THE BEST IN THE INDUSTRY.

Kelani Valley Plantations®

ANNUAL REPORT 2016/17

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REPORT PROFILE

G4-4,28,31,32

The report illustrates the commitment made by Kelani Valley Plantations PLC to be transparent in the disclosure of all its business activities and being integrated annual report, aims to provide a balanced view of how value is created for shareholders and other stakeholders of KVPL.

In addition, given KVPL's alignment with intentionally accepted best practices, including the Rain Forest Alliance (RA) certification, the Ethical Tea Partnership (ETP), the Forest Stewardship Council (FSC) certification, ISO standards and other sustainability compliance parameters.

SCOPE AND BOUNDARY

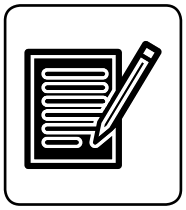
The scope of this report is limited to the business activities of KVPL and its subsidiaries for the financial year ended 31 March 2017 and also include balanced and objective disclosures about the Company's financial performance, risks and opportunities and future prospects. These are benchmarked against KVPL's short, medium and long-term strategic goals, which are also detailed in this report.

REPORTING FRAMEWORK

In the interest of greater transparency of the reporting process, we have strived to align ourselves with the International Integrated Reporting Council (IIRC) framework as much as possible. The Progress made in this regard is illustrated in the Capital Management Report on pages 57 through 96 of this report. While the IIRC framework facilitates mainly qualitative data, for greater clarity, the report also references the Global Reporting Initiatives (GRI), G4: "In accordance – Core" reporting guidelines, which provides a quantitative assessment of our progress on key sustainability indicators.

FORWARD LOOKING STATEMENTS

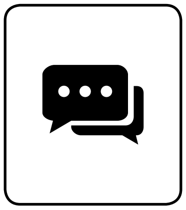
The report contains, where applicable or helpful; plans for the future. We affirm that these statements reflect the Company's position and beliefs as at the time of writing. However, we recognize that we operate in a changing environment and hence, there are uncertainties or new developments that could cause actual results or actions to differ from those stated in these forward-looking statements. Therefore forward- looking statements should not be interpreted as a guarantee of results or of the course of action that will be taken.



ASSURANCE

All information, data and statistics contained herein have been thoroughly reviewed by the Management and the Board Directors of KVPL, to confirm the accuracy and completeness of information and verify the adherence to group policies.

Further, we have also obtained an independent assurance from Ernest & Young , to validate the transparency of our financial statement. This assurance also serves to enhance the credibility of this integrated report for 2016/17.



FEEDBACK AND QUERIES

Any feedback and queries regarding this report should be directed to;

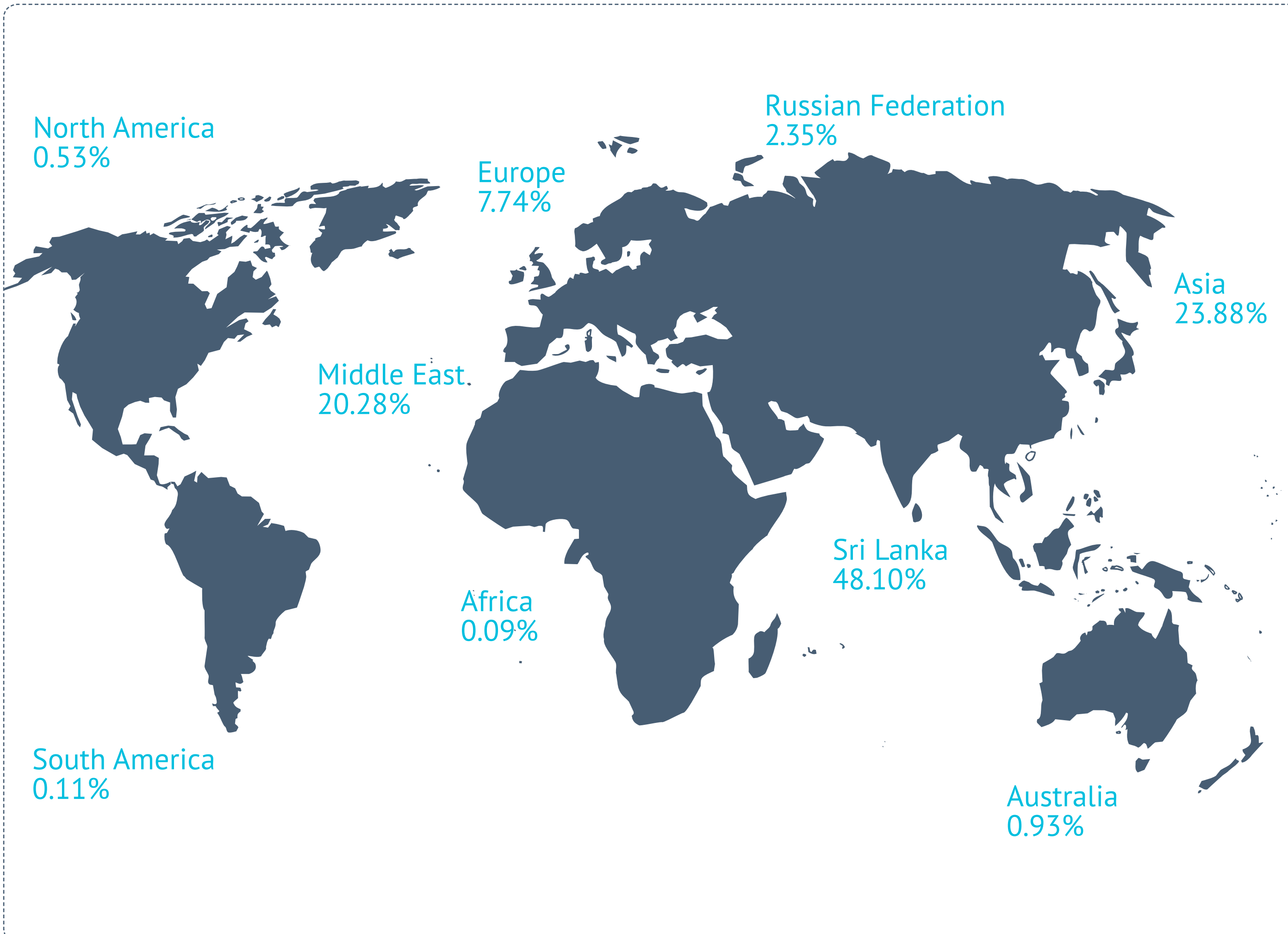
Johann Rodrigo
General Manager – Tea Marketing & Corporate Affairs

Kelani Valley Plantations PLC

Address	:	No. 400, Deans Road, Colombo 10, Sri Lanka.
Telephone	:	+94112627000
Mail ID	:	johann@kvpl.com

REVENUE DISTRIBUTION LOCAL & GLOBAL

G4-6



RS. 3.4 BILLION

Export Revenue from Mabroc Teas (Pvt) Ltd.

NORTH AMERICA	**0.53%**
CANADA	0.05%
UNITED STATES	0.48%

SOUTH AMERICA	**0.11%**
CHILE	0.11%

EUROPE	**3.74%**
CZECH REPUBLIC	0.01%
FRANCE	0.36%
GEORGIA	0.86%
GERMANY	0.63%
LATVIA	0.11%
NETHERLANDS	0.19%
SPAIN	0.13%
SWITZERLAND	0.02%
UKRAINE	0.12%
UNITED KINGDOM	1.29%

MIDDLE EAST	**20.28%**
AZERBAIJAN	0.13%
ISLAMIC REPUBLIC OF IRAN	0.48%
SAUDI ARABIA	3.73%
UNITED ARAB EMIRATES	4.12%
TURKEY	11.15%
LEBANON	0.08%
SYRIAN ARAB REPUBLIC	0.59%

AFRICA	**0.09%**
NIGERIA	0.09%

ASIA	**23.88%**
CHINA	11.86%
HONG KONG	0.03%
JAPAN	6.30%
KAZAKHSTAN	0.15%
DEMOCRATIC PEOPLE'S REPUBLIC OF KOREA	0.15%
MALAYSIA	0.01%
MALDIVES	0.001%
TAIWAN	4.05%
VIETNAM	0.58%
THAILAND	0.57%
INDIA	0.10%
PAKISTAN	0.07%

AUSTRALIA	**0.93%**

RUSSIAN FEDERATION	**2.35%**

SRI LANKA	**48.10%**

RS. 122 MILLION

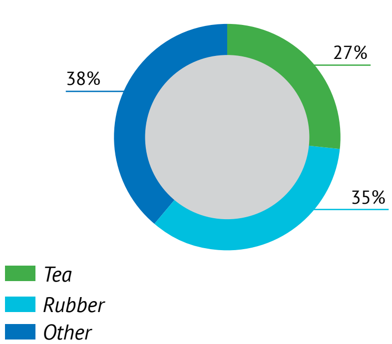
from Rubber Export Sales.

OUR LAND

G4-10

	Estate	Extent (Ha) Tea	Extent (Ha) Rubber	Extent (Ha) Other	Extent (Ha) Total	No. of Factories	Elevation (ft)	Crop Tea Kgs'000	Crop Ruber Kgs'000
1)	Pedro	544	-	124	668	1	6,237	474	-
2)	Nuwaraeliya	186	-	61	247	1	5,999	308	-
3)	Glassaugh	162	-	66	228	1	5,074	185	-
4)	Uda Radella	166	-	59	225	1	5,328	166	-
5)	Edinburgh	148	-	31	179	1	5,075	142	-
6)	Oliphant	232	-	132	364	1	6,440	123	-
7)	Ingestre	480	-	282	762	1	4,723	540	-
8)	Fordyce	231	-	172	403	1	4,599	240	-
9)	Annfield	223	-	152	375	1	4,297	274	-
10)	Tillyrie	166	-	168	334	1	4,264	174	-
11)	Invery	126	-	180	306	1	4,310	180	-
12)	Robgill	182	-	118	300	1	4,500	186	-
13)	Battalgalla	141	-	120	261	1	4,300	166	-
14)	Blinkbonnie	50	-	18	68	1	4,500	38	-
15)	Halgolle	241	-	955	1,196	1	3,478	277	-
16)	Ederapolla	19	435	213	667	1	338	17	273
17)	Kitulgala	45	-	537	582	-	1,003	50	-
18)	Kalupahana	70	158	284	512	-	1,500	56	92
19)	Kelani	27	225	97	349	1	300	28	135
20)	Dewalakande	-	539	178	717	2	502	-	329
21)	Panawatte	14	722	294	1,030	1	1,000	12	419
22)	Urumiwella	6	522	194	722	1	800	9	321
23)	Kiriporuwa	23	398	166	587	2	805	20	204
24)	Lavant	-	431	138	569	1	800	-	255
25)	Ganapalla	-	373	117	490	-	1,000	-	172
26)	We Oya / Polatagama	25	747	215	987	-	1,000	16	578
	Total	3,507	4,550	5,071	13,128	24	-	3,681	2,778

Distribution of Land

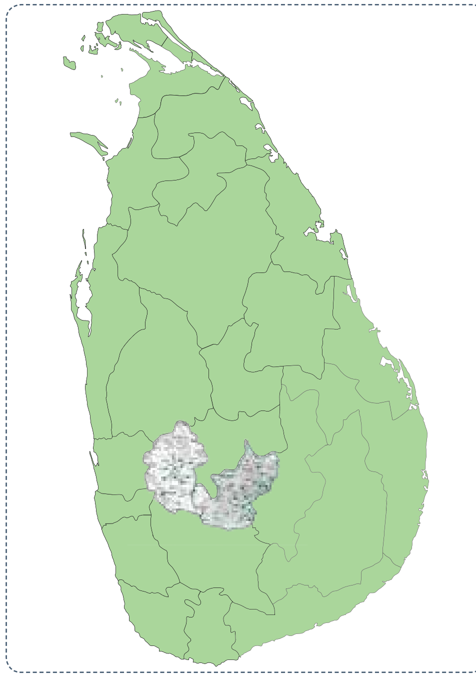


TOTAL HECTARES MANAGED

13,128 Ha

Tea	3,507 Ha	- 27%
Rubber	4,550 Ha	- 35%
Other	5,071 Ha	- 38%

OUR SPREAD



MATURE

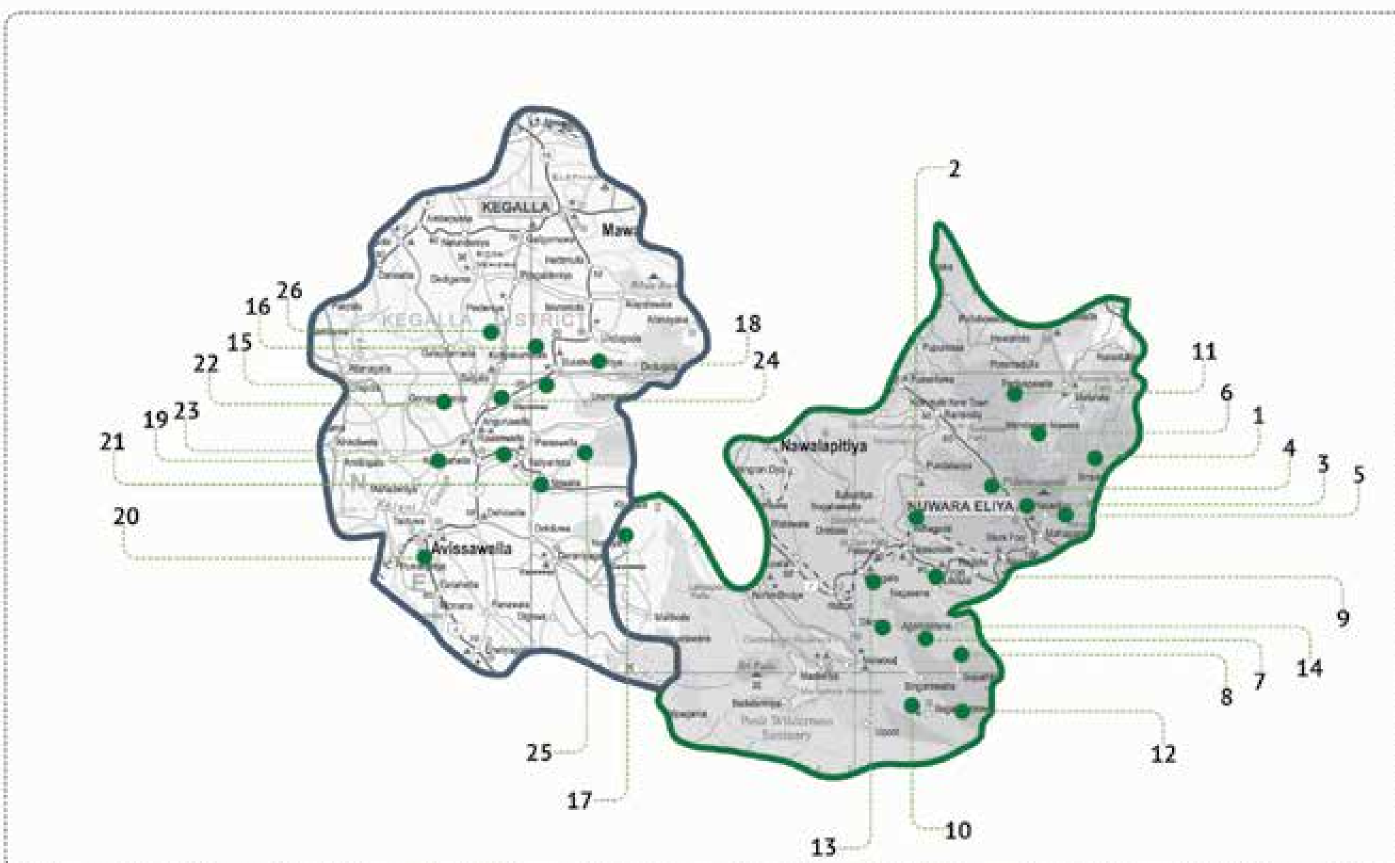
6,555 Ha

Tea	3,314 Ha
Rubber	2,613 Ha
Other	628 Ha

IMMATURE

2,359 Ha

Tea	193 Ha
Rubber	1,937 Ha
Other	229 Ha



CORPORATE PROFILE

G4-2,4

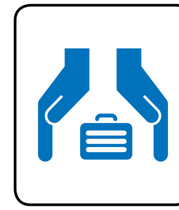
Kelani Valley Plantations PLC (KVPL) is among the top rated plantation Companies in Sri Lanka with core business operations in the manufacture of bulk Tea and Rubber. Celebrating its 25 year of operations in 2017, KVPL was established in 1992 and subsequently listed on the main board of the Colombo Stock exchange in 1996. The Company owns and manages 26 estates covering over 13,000 hectares of both tea and rubber plantations, cultivated on lands leased from the government of Sri Lanka on a 53 year lease agreement. In recent years the Company has also begun cultivating Cinnamon on a small-scale.

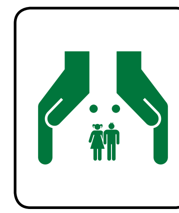
As one of the largest producers of sole crepe in Sri Lanka, the Company manufactures sole crepe, centrifuge latex and crepe rubber used mainly as raw material in the manufacture of Rubber gloves, pharmaceutical and Shoe industry. KVPL's Rubber factories are located in Yatiyantota and Dehiowita.

KVPL's Tea business produces traditional Ceylon tea at 11 tea processing centres, where all manufacturing processes are aligned to globally accepted standards, including the global Gap framework, RA/UTZ standards and ETP guidelines, in addition to the UNGC mandate for sustainable development. Green Tea is produced on the highland estates of Glassaugh, while KVPL's instant tea processing centres are located in the Nuwara eliya and Hatton regions.

Since its inception, the Company has continued to strategically diversify into other related businesses. Venturing into the mini hydro segment, Kalupahana power company (Pvt) Ltd., was established in 2003, in partnership with Eco-power (Pvt) Ltd. Kelani Valley Instant Tea (Pvt) Ltd was set up in 2007, followed by investing in Hayleys Global Beverages (Pvt) Ltd., in 2013. Meanwhile, Mabroc Teas (Pvt) Ltd., was acquired in the year 2010 as part of the strategy to pursue direct marketing activities.

In 2016, KVPL branched out even further, entering Sri Lanka's leisure sector with the launch of the Oliphant Bungalow as a luxury boutique hotel. Part of the Oliphant Estate in Nuwara Eliya, the property would be managed by Amaya Group of Companies.





VISION

"Kelani Valley Plantations-products of excellence"

MISSION

To optimize plantation productivity and ensure highest quality by harnessing and developing employees whilst improving the quality of life of the community and securing an acceptable return on investment.

VALUES

We strive to do our best for our stakeholders in the following ways:

Our Customers: We provide consistently good quality products and excellent service at competitive prices, whilst ensuring continuity of supplies. We are conscious of customer requirements and ever changing market trends and orient our production to suit specific needs.

Our Employees: We care for our employees and create a favourable environment for their participation in managing our affairs, thereby increasing productivity. We develop and create individuals who feel contended and secure in their jobs. We recognize merit.

Our Suppliers: We establish mutually beneficial relationships with our suppliers based on trust, quality and reliability. We treat them as we wish to be treated ourselves.

Our Owners: We enhance the reputation of the company true conformity to high levels of conduct. We generate adequate return and ensure security on / their investments enough by maintaining high viability long term stability.

Our Competitors: We view our competitors as a source of inspiration to our own advancement. We are conscious of their strength and weaknesses and compete for market superiority without resorting to unethical practices but maintain close cooperation on common issues.

Our Country and the World: We conduct our business in a socially responsible manner. We are aware of the changing environment and contribute enhancing the quality of life for a better Sri Lanka and a better world.

MILESTONES

25

IT HAS BEEN A REMARKABLE TWENTY-FIVE YEARS FOR KELANI VALLEY PLANTATIONS PLC; A JOURNEY OF PROGRESS AND ALSO ONE OF MUCH LEARNING. IN THE LAST QUARTER CENTURY THE COMPANY HAS SEEN MANY HIGHS, BUT HAS WITNESSED ITS SHARE OF CHALLENGES; BUT ONE THING HAS PREVAILED; THE DESIRE TO GROW DESPITE ALL ODDS.

1992

Incorporated as a Regional Plantations Company

1995
DPL Plantations (Pvt) Ltd acquired the controlling interest.

1996
In January, KVPL Listed in CSE & issued 20 M ordinary shares each at Rs. 10.
FSC certification for Rubber

1998
Debentures were converted to 14 M additional shares

2000
Implementation of mini hydropower scheme at Battalgalla estate

2001
Expanded the Centrifuged Latex Project at Kiriporuwa estate

2003
Conversion of Black Tea processing to Green Tea at Oliphant Factory – Nuwara-Eliya

Incorporation of Kalupahana Power Company (Pvt) Ltd as a BOI project
Strategic alliance with Mabroc Teas (Pvt) ltd

2004
Acquired 40% of issued share capital of Mabroc Teas (Pvt) Ltd.

2005
Commence the operations of Kalupahana Power Company (Pvt) Ltd

2006
UN Global Compact Signatory with Mabroc and KVPL

2007
Commencement of Instant Tea at Nuwara-Eliya estate.

ISO 22000:2005, HACCP & TASL-SGS Certification for 13 black tea processing centers

2008
Global G.A. P Certification

Black Tea factory at Glassaugh converted to Green Tea

2009
Dewalakanda and Panawatta Sole Crepe - Certified for FSC

2010
Acquired balance 60% of Mabroc Teas (Pvt) Ltd

2011
Rainforest Alliance certification

2013
Acquired balance 5% of Kelani Valley Instant Tea (Pvt) Ltd

2014
Incorporation of Hayleys Global Beverages (Pvt) Limited and invested on 51% ownership of shares.

2015
Ownership of HGBL reduced to 40% from 51% with effect from 31 March 2016 due to new allotment of shares.

2016
Celebration of 25 years in the Plantation Industry, excellence in Tea and Rubber Plantations.

Winner - Global HR Excellence Award.

GMP Certification - Tea Factories

BOARD OF DIRECTORS

A M PANDITHAGE
Chairman
Executive Director

Chairman and Chief Executive of Hayleys PLC. Appointed to the Board of Kelani Valley Plantations PLC in July 2009. Fellow of the Chartered Institute of Logistics and Transport (UK). Honorary Consul of United Mexican States (Mexico) to Sri Lanka. Committee Member of the Ceylon Chamber of Commerce. Council Member of the Employers' Federation of Ceylon. Member of the Maritime Advisory Council of the Ministry of Ports & Shipping. Member of the Advisory Council of the Ceylon Association of Ships' Agents. Member of the National Steering Committee on Skills Sector Development of the Department of National Planning.

ROSHAN RAJADURAI
Managing Director
Executive Director

Managing Director of Kelani Valley Plantations PLC and Talawakelle Tea Estates PLC from January 2013 and a member of the Hayleys Group Management Committee. Appointed as Managing Director of Horana Plantations PLC and as a Director of Vallibel Plantations Management Limited effective March 2017. Prior to rejoining, served as Director/CEO of Kahawatta Plantations PLC. He held Senior Plantation Management positions in Kelani Valley Plantations PLC from 1993 to 2001. Has a Diploma in Marketing (UK), National Diploma in Plantation Management (NIPM), BSc. In Plantation Management and an MBA from the Post Graduate Institute of Agriculture, Peradeniya. A Fellow Member of the National Institute of Plantation Management and Institute of Management, Sri Lanka. Former Chairman of the Planters' Association of Sri Lanka, Member of the Tea Board, Member of the Rubber Research Board. Currently a board member of the Tea Research Institute and Tea Small Holder Development Authority and a member of the Tea Council of Sri Lanka. He was appointed to the Tea Advisory Boards on Manufacturing and Cultivation and Production of the Sri Lanka Quality Charter for Tea. The Chairman of the Consultative Committee on Estate and Advisory Services, Experiment and Extension Forum of the Tea Research Institute and is a Member of the Consultative Committee on Research of the TRI. Also a member of the Standing Committee on Agriculture, Veterinary and Animal Sciences of the University Grant Commission as well as a Member of the Arbitration and Mediation Steering Committee of the Chamber of Commerce.

S SIRIWARDANA
Chief Executive Officer
Executive Director

Joined Kelani Valley Plantations PLC in 1995. Appointed to the Board in June 2009. Appointed as Chief Executive Officer in April 2016. Fellow, Institute of Chartered Accountants of Sri Lanka and the Institute of Certified Management Accountants of Sri Lanka and a member of the Institute of Certified Public Accountants of Sri Lanka. Held senior management positions in many private sector organisations.

F MOHIDEEN
Independent Non-Executive Director

Director of Kelani Valley Plantations PLC since October 2008. Holds a B.Sc. in Mathematics, University of London and a M.Sc. in Econometrics, London School of Economics. Former Deputy Secretary to the Treasury and Director General, External Resources Department, Ministry of Finance and Planning.

S C GANEGODA
Non-Executive Director

Director of Kelani Valley Plantations PLC since September 2009. Joined Hayleys in March 2007 and was appointed to the Hayleys Group Management Committee in July 2007. Appointed to the Hayleys Board in September 2009. Fellow of the Institute of Chartered Accountants of Sri Lanka and a Member of the Institute of Management Accountants of Australia. Holds a MBA from the Postgraduate Institute of Management, University of Sri Jayawardenepura. Worked for the Hayleys Group between 1987 and 2002. Subsequently he held several Senior Management Positions in large private sector entities in Sri Lanka and Overseas. Has responsibility for the Strategic Business Development Unit of the Hayleys Group and the Fentons Group.

L T SAMARAWICKRAMA
Non-Executive Director

Director of Kelani Valley Plantations PLC since November 2009. An internationally qualified Hotelier having gained most of his Management experience in UK, working for large international hotel chains over a long period of time. The first Sri Lankan Manager to be appointed by the Beaufort International Chain of Hotels to run the first seaside boutique resort. A member of the Institute of Hospitality, UK (formerly HCIMA) and of the Royal Society of Health, London. He has several years of experience in the trade, having specialized in Hotel designs and development, has been responsible for the careful planning and execution of Amaya Resorts & Spas refurbishment and rehabilitation programmes. Executive Director of Hayleys PLC and serves as the Managing Director of Amaya Leisure PLC, Hunnas Falls, Sun Tan Beach Resorts, Luxury Resorts Maldives, Hayleys Tours (Pvt) Ltd. A Director of Royal Ceramics Lanka PLC, The Fortress Resorts PLC, Royal Porcelain (Pvt) Ltd, Royal Ceramics Distributors (Pvt) Ltd., Rocell Bathware Limited, Culture Club Resorts (Pvt) Ltd.

DR K I M RANASOMA
Non-Executive Director

Director of Kelani Valley Plantations PLC since October 2011. Joined DPL in August 2010 as an Executive Director and took over as Managing Director from April 2011. Appointed to the Hayleys Group Management Committee in January 2011 and to the Board of Hayleys in April 2011. Former Country Chairman/Managing Director of Shell Gas Lanka Ltd. and Shell Terminal Lanka Ltd. Holds First Class Honours Degree in Engineering from the University of Peradeniya, Sri Lanka, a Doctorate from Cambridge University, UK and an MBA with Distinction from Wales University, UK.

C V CABRAAL
Independent Non-Executive Director

Appointed to the Board in January 2013. A Graduate (with Honours) in Mechanical Engineering (BSc.) with a focus in manufacturing and design from the Missouri University of Science and Technology. Currently working for CHEC Port City Colombo (Pvt) Ltd. as a Sustainability Engineer in the Planning and Development Department. Previously worked at Brandix Lanka (Pvt) Ltd. as a Sustainability Engineer in the Energy and Environment Department. Started his career in 2010 as a Management Trainee at John Keells Hotel Management Services. The co-owner and co-founder of Royal Orchids (Pvt) Ltd. which is one of the largest floriculture farms in Sri Lanka. Also serves on the boards of Vallibel Power Erathna PLC and The Fortress Resort and Spa PLC.

L N DE S WIJEYERATNE
Independent Non-Executive Director

Appointed to the Board of Kelani Valley Plantations PLC in July 2013. Fellow of the Institute of Chartered Accountants in Sri Lanka and counts over thirty-five years of experience in Finance and General Management both in Sri Lanka and overseas. Former Group Finance Director of Richard Pieris PLC and also held senior management positions at Aitken Spence & Company, Brooke Bonds Ceylon and Zambia Consolidated Copper Mines Limited. Serves as a member of the Quality Assurance Board of the Institute of Chartered Accountants and a former member of the Sri Lanka Accounting Standards Monitoring Board. An Independent Director of several listed and unlisted Companies.

CORPORATE MANAGEMENT PROFILES

Board of Directors

KELANI VALLEY PLANTATIONS PLC

Tea & Rubber Plantations
Incorporated in 1992 in Sri Lanka
Stated capital – Rs.340 m

Directors:
A M Pandithage - Chairman
W G R Rajadurai - Managing Director
S Siriwardana - Chief Executive Officer
F Mohideen
S C Ganegoda
L T Samarawickrama
Dr. K I M Ranasoma
C V Cabraal
L N De S Wijeyeratne

DPL PLANTATIONS (PVT) LTD.

Plantation Management, Managing Agent
Incorporated in 1992 in Sri Lanka
Stated capital – Rs.350 m

Directors:
A M Pandithage - Chairman
W G R Rajadurai - Managing Director, KVPL
S Siriwardana
S C Ganegoda
Dr. K I M Ranasoma

KALUPAHANA POWER COMPANY (PVT) LTD.

Generates Hydro Power
Incorporated in 2003 in Sri Lanka
Stated capital – Rs.30 m, Group interest – 60%

Directors:
S Siriwardana
Dr. K I M Ranasoma
W G R Rajadurai
R A B Ranatunga
M F M Ismail

KELANI VALLEY INSTANT TEA (PVT) LTD.

Manufactures Instant Tea
Incorporated in 2007 in Sri Lanka
Stated Capital - Rs. 30 m, Group Interest 100%

Directors:
A M Pandithage
N R Ranatunga
Dr. K I M Ranasoma
W G R Rajadurai

MABROC TEAS (PVT) LTD.

Exports Bulk & Retail Packed Tea
Incorporated in 1988 in Sri Lanka
Stated capital – Rs.90 m, Group interest – 100%

Directors:
A M Pandithage - Chairman
J A G Anandarajah
N R Ranatunga - Managing Director
R M Hanwella
W G R Rajadurai
D S Wijesekera - Resigned w.e.f. 14.10.2016
Dr. K I M Ranasoma
M R Zaheed - Appointed w.e.f. 22.03.2017

Management Team

KELANI VALLEY PLANTATIONS PLC

Directors:
A M Pandithage - Chairman
W G R Rajadurai - Managing Director
S Siriwardana - Chief Executive Officer

General Managers:
Y U S Premathilake - Low Country
A Weerakoon - Up Country
J A Rodrigo - Marketing & Corporate Affairs

Regional General Managers:
B C Gunasekera - Panawatte / (Rubber Group I)
S F Fernando - Dewalakanda / (Rubber Group II)

Deputy General Managers:
D I Gallearachchi - Robgill
A P Senanayake - Pedro
K de J Seneviratne - Regional Administration
R D G Fernando - Rubber Marketing & Administration
N A A K Nissanka - Finance
C B Dharmakirthy - Halgolla

Group Managers:
D E P K Welikala - Kelani
U K Tennakoon - Edinburgh

Senior Managers:
A T Gamage - Human Resources & Corporate Sustainability
R L Obeysekara - We-Oya

Managers:
N D Amaratunga - Marketing
W L P S Wijesinghe - Information Technology
R M S U Jayathileke - Regional Administration
C D Ikiriwatte - Business Development
K A R Alles - Corporate Affairs
S Ram - Human Development

Estate Managers:
Up Country (Nuwara Eliya & Hatton Group)

Y A Hettiarachchi - Oliphant
A M C B Attanayake - Invery
W W Wijekoon - Uda Radella
L G Keragala - Tillyrie
M K D Priyantha - Annfield
A A Harridge * - Battalgala
D M K C B Dhanapala * - N'Eliya
R C Gnanasekeram * - Fordyce
R C V V Ramanathan - Ingestre

Low Country (Tea & Rubber Group)
D W M M R B Madawala - Urumiwela
S S B Bulumulla - Ganepalla
W P S B Abeywardena - Ederapola
V C Hewage - Kiriporuwa
P K A H Thilakaratna * - Lavant
G U Premarathne * - Kitulgala

* *Acting Estate Manager*

MABROC TEAS (PVT) LTD

Directors:
N R Ranatunga - Managing Director
R M Hanwella - Operations
R S Samarasinghe

General Managers:
U A de Silva Kulasiri - Local Sales
S C Hikkaduwage - Finance

Managers:
K L D C Niroshini - Finance
I M Heenpella - Marketing
E F W Samaraweera - Factory
G A M S Perera - Shipping
H M S Wijerathne - Information Technology
V A W Wakista - Tea
S L T Puvimannasinghe - Creative

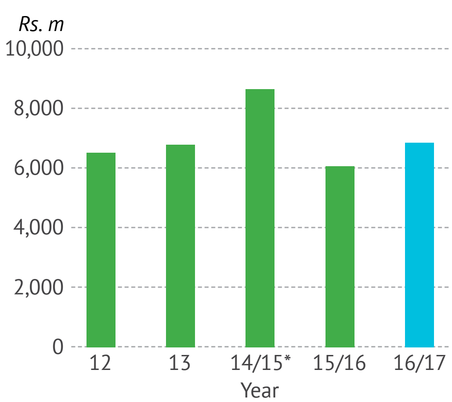
HIGHLIGHTS

FINANCIAL HIGHLIGHTS

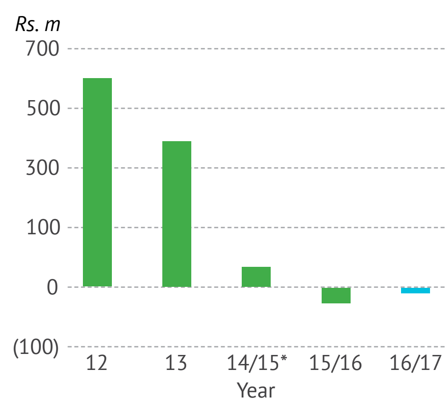
Consolidated		2016/17	2015/16	% of change
Earning Highlights and Ratios				
Revenue	Rs.'000	6,852,262	6,068,746	13
Result from operating activities	Rs.'000	246,732	34,770	610
Profit/loss before tax	Rs.'000	12,474	(30,520)	141
Profit/loss after tax	Rs.'000	(15,349)	(42,191)	64
Operating profit margin	%	3.6	0.6	528
Net profit margin	%	(0.2)	(0.7)	68
Return on assets (ROA)	%	(0.21)	(0.65)	33
Return on capital employed (ROCE)	%	3.41%	2.04%	68
Interest cover	Times	1.08	0.72	49
Financial position Highlights and Ratios				
Shareholders' funds (Equity Holders of the Company)	Rs.'000	2,920,914	2,632,660	11
Gearing (Debt/(Equity+Debt)	%	40%	33%	20
Working capital	Rs.'000	167,092	302,444	(45)
Current Ratio	Times	1.1	1.3	(15)
Market capitalisation	Rs.'000	2,788,000	2,210,000	26
Capital expenditure	Rs.'000	499,237	413,929	21
Per share (Year End):				
Earnings	Rs.	(0.55)	(0.82)	33
Market value	Rs.	82.00	65.00	26
Net assets	Rs.	85.91	77.43	11

** Financial Period 2014/15 Consists of 15 Months*

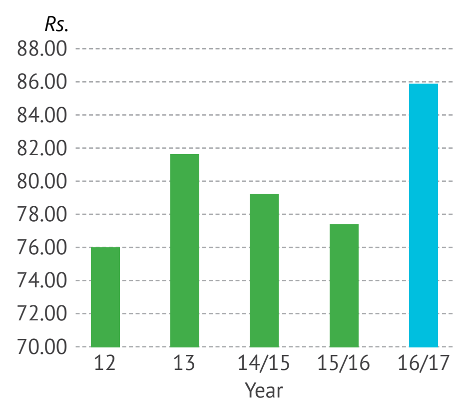
Turnover



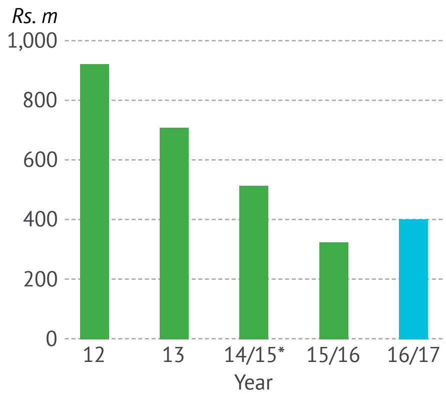
Profit After Tax



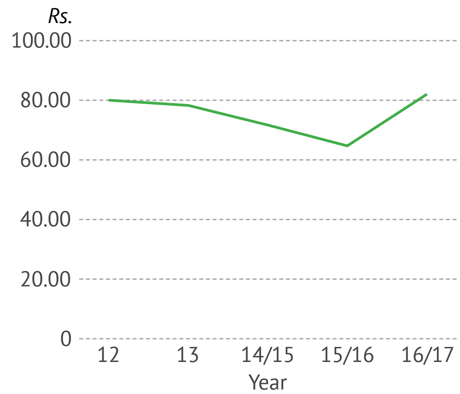
Net Assets Per Share



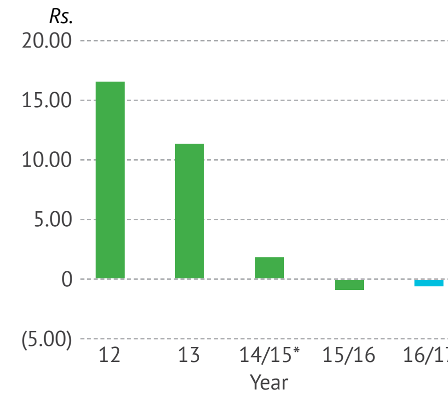
EBITDA



Market Price Per Share



Earnings Per Share



NON FINANCIAL HIGHLIGHTS

INCREASE IN EMPLOYMENT OF YOUNG BLOOD

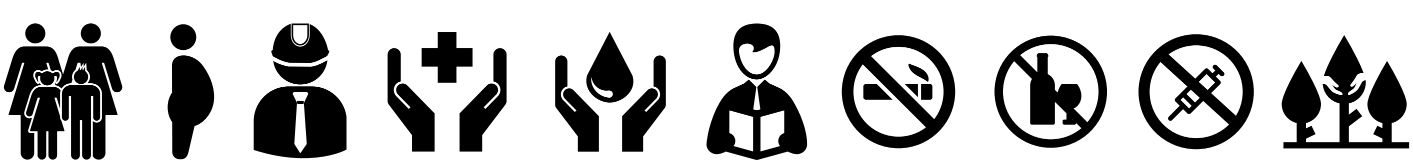
3,418
2016/17

3,205
2015/16

1,674
2014/15

HUMAN RESOURCE DEVELOPMENT PROGRAMS AT GROUND LEVEL

NUMBER OF PROGRAM	PARTICIPANTS	SUBJECT
880 Awareness Programs	over 14,500	Anemia,Nutrition,Worm infestation, health and hygiene
84 HB Analysis Program	3,959	Medical Check up
247 Awareness Programs	2,850	Low cost nutrient foods programs
340 Awareness Session	over 3,500	ill effects of , smoking, alcohol and chewing beetle
165 Awareness Programs		The pregnant and antenatal mothers on breast feeding, nutrition and family spacing
432 Awareness Programs	9,500	Cleaning houses and surroundings
340 Awareness Programs	over 4,600	Communicable and non-Communicable diseases
Over 700 Field based programs		Solid waste management , proper garbage disposal ,waste management systems and home gardening Environmental protections
186 Training programs	2,500	Preparing nutritious home based food through MOH, PHDT and NGOs
157 Training sessions	1,300	Home gardening and organic agriculture
15 Training sessions	185	First Aid , Pre medical care and Occupational health
20 Training sessions	525	Occupational health & safety and fire drill
01 Certification Program	60	Basic Human Resource development for HR and welfare



AWARDS & ACCOLADES

We Achieved the Highest Recognition, Local as well as Global in 2016/2017

NATIONAL BUSINESS EXCELLENCE AWARDS
Two Gold Awards & Three Silver Awards

ANNUAL REPORT AWARDS 2015
Plantation Companies Category - Silver

Global HR Excellence Awards
Winner - Awards for Leading HR Practices in Quality Work Life.

SAFA Best Presented Annual Report Awards 2015, Agricultural Sector 1st runner up

GLOBAL HR EXCELLENCE AWARDS 2017
Award for leading HR practices in quality work life (winner)

ANNUAL REPORT AWARDS 2015 INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA
Plantation Companies Category (Silver)

NATIONAL BUSINESS EXCELLENCE AWARDS- 2016 NATIONAL CHAMBER OF COMMERCE OF SRI LANKA
Agriculture & Plantations Sector (Gold)
Excellence in Environmental Sustainability (Gold)
Excellence in CSR (Silver)
Excellence in Performance Management (Silver)
Excellence in Local Market Reach (Silver)

SOCIAL DIALOGUE AND WORKPLACE AWARDS 2016
Plantation sector medium scale Glassaugh Estate (Silver)
Plantation sector medium scale Dewalakande Estate (Gold)

NATIONAL HR EXCELLENCE AWARDS 2016 – (Gold)

ASIA SUSTAINABILITY REPORTING AWARDS 2016
Asia's Best Environmental reporting (Merit)

ASIA-PACIFIC HR AWARDS 2016
Award for leading HR practices in quality work life (winner)

100 MOST INFLUENTIAL GLOBAL HR PROFESSIONALS AWARD 2017
Award presented to the Senior Manager - HR & Corporate Sustainability

SAFA BEST PRESENTED ANNUAL REPORT AWARDS 2015
Plantation Companies Category (First Runner Up)


Global HR Excellence Awards 2017
AWARD FOR LEADING HR PRACTICES IN QUALITY WORK-LIFE
HAYLEYS PLANTATIONS SECTOR
CA
F.W
Hayleys Plantations Sector

CHAIRMAN'S MESSAGE

G4-1,33

"For KVPL, the year 2017 denotes an important landmark, as we celebrate our 25th Anniversary. The journey has been an exciting one where we have reached many milestones, amidst facing a fair share of challenges"

Dear Shareholder,
I am pleased to present the Annual Report and Audited Financial Statements of your Company for the year ended 31 March 2017.

THE YEAR IN REVIEW

For KVPL, the year 2017 denotes an important landmark, as we celebrate our 25th Anniversary . The journey has been an exciting one where we have reached many milestones, amidst facing a fair share of challenges, which has deepened our resolve to work towards reaching our ultimate goal; to become the leading plantation company in Sri Lanka.

The year 2016 saw the prospects of the local Rubber and Tea industries stricken by a combination of adverse elements. On the supply side, the erratic weather led to lower production volumes, while demand side pressures including low crude oil prices, and global economic uncertainties suppressed the buying power of key international markets.

Both Tea and Rubber prices at the Colombo Auctions were biased to the downside, at least in the first half of the year, before staging a recovery in the closing months of the year amidst positive global market sentiments. While the initial setbacks weighed in on our overall financial performance for the year, I am pleased to report that thanks to our cohesive strategy and solid operating fundamentals, both segments were able to make a strong comeback in the second half of the current financial year. In fact our overall performance for 2016/17 was better compared to the previous year.

PERFORMANCE RECAP

KVPL turned around its operations from a negative of Rs. 115 m recorded in the year 2015/16 to a positive of Rs. 49 m for the current reporting financial year. KVPL invested in a 40% stake in Hayleys Global Beverages (Pvt) Ltd, the Instant Tea Extract and Aroma Plant. HGBL commenced its operation during the latter part of the financial year and has received positive feed-back from potential buyers. The share of loss amounting to Rs. 80 m was absorbed by KVPL. Mabroc Teas (Pvt) Ltd performed exceptionally well and recorded its highest ever export volume and bettered their performance over the corresponding year which contributed favourably to the Group. Due to erratic weather experienced, Kalupahana Power Company (Pvt) Ltd performance declined over the previous year.

Chairman
12 May 2017

STRATEGY AND FOCUS

Financials aside, we remained resolute in pursuing operational discipline and continuous process improvements, which I believe was the key to overcoming the challenges that were thrust upon us during the year.

Further, we also focused on our core business. Consolidating our key strengths, we revisited the value chain and assessed our competitive position in each business segment, looking at alternative approaches to sustain the growth momentum in the long-term.

We addressed the issues arising from increasing labour wages, which has become a daunting challenge amidst the volatility of tea and rubber prices. Our response was to develop a more sustainable wage model that would strike a balance between the Company's costs and the benefits accruing to the worker. In this context, we commenced a pilot project to introduce a revenue sharing model which was structured in line with the smallholder concept. It is now at a pilot testing stage, where I am confident that once implemented successfully, will be able to replicate it to develop a fully-fledged out grower model that will improve the long term scalability and sustainability of the business.

Moreover, from a marketing perspective, we accelerated our direct marketing efforts by different strategies which has given us favourable results. In the Tea segment, to complement these efforts, we also looked to establish strategic partnerships that would enable us to penetrate high-growth markets across the globe.

Meanwhile, parallel to our replanting initiatives for Tea and Rubber, we invested in crop diversification, as part of the on-going strategy to move towards a more sustainable growth model for the future. Having already ventured into growing Cinnamon, we commenced a pilot project to grow coffee on abandoned idle lands on certain upcountry estates and also looked into the possibility of planting Agar wood, pepper, Cardamom etc., and commercial forestry as a diversification strategy.

OUR PEOPLE

Our people are our main asset, where despite tough times, we continued to nurture our employees and provide opportunities for them to maximize their potential and develop their talents and capabilities.

Underpinning our commitment to our people is a four-year people strategy; Re- Shaping Plantation HR History (2014-2018), through which we seek to transition from the traditional boundaries of Plantation management into a new growth-focused HR dynamics. This was developed taking cognizance of the ten Principles outlined under the United Nation Global Compact on Human Rights, Labour, Environment and Anti- Corruption. The strategy reinforces our commitment to improve the skills and competencies of our workforce while overseeing their social wellbeing by creating a safe and conducive working and living environment through the provision of modern amenities for both the workers and their family such as modern living quarters, medical facilities, crèches, schools and recreational facilities.

I am indeed proud to announce that in recognition of these efforts, KVPL was adjudged the 'WINNER' under the category of 'Award for leading HR Practices in quality work-life' at the Global HR Excellence Awards 2016 conducted by the Asia- Pacific HRM Congress held in Bangalore, India recently.

GOVERNANCE AND STEWARDSHIP

At KVPL, we believe that strong corporate governance is the cornerstone in building a sustainable business and hence remain firmly committed to maintain high standards in governance processes as part of our accountability to all our stakeholders. I wish to reiterate that the Board, works closely with the Management to analyze and proactively manage risks enabling the Company to overcome the challenges that the industry is vulnerable to.

FUTURE OUTLOOK

With Sri Lanka's Tea industry celebrating its 150th year in 2017, I am optimistic that good times lie ahead. Although recovery appears to be at a slower pace, I am confident that the Rubber industry too will bounce back in 2017, signaling an end to the difficulties of the past three years. It is why going forward, we remain fully committed to ensuring both business segments are consistently well positioned to ensure long-term success, whilst optimising emerging opportunities that will unlock value for all stakeholders of the business.

At the same time, we will continue to uphold the core principles that have brought us success over the years. This means an unwavering focus on efficiency and continuous innovation to stay at the forefront of value creation.

Meanwhile, having reached key sustainability milestones in recent years, your Company will continue to pursue strategies that will fulfill KVPL's vision and bring prosperity and wellbeing to all stakeholders in the years ahead.

ACKNOWLEDGMENTS

I take this opportunity to thank the management team and all employees who remain the cornerstone of our success.

CHAIRMAN'S MESSAGE *CONTD.*

My sincere gratitude also goes to my fellow Directors for their co-operation active participation and in their valuable contributions to the deliberations at the Board Meetings.

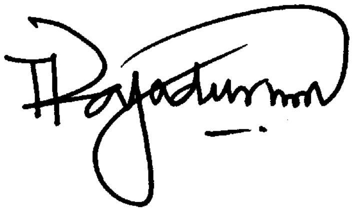
To conclude, I also wish to thank our shareholders, investors, business partners and all other stakeholders for their unstinted support, and seek your patronage to steer KVPL towards its next growth phase in the years ahead.

A M Pandithage
Chairman

MANAGING DIRECTOR'S MESSAGE

G4-1

"I believe, the results the Group has achieved in the current financial year is a testament of KVPL's ability to overcome challenging times, where with our strong fundamentals and agile business model to adapt to changing market dynamics"



Managing Director
12 May 2017

Dear Shareholder
The financial year ended 31 March 2017 was indeed a testing time for Kelani Valley Plantations PLC. Nevertheless, I am pleased to report that thanks to our diligent efforts to manage the numerous challenges that came our way, KVPL is on track to achieving its goal of becoming one of the most sustainable plantation companies in Sri Lanka.

RUBBER OPERATIONS

Defying industry trends, KVPL's Rubber operations performed well staying on track to achieve the target KPI's for the current financial year. Revenue grew by 9.29% year-on-year from Rs. 846 m in the previous year to Rs. 924 m for 2016/17, while profitability rose by a commendable 45% to Rs. 176 m in 2016/17 from Rs. 121 m a year ago.

At a time when the industry were crumbling under the pressure of lower auction prices caused by a demand and supply mismatch in global markets, the remarkable results achieved by KVPL are indeed a testament to the adaptability of our business model in response to market dynamics.

I am particularly pleased with the results achieved through our yield maximization initiatives, which have pushed up KVPL's yield-per-hectare to 1,063 Kgs the highest ever since the Company took over the Management in 1992.

TEA OPERATIONS

KVPL's Tea sector Revenues decreased slightly over the corresponding year .This was mainly due to the loss of crop that was common to all tea planting districts in Sri Lanka, despite the crop losses over the corresponding year the revenue losses were mitigated to a certain extent due to the price increase in the last quarter of the financial year.

The improved performance is all the more commendable as it comes amidst a fair share of challenges; erratic weather making for unfavorable harvesting conditions, deteriorating prices at the Colombo Auctions and high costs of production being the key concerns that called for serious attention.

Although there was not much that we could do to control the cyclical weather patterns, we implemented an aggressive quality drive, primarily to tackle the problem of leaf quality, which we found had been deteriorating due to poor harvesting conditions. The added focus on quality however meant compromising on the yield per hectare, which declined by 20% year-on-year.

MANAGING DIRECTOR'S MESSAGE *CONTD.*

At the same time, the Tea operation had to also contend with a higher cost of production, as protracted wage negotiations were resolved leading to a mandatory 11% wage hike for the entire estate workforce with effect from September 2016. The wage hike along with a proportionate increase in incentives led to an increase in the cost of production for the financial year, compared to the previous financial year.

Meanwhile with the issue of labour wages in Tea Industry becoming more and more complicated each year, I must reiterate the need for greater consistency in policy standards and stringent action by the authorities to develop a clear long-term strategy to provide a permanent solution to this lingering issue.

For our part, we took proactive action to look for a more sustainable solution. Stemming from this, a pilot project was commissioned to assess the viability of a revenue share model, which if successful would be a win-win situation for both the Company as well as the workers.

PERFORMANCE OF SUBSIDIARIES .

Mabroc Teas (Pvt) Ltd performed positively during the year under review. The introduction of two bubble tea outlets in Colombo, has brought a new dimension to its product portfolio. The year also saw the highest ever export volume handled, outperforming last year's export volumes. The revenue increased by 30% to Rs. 3,522 m from Rs. 2,702 m the previous year.

Kalupahana Power Company (Pvt) Ltd saw its bottom line dwindle due to the erratic weather experienced during the year. The electricity generated was 38% lower than the previous financial year and ended the year with a PBT of Rs. 9.7 m compared to Rs. 23.9 m achieved during 2015/2016.

Kelani Valley Instant Tea (Pvt) Ltd reduced its losses to Rs. 0.64 m from Rs. 2.16 m in 2015/2016 ,the production increased by 80% during the year under review. Other than a very few buyers who bought its instant tea for experiment purposes we did not see any major shift in the buyer profile.

In related developments, the refurbishment of the Colonial Plantation Bungalow at the Oliphant Estate, Nuwara Eliya was completed during the current financial year where it would be managed by Amaya as a luxury boutique hotel. This signals KVPL's entry into Sri Lanka's leisure sector and we plan to expand our leisure portfolio in the coming years

GROUP RESULTS

The company performed well during the year under review , from a negative of Rs. 115 m recorded in 2015/2016 it was able to turn around and record a profit before tax of Rs. 49 m for the current financial year. The Group too recorded a profit before tax of 12.5 m from a negative of Rs. 30.5 m recorded in 2015/2016 financial year. KVPL invested a 40% stake in Hayleys Global Beverages (Pvt) Ltd, the Instant Tea Extract and Aroma Plant. HGBL commenced its operation during the latter part of the financial year and has received positive feedback from potential buyers. The share of loss amounting to Rs. 80 m was absorbed by KVPL.

I believe, the results the Group has achieved in the current financial year is a testament of KVPL's ability to overcome challenging times, where with our strong fundamentals and agile business model to adapt to changing market dynamics.

REPLANTING AND CROP DIVERSIFICATION

KVPL's long term replanting policy remains a high priority, regardless of the externalities that may affect our operations from time to time. In the year under review the Company invested Rs. 256 m towards replanting of 215 hectares of Rubber and Rs. 46 m for tea immature areas.

As a result of our consistent replanting initiatives, we have witnessed an average increase of about 6% in extent of tappable Rubber land each year, another reason for the higher yields we have been achieving in the recent past.

Meanwhile, having already diversified into growing Cinnamon on a small scale, the Company took a more cautious approach towards further crop diversification in the current year.

ENVIRONMENTAL STEWARDSHIP

With our business activities closely associated with natural resources, we understand our responsibility to the environment and strive at all times to position KVPL as a responsible environmental citizen.

Given our extensive land bank, one of our main concerns is the use of agrochemicals, fertilizer and dolomite across our plantations. And as part of KVPL's "Green" strategy, the Company has made a commitment to bring about a year-on-year reduction in the volume of these materials applied to soil and crops. In 2016/17 we exceeded this target, achieving a significant reduction on the chemical content used in crops.

Moreover, our integrated Environmental Management System has been developed in cognizance with the Rain Forest Alliance, the Forest Stewardship council Certification and the Ethical Tea Partnership, reinforcing our commitment to benchmark internally accepted best practices for Environmental Management.

On a personal note, I am deeply saddened by the loss of six lives at the Kalupahana estate due to the landslide caused by heavy rains in the area in May 2016. Following the incident we have initiated preventive measures to assess the risks of landslides at all our estates in order to safeguard our people from such catastrophes in the future

FUTURE PROSPECTS

Given the cyclical nature of our business we are hopeful that we are at the tail end of difficult times. However, KVPL remains cautiously optimistic regarding the prospects for the future. We will continue to be mindful of the challenges that are inherent in our line of business. As we realise that we cannot afford to be complacent and must prepare for the new obstacles ahead.

Therefore, our long-term strategy remains the same and the lessons from the past years have been a valuable learning experience, which has strengthened our resolve to move forward in realising our strategic growth agenda for the future.

APPRECIATIONS

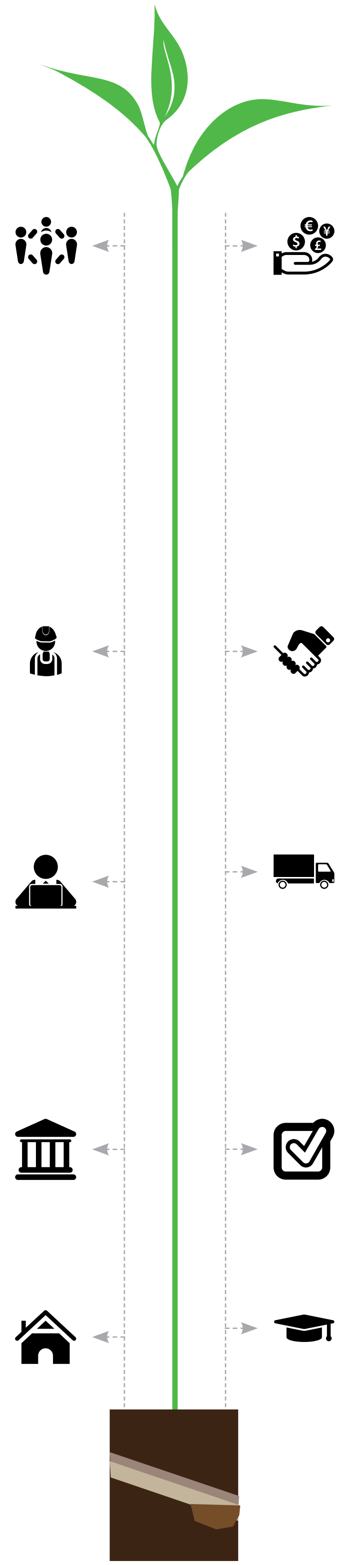
In closing, I wish to thank all employees of Kelani Valley Plantations PLC, for their loyalty and commitment that has been vital during these trying times. I would also express my gratitude to my fellow Directors for their unstinted support and guidance at all times. In conclusion, I would like to thank our shareholders for their support and continued patronage of the Company.

W G R Rajadurai
Managing Director

12 May 2017

STAKEHOLDER ENGAGEMENT

G4-16,24



EMPLOYEES AND TRADE UNIONS

Our employees are 99% unionised.
We engage with employees and unions through:

- Performance Appraisals - Annual
- CEO s Forums - Monthly
- Whistle Blowing Policy - when required
- Monthly management meetings
- - Monthly
- Collective Agreements -
- Involvement in negotiations - when required

SHAREHOLDERS

We engage with our shareholders through:

- Interim financial reports - Quarterly
- Annual General meetings - Annually
- Golden Shareholder Meetings - when required
- Annual reports - Annually

BROKERS

We interact with broker through broker get-togethers

- Broker visits - on request

BUYERS

We interact with our buyers through:

- Buyer visits to our estates and factories - on request
- Participation in trade fairs
- Customer complaint handling - when required

PLANTATION COMMUNITY

- Dialogues with community representative groups

SUPPLIERS

- Our suppliers include tea and rubber small holders and fertilizer suppliers. We engage with them through
- Supplier audits - As and when required
- Real time field visits

REGULATORS AND GOVERNMENT

- KVPL deals with various government agencies and regulators. We engage with them by complying with regulatory requirements.

CERTIFICATION AGENCIES

- Interaction with certification agencies occurs through period compliance audits - Annual

NGOS

- We engage with various NGOs on
- community welfare programmes

ACADEMIA AND SCIENTIFIC COMMUNITY

We regularly collaborate with the Tea Research Institute (TRI), Rubber Research Institute (RRI) and the National Institute of Plantation Management (NIPM) through:

- Knowledge sharing workshops
- Internship programmes
- Collaborative industry research

	TOPICS OF CONCERN RAISED IN 2016/17	OUR RESPONSE AND ENGAGEMENT PROCESS
Shareholders	Crop diversification of concern were raised by shareholders during the year	We continued to maintain regular contact and communications with our shareholder
Employees and trade unions	Wage Negotiation	Smoothly negotiated & New collective agreement signed with trade unions
Buyers	Routine customer inquiries, No big claim recorded last year	We responded promptly to all customer inquiries
Brokers	Routine inquiries and communications	▪ We responded promptly to all inquiries ▪ All product compliance and quality disclosures were made available
Certification agencies	Communications were limited to compliance related inquiries	Participated in all annual compliance audits
Suppliers	Routine negotiations	Smooth relationship were maintained
Regulators and government	No topics of concern were raised. Communications were limited to routine engagements and inquiries	We responded to all inquiries and followed all compliance requirements promptly. (Environment as Stakeholder is addressed in this group)
Plantation community	During the year, some families were displaced by landslides	▪ We provided relief and rehabilitation support ▪ We relocated families and are assisting in building new homes in collaboration with the government and relevant NGOs
Academia and scientific community	No topics of concern were raised. New studies on biodiversity were carried out.	▪ We conducted nursery practices training in our estates ▪ Accommodated four interns from the Institute of Chartered Accountants and 03 interns for HR ▪ Accommodated one intern from Wayamba University of Sri Lanka ▪ KVPL executives are sent for training to the NIPM, the TRI and RRI ▪ The Hay-Plan newsletter will be circulated these national agencies to communicate new developments
NGOs	We worked with a number of NGOs [Berendina, Save the Children and the Plantation Human Development Trust (PHDT)] on estate community welfare projects.	▪ A unique community development programme by KVPL, 'A home for Every Plantation Worker' is driven by collaboration with other resource groups ▪ We continued to support other NGOs by providing access to plantation families and with partial funding for projects

MATERIALITY ASSESSMENT

G4-27

SUSTAINABLE FRAMEWORK

Sustainability Context

Economic Prosperity

- Supply Chain
- Global Operations
- Financial Performance

KVPL's Economic Value Creation process is based on a shared value model, with significant economic impacts both direct and indirect. With a total 26 tea and rubber estates and bought leaf operations in low, medium and high grown elevations, the Company brings Economic Prosperity to its workforce of over 11,000 people and a further 55,000 who are part of the larger resident community at KVPL's estates.

Environmental Stewardship

- Land
- Biodiversity
- Water
- Energy Use

Being an agriculture-based business, KVPL prospects are heavily impacted by climate change. The Company's material environmental concerns arise as a result of harvesting, production and replanting, all of which are closely related to the sustainability of the Company.

Social Wellbeing

- Health & Safety
- Community Engagement
- People

Being a labour intensive operation, maintaining good employee relations is critical to ensure the sustainability of the business. In doing so, KVPL has moved away from philanthropic activities to take a more strategic approach in setting community goals. Support to uplift the living standards of estate-worker communities is therefore part of the long-term sustainability strategy of the Company.

Governance System

- Business Integrity
- Community Engagement
- Stakeholder Engagement
- Human Rights

KVPL is committed to benchmarking globally accepted best practices in all aspects of the business. To ensure greater sustainability, the Company conducts its operations responsibly, with due respect for Human rights and free of discrimination on social prejudices.

KVPL's Sustainability Framework articulates the strategic commitment to sustainable business development and forms an integral part of the Company's approach to risk management. It also promotes sound environmental and social practices, encourages transparency and accountability, and contributes positively towards economic development of the country as a whole. KVPL's Performance Standards, which are part of the Sustainability Framework, have become globally recognized as a benchmark for environmental and social risk management in local plantation sector.

MATERIALITY ASSESSMENT

- Identify Stakeholder
- Stakeholder Engagement Types

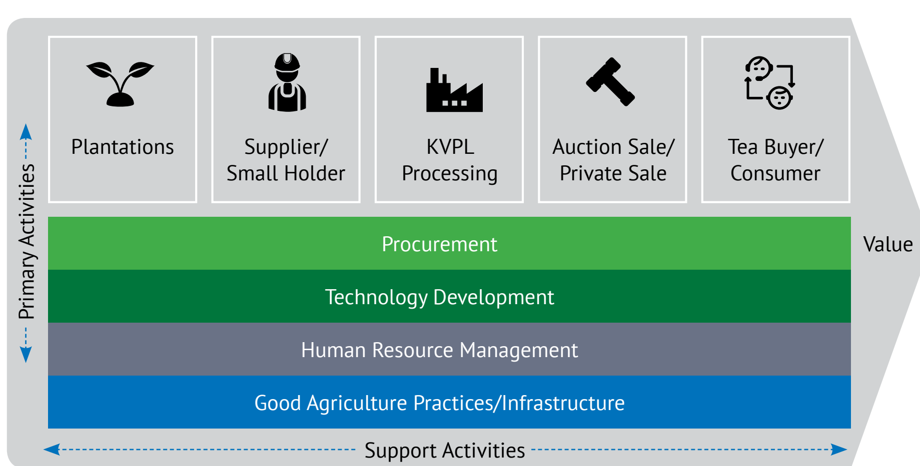
- Focus Issues
- Materiality Analysis

- Stakeholder Engagement
- Performance Evaluation and Reporting

STAKE HOLDER IDENTIFICATION

To identify the issues that matter most to our business and our stakeholders, we have put in place a structured materiality process to plot relevant environmental, Ecological, social and governance issues of concern. The findings are used to determine associated risks and opportunities for KVPL's reputation, sustainable operations and finances. The issues are then placed on a materiality matrix that displays their position relative to the degree of stakeholder concern and potential business impact. Together, the results represent the material issues faced our business. In 2016/17, we continued our materiality analysis as part of our GRI G4 reporting process, featuring a broader sample of stakeholders and a comprehensive value chain analysis, allowing for greater precision in the scoring and ranking of our material issues. It also included a robust assessment of the business impact, with greater focus on socially responsible operations, their impact on the business and commercial relevance.

THE VALUE CHAIN G4-25

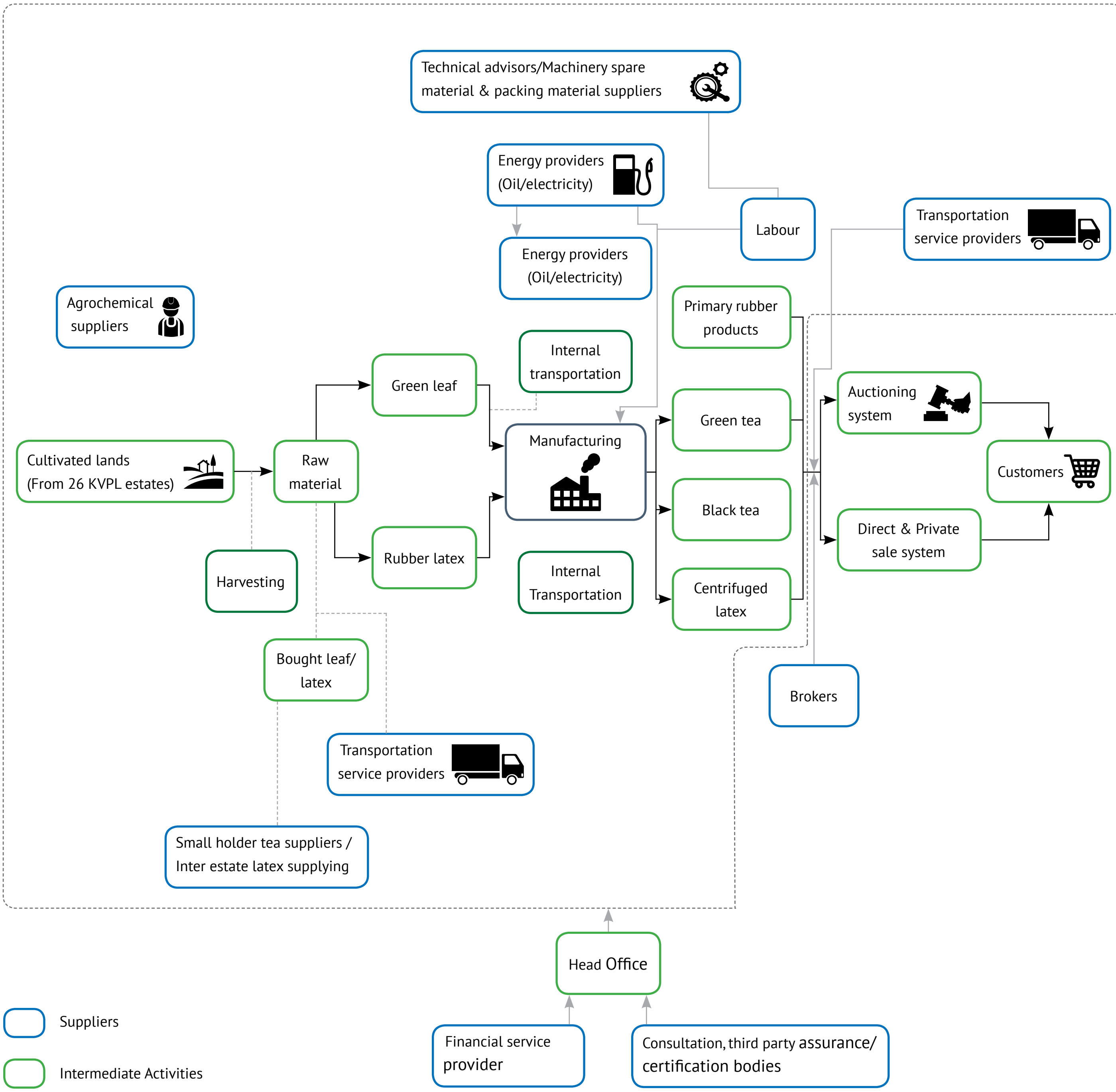


All the internal and external stakeholders are assessed by evaluating KVPL's value chain, including the supply chain, with all material issues being mapped based on how and where they may impact our value chain.

MATERIALITY ASSESSMENT *CONTD.*

G4-12, EN-30

SUPPLY CHAIN



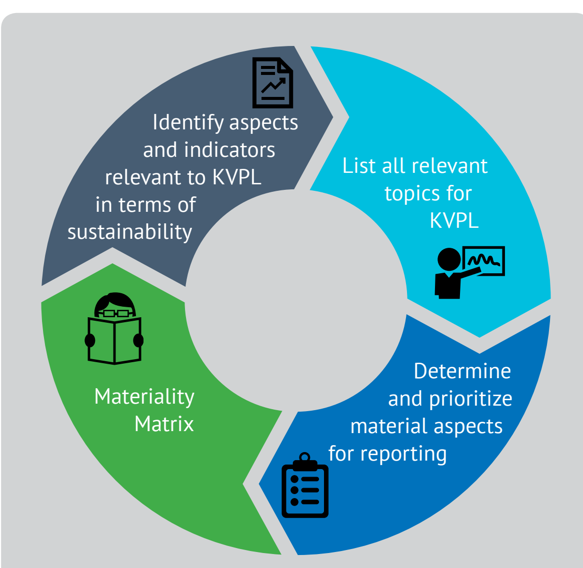
STAKEHOLDER IDENTIFICATION MATRIX

Probability of being involved in KVPL activities (Interest)	Low	Medium	High
High	Academia and Scientific community	Certification agencies Non Governmental organisations Investors	Shareholders Employees and Trade Unions Buyers Brokers Plantation Community Environment
Medium		Suppliers Competitors Media	Regulator and Government
Low			

Ability to be influenced by KVPL's performance (Power)

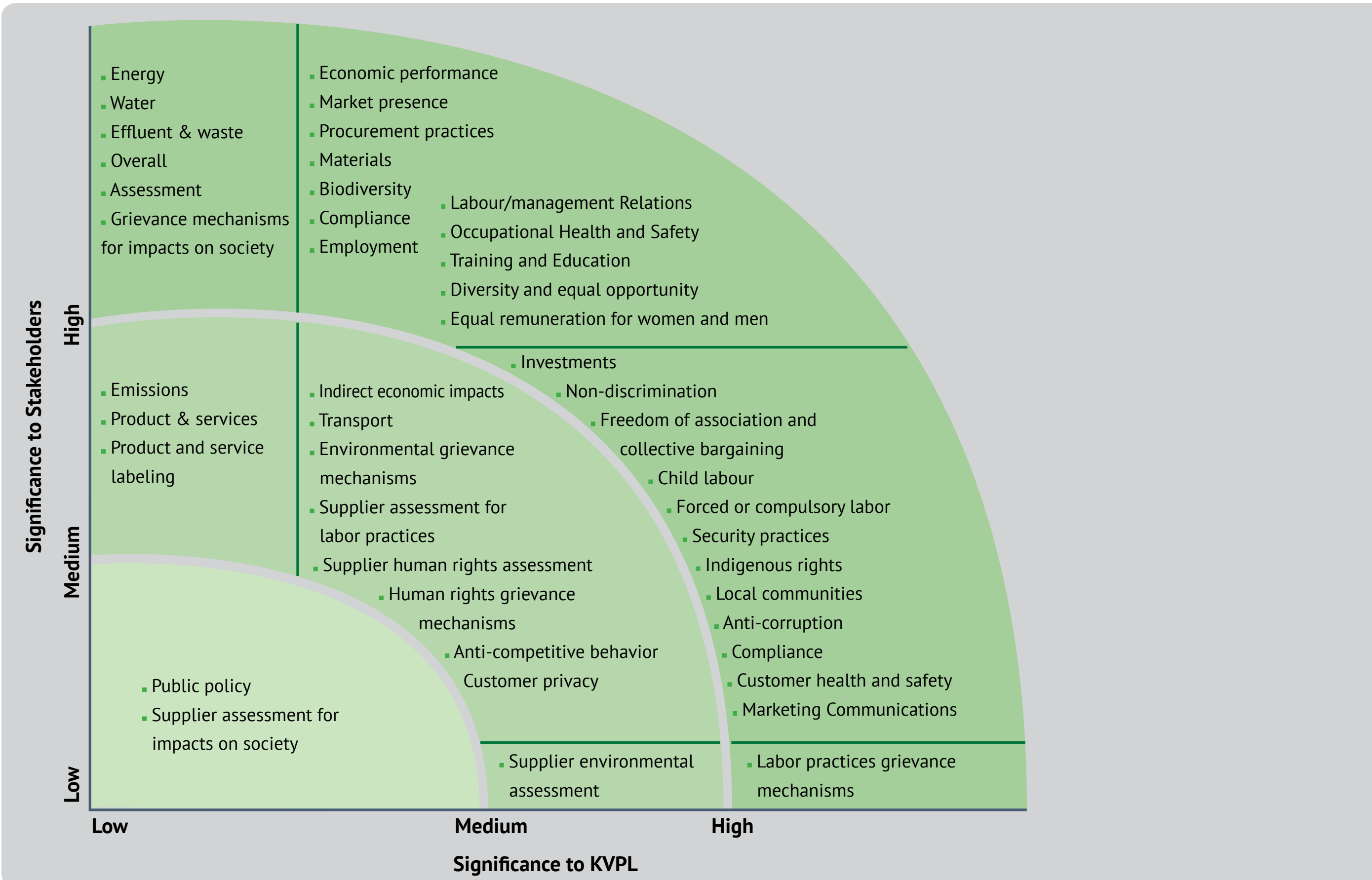
MATERIALITY IDENTIFICATION PROCESS

KVPL uses a formal materiality process to profile the most important issues raised by stakeholders of the business.



The materiality assessment mechanism helps to refine existing commitments and identify areas for improvement. The Materiality Assessment process also serves as an effective Risk Control and Management Information tool that enables the Company to respond effectively to stakeholder needs.

MATERIALITY ASSESSMENT *CONTD.*



The scope of the analysis covers all operations of KVPL including the 26 Tea & Rubber estates in low grown and high grown areas. The analysis also covers the subsidiary operations of the hydropower plants and the strategic ties with the parent, Hayleys PLC, wherever deemed applicable.

G4-18,19,20,21

CATEGORY	GRI G4 ASPECT	GRI G4 INDICATORS	RELEVANT COMPANY	EXTERNAL STAKEHOLDER IMPACTED	5 PART MATERIALITY TEST				
					DIRECT FINANCIAL IMPACTS	POLICY RELATED PERFORMANCE	ORGANIZATIONAL PEER BASED NORMS	STAKEHOLDER BEHAVIOUR AND NORMS	SOCIETAL NORMS
Economic	Econ Performance	EVA Climate Change Management Employee Benefit Plans Govt Assistance	All	Investors, Shareholders, Employees, Principals	There is a direct financial impact of not meeting economic performance and Return on Investment	No external policy exists.	Important in peer comparison with additional importance due to impact on Group earnings	Shareholder requirements, Employee expectations, Government expectations of tax	None

CATEGORY	GRI G4 ASPECT	GRI G4 INDICATORS	RELEVANT COMPANY	EXTERNAL STAKEHOLDER IMPACTED	5 PART MATERIALITY TEST				
					DIRECT FINANCIAL IMPACTS	POLICY RELATED PERFORMANCE	ORGANIZATIONAL PEER BASED NORMS	STAKEHOLDER BEHAVIOUR AND NORMS	SOCIETAL NORMS
Economic	Market Presence	Ratio - Entry Wage to Minimum Wage Senior Management from locality	All	Employees Investors	Plantation worker wages or any increases to such wages have a direct impact on bottom line	Regulations exist on minimum wages especially with regard to plantation workers and also covered by collective agreements	Peers adhere to regulations and are governed by Plantation Wages	Employees are unionised and by law require at least minimum wages	Social expectation of fair and justifiable pay to enable a comfortable livelihood for workers
	Indirect Economic Impacts	Infrastructure Investments Significant Indirect economic impacts	All	Investors, Community	There is a direct negative financial impact to the Group, and a positive financial impact to the stakeholder. Plantation community expectations of infrastructure, education for children, creches etc	No external policies exist. Internal CSR policy exists with focus on employee welfare - Home for every plantation worker concept	Peers engage in significantly large CSR activities	Community and employee Welfare expectations are found in the Plantations Industry	Societal expectation of companies to look after a class of people who are highly dependent on plantation management
	Procurement Practices	Proportion spent on local suppliers	All	Investors, Suppliers	Not significant as most of the produce is obtained from own plantations. However, a few small holders do provide produce.	No external policies exist on procuring locally	Peers have similar purchasing mechanisms	Small holder expectation of continued purchase of their crop	None
Environ-mental	Materials	Materials used by Weight or volume % of materials used in inputs that are from recycling	All	Investors, Customers	Plantations are owned by company. The primary material is produce Tea or rubber. Cost of obtaining material is mainly relating to labour.	Strict policies and regulations with regard to preserving quality and freshness of produce	Peers adhere to same industry standards	Both investors and customers would expect higher volume of produce being processed	None

MATERIALITY ASSESSMENT *CONTD.*

CATEGORY	GRI G4 ASPECT	GRI G4 INDICATORS	RELEVANT COMPANY	EXTERNAL STAKEHOLDER IMPACTED	5 PART MATERIALITY TEST				
					DIRECT FINANCIAL IMPACTS	POLICY RELATED PERFORMANCE	ORGANIZATIONAL PEER BASED NORMS	STAKEHOLDER BEHAVIOUR AND NORMS	SOCIETAL NORMS
Environ mental	Energy	Energy Consumption within Org Energy Consumption outside Org Energy per Intensity Facto Reduction of Energy consumption Reduction of Energy consumed by products/ services	All	Investors, Customers	Significant energy spend with a direct negative financial impact. However, a significant component of energy is obtained from biomass	No external policies exist of energy conservation	Peers have energy efficient and green practices undertaken as part of their Group-wide efforts	Investor requirements to reduce overhead costs, Customer (bulk) requirements to implement green practices for certification and sustainability reporting purposes	None
	Water	Total Water Withdrawal Water sources impacted by water withdrawal Water % reused or recycled	All	Investors, Community, Customers	No significant usage of water other than for general cleaning and sanitation	No external policies with regard to conservation of water. However company is a signatory to the CEO Water mandate	Peers have water efficient and green practices undertaken as part of their Group-wide efforts	Investor requirements to reduce overhead costs, Customer (bulk) requirements to implement green practices for certification and sustainability reporting purposes	None
	Biodiversity	Operational sites in proximity to protected areas Description of practices that have impacts on biodiversity Habitats restored Red List Species affected by operations	All	Investors, Principals, Pressure Groups	Negative impacts to biodiversity may result in loss of productive land, resources resulting in loss of crop as well as existing certifications, leading to drop in sales	Regulations exist on conserving flora and fauna. However company has obtained certifications which it needs to adhere to	Peers engage in habitat restoration, and biodiversity conservation projects	Customers (bulk) may require supply chain to adhere to standards for certification and sustainability reporting purposes	Media may flag up potential threats to biodiversity

CATEGORY	GRI G4 ASPECT	GRI G4 INDICATORS	RELEVANT COMPANY	EXTERNAL STAKEHOLDER IMPACTED	5 PART MATERIALITY TEST				
					DIRECT FINANCIAL IMPACTS	POLICY RELATED PERFORMANCE	ORGANIZATIONAL PEER BASED NORMS	STAKEHOLDER BEHAVIOUR AND NORMS	SOCIETAL NORMS
Environ mental	Emissions	Scope 1 GHG Scope 2 GHG Scope 3 GHG GHG per intensity factor Reduction of GHG ODS Nox Sox	All	Investors, Customers	Significant energy spend with a direct negative financial impact. However, a significant component of energy is obtained from biomass.	EPL Requirements on emissions exist	Peers have energy efficient and green practices undertaken as part of their Group-wide efforts	Investor requirements to cost cut and reduce overhead costs. Customer (bulk) requirements on carbon footprint reductions and related certification requirements	None
	Effluents & Waste	Water discharge Waste disposed Significant Spills Weight of transport of Hazardous waste Water bodies impacted due to discharge	All	Investors, Regulators, Principals, Customers	No significant effluent discharge, though same is regulated by EPL. Ash Waste used in landfill Disposal of Hazardous waste such as e-waste and chemicals etc. may require costs to be incurred	EPL Requirements, Scheduled Waste Management laws	Peers have green practices undertaken as part of their Group-wide efforts	Customers (bulk) may require supply chain to adhere to standards for certification and sustainability reporting purposes	Aware of possible environmental pollution
	Products & Services	Mitigation of Environment impacts created by organisation product/service Packaging materials reclaimed	All	Investors, Regulatory bodies, Pressure Groups, Customers	No environmental impact of end product	No environmental protection laws pertaining to end product	Not relevant given the nature of end product	Not relevant given the nature of end product	None
	Environmental Compliance G4-EN-29	Fines paid	All	Regulatory authorities, Community, Media & Pressure Groups	Environmental non-compliance will lead to loss of brand reputation, possible loss of certifications leading to drop in sales and financial impact	EPL Requirements; Country laws on environment protection applies	Not relevant. Must comply with country laws	Customer requirements to comply with environmental regulations at country level or international level (according to certification required)	None

MATERIALITY ASSESSMENT *CONTD.*

CATEGORY	GRI G4 ASPECT	GRI G4 INDICATORS	RELEVANT COMPANY	EXTERNAL STAKEHOLDER IMPACTED	5 PART MATERIALITY TEST				
					DIRECT FINANCIAL IMPACTS	POLICY RELATED PERFORMANCE	ORGANIZATIONAL PEER BASED NORMS	STAKEHOLDER BEHAVIOUR AND NORMS	SOCIETAL NORMS
Environ mental	Transport G4-EN 40	Significant environmental impacts of transporting goods and personnel for the organisation operations	All	Investors, Regulatory, Community, Customers, Media & Pressure Groups	Movement of goods or personnel result in a direct financial impact. This is covered under Scope 3 GHG, and no significant community impacts as established road networks are used	No external policies with regard to transportation	Not relevant	No significant expectations by Staff. Customers may look into scope 3 emissions and other environmental impacts	No significant expectations
	Overall	Environmental Conservation expenditure incurred	All	Community, Investors, Customers	N/A as operations do not have any significant environmental conservation related impacts	No policies exist. Water, Energy and Biodiversity Conservation policies (Plantations) exist	Peers have green practices undertaken as part of their Group-wide efforts	Customer expectations on maintaining certifications	Aware of possible environmental pollution
	Supplier Assessment - Environment G4-EN 34, HR 6	Suppliers screened for environmental impacts Negative impacts in the supply chain, and actions taken	All	Customers, Suppliers, Media	Yes. Suppliers may have negative environmental impacts, leading to loss of brand reputation and financial impact. However, as the tea comes primarily from internal company, this is only significant for small holders and other materials	No external policy with regard to monitoring and controlling Supplier environmental impacts. Significant suppliers are screened internally for environmental impacts as required for certifications	Practices by peers on supplier assessment driven by customer expectations	Customer expectations on screening entire value chain for certifications and sustainability reporting purposes	None

CATEGORY	GRI G4 ASPECT	GRI G4 INDICATORS	RELEVANT COMPANY	EXTERNAL STAKEHOLDER IMPACTED	5 PART MATERIALITY TEST				
					DIRECT FINANCIAL IMPACTS	POLICY RELATED PERFORMANCE	ORGANIZATIONAL PEER BASED NORMS	STAKEHOLDER BEHAVIOUR AND NORMS	SOCIETAL NORMS
	Environmental Grievance Mechanism	Number of env grievances handled and managed through formal grievance mechanisms	All	Employees, Society, Media, Potential Investors, Customers	Important to investors to reduce risk of Environmental Grievances being ignored / overlooked. However, given the operations, the likelihood of env grievances are low	No policy for a company to have a process for env grievances reporting exists	Peers may have single points of contact for env grievances by community	Some expectation by community to hear their grievances if any arise. However, given the nature of operations, the likelihood of env pollutive activity is minimal. Also good relations exist between company and community	Some expectation by community to hear their grievances if any arise. However, given the nature of operations, the likelihood of env pollutive activity is minimal
Labour	Employment	Number of new hires and turnover by region, gender and level Benefits given to full time emps that are not provided to part-timers Return to work rates after parental leave	All	Investors, Society, Employees	Yes. Direct financial impact due to cost to company, retraining new staff due to attrition	Country regulations exist. Higher scrutiny possible due to sensitivities surrounding plantation workers	Peers adhere to country regulations, and minimum wage rates exist by Industry	Expectation of good working conditions by current and potential employees	Societal expectation of companies to look after a class of people who are highly dependent on plantation management
	Labour Relations	Minimum notice periods for changes in operations for workers	All	Investors, Employees, Society	Positive impact on workforce relating to avoidance of disruption to operations	Country regulations and laws pertaining to Plantation Workers	Peers adhere to country labour norms	Expectations of workforce - highly unionised	None
	Occupational Health and Safety	% workforce represented in Health and Safety committees Number of injuries and diseases Workers with high risk of incidence of disease Health and Safety topics covered with Trade Unions	All	Employees, Regulatory authorities, Customer, Society	Yes. Loss of productivity for company and occupational injuries resulting in loss of productivity and staff morale, compensation and potential negative impact to brand reputation	Country regulations and Group policy on Occupational Health and Safety	Peers adhere to country regulations, have certifications and other mandatory customer requirements.	Customers require Health and Safety certifications especially requirements to assess food handlers	None

MATERIALITY ASSESSMENT *CONTD.*

CATEGORY	GRI G4 ASPECT	GRI G4 INDICATORS	RELEVANT COMPANY	EXTERNAL STAKEHOLDER IMPACTED	5 PART MATERIALITY TEST				
					DIRECT FINANCIAL IMPACTS	POLICY RELATED PERFORMANCE	ORGANIZATIONAL PEER BASED NORMS	STAKEHOLDER BEHAVIOUR AND NORMS	SOCIETAL NORMS
Labour	Training	Training hours per employee per annum Training on lifelong learning and managing career ending % of employees receiving performance reviews	All	Employees, Customers, Investors, Principals	Yes. Cost implication and productivity improvements	No external policies exist.	Comparison of standards with peers resulting in training requirements being identified	Employee expectations on skill upgrade. Customer expectation of quality products/ services	None
	Diversity & Equal Opp	Composition of Governance Bodies	All	Investors, Society, Employees, Customers	Industry norms apply due to social / traditional reasons - tea pluckers mainly female while factory workers mainly male	No country laws exist with regard to diversity; however there are laws on discrimination	Not publicly available	Employee / Potential employee expectations	None
	Equal remuneration for men / women G4-LA 13	Pay ratios for men and women across levels	All	Employees, Customers	Industry norms and minimum wages by role apply	Country laws on equality exist, but no specifics on remuneration - only minimum wage requirements.	Not publicly available	Employee expectation that pay levels are based Collective Bargaining Agreements	None
	Supplier Assessment - Labour G4-HR 6	Suppliers screened for labour impacts Negative impacts in the supply chain, and actions taken	All	Suppliers, Customers, Media	Yes. Suppliers may have negative labour practices leading to loss of brand reputation, certification etc and therefore financial impact. However, as the tea comes primarily from internal company, this is only significant for small holders and other materials	No external policy with regard to monitoring and controlling Supplier labour practices. Significant suppliers are screened internally for labour practices as required for certifications	Practices by peers on supplier assessment driven by customer expectations	Customer expectations on screening entire value chain for certifications and sustainability reporting purposes	None

CATEGORY	GRI G4 ASPECT	GRI G4 INDICATORS	RELEVANT COMPANY	EXTERNAL STAKEHOLDER IMPACTED	5 PART MATERIALITY TEST				
					DIRECT FINANCIAL IMPACTS	POLICY RELATED PERFORMANCE	ORGANIZATIONAL PEER BASED NORMS	STAKEHOLDER BEHAVIOUR AND NORMS	SOCIETAL NORMS
Labour	Labour Practices Grievance Mechanisms G4-HR 12	Number of env grievances handled and managed through formal grievance mechanisms	All	Employees, Principals, Customers, Investors	Loss of productivity for company; possible loss of brand reputation	No external policy exists with regard to need for grievance handling mechanisms.	Peers have in place worker grievance mechanisms	Employees expect grievance mechanisms to be in place and take corrective action, Customer expectations may also apply	No - but potential issues to be flagged by media
Human Rights	Investment	% of investment contracts that contain Human Rights clauses Employee training hours provided on human rights	All	Customers, Investors, Employees	N/A - no acquisitions took place during year under review.	No external policies exist. No specific internal policy exists but training includes human rights	Not publicly available	None	Not significant
	Non-discrimination	No. of incidents of discrimination and actions taken	All	Employees, Investors, Customers	Negative impact to brand reputation. Covered under Labour Aspects	Anti-discrimination laws exist in the country.	Peers adhere to country regulations	Employee and Principal expectations on non-discrimination	No but growing awareness on discrimination related issues (especially related to potential workforce)
	Freedom of Association & Collective Bargaining	Operations where freedom of association has been violated Suppliers who have violated their employees rights to freely associate	All	Employees, Suppliers, Customers	Possible financial costs related to negotiations	External - Trade Union Ordinance, Industrial Disputes Act, Collective Bargaining Act	Peers adhere to country regulations	Highly unionised workforce due to nature of industry. Suppliers are generally small holders who do not employ hired labour	None
	Child Labour G4-HR 5	Operations with risk of Child Labour Suppliers who have risk of employing child labour	All	Employees, Principals, Regulatory authorities, Customers	Possible loss of revenue if brand image were to be tarnished. However country regulations and recruitment policies ensure minimal chances of such incidences occurring	Country regulations specify that no children can be enjoyed. A signatory to UNGC Principles	Peers adhere at minimum to country laws	Principal and Investor expectations on ethical work practices. Customer requirements may exist for supply chain. Certification bodies and regulatory authorities continuously assess incidences of child labour	While society does not condone child labour, family workers (where the child helps out in family cultivations after school hours) is expected by society to sustain the family

MATERIALITY ASSESSMENT *CONTD.*

CATEGORY	GRI G4 ASPECT	GRI G4 INDICATORS	RELEVANT COMPANY	EXTERNAL STAKEHOLDER IMPACTED	5 PART MATERIALITY TEST				
					DIRECT FINANCIAL IMPACTS	POLICY RELATED PERFORMANCE	ORGANIZATIONAL PEER BASED NORMS	STAKEHOLDER BEHAVIOUR AND NORMS	SOCIETAL NORMS
Human Rights	Forced, Compulsory Labour G4-HR 6	Operations with risk of using forced or compulsory labour Suppliers who have risk of employing forced or compulsory labour	All	Regulatory authorities, Media, Customers	Possible loss of revenue if brand image were to be tarnished	Country regulations with regard to working hours exist. Internal policies exist, reflecting ILO and UNGC norms	Peers may have at minimum applied country laws	Employee expectation for overtime. For certain staff and skilled workers, changing and sleeping areas are expected. Customers and certification bodies requirements.	None
	Security practices	% of security personel trained in human rights policies of the Org	All	Employees, Investors, Society, Customers, Media	Possible loss of revenue if charged with human rights violations; brand reputation. Low chance of occurrence as very limited number of security personnel	No external or internal policies exist	No information	Not significant	Not significant
	Indigenous rights	Incidents of abuse of human rights of indigenous people	All	Investors, Society, Customers, Media	Not relevant given the type of operations and operations not in proximity to areas where indigenous people live	No external policies exist	No information	Not significant	Not significant
	Human Rights Assessment	Operations that have been subject to human rights assessment	All	Employees, Investors, Society, Media	Possible loss of revenue if charged with human rights violations; brand reputation. Covered under labour aspects	No external policies exist	No information	Not significant	Not significant
	Supplier Assessment - Human Rights	Suppliers screened for Human Rights impacts Negative impacts in the supply chain, and actions taken	All	Customers, Suppliers, Media	Covered significantly under Supplier labour practices	No external policy with regard to monitoring and controlling Supplier labour impacts.	Peers affiliated with large conglomerates carry out supplier assessments of outsourced lorries as part of their sustainability drives	Potential expectations from Principal on screening supply chain - linked to their sustainability reporting	None

CATEGORY	GRI G4 ASPECT	GRI G4 INDICATORS	RELEVANT COMPANY	EXTERNAL STAKEHOLDER IMPACTED	5 PART MATERIALITY TEST				
					DIRECT FINANCIAL IMPACTS	POLICY RELATED PERFORMANCE	ORGANIZATIONAL PEER BASED NORMS	STAKEHOLDER BEHAVIOUR AND NORMS	SOCIETAL NORMS
Human Rights	Human Rights Grievance Mechanisms G4-HR 12	Number of human rights grievances handled and managed through formal grievance mechanisms	All	Employees Media, Investors	Negative impact if brand image is tarnished	No external policy exists, but Group policy on same exists	No information	Employees expect grievance mechanisms to be in place and take corrective action	No - but potential issues could be flagged by media
Society	Local Communities	% of operations that have carried ot community development programs Operations with negative impacts on communities	All	Employees, Community, Customers	Yes - there is a cost related to CSR but it is to obtain social licence to operate, manage potential risks and enhance the brand image through upliftment of community living standards	No external policy exists to govern CSR spend. Internal CSR policy exists.	Peers engage in large scale, strategic CSR activities	Community expectations based on peer activities. Customer expectations on CSR activities aligned to customer policies	Societal expectation of companies to look after a class of people who are highly dependent on plantation management
	Anti-Corruption G4-SO 4	% of operations assessed for corruption Communication and training on anti corruption Confirmed incidents of corruption and action taken	All	Investors, Regulatory authorities, Media, Customers	Yes. Can lead to financial losses, reputational losses, loss of account	Country laws and regulations exist. Corp Governance, whistle blowing arrangements in place. A signatory to UNGC Principles	Peers abide at minimum with country laws and regulations	Expectations by Investors/ lenders. Expectations of Govt. may exist during election periods	No higher standards than country laws are expected by society
	Public Policy G4-SO 6	Total value of political contributions by value and beneficiary	All	Investors, Regulatory Authorities, Government	None - do not engage in political contributions. But members of industry bodies	No external policies exist	No information	As a subsidiary company no significant expectation for political contributions. However investor requirements for company to engage with Govt on decision/policies with regard to Plantation sector	Society and media on alert about possible political contributions
	Anti Competitive Behaviour	Legal action taken against the company for anti-competitive behaviour	All	Competitors/ Peers, Customers	Not a monopoly or olygopoly so no significant impact	No external policies exist	Not significant	None	None

MATERIALITY ASSESSMENT *CONTD.*

CATEGORY	GRI G4 ASPECT	GRI G4 INDICATORS	RELEVANT COMPANY	EXTERNAL STAKEHOLDER IMPACTED	5 PART MATERIALITY TEST				
					DIRECT FINANCIAL IMPACTS	POLICY RELATED PERFORMANCE	ORGANIZATIONAL PEER BASED NORMS	STAKEHOLDER BEHAVIOUR AND NORMS	SOCIETAL NORMS
Society	Regulatory Compliance	Fines paid for non compliance with laws and regulations	All	Investors, Regulatory authorities, Media, Customers	Yes. Through fines and sanctions and loss of brand reputation	Laws and regulations of the country	Adherence to country laws is mandatory and peers adhere to this at a minimum	Expectations by Principals, Customers and Community to adhere to regulations and Social License to operate	Expectation by Society for company to adhere to all regulations
	Supplier Assessment - Social Impact	Suppliers screened for social impacts Negative impacts in the supply chain, and actions taken	All	Suppliers, Customers, Media	Not relevant as the supplier's products has no social implication	No external policy with regard to monitoring and controlling Supplier social impacts	Not relevant as the supplier's products has no social implication	Customer expectations on screening entire value chain for certifications and sustainability reporting purposes. However these are mainly for environment and labour practices as supplier's products have no negative impacts on society	None
	Grievance Mechanisms for impacts on society G4-LA 16	Number of environment grievances handled and managed through formal grievance mechanisms	All	Society, Investors, Media	Potential damage to brand image if societal grievances are not handled effectively. However, the community also are part of the employee base of the Plantation and thus, any grievances are covered through the HR processes	No external policies or regulations exist.	Peers have in place grievance mechanisms for impacts on society	Customer and Principal Expectations; Media coverage on significant issues; Expectations of communities in the vicinity	Expectation of society to provide means to communicate their grievances related to social issues and take relevant corrective action

CATEGORY	GRI G4 ASPECT	GRI G4 INDICATORS	RELEVANT COMPANY	EXTERNAL STAKEHOLDER IMPACTED	5 PART MATERIALITY TEST				
					DIRECT FINANCIAL IMPACTS	POLICY RELATED PERFORMANCE	ORGANIZATIONAL PEER BASED NORMS	STAKEHOLDER BEHAVIOUR AND NORMS	SOCIETAL NORMS
Product Responsibility	Customer Health & Safety	% of products and services which are assessed for H&S improvements No. of incidents that that are in violation of Customer Health and Safety regulations	All	Investors, Customers	Direct negative financial impact possible if there are customer Health and Safety incidents / contamination. However traceability mechanisms in place if batch recalls were to be required	Food safety policies exist locally and internationally. Minimum quality standards as per Internal Quality Policy as well as certification requirements exist	Peers have quality certifications and adhere to customer/brand requirements	Customer expects Health and Safety to be taken into consideration. Customers also require quality related certifications and traceability	None
	Prod & Services Labeling	% of organisation product services that meet regulatory labeling requirements No. of incidents of violation of product labeling requirements Results of surveys monitoring customer satisfaction	All	Regulatory authorities, Customers,	Direct negative financial impacts are possible if labels are inaccurate due to loss of business. However, majority is bulk exports barring few labeled products	Country regulations as well as policies in international markets exist.	Peers meet country regulations and customer requirements	Customers expect accurate information and labeling and traceability which is covered by organization	None
	Marketing Communications	Sale of banned or disputed products Incidents of violation of regulations on marketing communications	All	Customers, Media	Not applicable as majority is bulk exports B2B	No external policies	Not significant	Not significant as majority is bulk exports	Not significant
	Customer Privacy	No. of complaints regarding customer privacy	All	Investors, Principals, Customers	Not applicable	No policies exist.	Not applicable	Not applicable	None
	Product Compliance	Fines paid for non compliance with product laws and regulations	All	Investors, Regulatory authorities, Media, Customers	Direct negative financial impacts are possible if labels are inaccurate due to loss of business. However, majority is bulk exports barring few labelled products	Country regulations exist. Agreements with customers / certifications may apply	Peer adhere to country regulations and customer requirements	Customer requirements on product compliance - food industry	None

CREATING VALUE FOR OUR STAKEHOLDERS

G4-25,26 & PR-4,6,7,8

Vision	Products of Excellence

Inputs | **Capital** | **Value**

Financial
- Strategic Planning
- Financial Management
- Risk Management
- Corporate Governance

Natural
- Environmental protection (Water, Bio- Diversity, Energy, Soil & Ecosystem)
- Environmental Stewardship
- Resource Efficiency use

Social and Relationship
- Community Development
- Capacity Building
- Stakeholder Relationship
- Customer Base

Human
- Commitment to UNGC Principles
- Dynamic HR Framework
- Succession Planning
- Improving Sustainability of the Estate Workforce

Intellectual
- Product Research
- Market Research
- Innovation

Manufactured
- Production, Packaging & Transport
- Replanting
- Crop Diversification

Activity
Agriculture
Manufacturing
Export
Asset
Management
Hydro Power

Mission

To optimize plantation productivity and ensure highest quality by harnessing and developing employees whilst improving the quality of life of the community and securing an acceptable return on investment

Process

Outcomes

Long Term Goals
Ethics & Transparency
Sustainable Agriculture
Values
Risk Management

Financial

- EBITDA as % sales 2.82%
- Return on capital Employed 4.33%
- Taxes paid 32.3 m

Natural

- International Aggradation & Certification- Rainforest Alliance, Forest Stewardship Council, Ethical Tea partnership (ETP), UTZ & Global GAP
- 34.3 m spend on Environmental Conservation
- 43,088.33 m^3 water used for production
- Won Gold for Excellence in Environmental Sustainability

Social and Relationship

- Stakeholder satisfaction and trust
- Estate Population Health & Safety
- Community Development
- CSR through own programs called home for every plantation worker & Key value Drivers

Human

- Over 9,000 Employees
- 6,475 Head counts were trained
- Developed HR team under Human Development in each estates
- Strengthening of organizational culture and values
- Won Gold in Global HR Excellence Award

Intellectual

- Developed RSS (Ribbed Smoke Sheet) as new product to Kelani Valley
- Mabroc Tea introduce Bubble Tea to Market
- Started to pack KVPL own packing for tea & Cinnamon
- Found new market and directly exporting our garden marks to china
- Studies were carried out to find possible diversified crop for each estates.

Manufactured

- ISO 22000 Certified 12 Black Tea factories & 01 Green tea factory Produced 4.5 MKg Tea
- FSC Certified Rubber factories produced 3 MKg Rubber

SECTOR REVIEWS

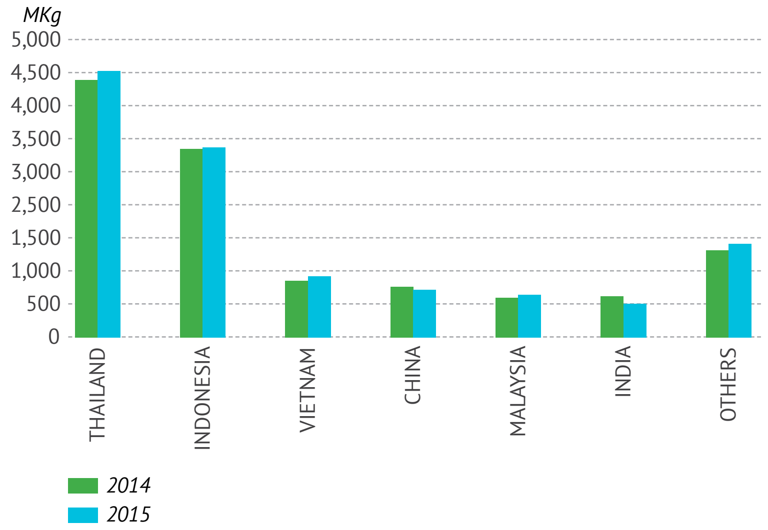
RUBBER

160 Ha of Replanted Rubber came into bearing during this year

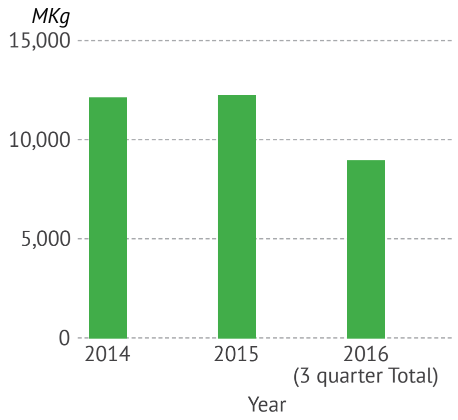
RUBBER PRODUCTION G4-50

For much of 2016, Global Natural Rubber markets remained dormant, mainly on account of lower demand and stockpiles in China and Thailand, which were released to the market from time to time. This, coupled with the notable increase in output from newer producers like Vietnam and Cambodia, where extensive cultivation in the recent past have led to a year-on-year increase in the output from these countries.

Production Volumes of Rubber from other Origins

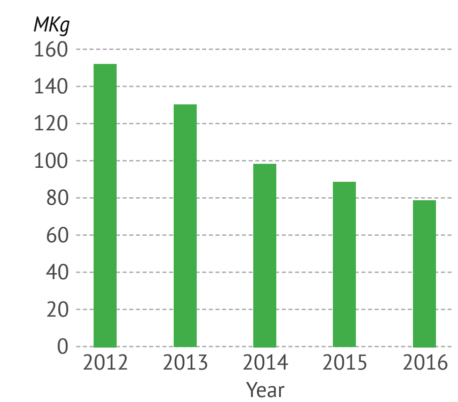


Natural Rubber Production



In contrast Sri Lanka suffered a drastic drop in output in 2016, as erratic weather patterns disrupted tapping operations for the first nine months of the year. Production declined further, as smallholders; who account for more than 65% of the country's annual Rubber production, suspended tapping operations due to poor prices and escalation in their costs. As a result, the country's production of natural rubber hit a record low of 79.1 Mkgs for the twelve months ending 31 December 2016.

Natural Rubber Production - Sri Lanka

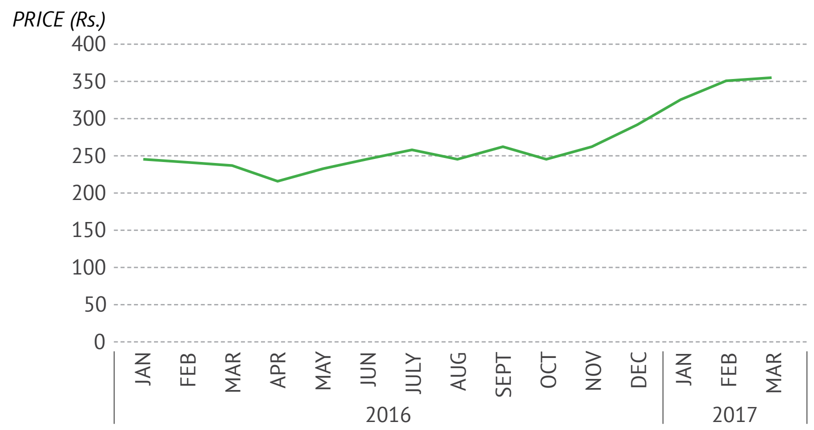


However, supported by more favourable weather patterns seen towards end-December 2016, a definite pick up in production volumes was seen in the months of January through March 2017.

Trading Activity

The glut situation in the global market was made worse by sluggish demand for natural rubber. Largely derived from the demand for tires from the global automobile industry, the demand for natural rubber declined in 2016 parallel to the slowdown in the automobile industry in Europe and Japan. Meanwhile, China's automobile industry relied on the country's own stockpiles to satisfy its requirements. The resulting demand and supply imbalance, led to a steady decline in the price of Natural Rubber in the Global market. Adding to the woes, newer suppliers like Vietnam and Cambodia continued supplying at lower prices, which sent prices on a downward spiral in the next few months. Prices did however rebound from October 2016, on the back of higher crude oil prices following the OPEC decision to cut oil production. Further price improvements were seen in the Colombo auctions in the months of January and February 2017, as severe flooding in southern Thailand restricted volumes coming in, to the global market from Thailand.

KVPL Rubber GSA

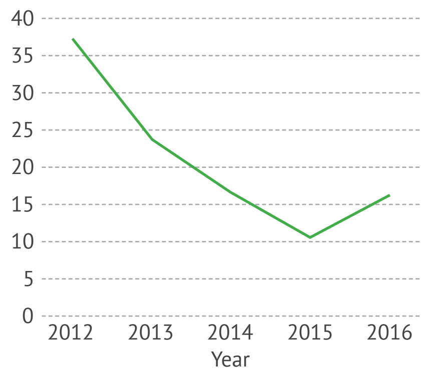


Prices at the Colombo Rubber auctions too followed a similar trend, declining steadily from around April 2016 and reaching its lowest point for the year in September 2016, before recovering in October 2016 and continuing until February 2017. The market reversed in March 2017, a trend seen in most overseas markets.

Struggling under the pressure of declining prices and falling output levels, quantities traded at the Colombo Auction between April – September 2016 showed no significant upward or downward trends and stayed flat for most of this period. In contrast however, quantities traded at the Colombo Auction during the October – December 2016 quarter increased significantly as many producers intensified operations in order to capitalize on higher prices from October 2016. Despite this however, total volumes traded for 2016, reached only 12.34 Mkgs, down by 21% compared to the previous year.

SECTOR REVIEWS *CONTD.*

Export of Rubber QTY(In Thousand Tons)



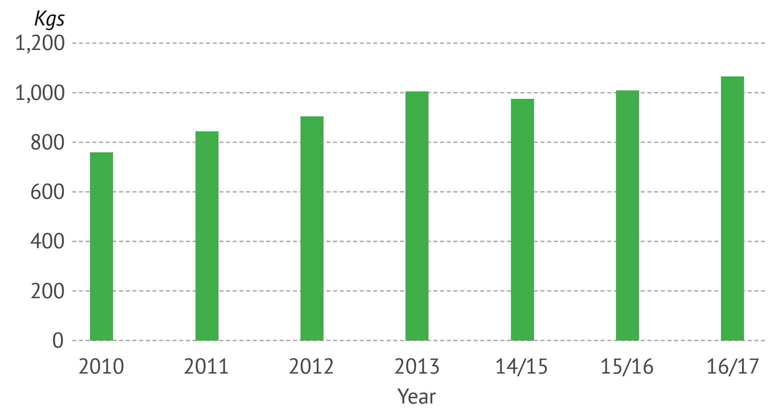
KVPL RUBBER SECTOR OPERATIONS

As anaemic market conditions and poor weather put pressure on revenue and profitability in the first six months of the financial year, KVPL's overarching emphasis was to migrate to a more sustainable operating model that would reduce the cost of production and safeguard the bottom line in the second half of the year. This called for a rethink of key fundamentals prompting all efforts to be centred on yield maximization. As the first step on this agenda, the existing tapping model was replaced with a more robust mechanism geared to accelerate tapper intakes and thereby improve the intake -per-tapper. Meanwhile, having encountered fresh challenges in trying to convince tappers to migrate to the new tapping model, a two-tier wage structure, which greatly enhances their earning capacity, was also put in place. The new tapping mechanism was applied to the full extent of KVPL's Rubber footprint, covering the full 2600 hectares of mature Rubber including the 160.6 hectares of new Rubber land that came into bearing during the year.

The move proved to be immensely successful as evidenced by the unprecedented results; a marked 25% improvement in the yield-per-tapper in the latter half of the financial year, compared to the first six months. The annual yield-per-hectare for the twelve months ending 31 March 2017 increased by 6%, compared to the corresponding period in the previous year. KVPL's rubber yield of 1,063 per ha. recorded in 2016/17 was the highest, since the Company took over the management of plantations in 1992. However, impacted by the low-yields in the first half of the year, total production increased only by 3% compared to the previous year.

Nevertheless, the higher production output generated in the second half of the year helped KVPL's Rubber sector to benefit from the market recovery in October 2016 and continue to maintain a steady growth momentum from then on until the end of the financial year.

KVPL Rubber Yield



Concluding the year, KVPL's Rubber sector revenues grew by 9.29% from Rs. 846 m in the previous year to Rs. 924 m in the current financial year, while profitability rose by 45% to Rs. 176 m in 2016/17 from Rs. 121 m a year ago.

Meanwhile KVPL's direct Rubber export segment also came under stress due to supply-side pressure arising as a result of new producer countries supplying at lower prices and the low-cost synthetic alternatives. Strengthening existing partnerships therefore became a strategic priority in fueling growth of Direct Sales. In addition, the Company also leveraged on its status as a FSC (Forest Stewardship Council) certified producer, to make inroads into new discerning markets that demand compliance with internationally accepted best practices. A culmination of these efforts resulted in a Rs. 49 m increase in Revenue generated through direct sales in the current financial year compared to the previous year.

FUTURE STRATEGY

Moving forward, the key priority would be to improve the sustainability of the business, particularly with the supply glut in global Rubber markets predicted to continue for the foreseeable future. Further, with nearly 1,400 hectares of new Rubber land due to come into bearing in the next 4 -5 years, the underlying strategy for the core Rubber business would therefore be to enhance the yield-per-hectare through continuous productivity improvements and the application of the latest management techniques for new plantations.

Crop diversification is another area that would gain traction in the coming years. Not only as a means of reducing the over-reliance on a single crop, crop diversification would also likely underpin the overall sector strategy in the coming years.

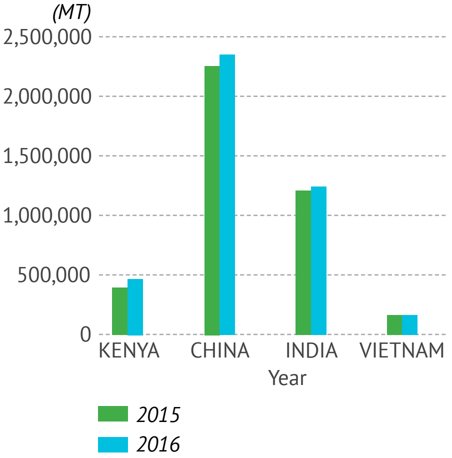
TEA

Aggressive measures to offset revenue losses saw a strong emphasis on quality across all levels of the value chain.

TEA PRODUCTION

According to data available at present, annual production of tea appears to be on the rise, with China and India accounting for around 85% of all teas produced globally. Further analysis indicates that while Indian production has remained more or less the same for the past few years, China's production has grown at a remarkable speed since 2013. Available production data from major producer / exporters in 2016, point to Kenya bouncing back and heading for a record production figure of 450+ MKgs and India, despite losses in the south, achieving a record 1.22+ Bln Kg, while China's production, based on interpretation of available export data appears to have exceeded the 2015 record of 2.2 Bln Kg.

WORLD CROP -2015-2016

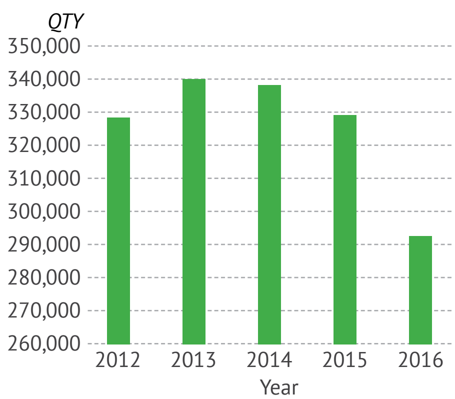


In contrast, Sri Lanka's tea industry suffered what is believed to be one of the worst-ever periods in recent history, due mainly to the persistent dry weather conditions that have continued to plague the country since the latter part of 2015. Having started its downward spiral towards the end-2015, the country's production continued to deteriorate

SECTOR REVIEWS *CONTD.*

throughout 2016. In fact, as per the CBSL statistics, the tea sector, which accounts for over 10% of the of country's Agriculture sector, grew by 0.2% during 2016, with tea production declining by 11.06% from 329 Mkgs in 2015 to 292.5 Mkgs in 2016, the lowest recorded since 2009.

Sri Lanka Tea Production - Mkgs

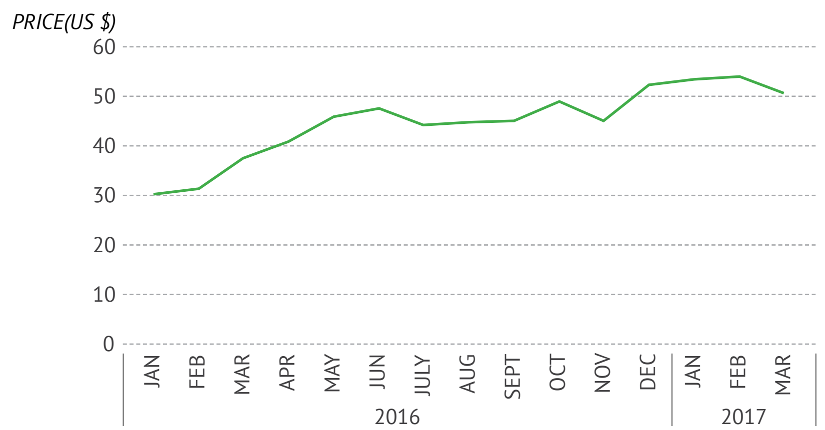


TRADING ACTIVITY

Although a greater volume of Black Tea is traded annually, more than any other variety of Tea, the global demand for Sri Lanka's Orthodox Black Tea remained sluggish at best in 2016, with lower demand from the Middle Eastern economies and the sharp depreciation of currencies of Russia and other CIS countries having an adverse impact on tea prices.

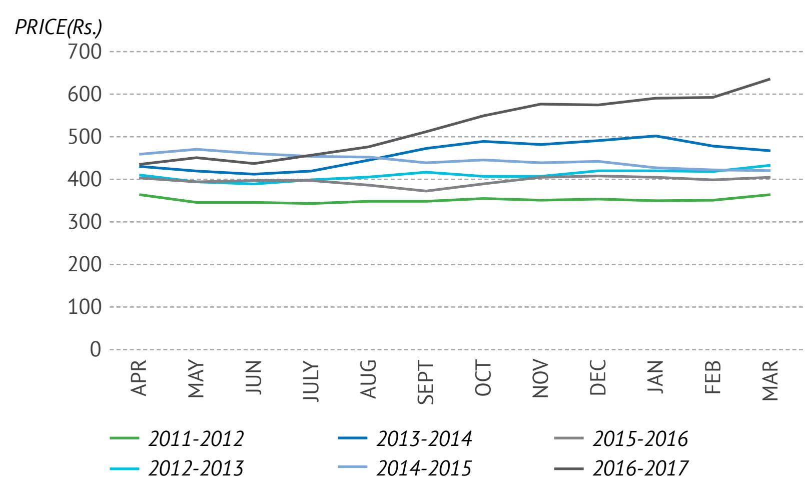
Grappling with underlying economic and political issues, the demand for Black Tea from key CIS markets including Russia stayed low for most of 2016. However, this was followed by greater economic stability in the region from about November 2016, which triggered a revival in demand for Orthodox Black Tea in the latter part of 2016, a momentum that carried through into the first quarter of 2017 as well. Meanwhile, still reeling from the after shocks of low Crude Oil prices, the demand from the Middle East showed only a modest improvement and that too in the second half of 2016, amidst a slight uptick in Oil prices in September 2016 on the back of OPEC's decision to cut oil output for the first time in eight years.

Crude Oil Price



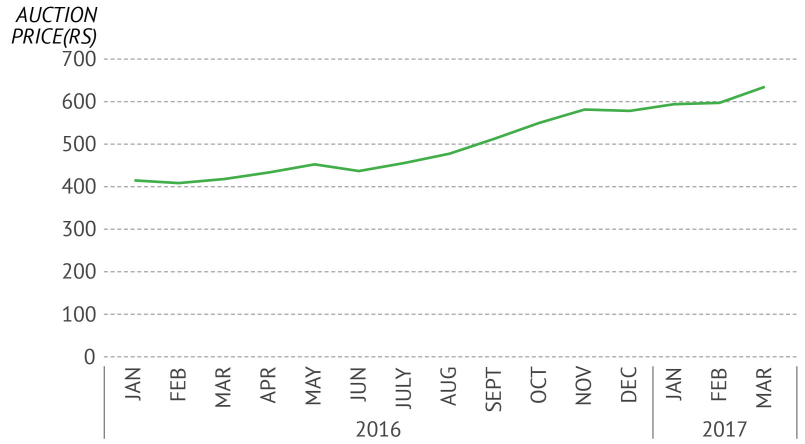
Prices at the Colombo Tea Auction also mirrored these market movements, declining steadily from around April 2016 and bottoming out in September 2016, before bouncing back from October 2016 and holding steady up until March 2017.

National Auction Average



Lower production and weak demand proved to be a double blow for Sri Lanka's Tea industry, as volumes traded at the Colombo Tea Auction plummeted in the first nine months of 2016, recording a drop of 33.4 Mkgs compared to the corresponding period for the previous year. Meanwhile, on the back of a surge in demand from October 2016, the October – December 2016 quarter registered a smaller volume drop of 2 Mkgs. The total volumes traded in 2016 was 16.56% lower than the figure recorded for 2015. However despite the lower volumes, earnings from tea exports increased marginally from Rs. 182 m in 2015 to Rs. 184 m in 2016, thanks to the depreciation of the Rupee against the US dollar in October 2016.

KVPL Tea Auction Prices



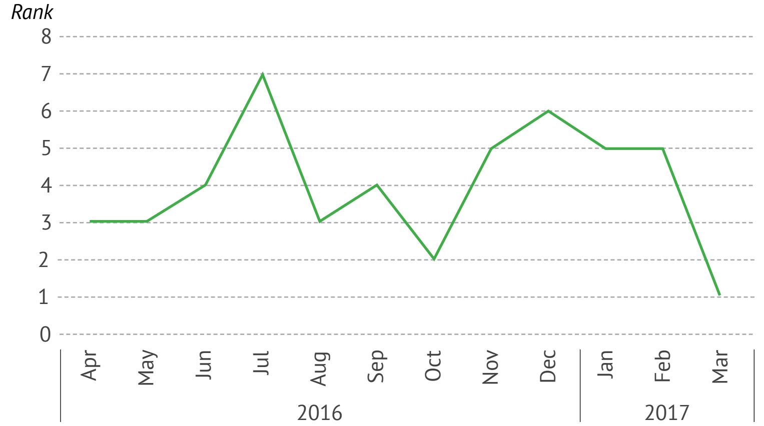
KVPL TEA SECTOR OPERATIONS

The year in review

With poor market conditions continuing for the second consecutive year, KVPL began the year with a firm resolve to address the challenges and improve the sustainability of the business. Aggressive measures to offset revenue losses saw a strong emphasis on quality across all levels of the value chain. Commencing in April 2016, the quality drive was first rolled out among the estate workforce with the aim of improving leaf quality. Meanwhile, efforts to counteract initial resistance by the workforce prompted the management conducting regular pocket meetings to tackle change management issues and also stress the importance of proper plucking techniques. To complement these efforts, harvesting shears were also introduced to enable pluckers to maintain leaf quality throughout the harvesting process. However, given the added focus on quality, the yield per hectare declined by 20%, while the cost of production increased in the second quarter of the financial year, following a mandatory 11% wage hike for the estate workforce with effect from September 2016. The wage hike along with a proportionate increase in incentives led to an increase in the cost of production for the financial year, compared to the previous financial year.

Phase two of the quality drive, launched at the end of the second quarter saw the roll out of new manufacturing techniques and implementation of multiple process improvements on the factory floor. A culmination of these factors helped enhance the quality of the output enabling KVPL's Tea sector to capitalize on the market uptick in the latter part of 2016 and secure premium prices at the Colombo Tea Auctions. The strategy delivered good results, with KVPL's sale averages being amongst the best with in up-country plantation companies. Export volumes in the second half were lower than in the preceding six months. This had a cascading effect on the bottom line in the second half of the year, in the January to March 2017 quarter, where KVPL's Tea sector began recording profits for the first time in 07 months. The fact the company was able to make profits despite the steep increase in the cost of production, points to a greater efficiency achieved through the quality drive, which could possibly signal an end to the woes experienced for the past two years.

Up Country Gsa Ranking



Concluding the year, KVPL's Tea sector tabled Revenue of Rs. 2.5 bln, marginally down by 1% compared to the previous year, however KVPL tea made a turn around and made a gross profit for the current financial year of Rs. 117 m compared to Rs. 19.7 m recorded at the end of the previous financial year.

FUTURE STRATEGY

Given the unprecedented results stemming from the quality drive, moving forward, the core strategy would be; the focus on quality. The goal is to expand the scope of the initiative to achieve the right balance between quality and quantity. At the same time the Company is also considering the possibility of developing an out grower model to meet the growing volume demands of the future. These initiatives are expected to pave the way for a sustainable model for KVPL's Tea Sector operations in the coming years.

FINANCIAL CAPITAL

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FINANCIAL REPORTING AND ACHIEVEMENTS

To provide stakeholders with a clear and comprehensive understanding of the financial statements, the KVPL Group continues to adopt best practices for financial reporting and as such the timely filing of quarterly and annual financial statements remains a high priority on the reporting agenda. Furthermore, new developments in the financial reporting environment are closely monitored to assess possible changes that may be needed and the reporting framework realigned. Accordingly, the financial reports on pages 139 to 211 have been prepared in compliance with the Sri Lanka Financial Reporting Framework and Statements of Alternate Treatment promulgated by The Institute of Chartered Accountants of Sri Lanka (CASL).

The emphasis on quality and transparency of the reporting process has enabled the Company to secure several awards at both local and international reporting competitions.

The Annual Report for 2015/16 won the silver award in the plantation sector at the Annual Report Awards 2016, conducted by CASL. The report was also adjudged the first runner-up in the "Best Presented Annual Report Awards and SAARC Anniversary Awards for Governance disclosure" conducted by the South Asian Federation of Accountants.

FINANCIAL PERFORMANCE

The year under review was a turn around for KVPL Group. Despite many challenges from internal and external environments the group performed well in the financial year 2016/17. The financial period 2014/15 Consisted 15 months, hence performance of 12 months and 3 months is shown separately.

Group financial performance at a glance

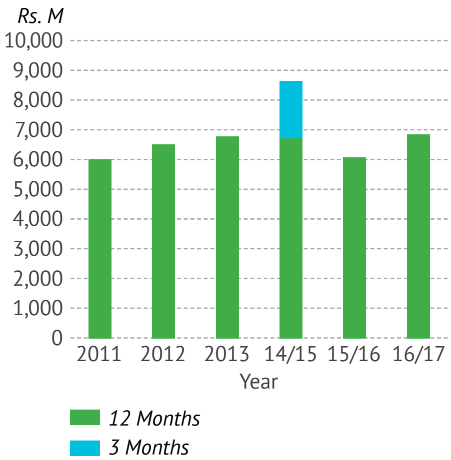
ITEM	2016/17	2015/16	CHANGE (2016/17 - 2015/16)		
	RS. m	RS. m	RS. m	%	KEY FACTOR
Revenue	6,852	6,069	783	13%	Increase of prices of Rubber and Tea and increase in contribution from MTPL
Cost of sales	6,235	5,604	631	11%	Increase in cost of sales in MTPL in relation to increase in quantity sold.
Other income	143	89	54	61%	Increase in sale of Timber and increase in fair value of biological assets of KVPL
Administrative expenses	439	466	(27)	(6%)	Decrease in Administrative expenses due to HGBL being an equity accounted investee
Distribution expenses	74	53	21	40%	Increase of MTPL, corresponding to increase in higher revenue.
Finance income	8	2	6	300%	Increase of foreign exchange gain of MTPL
Finance expenses	92	46	46	100%	Increase in OD and term loan interest of KVPL
Tax expense	28	12	16	133%	Increase in Income Tax and Deferred Tax

GROUP TURNOVER

The group recorded a turnover of Rs. 6,852 m a 13% increase compared to Rs. 6,069 m recorded in the financial year 2015/16. The increased contribution of 30% from MTPL compared to last year led to the increase in the Group turnover.

FINANCIAL CAPITAL *CONTD.*

Group Turnover



The contribution to the group revenue from the plantation sector (KVPL) and the tea marketing sector (MTPL) was 49% and 50% respectively, whilst hydro power sector (KPC) and Instant Tea sector (KVIT) accounted for the remaining 1%.

Segmental turnover

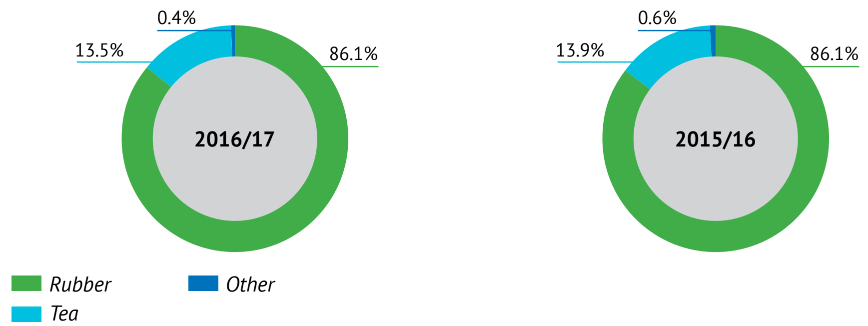
The group's tea segment revenue of Rs. 5,903 was made up of 58% from MTPL 42% from KVPL. KVIT's contribution remains insignificant as it is an experimental project.

The tea turnover for the year under review increased by 14% compared to the turnover recorded in the last financial year. This was mainly due to increase in tea prices although the quantities decreased compared to last year. MTPL also recorded its highest ever export volume in the year under consideration.

KVPL's tea turnover consists of 74% from high growns and 26% from low growns. The increase in high grown and low grown prices at the auction had a major impact on KVPL's tea turnover.

The tea crop reduced by 20% in the year under consideration. The average to-date price/ kg (NSA) as at end March 2017 is Rs. 547 and March 2016 is Rs. 421 an increase of 30% respectively compared to the figures recorded for the previous year.

Segmental Turnover



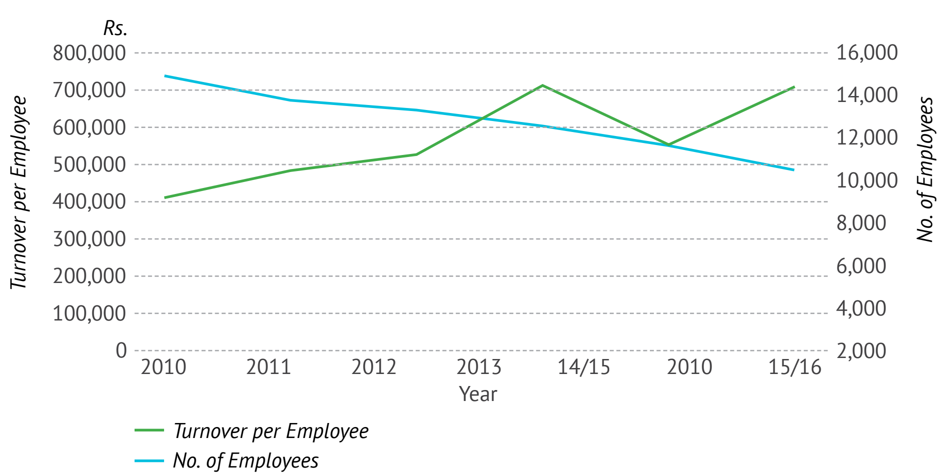
The rubber segment recorded a turnover of Rs. 924 m compared to Rs. 846 m recorded in 2015/16, recording an increase of 9%. The rubber segment reflected the movements in the industry with increase in price/kg (NSA) of all grades by 13% to Rs. 282 from Rs. 250 in 2015/16. The crop volumes were also were reduced by 1% in the year under review.

	2016/17	2015/16
Tea (Kg 000')	4,474	5,583
Rubber (Kg 000")	3,010	3,052
Hydro (Units 000')	1,503	2,713

Financial performance per employee

The turnover per employee provides an indication of the efficiency of our workforce. The turnover per employee increased to Rs. 711,258 in 2016/17, being the impact of increased turnover and reduced workforce. The number of employees have reduced significantly over the years.

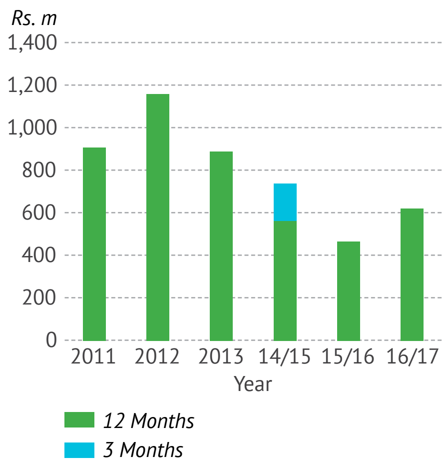
Turnover per Employee



Gross Profit

Gross profit for the period under review was Rs. 618 m, an increase of 33% compared to Rs. 465 m in 2015/16.

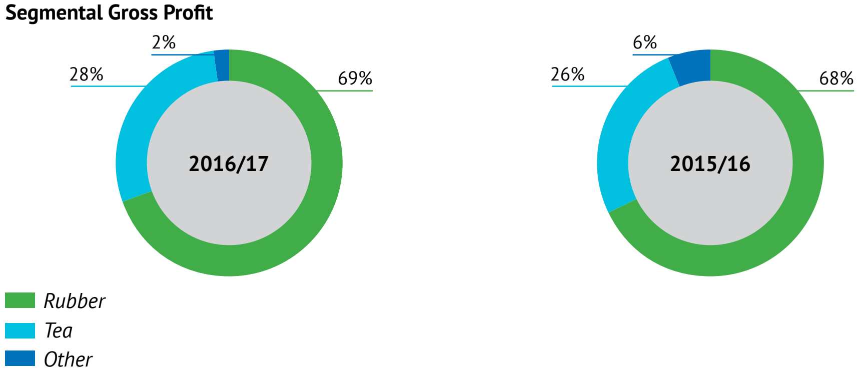
Gross Profit



Segmental Gross Profit

Tea was the main contributor to gross profit, representing 69% amounting to Rs. 429 m, while rubber contributed 28%, which represents Rs. 176 m. Contribution from other sources was Rs. 13 m.

Segmental Gross Profit



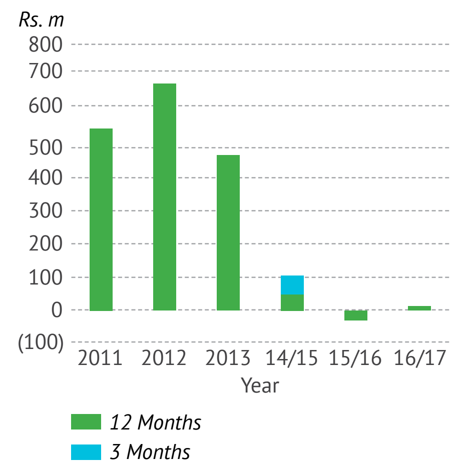
The gross profit margin for tea increased to 7% from 6% in 2015/16, while the gross profit margin of rubber increased to 19% from 14% in 2015/16. The increase in gross profit from tea and rubber amounted to Rs. 114 m and Rs. 55 m respectively from the previous year.

Profit Before Tax (PBT)

The group made a profit of Rs. 12 m in the year under consideration, compared to the loss of Rs. 31 m recorded in 2015/16.

The figures represent a 139% increase caused by higher prices of both tea and rubber.

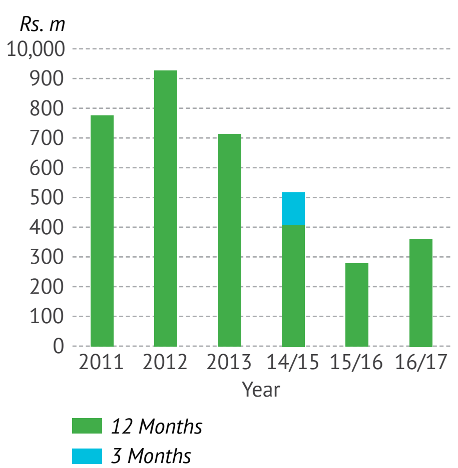
Net Profit Before Tax



Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA)

The Group's EBITDA increased by 73% to Rs. 484 m in 2016/17, compared to the Rs. 280 m recorded in 2015/16.

EBITDA



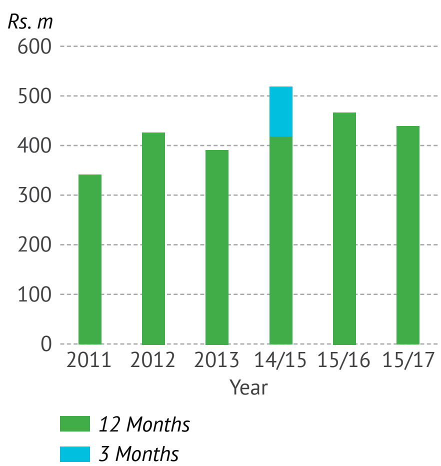
FINANCIAL CAPITAL *CONTD.*

Administrative, Trade and Distribution Cost

Administration expenses declined by 6% to Rs. 439 m in the year under consideration compared to Rs. 466 in 2015/16.

Distribution expenses attributable to MTPL increased by 40% from Rs. 74 m to Rs. 53 m due to increase in export volumes

Administrative Cost



Net Finance Cost

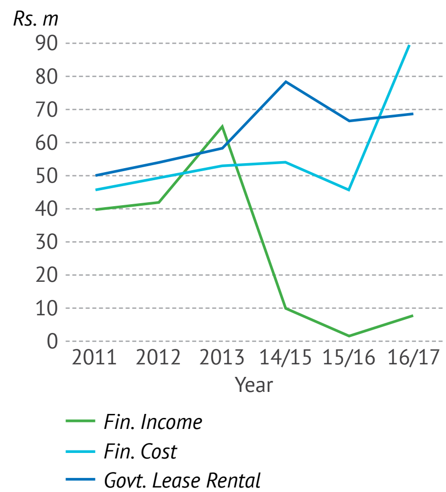
The finance cost reflects the interest cost on long - term loans, short-term loans, overdraft interest and exchange losses.

Interest on long – term loans increased due to the new loans taken to finance the extensive replanting. Loan interest increased by Rs. 30 m, which was Rs. 44 m in the year 2016/17 compared to Rs. 14 m in the year 2015/16. The interest paid on overdrafts and short term loans increased by Rs. 20 m to Rs. 48 m in 2016/17 compared to Rs. 28 m in the year 2015/16.

The interest paid on government lease was Rs. 69 m, an increase of 3% compared to last year, which increases annually based on the GDP deflator.

Finance income comprising interest income from short term deposits, increased to Rs. 2m in 2016/17. There is a foreign exchange gain of Rs. 5m in the year

Finance Cost & lease rental paid to Government Vs. Finance Income



Income and Deferred Taxation

The group tax charge for the year was Rs. 28 m, a 133% increase compared to the tax of Rs .12 m recorded in 2015/16.

The income tax charge for the year under consideration is Rs. 16 m, of which the major portion is from MTPL due to the favorable performance recorded in the year. The KVPL's income tax aroused from interest income due to the taxable loss recorded in operations. The KPC income tax charge reduced significantly due to the poor performance recorded in the year under consideration as a result of less rain fall.

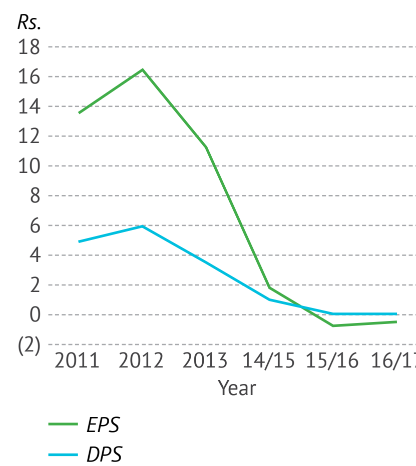
The deferred taxation charge for the year was Rs. 10 m, where the major portion was from KVPL due to an increase in timing difference of Mature and Immature plantations and a decrease in valuation of retirement benefit obligations.

The concessions and rates applicable to companies within the group are available in page 173.

Earnings Per Share (EPS) and Dividend Per Share (DPS)

The EPS of the group increased from a negative of Rs. 0.82 to a negative of Rs. 0.55, in 2016/17. The 49% increase in EPS mirrors lesser losses recorded in the year under consideration.

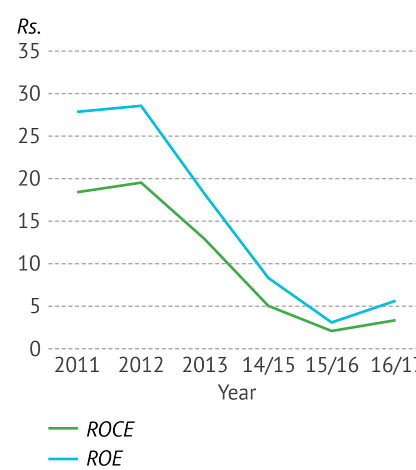
EPS & DPS



Return on Capital Employed (ROCE) and Return on Equity (ROE)

ROCE increased from 2% to 3% due to cumulative effects of increasing profits. ROE also increased from 3% to 6%.

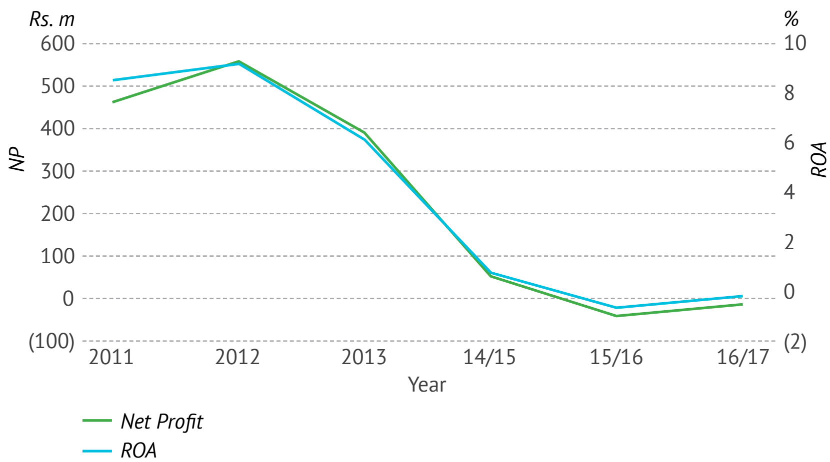
ROCE & ROE



Return on Assets (ROA)

ROA reflects the profitability and efficiency of the company, relative to its total assets. The company's ROA increased to a negative 0.2% in 2016/17 due to the increase in profits compared with the last financial year 2015/16.

Return on Assets



FINANCIAL POSITION AT A GLANCE

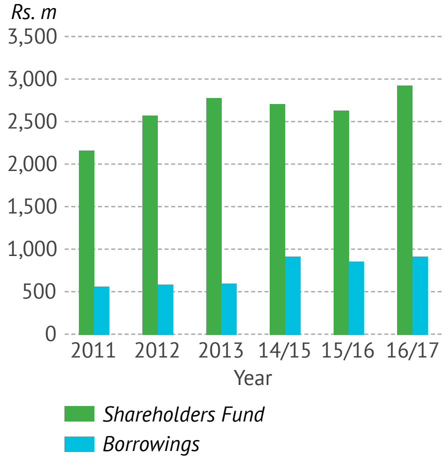
RS.M	2016/17	2015/16	CHANGE	% OF CHANGE	KEY REASON
Non-Current Assets					
Freehold Property, plant & equipment	1,382	1,330	52	4%	Addition to PPE mainly from MTPL
Improvements to leasehold property	3,298	3,067	232	8%	Increase in replanting of tea, rubber and other plantations
Biological Assets (Consumables)	138	125	12	10%	Increase in Fair value
Current Assets					
Inventories	821	695	126	18%	Increase in bulk tea stocks of MTPL
Trade and other receivables	912	541	371	69%	Increase in produce debtors of KVPL and MTPL
ST Investment, ST deposits, cash in hand and bank	46	55	(10)	(17%)	Decrease in cash and bank balances of KVPL and MTPL
Equity and liabilities					
Non-Current liabilities					
Deferred income	536	523	13	2%	Grants received by KVPL
Deferred tax liability	458	391	67	17%	Increase in timing difference in mature/ immature plantations and fair value of biological assets
Retirement benefit obligations	817	1,153	(337)	(29%)	Actuarial gain due to changes in financial assumptions and experience
Long-term liability to make lease payment	442	444	(2)	(0.4%)	Repayment of liability
Current Liabilities					
Trade and other payables	464	415	49	12%	Increase in staff payables of KVPL
Amounts due to other related companies	32	20	12	60%	Increase in related party payables of KVPL
Income tax payable	12	16	(4)	(25%)	Overprovision in respect of previous years
Short-term interest bearing borrowings	755	373	382	102%	Increase in short term borrowings of MTPL

FINANCIAL CAPITAL *CONTD.*

FINANCIAL POSITION

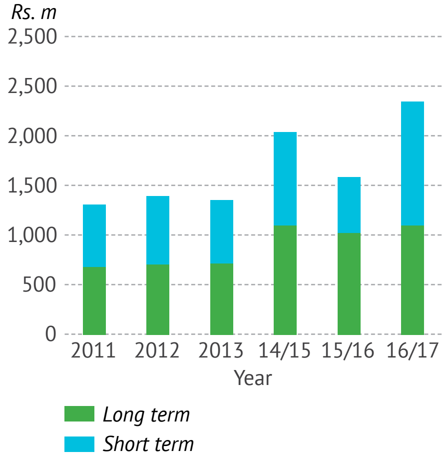
Capital Structure

Capital Structure



Funds attributable to equity shareholders of the company increased by 11% from Rs. 2,633 m to Rs. 2,921. Long-term borrowings increased by 8% against the previous year.

Borrowings

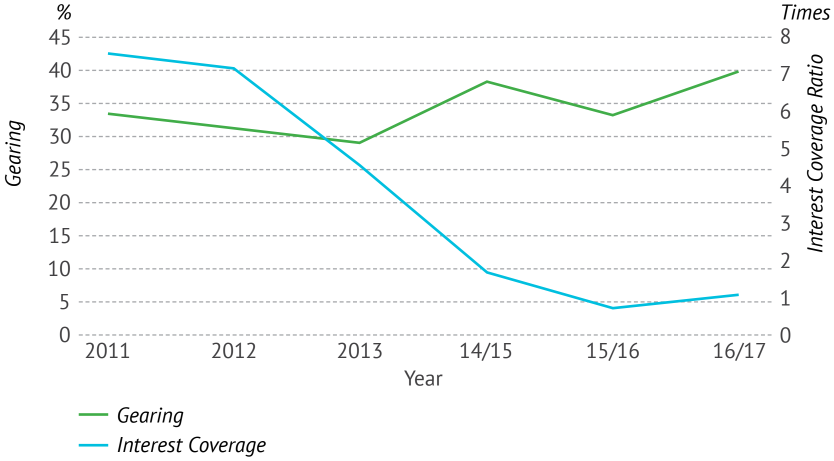


The group obtained Rs. 2,867 m short term borrowings and repaid Rs. 2,484 m during the year on account of MTPL. The group's short term borrowings consist of foreign currency borrowings amounting to Rs. 755 m on account of MTPL, and a Rs. 274 m overdraft for KVPL. The short term borrowings have increased by 120% during the year.

The gearing ratio has increased to 40% during the year from 33% previously due to increased brownings However, the management has successfully maintained the gearing at an optimum level to minimize the cost of capital.

Interest cover has increased due to the improvement in financial performance to 1.08 times from 0.72 times.

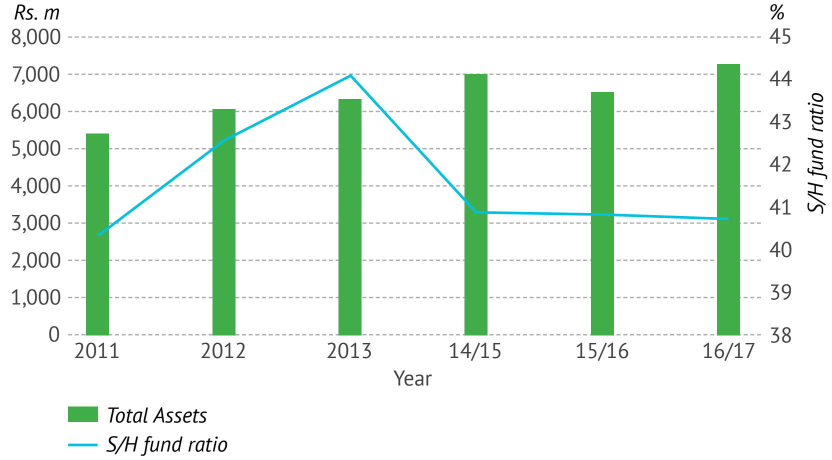
Gearing and Interest Coverage



Shareholder's Funds Ratio

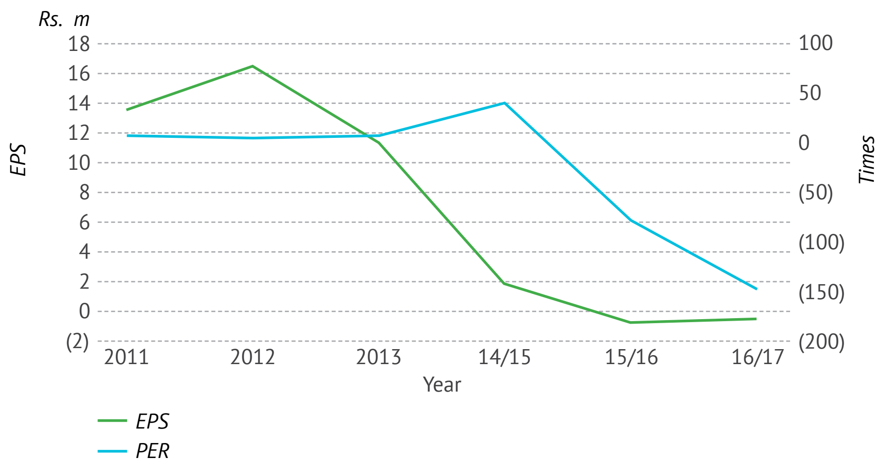
Shareholder fund ratio remained 41% during the year

Share Holder's Funds



Price Earnings Ratio

EPS and Price Earning Ratio



Market price per share increased by 26% to Rs. 82 from Rs. 65 in the previous year and EPS increased by 33% to negative Rs. 0.55 as a result of the favourable performance recorded compared to the last financial year 2015/16. The price earnings ratio reduced to a lower level of negative 149 times compared to negative 79 times recorded in the previous year due to higher market price and better EPS recorded in the year.

Biological assets – Consumable and Produce

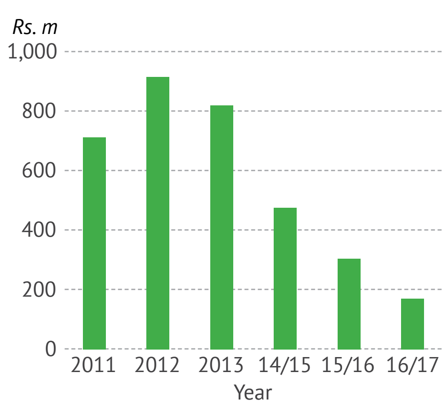
The group's commercial timber is classified as consumable biological assets, the value of which increased by Rs. 16 m, due to increased fair value.

The change in fair value less cost to sell on produce on bearer biological was Rs. 11 m, where tea segment counting to Rs. 10.4 m and rubber segment counting to Rs. 0.6 m.

Working Capital

Working capital decreased from Rs. 303 m in 2015/16 to Rs. 167 m in 2016/17, mainly due to lower production volumes and trade receivables.

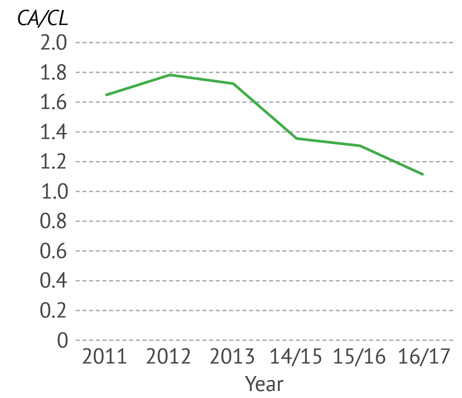
Working Capital



Current Ratio

The current ratio reflects a downward movement for the year, showing a decrease of 1.1 times in the period under review, relative to 1.3 times in previous year. This was mainly due to a decrease in produce and trade and other receivables.

Current Ratio

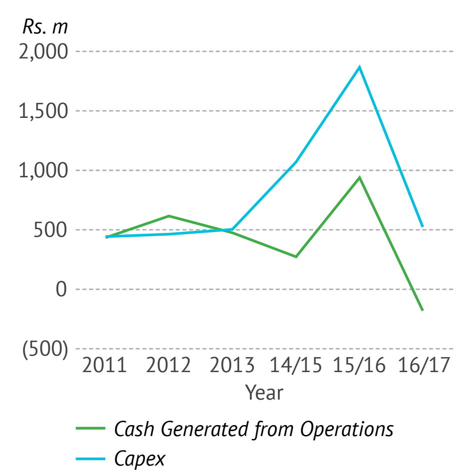


Cash Flow

Cash generated from operating activities before working capital changes has increased to Rs. 614 m from Rs. 375 m in the year under review due to better performance compared to last year.

Capital expenditure for the period was Rs. 516 m, compared to Rs. 1,878 m in year 2015/16, a decrease of 73% was mainly due to the reduction in acquisition of property, plant and equipment.

Cash Generated from Operations & Capital expenditure

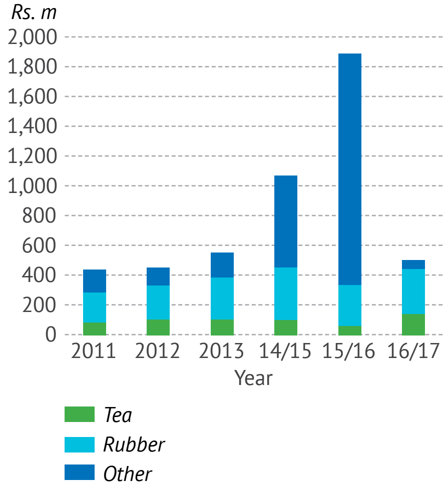


FINANCIAL CAPITAL *CONTD.*

Capital expenditure by segment

The total capital expenditure on field development-tea reduced marginally from Rs. 65 m to Rs. 45 m, while the expenditure on field development-rubber also reduced marginally from Rs. 269 m to Rs. 256 m.

Capital Expenditure by Segment



Of the above expenditure, Rs. 45 m was spent on immature tea fields, while Rs. 256 m was spent on immature rubber fields, of which 215 ha have being planted in the year under review.

Financing cash flows

Financing cash flows decreased by 40%, to Rs. 509 m from Rs. 852 m in the previous year.

PERFORMANCE MEASUREMENT

Quarterly performance

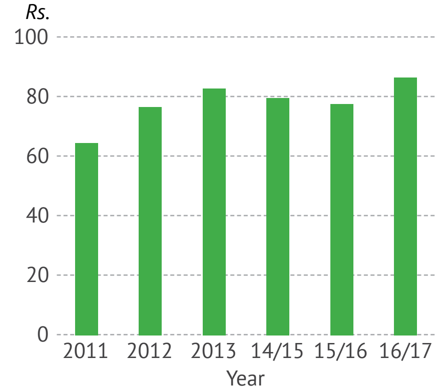
Tabulated below is the quarterly performance of the group. The last two quarters recorded the highest revenue in 2016/17. The highest gross profit for the quarter was recorded in the fourth quarter, whilst the lowest in the second quarter.
G4-9

(RS. MILLION)	Q1	Q2	Q3	Q4	TOTAL
Revenue	1,563	1,548	1,629	2,112	6,852
GP	52	(45)	168	443	618
Administration expense	(105)	(103)	(104)	(128)	(439)
PBT	(91)	(196)	(27)	327	12
PAT	(85)	(167)	(39)	276	(15)
Profit/(loss) attributable to equity holders	88	(168)	(40)	277	(19)
Total Assets	6,539	6,625	6,988	7,257	7,257
Total Equity	2,576	2,409	2,370	2,954	2,954
Total Debt	950	1,218	1,519	1,506	1,506

Net Assets per share

Net asset per share increased to Rs. 86 from Rs. 77 due to better performance compared with last financial year.

Net Assets Per Share



Performance and market capitalization of shares

The market price of KVPL shares increased in 2016/17 to Rs. 82.00 per share. The highest and lowest prices per year was Rs. 82.00 and Rs. 48.70 respectively. As a result of the increased share price compared to last year the market capitalization increased to Rs. 2,788 m.

As the number of shares traded declined during the year, the value also declined. As per the ownership structure, the parent company, DPL Plantations (Pvt) Ltd (DPLP) retained 72.43% of ownership and public holdings remained at 27.57%.

MABRO TEAS (PVT) LTD – MTPL

Mabroc Teas (Pvt) Ltd (MTPL) is a fully owned subsidiary of Kelani Valley Plantations PLC since year 2010. Over the years, Mabroc has mastered the art of providing a diverse range of skillfully blended teas to satisfy the global consumer. The uncompromised commitment to provide high quality Tea is a value that goes beyond the mere product itself. Mabroc's product portfolio comprises world famous blends such as the 1001 Nights, Yala Nights and Siberian Blend that won the company international recognition for its expertise in developing their unique blends.

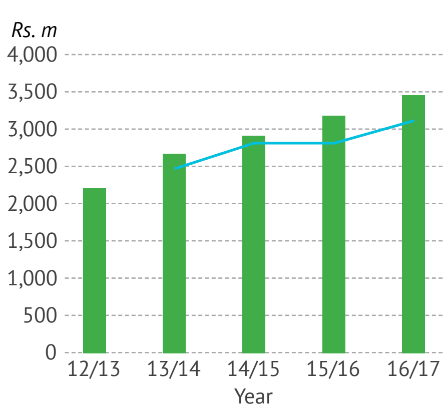
The company place equal emphasis on the safe and efficient delivery of its products to their overseas importers and distributors and finally to the customers in over 50 countries the world over.

MTPL's production facility is FSSC 22000, Rain Forest Alliance Master License Agreement, ISO 22000 : 2005, HACCP and ISO 9001 : 2008 certified and comply with EU standards.

Revenue

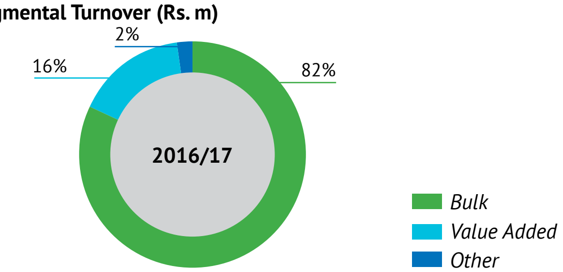
The revenue increased by 30% to Rs. 3,522m year under consideration, compared to Rs. 2,702 m in the previous year. This was mainly due to the increase in bulk tea exports to new emerging markets resulting the highest ever export volume.

Group Turnover



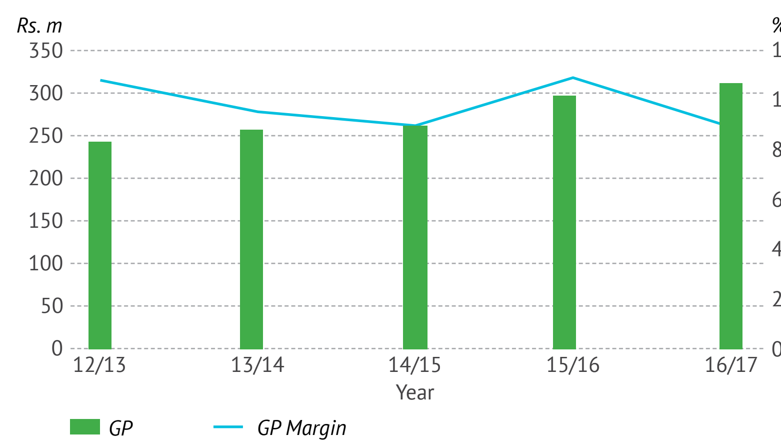
Gross Profit

Segmental Turnover (Rs. m)



The gross profit increased by 5% to Rs. 312 m compared to the last financial year. However Gross profit margin decreased to 9% from 11% during the financial year 2016/17 mainly due to the increase in tea prices at the auction of input material tea.

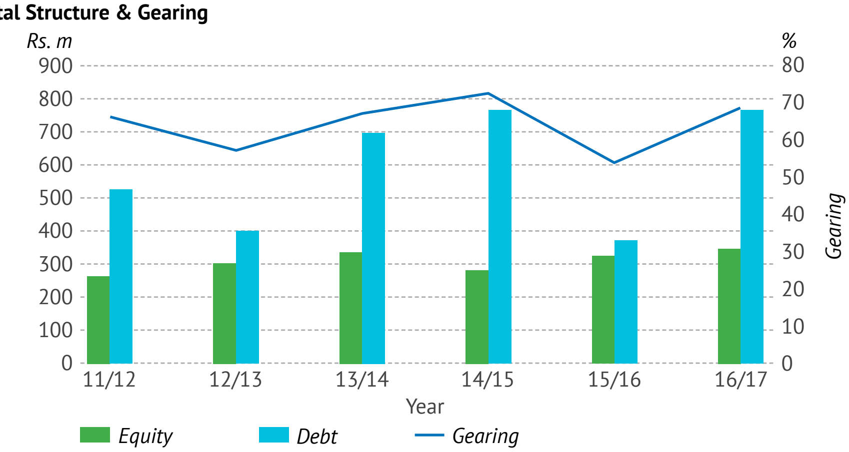
Gross Profit



Capital structure & Gearing

The Company's capital employed at the year-end was Rs. 1,149 m. The contribution from equity and debt was Rs. 347 m and Rs. 803 m respectively. The gearing ratio has increased to 70% from 53% last financial year due to short term interest bearing borrowings.

Capital Structure & Gearing



FINANCIAL CAPITAL *CONTD.*

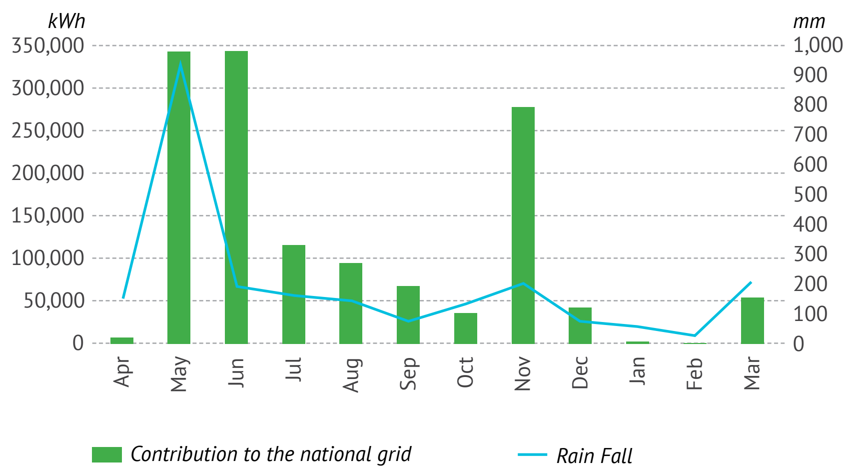
KALUPAHANA POWER COMPANY (PVT) LTD – (KPC)

The year under review was strongly affected by adverse weather patterns as there was a severe drought tarnishing the hydro power generation.

Performance

The Kalupahana Power Company contributed 1,502,998 kWh to the national grid. The hydro power units generated was 38% lower than the 2,441,366 kWh for the financial year 2015/16.

Hydro Power Generation - kWh

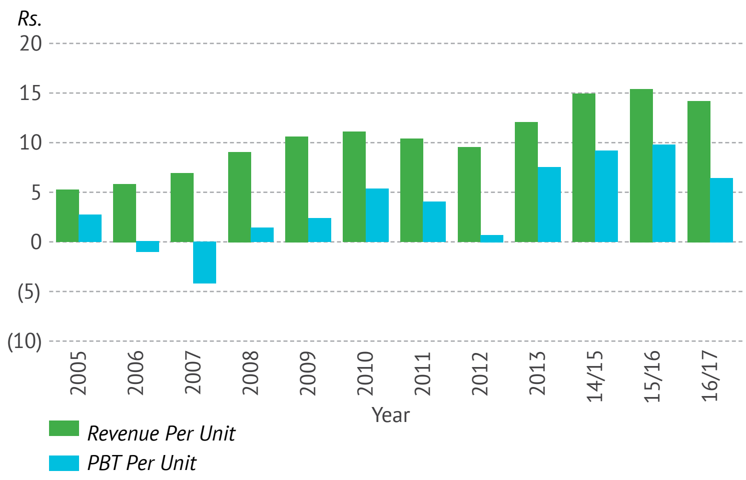


Positive results were shown in the first quarter in the year under consideration, but adverse weather patterns affected the revenue generation with the changes in rates paid by Ceylon Electricity Board for hydro power.

Power Generation

Revenue decreased by Rs. 16 m, to Rs. 21.47 m, mainly due to the drop of the volume of electricity generated due to severe drought and decrease in tariffs. Electricity tariffs decreased from Rs. 15.24 to Rs. 14.22 in wet season and from Rs. 16.74 to Rs. 16.32 in dry season. This lead to a Profit Before Tax of Rs. 9.7 m, compared to Rs. 24 m in 2015/16. Profits generated by KPC had a positive impact on the consolidated group results, helping to decrease the group loss.

Revenue/PBT Per Unit



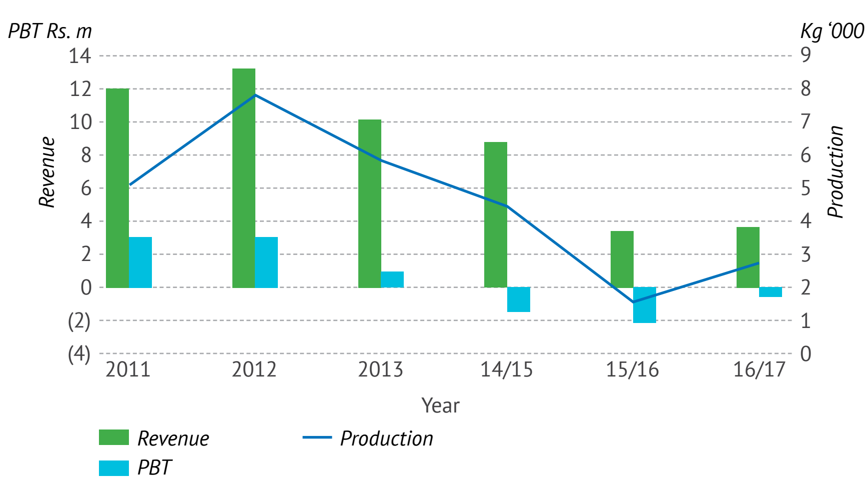
KELANI VALLEY INSTANT TEA (PVT) LTD - (KVIT)

KVIT is the value added, instant tea manufacturing venture established as an initial step towards developing value added tea based products for export. In addition to being a pilot project on value addition, KVIT is also a component of the overall sustainability model of the KVPL Group. As a small experimental venture, KVIT's outputs are not aggressively marketed and currently sold only to a limited number of local buyers. However KVIT's experience and learning was used during the year to launch Hayley's Global Beverages (Pvt) Ltd.

KVIT recorded a turnover of Rs. 3.7 m during the period 2016/17, Rs. 0.3m higher than the figure reported for the previous year.

KVIT's production also increased by 80%, to 2,708 Kgs from 1,508 Kgs recorded in the previous year. This resulted in a 90% increase in gross profit, leading to minimizing loss before tax of Rs. 0.64 m, compared to the Loss of Rs.2.16 m in 2015/16.

Production, Revenue & PBT

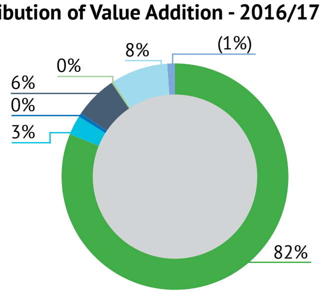


STATEMENT OF VALUE ADDITION AND DISTRIBUTION - 2016/17

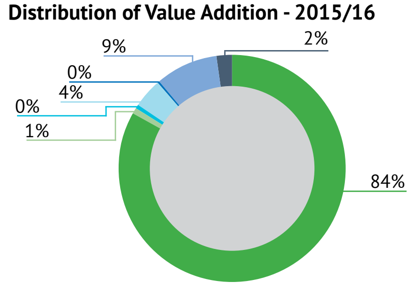
G4-EC 1

For the year ended 31 March	Group 2016/17 Rs.m		Group 2015/16 Rs.m		Company 2016/17 Rs.m		Company 2015/16 Rs.m	
Revenue	6,852		6,069		3,437		3,376	
Other income	150		90		169		101	
	7,003		6,159		3,606		3,477	
Cost of material and services obtained	(4,194)		(3,463)		(1,002)		(1,055)	
Value addition	2,808		2,696		2,604		2,422	
Value created shared with		%		%		%		%
Employees	2,318	82.5%	2,350	87.2%	2,199	84.5%	2,234	92.4%
Government of Sri Lanka	95	3.4%	37	1.4%	4	0.2%	4	0.1%
Share holders	-	-	-	-	-	-	-	-
Lenders of Capital	165	5.9%	113	4.2%	153	5.8%	100	4.1%
Deferred tax impact	10	0.4%	(6)	(0.2%)	10	0.4%	(13)	(0.5%)
Value Retained for expansion & Growth								
Depreciation	236	8.4%	245	9.1%	200	7.7%	199	8.2%
Profit/Loss	(15)	(0.5%)	(43)	(0.6%)	39	1.5%	(102)	(4.2%)
	2,808	100%	2,696	100%	2,604	100%	2,422	100%

Distribution of Value Addition - 2016/17



Distribution of Value Addition - 2015/16



MANUFACTURED CAPITAL

Crop Diversification

Considerable amount of extent was planted in Cinnamon and other agriculture crops, including Avocado, Pepper, Clove & coffee. This is a part of an ongoing programme to develop new crops that are in high demand locally and internationally.

The first phase of the Cinnamon-planting programme began in 2010. And bellow is the progress of Cinnamon planting at KVPL

ESTATE	2010 TO 2013 (HA)	2013 TO 2015(HA)	PROPOSED EXTENT 2017/18 (HA)
Ganepalla		2	8
Ederapola		8.74	2
Kitulgala	10.96	18.92	21.78
Others	3	8.45	
Total	13.96	38.11	31.78

And other minor crop planting process as bellow

CROP	ESTATES	PLANTED	TO BE PLANTED IN 2017/18
Avocado	Ingestre	05 Ha	
Coffee	Invery	01 Ha	05 Ha
	Tillyrie		03 Ha
Clove	Halgolla	03 Ha	
	Kalupahana	0.5 Ha	10 Ha
Vanilla	Urumiwella	2.5 Ha	05 Ha

A Cinnamon Field in Endrapola Estate

INTELLECTUAL CAPITAL

G4-15, EN 28

Business Diversification

Hydro Power

Incorporated in 2003, Kalupahana Power Company (Pvt) Ltd (KPC) is a hydro power plant with the capacity to produce 1 MW of electricity for the national grid. KVPL having 60% share ownership and the balance 40% belonging to the joint venture partner, Eco Power (Pvt) Ltd.

Instant Tea

Kelani Valley Instant Tea (Pvt) Ltd (KVIT) is a fully owned subsidiary of KVPL incorporated in 2007, with a stated capital of Rs.30 million. KVIT is engaged in the production of instant tea from refused tea (BMF), sold locally and overseas.

Instant Tea

KVPL owns 40% of Hayleys Global Beverages (Pvt) Ltd (HGBL), which produces value added tea and other related products for the export market.

Tea Exports

Mabroc Teas (Pvt) Ltd is a fully owned subsidiary of KVPL and is the marketing arm responsible for the export of KVPL's bulk tea, tea bags and value added tea to several countries including major buyers in Japan, Russia and Middle East and the EU.

Plantation Tourisms

Upgraded Oliphant Estate bungalow to Estate Boutique Hotel.

Estate Boutique Hotel – Oliphant Estate

Hayleys Global Beveragers

NEW PRODUCT DEVELOPMENT

Single origin leafy tea.

A new range of single origin leafy tea from Pedro estate has been introduced and is sold exclusively at the lovers leap ethical tea boutique in Nuwaraeliya. The range consists of a pekoe, flowery broken orange pekoe and an orange pekoe .This unique light bright delicate tea is rich in aroma and flavor is sort after by many visitors who have patronized the tea Centre from many destinations over the world.

Pedro Loose Tea Pack Range

Cinnamon from Kelani valley.

With the introduction of cinnamon from our low grown plantations to the portfolio of KVPL , cinnamon packs have been introduced and is sold at strategic locations locally and has found a niche market within a short period of time .

New Cinnamon Pack

Transparent ADRS (Ribbed Sheet)

Air Dried Rubber Sheets ,

To enhance our rubber product portfolio we established processing facility to manufacture Air Dried Sheet Rubber (ADS) at Urumiwella Estate. The product is free of impurities and odor which is normally present in Ribbed Smoke Sheet. The initial consignments have shown promise and has attracted a premium.

Introduced Tea Train New Packs

Steamed Green Tea process

With the introduction of a steamer for the green tea production at Glassaugh processing centre ,we have been able to convert the Green tea process as required by the buyers ,and enable the buyers to opt from a pan-fried green tea to steamed green tea as requested .The newly developed steamed tea was recognized by an international panel and was rewarded with a bronze award at the Chinese tea festival .

Glassugh Green – Steamed type

Newly installed Machine

Mabroc Bubble Tea has delivered an ever-evolving range of unique and innovative beverages rich in Premium Ceylon Tea emerging a step ahead from conventional Bubble Tea brands. True to its innovative nature, Mabroc Bubble Tea has accomplished a new beverage culture amidst the streets of Colombo.

Mabroc Bubble Tea

INTELLECTUAL CAPITAL *CONTD.*

MARKET DEVELOPMENT

Direct Tea Sales

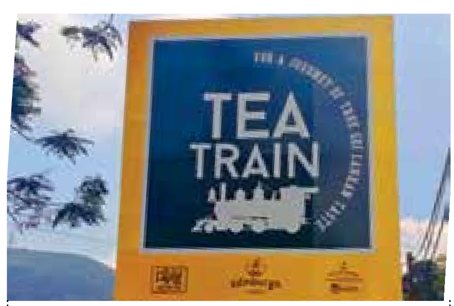
As tea buyers have shown interest in purchasing tea direct from the plantations and bypassing the Auction system to have faster delivery of fresh unblended tea, KVPL has attracted buyers with its commitment to food safety and its consistent quality drive .we have commenced exporting direct to our valued buyers and has been received well . we anticipate to leverage our strength with the spread of single origin tea that KVPL possesses .

Newly Installed Machineries

TEA TRAIN TEA CENTRE

With the experience gained from a successful tea centre at Pedro , a new tea centre has been opened at Edinburgh Estate Nanuoya with a new theme ,to capture the inflow of visitors before entering the city of Nuwaraeliya. A new array of single origin teas from a wide range of our own estates are available for the consumer at this facility.

Pedro Tea Center



Newly Build Tea Center – Tea Train in Edinburgh Estate

EARLY MORNING TAPPING

After extensive reach , an innovative tapping method has been introduced at some of the KVPL rubber estates in order to maximize the dry rubber content and the flow of latex with the introduction of tapping at wee hours of the morning ,The workers are provided by a head light mounted onto the caps enabling them to overcome the darkness and have a better visibility whilst tapping operation is carried out. It has also enabled the worker to collect the latex earlier and rest before embarking on other income generating activities extended by the plantation during the day and earning additionally .This has resulted in a win win situation as the worker has a higher income and the plantation can avoid its shortage in workers.

Night Tapping at Field - Ederapola Estate

Providing Breakfast After Night Tapping

REVENUE SHARING MODEL

"Revenue Sharing" model is recommended with the intention that the plantation workers move away from the age old colonial practice of being hired workers, to one where they are empowered with entrepreneurial skills in an environment where they will have a proprietary interest where the opportunities to earn is maximized to the limit of their effort and initiative. This model has been tried out in a small scale in many companies and has been found to be extremely successful. With the Revenue Sharing model the workers can maximize their earnings whilst being directly in charge of the Tea land which can contribute to their increased earnings. The flexibility of their times of work has contributed to the increase in productivity.

A Block Plucking plot in Nuwara Eliya Estate

G4-PR 1, PR 2

PRODUCT RESPONSIBILITY AND CUSTOMER HEALTH & SAFETY

All products and processes are fully compliant with ISO 22000:2005 & HACCP certification issued by the Sri Lanka Accreditation Board. And additionally last year all factories received GMP (Good Manufacturing Practices) Certification.

Implementing and maintaining food safety management system (ISO 22000:2005 & HACCP) for all black tea manufacturing facilities reinforces our commitment towards product responsibility and ensures food safety and quality standards are maintained from end-to-end, covering planting, harvesting, production, processing and dispatch. Tea quality is tested annually for heavy metals, microbiological criteria and agro-chemical residues as per the requirements of ISO 3720 standard.

KVPL FOOD SAFETY POLICY

Vision

To be the World's Purest & Safest Tea Produced by a Socially Responsible Company from Sri Lanka

Food Safety Policy

- Maintaining ISO 22000:2005/ HACCP standard for food safety management systems (FSMS) to ensure the safety & quality of product
- Periodically reviewing the FSMS to ensure continuous improvement of the effectiveness of the FSMS.
- Communicating the policy to all levels within the organization & ensuring that it is adequately understood
- Motivating employees to achieve required competencies through adequate training and a well-managed system of recognition & rewards
- Ensures that the company complies with all relevant applicable statutory and regulatory requirements.

"Preserve Quality & Safety from Bud to Brew"

In addition, KVPL has established a set of internal standards over and above the TRI (Tea Research Institute) specified maximum residue limits (MRLs) for Japan and EU countries. Further, although 2,4-D, MCPA, Carbosulfan and Fenthion are TRI approved pesticides; we refrain from applying them to our fields and adhere to the internationally accepted standards in this regard. And KVPL reduces the chemical application compare to previous years.

In the case of Rubber, FSC-COC certified standards are strictly maintained and ensured high quality product produced.

The GLOBAL GAP, UTZ and RA standards further strengthen our alignment with international food safety and quality management systems. In addition, a designated in-house team has been established at each estate, to monitor compliance with quality parameters, with regular internal audits and an external audit conducted annually, to ensure continuous improvements are made.

External Audits & Customer Audits

G4-EN 29, PR 3

PRODUCT AND SERVICE LABELLING AND COMPLIANCE

For Tea, KVPL adheres to the labelling requirements specified by the Ceylon Tea Traders Association (CTTA) and Tea Board, which is stencilled onto each package and include the following;

- Garden Mark
- Invoice No.
- Net weight
- Gross weight
- Serial number of the package
- MF No.
- Grade
- Company Name

External Audits & Customer Audits

INTELLECTUAL CAPITAL *CONTD.*

Given the strict compliance framework in place, there were no reported incidents of non-compliances of laws and regulations with regard to labeling of products. Further there were no complaints received on breach of customer privacy.

KVPL CERTIFICATIONS

Food Safety Commitments	ISO 22000:2005	All Tea Processing Centers are Certified
	HACCP	
	GMP	
Environmental Commitments & Social Commitments	RA™	All Tea Estates are Certified
	ETP	All Tea Estates are Certified
	UTZ	All Nuwareliyan Tea Estates are Certified
	FSC™	All Rubber Estates are Certified

CERTIFICATE

INDOCERT

Certificate of Conformity

Food Safety Management System

PEDRO TEA PROCESSING CENTER, KELANI VALLEY PLANTATIONS PLC

Certificate of Conformity

Good Manufacturing Practices

CERTIFICATE

Certificate of Conformity

Good Manufacturing Practices

HUMAN CAPITAL

G4-10,11

KVPL's Human Capital Strategy is aligned to the company's long-term objectives and is primarily aimed at catalyzing the "KVPL of Tomorrow". Operating in an era of rapid change, we continue to refine our strategy in order to build passion and purpose across our workforce, while effective communication of broad strategy seeks to bring about cohesive focus throughout the business.

RE- SHAPING PLANTATION HR (2014-2018)

Achieve a Competitive Advantage	Competitive remuneration and benefits to attract and retain top talent
Develop Core Competencies	Research and invest in professional development programmes designed to improve job skills, leadership capabilities and employee efficiency
Eahance Productiviy	Promote Employee growth prospects with the company
Re-shape industry Culture	Develop a cohesive work culture that promotes participatory management and greater employee engagement
Improve work-life balance	Educate employees on how self-awareness and self-development can lead to positive behavioral change and enhance wellness and productivity
Adhere to internationally accepted best practices	Legislative and voluntary compliance of HR practices

We appreciate that our workforce comprises of different demographics, different demands, and different expectations, and therefore detailed action plans are needed to guide the implementation of our strategy. In 2014 we rolled out a four-year strategic plan entitled Re- Shaping Plantation HR History (2014-2018). The plan underpins a sustainable approach towards developing our Human Capital to meet the future needs of our business based on a number of key pivots; 'Recruitment and retention of top talent & letting go the "passengers", Continuous professional development, Work-life balance and wellness through performance based evaluation, Delivery of employee-valued HR programmes and services and Development of an Innovative, diverse and positive work environment.

Two years on, we have made steady progress on this agenda, thanks to on-going efforts to re-design of our policies and procedures in order to cultivate greater goal congruence among employees. We are also working towards nurturing a robust work culture that will encourage employees to maximize the learning & development opportunities created through comprehensive and transparent performance management approach.

OUR PRIORITIES

Achieve a Competitive Advantage

1. Attract and retain employees

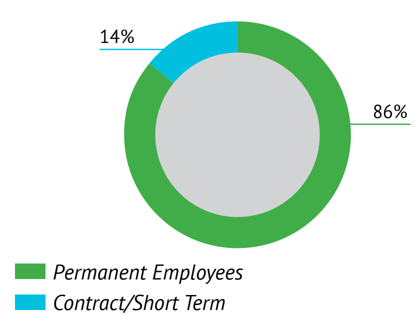
We realize that achieving KVPL's strategic vision is largely dependent on the ability to attract and retain high-caliber individuals. It is why our new strategic plan is based on the Recruitment and retention of top talent & letting go the "passengers". As such, we have restructured the recruitment process to eliminate the traditional parameters and look to capture the optimum talent in the current context. The new changes we have introduced include a highly transparent, multi structured interview process, where potential candidates are filtered through a transparent mechanism consisting of aptitude tests, background checks, interviews conducted by the top management including the MD, Director/ CEO, GM/DGM, and a senior representative from the HR team. Internally, these changes are meant to help us maintain higher retention rates, reduce employee turnover and improve employee satisfaction levels across the business.

G4-LA 1, LA 3

TOTAL HEAD COUNT- GROUP	
Total Employees	9,634
▪ Permanent Employees	8,282
▪ Contract/Short Term	1,352
Executive and above	147
Non-Executive*	609
Manual Grades	8,878
TOTAL	9,634

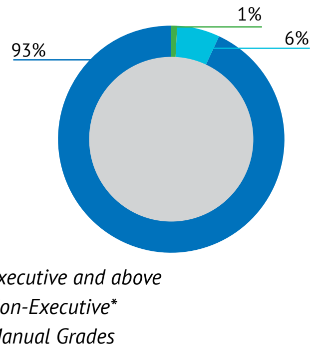
**(Clerical, Supervisory, Production, Supportive and Human Development)*
Table 01: Total head count including MABROC

Permanent and Contract Employees



HUMAN CAPITAL *CONTD.*

KVPL



Executive and Non- Executive Employees

TOTAL HEAD COUNT- KVPL	
Total Employees	9,493
▪ Permanent Employees	8,145
▪ Contract/Short Term	1,348
Executive and above	92
Non-Executive*	584
Manual Grades	8,817
TOTAL	9,493

Table 02: Total Head Count of KVPL

G4-LA 13

Moreover, to attract the best talent, KVPL continues to offer industry competitive remuneration and benefits that would lead to long-term value creation for all those who join the company.

MATERNITY BENEFITS

MATERNITY BENEFITS	
Employee benefits not available to temporary/part time employees	Maternity Benefits
Total number of employees entitled to maternity leave (2016/2017)	258
Total number of employees that took maternity leave (2016/2017)	162

Table 03: Maternity Benefits and Labour Management

HIRED EMPLOYEES 2016/2017 (LA-1)					
CATEGORY		EXECUTIVE	NON-EXECUTIVE	MANUAL	TOTAL
Age Group	<30 years	9	20	105	134
	30-50 years	10	34	270	314
	>50 years	2	11	146	159
	TOTAL	21	65	521	607
Gender	Male	21	56	286	363
	Female	0	9	235	244
	TOTAL	21	65	521	607
Region	Hired-Local	18	65	521	604
	Hired-Non Local	3	0	0	3
	TOTAL	21	65	521	607

Table 04: Group Level Hired Employees During the Year 2016

G4-LA 3

EMPLOYEE TURNOVER 2016/2017 (LA-1)					
CATEGORY		EXECUTIVE	NON-EXECUTIVE	MANUAL	TOTAL
Age Group	<30 years	9	16	85	110
	30-50 years	14	41	495	550
	>50 years	5	9	330	344
	TOTAL	28	66	910	1,004
Gender	Male	27	54	475	556
	Female	1	12	435	448
	TOTAL	28	66	910	1,004
Region	Hired-Local	23	65	910	998
	Hired-Non Local	5	1	0	6
	TOTAL	28	66	910	1,004

Table 05: Group Employee Turnover During the Year 2016

Comparison of Hired and Employee Turnover

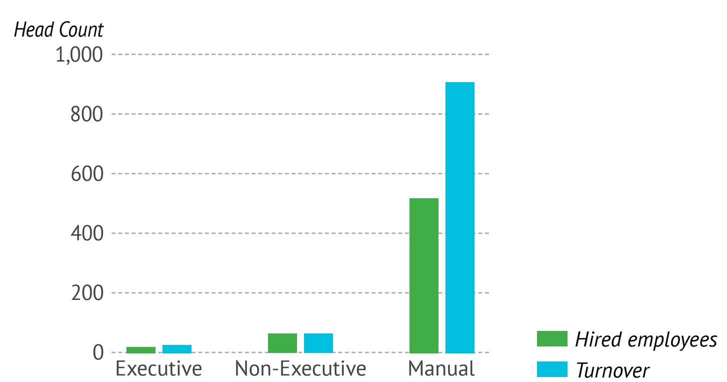


Figure 3: Comparison of Hired and Employee Turnover



Up-Skilling Training Programmes Conducted at Corporate and Estate Level

G4-HR 2

2. *Invest in research and professional development*

Develop Core Competencies

The dynamic environment in which the company operates requires that we proactively anticipate future competencies in order to execute our strategy. To determine optimum levels of productivity and optimize the use of resources, we now regularly review the competencies of our labour force in an effort to improve the alignment of employees and to build a culture of exceptional performance.

Our professional Development Programs are structured based on the annual training calendar, which gives all employees the opportunity to sharpen their skills enabling them to achieve their targets and in turn boost overall employee satisfaction.

With equipping our employees with the right skills considered a high priority area, KVPL invested Rs. 5,733,427/- in training and development in the year under review, where we specifically focused on leadership development through professional programmes, up-skilling of our estate workforce through direct ground level training and the adoption and implementation of Japanese management techniques at our factories.

G4-LA 9

AVERAGE TRAINING HOURS PER PERSON				
	GRADE	MALE	FEMALE	OVERALL
Average Training Hours per Employee- KVPL 2016/2017	Executive	5.4	4.1	5.4
	Non-Executive	2.8	4.3	3.4
	Manual	6.6	5.4	5.8
	Overall	5.5	5.3	5.4

Table 06- Average Training Hours Per Person

TRAINING DETAIL REPORT F/Y 2016/2017									
CATEGORY	HEAD COUNT			P/HOURS			P/H PER PERSON		
	MALE	FEMALE	TOTAL	MALE	FEMALE	TOTAL	MALE	FEMALE	TOTAL
Executive	245	8	253	1,331	33	1,364	5.4	4.1	5.4
Non-Executive	655	420	1,075	1,818	1,818	3,636	2.8	4.3	3.4
Manual	1,682	3,465	5,147	11,106	18,696	29,802	6.6	5.4	5.8
TOTAL	2,582	3,893	6,475	14,255	20,547	34,802	5.5	5.3	5.4

Table 08- KVPL's Training Detail Report

A further cost of Rs. 4,472,626/- was spent on foreign training which includes nearly 1 m to send selected high-performers to Japan to participate in a series of training programmes conducted by International Human Resources and Industrial Development Association (HIDA), Japan and JASTECA.

TRAINING HOURS COMPARISON (YEAR VS PERSON HOURS OF TRAINING)			
YEAR	TRAINING HEAD COUNT	P/HOURS	% OVER PREVIOUS YEAR
2014	2,429	13,351	57.07
2015	4,432	26,022	93.86
2016	6,475	34,802	34.05

Table 09- Training Hours Year-Wise Comparison

HUMAN CAPITAL *CONTD.*

Participation for JASTECA and HIDA Traninig Programmes at HIDA Traning Centers, Tokyo & Osaka, Japan.

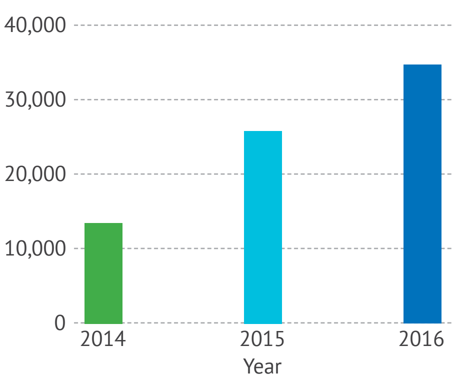


Figure 02- Graphical View of YOY Training Hours for Last Three Years

2. Promote employee growth prospects

Enhance Productivity

As part of our ongoing emphasis on productivity and continuous improvement, in the year under review, we renewed our focus on multiskilling and variable pay opportunities for our employees, including a number of initiatives to encourage team performance. A comprehensive monitoring platform was implemented to ensure that employees' personal performance consistently correlate to company targets. The benefit structure was then revamped and a new performance-based evaluation system was introduced, where business and individual objectives have been set in the context of KVPL's vision and mission, through the use of the Balanced Score Card and Key Performance Indicators. The move seeks to replace traditional outdated performance management mechanisms by taking into account the individual employees' ability to also collaborate as part of a team to ensure the achievement of business targets. Meanwhile, the balance score card mechanism helps to continuously evaluate the capabilities of each business unit and make necessary improvements wherever possible in order to support our goal of long term value creation. The processes is monitored using HRIS (Human Resource Information System), a comprehensive interface for all corporate employees to keep tabs on their performance, as per the KPI's assigned to them at the beginning of the financial year.

Marks and ranks obtained through this transparent evaluation system are used to generate the relevant reports for management decision making process and then cascaded down to employee benefit schemes, people development plans and the succession planning process.

KVPL's succession planning process is a well-thought out structured framework that aims to build a highly-motivated strategic team with the right skills, professionalism and temperament to drive the business to the pinnacle of its success. Based on a career graph, which maps the progress each employee from the time of recruitment, through every stage of their career development journey, the framework offers insights regarding the future growth opportunities each individual.

Director/Chief Financial Officer	to	Director/Chief Executive Officer
Manager HR & CS	to	Senior Manager HR & CS
1 Acting Manager	to	Estate Manager
5 Assistant Estate Managers	to	Acting Managers
8 Assistant Estate Managers	to	Deputy Managers

Summary of Internal Promotions for 2016/17

Meanwhile, the Executive Guide and Handbook ensures that all executives are kept abreast of the company's goals and objectives, enabling employees to realign their career goals with the company's future growth trajectory.

Moreover, corporate executives are given an opportunity to enhance their skills by participating in the annual Management Development Programme. Aimed at developing key competencies of our executive staff including those who have been recently promoted to executive category, the programme seeks to strengthen leadership qualities through regular discussions and knowledge sharing forums.

We are now in the process of enhancing this further through the development of a mentoring platform that will address the challenges faced by employees and allow for improved focus on performance goals.

For our estate workforce we have put in place strategies that aim to inspire a more productive work ethic, leading to an ultimate improvement in the company's bottom line. Our "Responsible Profitability", programme is a visionary new concept implemented by KVPL's Managing Director not only to broaden the economic prospects of the estate level workforce, but also to improve their living conditions, health, nutrition and social wellbeing.

The Managing Director's statement entitled "BE COMMITTED TO EXCELLENCE" seeks to impress upon employees, the importance of commitment, dedication and leadership qualities and the key features needed for personal growth.

Re-shape Industry culture

3. *Develop a cohesive work culture*

As one of the most labour incentive industries in the country, the 150-year-old plantation sector still continues to be burdened by archaic people management practices that are fast becoming irrelevant, pointing to the need for urgent change in cognizance with modern business paradigms.

KVPL's multi-generational workforce is highly diverse, and requires constant engagement, which is why we are constantly changing and updating the ways in which we communicate and engage with our people. We have always maintained a strong open door policy, which has helped us to develop a strong rapport with our corporate employees. In addition, we also have in place the "Hay Plan", a proactive mechanism, which promotes greater collaboration between interdepartmental teams. "Hay Plan" is not a static document and ongoing revisions are made to keep pace with changing dynamics and maintain international best practices for Human Capital Development. As such a total of 6 editions of the "Hay Plan" have been published to date, with the latest edition receiving international recognition, in that it is now used as part of the reference at HIDA students centres at Osaka and Tokyo.

G4-LA 16, HR 4

Meanwhile, a collective bargaining agreement underpins relationships with the estate workforce. Extending this commitment even further, in 2016 we appointed a new Human Development Manager (HDM) who would act as a liaison between the company and the estate worker communities. An extension of our HDP programme, the HDM is tasked with overseeing all aspects of the estate workers including on the job training to improve productivity, address grievances and improve the quality of work life by creating an environment to freely discuss any issues relevant to them with the top management. More recently the HDM has been assigned to focus on a series of "KEY VALUE DRIVERS" aimed at uplifting the quality of work life of KVPL's estate employees over and above the traditional boundaries of Sri Lanka's plantation culture.

G4-PR 1, PR 2

- **ZERO ANEMIA FOR A HEALTHY LIFE**
  Conducted 880 awareness programs and HB analysis done for 3959 workers.
- **100% ATTENDANCE AT WORK FOR INCRESED EARNINGS**
  1198 awareness and sensitization programs, Identified poor attendance of pluckers and support them to improve their work attendance.
- **CREATE A BETTER FUTURE FOR YOUR FAMILY FOR A PROSPEROUS LIFE**
  340 awareness session conducted on ill effects of , smoking, alcohol and chewing beetle for workers and children.
- **CLEAN, TIDY HOMES & WORKING PLACES**
  432 awareness programs conducted to educate the workers on cleaning houses and surroundings.
- **A HEALTHY LIFE STYLE, NUTRITIONS FOOD FOR A BETTER QUALITY OF LIFE**
  186 Training programs for female workers on preparing nutritious home based food through MOH, PHDT and NGOs.

Highlights of Programmes Undertaken on Key Value Drivers.

HUMAN CAPITAL *CONTD.*

Training for Different Employee Categories and Community Levels

4. Create awareness and reinforce positive behavioural changes

Improve work-life Balance

KVPL remains committed to proving a safe and healthy work and social environment for all employees, as we believe that positive individual employee wellness enables employees to perform optimally and contribute to the success of the company.

G4-HR 12

Meanwhile, to support our estate worker communities, we have in place the HDP programme, where a dedicated resource unit, consisting of Estate Medical Assistants, Welfare Officers and Child Development Officers (CDO) who offer guidance regarding maternal and child health. HDP services also include a range of childcare facilities, including a free crèche for, children whose mothers work on our estates. In addition, we conduct regular awareness programmes and family counselling services to discourage child abuse, teenage marriages and domestic violence and provide educational support through scholarships, for children to continue their education, instead of being forced to work to support their families. Our goal is to support these estate communities to maintain a healthy work-life balance that would have a positive impact on their living standards. The outcomes of these programmes are monitored regularly through HDP reports, which shed light on key aspects such as childcare, harvester analysis, maternal care, health and medical care and worker analysis, all aspects that are closely monitored by the Managing Director.

G4-SO 8

5. Compliance

Adhere to internationally accepted best practices

KVPL is committed to conducting its business activities lawfully and ethically. As such, we continuously monitor the regulatory environment, taking cognizance of relevant legislation, other legal requirements and prevailing codes of best practice that become relevant to our business from time to time. We hope that emulating these best practices will bring us on par with internationally accepted best practices and achieve global recognition.

As a signatory to the UNGC principles, KVPL is fully compliant with the Human Rights principles stipulated therein, including the following aspects, which are also covered under the Hayleys Group policies;

G4-LA 16,HR 12

- Non-Discriminatory employment, where as an equal opportunity employer, we promote free and fair employment by providing both the opportunity and creating a suitable environment for career growth. Further we do not discriminate against race, colour, religion, expression, sexual orientation, material status, disability or any other status protected by law. Moreover, in line with the Hayleys group policy we will not tolerate an atmosphere of intimidation, humiliation or any form of harassment and expect all the employees to comply with the said policy
- Freedom of Association, which is practiced through our collective bargaining agreement that covers our estate workforce

G4-LA 4

LABOUR MANAGEMENT RELATIONS	
Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	1 Month
Notice period and provision for conclusion is specified in the agreement	Yes

Table 10- Details on Labour Management Relations

G4-HR 5,6

- Child Labour and Forced or Compulsory Labour is strictly prohibited at KVPL. The policy applies across our business including at all our plantations, head office, subsidiary companies and or suppliers. In order to verify our employee's legal age we require them to produce their birth certificate at the point of recruitment. Further, we do not compel anyone to work with us and believe that they may do so at their own free will

G4-SO 4

- Anti-corruption is a subject covered under the Hayley's group policies and as such, employees at KVPL are expected to strictly confirm to all covenants stipulated under the Group anti-corruption policy
- Occupational Health and Safety is considered an integral part of our work ethic, with the "Safety First" concept being the overarching emphasis at all our factories.

G4-LA 5

OCCUPATIONAL HEALTH AND SAFETY RECORD 2016/2017		
(LA-5)	Percentage of total workforce represented in formal joint management worker health and safety committees that help monitor and advice on occupational health and safety programme	100%
(LA-6)	Injury Rate (IR)	0 .56%
	Occupational Disease Rate (ODR)	0.28%
	Lost Day Rate (LDR)	1.48%
	Absenteeism Rate (AR)	22.92%
(LA-7)	Workers in high-risk situations	NA

Table 11- Occupational Health and Safety Indicators for 2016/ 2017

SIGNIFICANT ACHIEVEMENTS FOR 2016/17

For KVPL the Re- Shaping Plantation HR (2014-2018) model continues to be the core strategic driver for Human Development across the business. It has been instrumental in the Company's transition from the traditional boundaries of Plantation management into a new growth-focused HR dynamic. Further validating this model, KVPL received the GOLD award at National HR Excellence Awards 2016, in recognition of the exceptional contribution made by HR towards driving organisational performance through sound Human Resource Management practices. The award, which was presented by Institute of Personnel Management Sri Lanka (IPM) also marks our victory not only over industry peers but also 'recognized giants' in Sri Lanka's HR fraternity.

Going beyond the shores of Sri Lanka, KVPL received international recognition for its HR practices, emerging the winner of 'Award for leading HR practices in quality work-life' at Asia- Pacific HR Excellence Awards 2016, conducted by Asia-Pacific HRM Congress. This was further highlighted by our victories going beyond the Asia-Pacific level, ahead of over 700 leading corporates from 133 countries at the Global HR Excellence Awards 2016 conducted by the Global HRD Congress which was held in Mumbai, India. KVPL was adjudged the WINNER' under the category of 'Award for leading HR Practices in in quality work-life' recognizing its breakthrough efforts to successfully extend comprehensive human resource management programmes – spanning healthcare, education, upgrading of living standards and environment, community capacity building and youth empowerment. The accolade signifies a historical milestone for KVPL, especially given the severe competition from industry peers from across the Asia- Pacific region competing for this prestigious award.

HUMAN CAPITAL *CONTD.*

100 MOST INFLUENTIAL GLOBAL HR PROFESSIONALS AWARD

We Believe That, Sky Is The Limit For Kvpl's Ground Breaking Efforts On HRM

Kelani Valley Plantations' Senior Manager-HR & Corporate Sustainability, was ranked among the '100 Most Influential Global HR Professionals' at the Global HR Excellence Awards 2017, following a comprehensive evaluation of his personal profile and achievements and a case study developed after careful analysis of Sri Lanka's challenging Plantation HRM model.

FUTURE FOCUS ON OUR HR GOALS

- Develop strategies to retain competent, highly skilled human capital with vast experience and empower employees to become equal partners in the learning process
- Imbue in our employees, the passion to drive corporate ambition
- Provide continuous training and multi skilling programmes that offer employees the opportunity to explore multiple career opportunities within the business
- Create an environment that gives employees the confidence regarding the long term sustainability of the company

SOCIAL CAPITAL

G4-SO 1

Being in the Plantation Company KVPL has access to the interiors of Sri Lanka, placing us at the doorstep of often-isolated communities. By having a presence in these remote localities, we are in a unique position to make a constructive difference to the collective livelihoods of the rural folk in Sri Lanka.

As an investor in rural areas, KVPL has the rare opportunity to create, through our activities, positive spillover benefits that may not otherwise be available to the communities in these localities. With a workforce of nearly 10,000 estate workers and a further 55,000 people who are part of the larger estate community KVPL has embraced a multi-dimensional business philosophy with "Society" being a key pillar. Improving the quality of life of its work force has therefore been an important segment of the Company's business strategy since its inception in 1992. This hybrid concept of human and social development platform has enabled the Company move away from the traditional norms and embrace a more relevant workforce management mechanism.

"A HOME FOR EVERY PLANTATION WORKER"

KVPL's core CSR programme, "A Home for Every Plantation Worker" programme was launched with the primary objective of upgrading the living standards and quality of life of the plantation worker while building stronger relationship with employees and the community within the plantations and on the periphery. Through this programme, through active engagement seeks to build mutually beneficial relationships with the communities in the locations where we operate in and with society in the area. The programme is run in all the KVPL' s 26 estates located in Nuwara Eliya, Hatton & Yatiyantota - Bulathkohupitiya Regions.

G4-16

COMMITTED TO SUSTAINABLE BUSINESS

Purity & Food Safety | **Ethical Business** | **Environment** | **Society**

A HOME FOR EVERY PLANTATION WORKER
TM 2006 Kelani Valley Plantations Limited

SOCIAL CAPITAL *CONTD.*

Based on a holistic community development model the programme is underpinned to four key pillars:

Living Environment

Goal: To improve worker welfare, housing and sanitation standards by

- Upgrading and rehabilitation of traditional worker houses,
- Conduct self – help housing projects involving the construction of new houses for plantation employees, with 5-7 perches of estate land being allocated per house
- Provision of factory and field rest-rooms,
- Electrification of housing and living quarters,
- Upgrading existing water supply schemes,
- Installation of new water delivery systems,
- Improving access roads to worker housing,
- Establishing rural agency post offices within the plantation boundaries,

Highlights for 2016/17

Health and Nutrition

Goal: To improve basic health and prevent communicable diseases by

- Conducting Medical camps for all plantation residents including health and nutrition check-ups, tracking immunization and child growth development and monitoring for children, mothers and senior citizens.
- Ambulances services made available to a cluster of estates.
- Provision of medical facilities to address major health requirements
- Child support, including day care centres which are known as 'crèches',

Highlights for 2016/17

Community Capacity Building

Goal: To improve economic position and quality of life through

- The provision of direct loan facilities to support higher education
- Provide internships to selected high-performers
- The provision of micro financing facilities in partnership with the Estate Worker Housing Co-operative Societies (EWHCS). These loans are granted for improvements to housing, purchase of transport facilities, for traditional ceremonies and redeeming mortgaged properties etc.
- Provision of school and nursery for children.
- Skill and personality development programs.
- House hold cash management programs.

Highlights for 2016/17

Youth Empowerment

Goal: To cater to the emerging needs of the younger generation through

- Monitoring on child development (5 – 18 years) in line with ILO standards
- Vocational training programmes to develop a multi-skilled youth population
- Primary school facilities

Highlights for 2016/17

The benefits are not only for nearly 10000 employees working in our 26 estates, but it also for the entire plantation community.



Highlight of the Beneficiaries of our Innovative Model of HRM

ACTIVITIES UNDER LIVING ENVIRONMENT	UP TO 2016	2016/2017	GRAND TOTAL
New housing units built	1,371	12	1,383
Land extent granted as perches	9,745	84	9,829
Re-roofing	7,501	104	7,605
Electrification (No.of housing units)	7,128	155	7,283
General Rehabilitation	547	–	547
Access roads (km)	281	2.09	283
Water schemes	1,161	11	1,172
New toilets (units)	7,730	70	7,800
Play grounds	20	2	22
Upgraded staff quarters	179	1	180
Community centers	19	1	20
Factory rest rooms	18	2	20
Field rest rooms	179	9	188
Child Development Centers	14	5	19
Hot water bathing spots	15	–	15

ACTIVITIES UNDER HEALTH & NUTRITION	UP TO 2016	2016/2017	GRAND TOTAL
Dental Clinics	471	13	484
Dengue awareness programmes	188	170	358
Eye Clinics	959	64	1,023
AIDS awareness programme	1,802	29	1,831
TB awareness programme	104	225	329
Oral Cancer Programmes	111	246	357
Cataract removal surgeries	1,107	38	1,145
Logistic support for the patients	10,083	37,480	47,563
No of spectacles provided to community	4,152	43	4,195

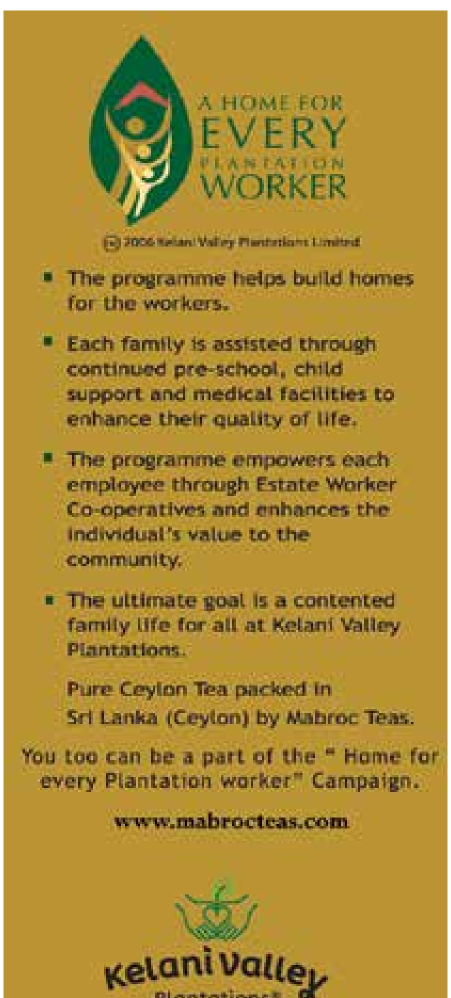
ACTIVITIES UNDER YOUTH EMPOWERMENT	UP TO 2016	2016/2017	GRAND TOTAL
Training for Small business Management	2	7	9
Bridal & beauty care programmes	14	0	14
Home Gardening programmes	461	50	511
English Classes	914	17	931
Computer Classes	44	27	71
Vocational Training -Self Employment	6	9	15

ACTIVITIES UNDER COMMUNITY CAPACITY BUILDING	UP TO 2016	2016/2017	GRAND TOTAL
Street Dramas	19	7	26
Alcohol prevention programmes	140	69	209
No of individuals who have taken loans	34,466	5828	40,294
Loan amount (Rs)'000	373,492	72,214,990	72,588,482
Deposits accepted (Rs)'000	157,049	38,978,658	39,135,707
House hold cash management programmes	127	88	215

SOCIAL CAPITAL *CONTD.*

Aside from the direct development activities under the programme, in the current financial year KVPL reinforced its commitment by contributing Rs. 1.50 for every Kilo of Tea sold to a charity fund in aid of the "A Home for Every Plantation Worker" programme.

Further as part of a new initiative to give customers the opportunity to participate, selected Mabroc Tea packs were redesigned to capture the "A Home for Every Plantation Worker" logo.



MOTHER-AND-CHILD-FRIENDLY TEA ESTATES

Fully resourced by the Save the Children Fund at a cost of 23 million, the main aim of the project was to uplift maternal and child health, thereby ensuring that the productivity of female workers is not compromised due to ill health or hygiene issues pertaining to themselves or their families.

Meanwhile, in a landmark achievement for KVPL, a tea buyer from Taiwan made a commitment of Rs. 3 Million to the "Home for Every Plantation Worker" programme, undertaking to build an e-Learning centre at Pedro Estate, Nuwara Eliya, which will function as the main resource centre to enhance the IT skills of the Company's plantation youth community.

"A tea buyer from Taiwan has funded LKR 3 Million to the CSR initiative to build an E-Learning centre at Pedro Estate, Nuwara Eliya"

Our strategy is to transform their lives to be more colourful

The Most Motivated Company's Future

The Most Satisfied Present Human Views

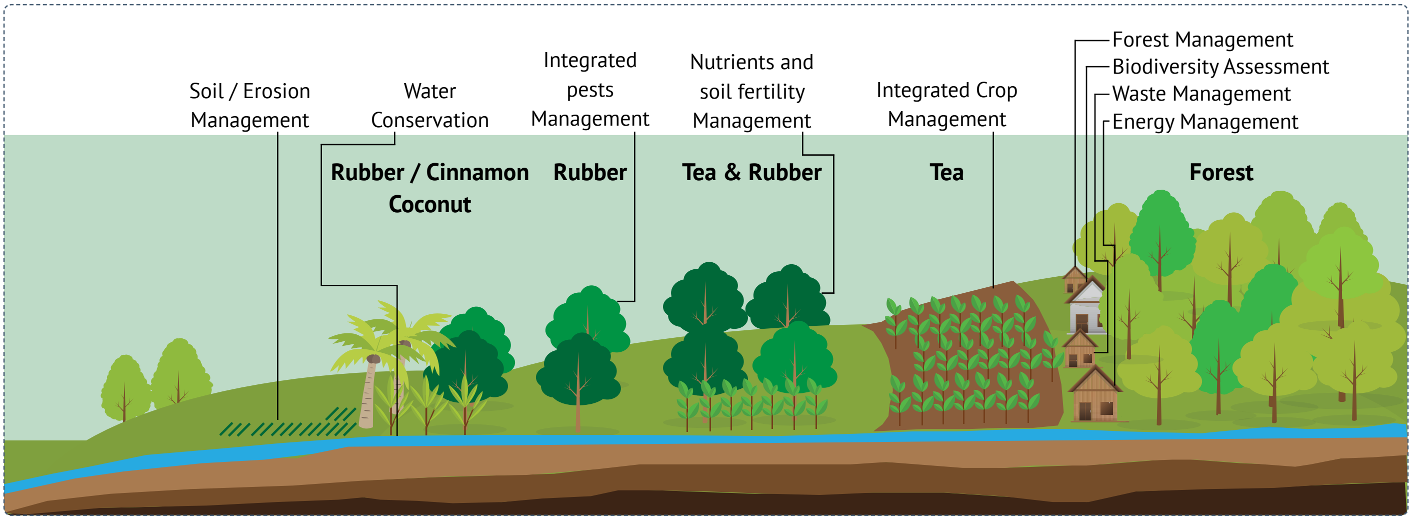
NATURAL CAPITAL

G4-14

KVPL strives to manage its business in such a manner that the environment is adequately protected, the use of natural resources is minimized, and that environmental management programmes are established to contribute towards the sustainability objectives of the company.

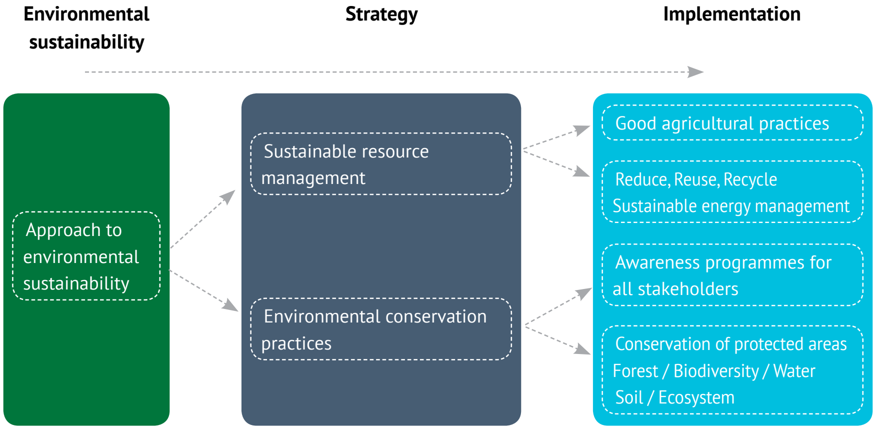
We recognise that our long-term success depends upon natural capital, particularly forests, land, soil and water. And as custodians of nature we make a concerted effort to safeguard our natural capital. Our specific commitments are; water preservation, net zero deforestation by 2020, soil management and biodiversity conservation.

KVPL's five-year green initiative strategy, which was rolled out in 2014 seeks to establish a formal environmental sustainability ("Green") strategy to reduce the Company's Carbon and Water footprint.



With environmental protection and conservation being one of the key pillars that underpin KVPL's business philosophy, the Company has developed an effective Environmental Management System (EMS), which provides a structured framework against which continuous improvement can be measured. Centered on the Sustainable Agriculture Standards set out under the FSC™ (Forest Stewardship Council), Rainforest Alliance™, UTZ™ and the ETP (Ethical Tea Partnership) Certification, KVPL's EMS focuses on the following areas;

G4-EN 34



Achieving this vision begins with the acknowledgment of the responsibility to reduce, if not eliminate the environmental impacts caused by the business. This responsibility extends not only to operations within KVPL's control, but also to the Company's supply chain partners, who in the course of supplying to KVPL, may become responsible for significant environmental impacts.

NATURAL CAPITAL *CONTD.*

G4-EN 1,2

1. MATERIALS

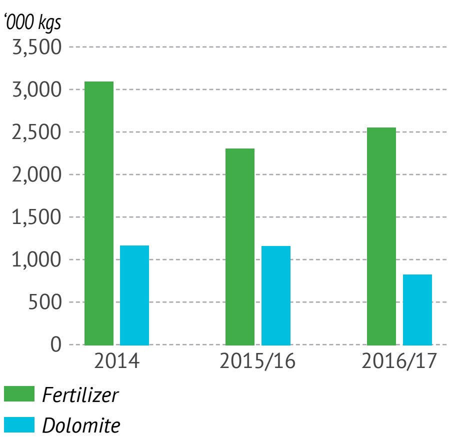
In the course of its operations, KVPL uses non-renewable as well as renewable materials. Non-renewables consist of agrochemicals, fertilizer, dolomite and fossil fuels, while renewable materials comprise mainly of packaging materials.

The extensive use of agrochemicals, fertilizer and dolomite remain a key concern for KVPL and as part of the "Green" strategy, the Company has committed to bring about a year-on-year reduction of 10% in the volume of these materials applied to soil and crops.

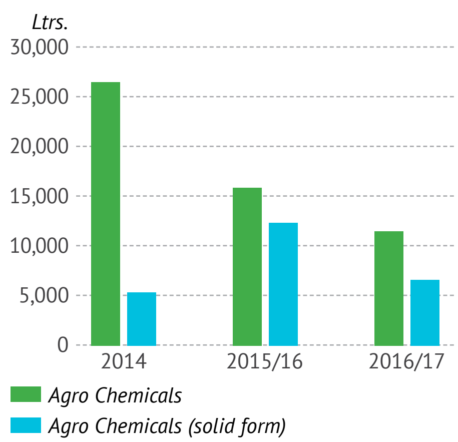
NON-RENEWABLE MATERIAL USED				
TYPE OF MATERIAL	UNIT	2014	2015/2016	2016/2017
Fertilizer	Kg	3,094,002	2,306,771	2,555,659
Dolomite	Kg	1,169,514	1,166,322	833,079
Agro Chemicals (Liquid form)	Litres	26,485	15,852	11,509
Agro Chemicals (solid form)	Kg	5,399	12,338	6,601
Firewood	m^3/Cubes	41,496	34,373	29,433

RENEWABLE MATERIAL USED				
TYPE OF MATERIAL	UNITS	2014	2015/2016	2016/2017
Bought leaf (If any)	Kg	3,849,238	3,457,137	2,735,862
Bought latex (If any)	Kg	125,856	592,084	3,55,292
Packing Materials	Nos.	122,498	97,948	87,441

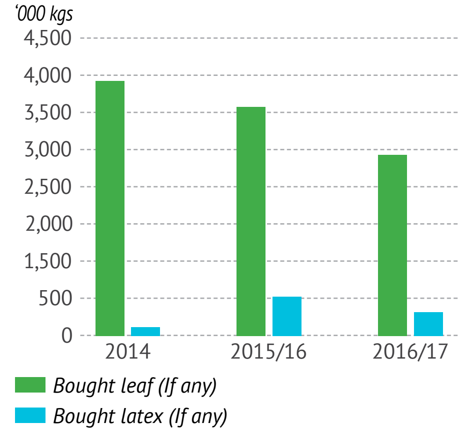
Fertilizer Used in Soil



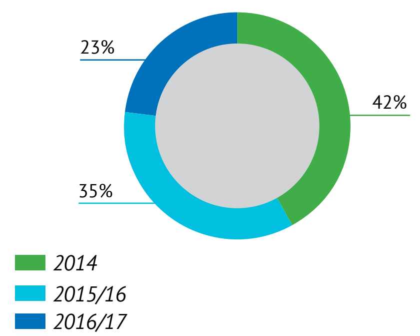
Chemicals Used in Crop



Renewable Material Use



Agro Chemicals



In doing so, KVPL has gone beyond the TRI (Tea Research Institute) mandated minimum requirements to establish its own "Tea Standards" in a bid benchmark globally accepted Sustainable Agriculture Standards under the FSC and ETP protocols. Accordingly, KVPL was one of the first plantation companies in Sri Lank to ban the use of substances such as MCPA and 2, 4-D in their Tea fields.

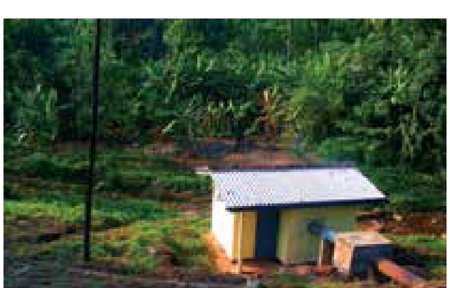
These efforts are supported by regular Internal and external audits to strictly monitor the application of chemicals across all KVPL tea and rubber fields. As a result of these efforts, KVPL exceeded targets set for 2016/17 and registered a 35% year-on-year reduction in the use of weedicides and pesticides.

Further, Jungle firewood is completely prohibited for use in any of Company's operations, while all packing materials used for day-to-day operations are mostly made up of degradable & recyclable materials.

G4-EN 3,5

2. ENERGY

With both Tea and Rubber sectors consisting of an energy intensive production processes, electricity is the primary energy source used on the production floor. Underpinned by the Company's "Green" strategy, KVPL has invested in three mini-hydro power plants to meet the energy requirements of all factories. The Kalupahana Hydro Power Project & Battalgala Hydro Power Project are direct investments made by the Company, while the Glassaugh Hydro Power Project is operated as a joint venture with Eco Power (Pvt) Ltd. In the financial year 2016/17 KVPL generated 7,265,956 kWh through these hydropower projects.



Hydro Power Project Kalupahana Estate

Meanwhile as part of the long terms strategy to promote renewable energy, the Company commenced a pilot project to install solar powered water heating systems to all estate bungalows, with 22 units being commissioned in the current financial year resulting in a monthly cost saving of approximately Rs. 8,000/- per Bungalow.

Installed Solar Power Water Hearting System in Udaradella Estate

LOCATION	AMOUNT OF ENERGY CONSUMED IN 2015/16 GJ	AMOUNT OF ENERGY CONSUMED IN 2016/17 GJ	% CHANGE IN ENERGY USE
1. Factory	15,077	14,905	(1.13)
2. Office	295	243	(17.65)
3. Workshop/s	50	189	281.32
4. Bungalow/s	1,451	988	(31.92)
5. Quarters	1,895	1,692	(10.70)
6. Others	354	533	50.48
Total Energy consumption from Indirect Energy sources (GJ)	19,121	18,550	(2.99)

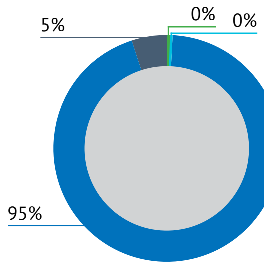
Meanwhile, to widen the renewable energy base, KVPL has invested in biomass boilers to meet part of the energy requirements of the Tea drying and withering processes. Fired using non-viable rubber wood from the Company's own Rubber plantations, these biomass boilers provide 95% of the total energy requirements of the Tea sector.

ENERGY SOURCE	AMOUNT (GJ)		
	2014/2015	2015/2016	2016/2017
Total diesel Usage	18,490	13,209	15,039
Total Petrol Usage	1,907	999	1,053
Firewood	526,033	407,880	311,590
LP Gas	321	1,566	1,192
Total Nonrenewable fuel usage	546,751	423,653	328,874

NATURAL CAPITAL *CONTD.*

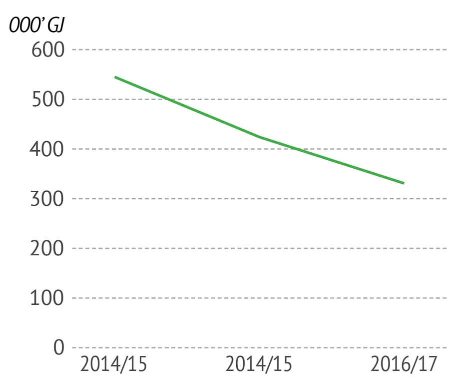
G4-EN 6

Energy Source 2016/2017



LP Gas
Total Petrol Usage
Firewood
Total diesel Usage

Total Nonrenewable fuel usage



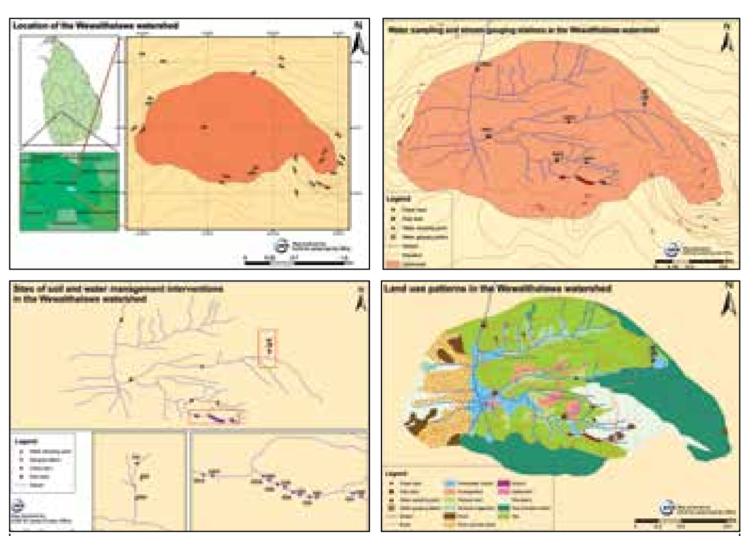
3. WATER

KVPL's total water consumption is measured as the quantities used for business purposes as well as the volume consumed for domestic purposes by estate worker communities residing on the Company's estates. Having set a goal of reducing water usage by at least 2% each year, KVPL's water usage is monitored and recorded at RA certified Tea processing centers, an initiative aimed at calculating and ultimately reducing, the water foot-print of at estate-level.

Monthly Average Rainfall	205	mm
No. of wet days	130	Avg.
No. of distribution tanks	129	
No. of springs/wells in the estate (already using)	145	
Annual water volume usage by estate workers (Approx.)	710,518,615	L
Annual water usage in factory	43,088,325	L
Annual water usage in factory in 2015/16	51,291	cubic meter
Annual water usage in factory in 2016/17	43,088	cubic meter

Further, the following initiatives are in place, to ensure water usage is reduced across operations;

- Mapping of all water resources network, in line with the Rainforest Alliance™ and UTZ™ certification
- Continuous maintenance of the water distribution network
- Installation of waste-water treatment tanks in necessary places to prevent waste - water sewage into water bodies
- Periodic lab testing to check the suitability
- Corrective action taken when water quality is not within the standards requirements
- Ensure septic tanks are not installed in flood-prone areas



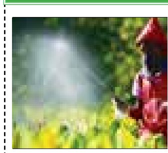
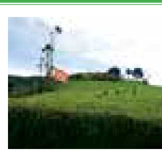
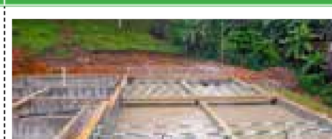
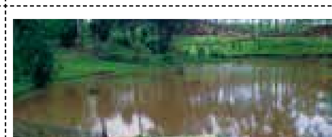
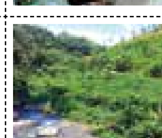
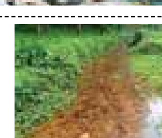
A Division Map of Halgolla Estate

Meanwhile, with natural waterways and tributaries running through many of KVPL's lands, the Company has extended its commitment to water conservation efforts, by becoming a signatory to the "CEO water mandate", a public-private initiative sponsored by the United Nations Global Compact and the Government of Sweden. Under this initiative, KVPL has:

- Created water retention systems to facilitate Rain water harvesting at all factories
- Set up chemical-free buffer zones to ensure all natural water bodies and catchment areas are preserved
- Protecting ecological reserves and setting up natural vegetative barriers and buffer zones to curtail agrochemical drift which can result in water contamination
- Periodic Water testing
- Maintaining Riverine Forests

Further, in February 2017 the Company commissioned the microbiology unit of Bureau Veritas to conduct an independent verification of the quality of Drinking water & Treated waste in all estates. The results of the report indicate that the water quality at all KVPL estates are fully compliant with all national parameters.

WATER CONSERVATION

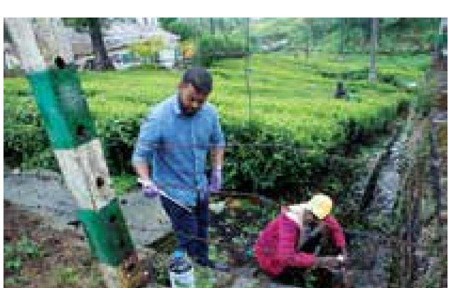
WASTE WATER FROM HUMAN SETTLEMENT & FACTORIES	Conserve WATER	**ESTABLISHED SOAK PITS – FILTERING WATER BEFORE RELEASING IT TO THE WATER BODIES**
 		 
USE OF AGRO CHEMICAL		**ESTABLISHED BUFFER ZONE AND LIVE FENCE**
 		 
EFFLUENT WATER FROM RUBBER FACTORY		**EFFLUENT WATER TREATMENT PLANT**
		
Establishing Water retention system in estates		
Protecting Water catchment Areas		
Establishing Riparian Area		 

Drinking Water Testing & Report

NATURAL CAPITAL *CONTD.*


TEST REPORT


TEST REPORT

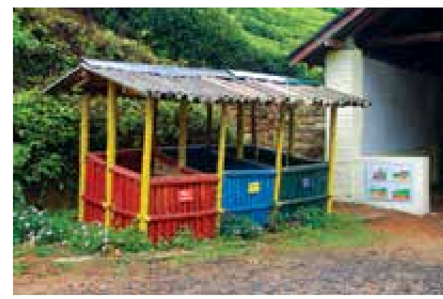

Waste Water Sample Taking & Analysis Report

G4-EN 22,23

4. EFFLUENTS AND WASTE

Aligned to the Sustainable Agriculture Standards, KVPL's waste management practices seek to control the release of harmful substances into the environment. Accordingly, the Company's Rubber processing plants are equipped with Central Environmental Authority (CEA) approved wastewater treatment plants.

In addition an integrated waste management mechanism has been put in place at all factories to encourage employees and estate worker communities to focus on such aspects as waste segregation, waste collection, composting techniques for degradable waste. Further the Company also conducts training and awareness programmes to promote eco-friendly practices among employees.

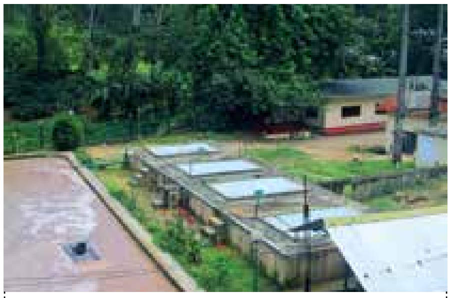


Waste Management System in Estates

APPROXIMATE VOLUME OF WASTE GENERATED BY THE ESTATE		
▪ Organic waste (Crop waste / Domestic waste) (Kgs)		64,000
▪ Inorganic waste (Plastic/polythene/metal) (Kgs)		2,650
▪ Glass waste (Kgs)		250
		66,900
No.of empty chemical cans disposed /collected during the year		2,651
Weight of empty chemical cans send for the recycling		1,324

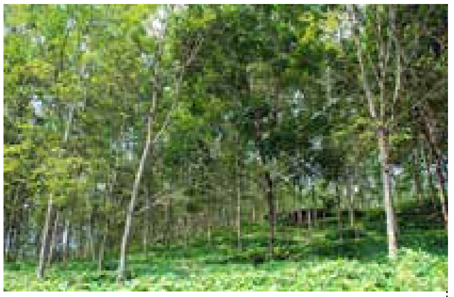


Recycling Process of Plastic and Hazardous Waste Materials

KVPL has also implemented a highly effective recycling initiative to tackle the inherent problem of product waste in the Tea Sector. The key undertaking in this regard is the reprocessing of highly fibrous tea to extract Black Tea at a specialized reprocessing plant set up at the Blinkbonnie estate, specifically for this purpose. The programme, which has been in operation for the past 07 years, is a key part of the Company's waste management effort. Moreover, the Black Tea thus extracted is sold commercially , ensuring a sustainable solution to the problem of product waste.


Waste Water Treatment Plant in Kiriporuwa Estate Centrifuged Factory


Tree Planting at Ingestre estates 2016


Established Cover Crop at We Oya Estate

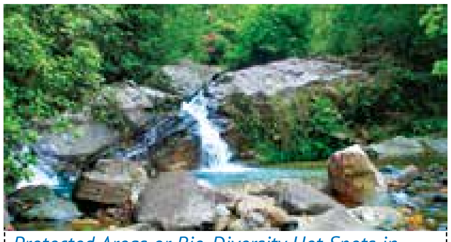
G4-EN 10

40,740,843 Litters of water was treated through our 03 Waste water treatment plants during this year.

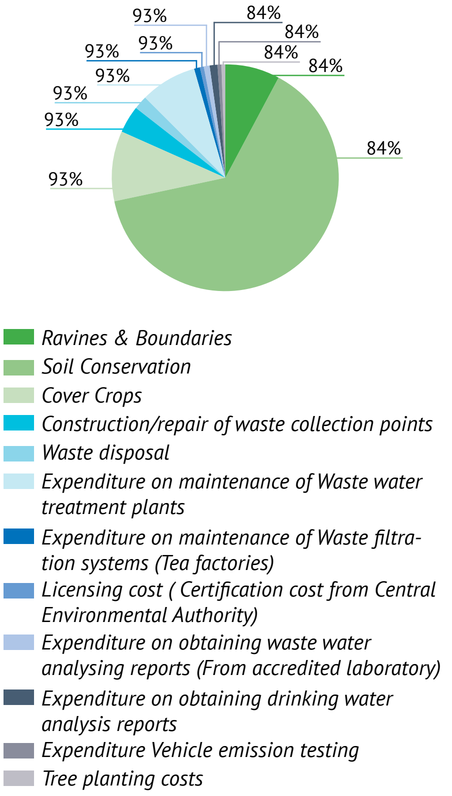
G4-EN 11,12,13

5. HABITAT CONSERVATION

Underpinned by its commitment to Sustainable Agriculture Standards, KVPL also engages Habitat Conservation and Environmental Restoration programmes in partnership with local authorities in areas where the Company's operations are located adjacent to protected areas or bio-diversity hot spots. As part of the on going effort, in the 2016/17 financial year, the Company spent a total of Rs. 32.5 m on Habitat Conservation & Prevention and environmental management.


Protected Areas or Bio-Diversity Hot Spots in Halgolla Estate

Habitat Conservation & Prevention and environmental management Expenditure Rs



NATURAL CAPITAL *CONTD.*

BIODIVERSITY SRI LANKA

Website: www.biodiversitysrilanka.org

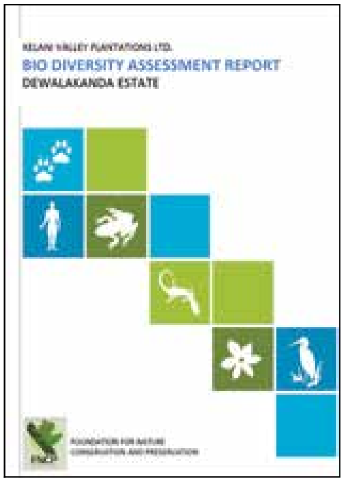
KVPL is an active member of the Biodiversity Sri Lanka, which was formerly known as Sri Lanka Business and Biodiversity Platform (SLB &BP), an initiative launched by the Chamber of Commerce together in partnership with the IUCN (International Union for Conservation of Nature) and Dilmah Conservation.

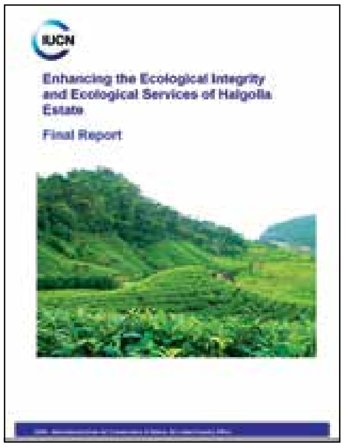
Biodiversity Sri Lanka (BSL) is an entirely private sector owned and driven platform established to promote strong engagement of the corporate sector in Biodiversity and environmental conservation issues in Sri Lanka.

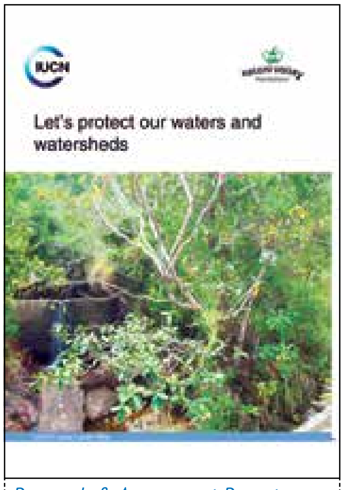
Their key objectives are

- To add economic value to biodiversity conservation and integrate it into the core business of companies
- To strengthen and increase the involvement of the private sector in biodiversity conservation
- To promote national co-operation and the exchange of ideas and information

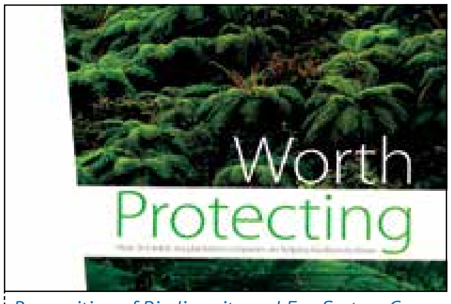
As an active member of IUCN, KVPL continues to participate in numerous research programmes & studies on existing Ecosystem conducted by the IUCN, including a comprehensive bio-diversity assessment conducted every three years, in order to evaluate the effectiveness of initiatives taken by each KVPL estate to maintain biodiversity and ecosystems in their respective surroundings.

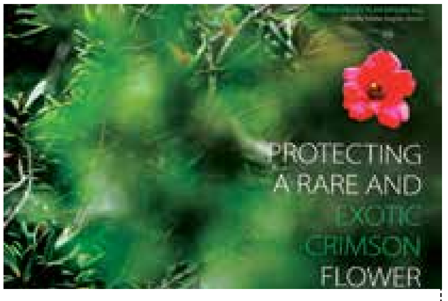




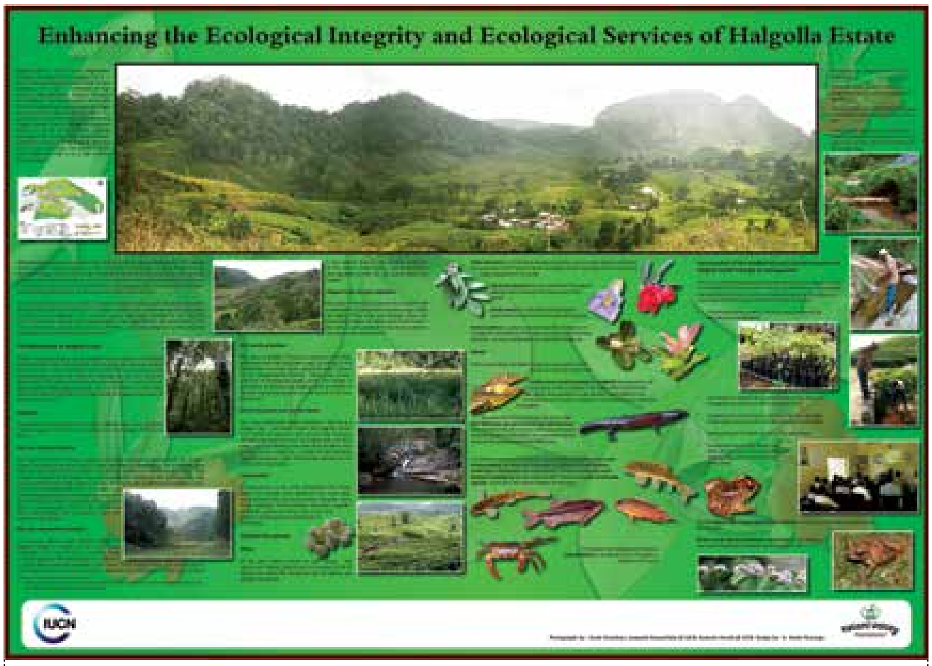


Research & Assessment Reports





Recognition of Biodiversity and Eco System Conservation



Awareness Poster Prepared Based on Studies

Annual Supplier Evaluation

G4-EN 33, HR 6

1. MANAGING THE ENVIRONMENTAL IMPACT RESULTING FROM THE SUPPLY CHAIN

KVPL continues to engage with supply chain partners on activities to reduce the indirect environmental impact. The Company offers guidance to enable suppliers to adopt best practices that will help them manage their own carbon footprint, followed by regular qualitative assessment to gauge their alignment with KVPL's environmental parameters.

Understand
Understanding the context and current compliance levels of suppliers

Inform
Communicate to suppliers, the importance of maintaining KVPL's environmental guidelines

Collaborate
Educate suppliers on Environmental, Social and developing pollicies and process to be incorporated in their businesses

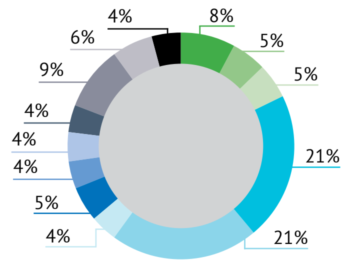
Assess
Conduct regular assessments to evaluate compliance levels of Suppliers

Engage
Ongoing engagement with suppliers to enable them to continuously improve their environmental performance

Supplier System Certified Conformation

NATURAL CAPITAL *CONTD.*

Supplier Profile



- Packing materials suppliers
- Fertilizer suppliers
- Dolomite suppliers
- Chemicals suppliers
- Machinery & other equipments
- Stationery
- Barbed wire
- Laboratory chemicals suppliers
- Road tar (bitimen) & roofing tar suppliers
- Refrigerator suppliers
- Black poly bags suppliers
- Latex collection cups suppliers
- Plastic crates

Biodiversity Assesment & GPS Mapping Process in Our Estates 2016/2017

Training & Awareness Programs for Suppliers

Some existing Fauna & Flora in Estates

GRI CONTENT INDEX

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G4-2	Description of key impacts, risks and opportunities	Corporate Profile, Risk Management	12, 122
ORGANIZATIONAL PROFILE			
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G4-4	Primary brands, products, and services	Report Profile, Corporate Profile	7, 12
G4-5	Location of the organization's headquarters	Corporate Information	228
G4-6	Name & the number of countries where the organization operates	Revenue Distribution	8
G4-7	Nature of ownership and legal form	Corporate Information	228
G4-8	Markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries)	Our Land ,Corporate Information	10, 228
G4-9	Scale of the organization – Total Number of employees, operations, net sales, capitalization	Sector Reviews Financial Capital	50, 57
G4-10	Total number of employees by contract and gender, permanent	Human Capital	75
G4-11	Percentage of total employees covered by collective bargaining	Human Capital	75
G4-12	Describe the organization's supply chain	Materiality Assessment	34
G4-13	Any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain	Financial Capital	57
G4-14	Report whether and how the precautionary approach is addressed	Natural Capital, Risk Management	87, 122
G4-15	Externally developed economic, environmental and social charters, principles, or other initiatives	Intellectual Capital	70
G4-16	List memberships of associations (such as industry associations) and national or international advocacy organizations	Stakeholder Engagement, Social capital	30, 83
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G4-17	All entities included in the organization's consolidated financial statements or equivalent documents.	Notes to the Financial Statements	154
G4-18	Process for defining the report content and the aspect boundaries	Materiality Assessment	37-47
G4-19	List all the material aspects identified in the process for defining report content		
G4-20	Material aspect, report the aspect boundary within the organization		
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G4-32	Report the 'in accordance' option the organization has chosen.		

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G4-38	Report the composition of the highest governance body and its committees	Corporate governance	102 - 121
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CORPORATE GOVERNANCE

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STATEMENT FROM THE CHAIRMAN ON CORPORATE GOVERNANCE

Good corporate governance is a vital element that contributes to the long-term growth and sustainability of KVPL. We strive to emulate good governance practices in all our day-to-day activities vis-à-vis strategies and procedures to facilitate good ethical behavior and a sound ethical culture. Our Corporate Governance framework consists of strong business principles, sound policies and procedures, underpinned by an efficient monitoring mechanism, where The Board of Directors stands as the apex governing body.

The Board consists of a diverse mix of individuals drawn from various disciplines. Their collective experience and varied perspectives have enabled the Company to implement strategic initiatives to enhance performance of KVPL, to overcome numerous sector-specific business challenges that we had to face in the period under review.

Our governance framework is geared to strengthen the roles and responsibilities of the Board of Directors of the Group, ensure transparency and accountability and reinforce our commitment to provide sustainable returns for the benefit of all internal and external stakeholders, despite all odds. Our Code of Conduct and Business Governance offers direction for all the employees across the organisation, where we continually stress on the values of good governance, honesty, integrity and fairness.

This section of the Annual Report seeks to demonstrate KVPL's governance framework in action and its correlation to the regulatory framework applicable to our business. Accordingly, our business principles reflect the standards set out to ensure that we operate lawfully and comply with all mandatory requirements including the Companies Act, No. 07 of 2007 and the updated Code of Best Practice on Corporate Governance, issued jointly by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka and the Code of Best Practices on Related Party Transactions issued by the Securities and Exchange Commission of Sri Lanka.

We hope that this brief message will be of value to you in assessing how the regulatory requirements and best practices are being put into action across KVPL.

I assure you that we make every effort to continuously improve our Corporate Governance practices by complying with the relevant regulatory and governance framework to achieve ethical and stewardship obligations, while supporting the creation of long - term sustainable stakeholder value.

As required in the above Code, I together with the Board of Directors hereby confirm that, we are not aware of any material violations of any of the provisions of the Code of Business Conduct and Ethics as the case maybe by any Director or any member of the Corporate Management of KVPL.

A M Pandithage
Chairman

12 May 2017

CORPORATE GOVERNANCE *CONTD.*

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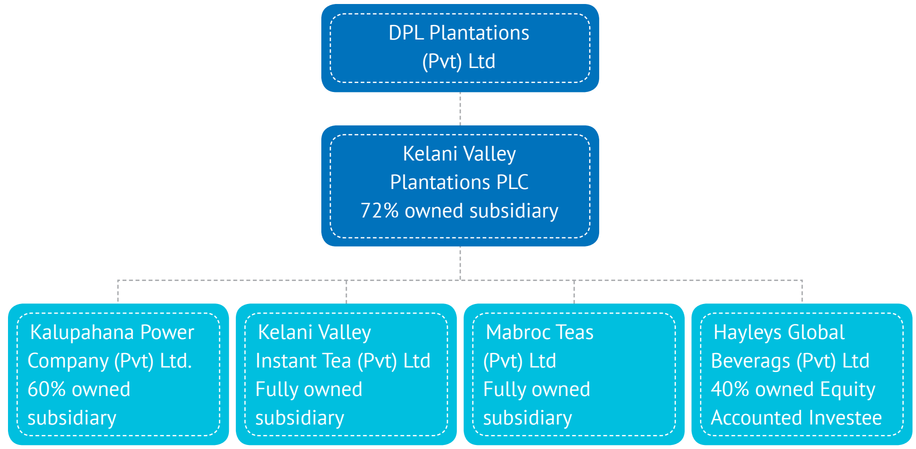
OWNERSHIP

Kelani Valley Plantations PLC (KVPL) is a member of the Hayleys Group and a subsidiary of DPL Plantations (Pvt) Ltd ("DPLP"), which is a fully owned subsidiary of Dipped Products PLC ("DPL"), a leading manufacturer of hand-protection wear in the world. Mabroc Teas (Pvt) Ltd ("MTPL") and Kelani Valley Instant Tea (Pvt) Ltd ("KVIT") are fully owned subsidiaries of KVPL. Mabroc Teas (Pvt) Ltd is one of Sri Lanka`s leading tea exporters supplying a wide range of teas to the global markets.

In association with Eco-Power (Pvt) Ltd., KVPL established Kalupahana Power Company Ltd. ("KPC"), in 2003, contributing 01 mw of electricity through its mini-hydro plant. 60% of Kalupahana Power Company (Pvt) Ltd. is owned by KVPL. Hayleys Global Beverages (Pvt) Ltd (HGBL) is an equity accounted investee of KVPL and has a 40% ownership.

CORPORATE GOVERNANCE FRAMEWORK

KVPL's Governance Guidelines provide Directors and the Management with a blueprint of their respective responsibilities. These guidelines, which are updated periodically, outline matters that require Board and Committee approval, advice or review. The Company adopts the Code of Best Practice on Corporate Governance 2013, jointly issued by The Securities and Exchange Commission of Sri Lanka and The Institute of Chartered Accountants of Sri Lanka (Code) which has been recommended for adoption by listed companies by the Colombo Stock Exchange. In addition to the listing Rules, the Code is used as a guideline to determine operational structures and processes that exemplify good governance practices across the business.

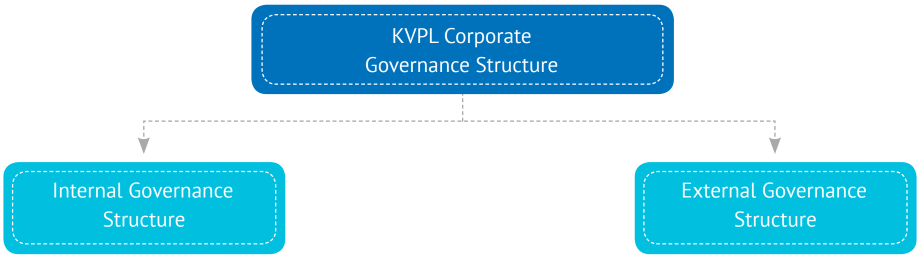


The Names of the Board of Directors and their attendance at meetings

NAME OF DIRECTOR	DIRECTOR CATOGARY	11/05/2016	03/08/2016	25/10/2016	30/01/2017	ATTENDANCE
A M Pandithage - Chairman	Ex	√	√	√	√	4/4
W G R Rajadurai (Managing Director)	Ex	√	√	√	√	4/4
Faiz Mohideen	INEx	√	√	√	√	4/4
S Siriwardana (CEO)	Ex	√	√	√	√	4/4
S C Ganegoda	NEx	√	√	√	√	4/4
L T Samarawickrama	NEx	X	X	√	√	2/4
Dr. K I M Ranasoma	NEx	√	√	√	√	4/4
C V Cabraal	INEx	√	√	√	√	4/4
L N de S Wijeyeratne	INEx	√	√	√	√	4/4

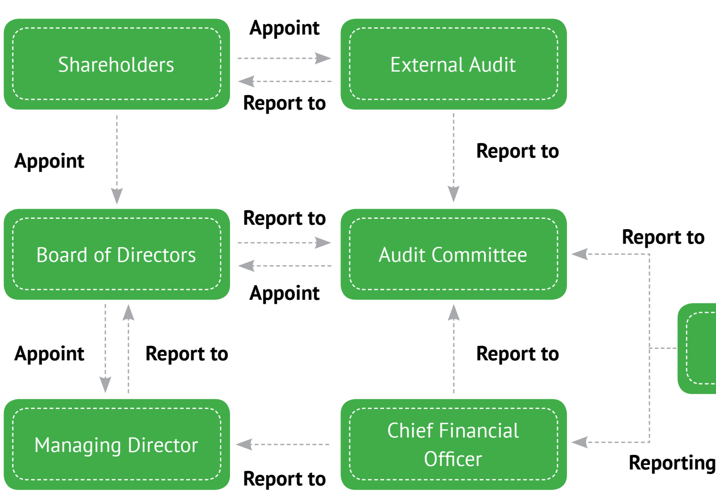
Ex: Executive, INEx: Independent Non-Executive, NEx: Non-Executive

KVPL CORPORATE GOVERNANCE STRUCTURE



INTERNAL GOVERNANCE STRUCTURE

The polices and procedures established under the guidance of KVPL's Board of Directors support an effective and efficient decision making process that helps the company to meet corporate governance standards. It includes the roles various stakeholders play in achieving organisation's goals.



CORPORATE MANAGEMENT TEAM

Comprising of the Managing Director (MD) and Director/CEO and the Senior Management Team, the Corporate Management Team is responsible for formulating, obtaining Board approval and implementing strategic imperatives within the policy framework established by the KVPL Board. The Management Committee is tasked with reviewing the annual budget, operational targets, review of monthly performance against budget and capital expenditure proposals prior to making recommendations to the Board.

The Audit Committee and the Corporate Management team are jointly responsible for reviewing managing risks and designing internal control systems to safeguard Company assets, ensure accurate and reliable system of record keeping and the timely dissemination of critical management information.

CORPORATE MANAGEMENT G4-35, 36

The Board has authorized the Managing Director (MD) as the primary authority responsible for the implementation of policies and achieving of strategic objectives of the Company. The MD is expected to exercise this authority within the policy framework established by the Board and the ethical framework and business practices inherent to the Company, which stipulates that the MD should comply with best practices when dealing with employees, customers, suppliers and the community at large.

The MD is also entrusted with optimising the use of Company's resources and implementing financial strategies outlined in the annual corporate plan and budget. In doing so, the MD should employ a continuous planning process with the active involvement of all executives. A system of regular review of operations is also in place to ensure close monitoring of performance and prompt corrective action is deployed where necessary.

Monthly Review Committees
Meeting of Finance, Corporate Communications and HR clusters of the Hayleys Group bring together representatives from different sectors of the Group to communicate relevant matters, areas of special interests and concerns, and share best practices. KVPL's Managing Director is a member of the Hayleys Group Management Committee and expected to participate in all monthly review meetings.

The Chief Financial Officer of the Company reports to the Hayleys Group CFO on a quarterly basis on any significant risks or concerns affecting the business activities of KVPL and the financials pertaining to the same. This reporting process may be more frequent if warranted. Further, The CFO's forum of the Hayleys Group enables

CORPORATE GOVERNANCE *CONTD.*

relevant matters to be debated among the CFOs of the Hayleys Group in order to safeguard the interests of the group.

Executive Management meetings are carried with the participation of The MD, CEO, and all other Heads of deportments, to discuss the performance, new initiatives, problems and strategies etc. This works as a brainstorming session where matters pertaining to KVPL's performance, growth, governance, administration etc. are reviewed.

Both the General Managers Up Country and Low Country conduct review meetings at a regional level, to assess estate-level performance and discuss issues, strategies and initiatives needed at this level. This process also functions as an effective communication channel between estate level management and the corporate management. The decisions taken at these meetings are tabled and reported to Head Office.

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EXTERNAL GOVERNANCE STRUCTURE

We adhere to the regulations, codes and best practices adopted by different governing bodies.

- Companies Act No. 7 of 2007
- Listing rules of the Colombo Stock Exchange
- Code of Best Practice on Corporate Governance issued jointly by The Securities and Exchange Commission of Sri Lanka and The Institute of Chartered Accountants of Sri Lanka
- Code of Best Practices on Related Party Transactions issued by the Securities and Exchange Commission of Sri Lanka
- Inland Revenue Act No 10 of 2006 and subsequent amendments
- Customs Ordinance
- Exchange Control Act
- Tea Board of Sri Lanka
- Chamber of Commerce
- Ministry of Plantations

INTERNAL AUDIT AND CONTROL

The Board, jointly with the management, is responsible for the company's internal control and its effectiveness. Internal controls are established with emphasis on safeguarding assets, making available accurate and timely information and enforcing greater discipline on decision making. The Internal Audit and Control function is a comprehensive mechanism that covers all financial, operational and compliance controls, and risk management systems. However it is important to note that any system can expected to provide only reasonable, but not absolute assurance that errors and irregularities are detected and prevented within a reasonable time.

INFORMATION TECHNOLOGY (IT) GOVERNANCE

KVPL's investment in IT covers resources operated and managed centrally and those resources deployed on the various estates where accounts are prepared using a computerised accounting package. The company's IT resources therefore comprises of these Computerized Accounting packages, utility software and networking facilities used at Head Office, including Internet and relevant devices are used to interconnect Head Office with estates.

IT VALUE AND ALIGNMENT

In recent years, KVPL has come to leverage on more and more on IT to improve processes across the business. However, investment in IT projects and systems are made after considering their suitability for the related projects. Furthermore, aspects such as cost savings, the provision of timely information and the balance between cost and benefits are also considered when decisions are taken.

With productivity improvement being identified as a key growth driver for KVPL, the company set up a Performance Monitoring Unit at the Head Office, to monitor the performance of the estates through an online system that delivers critical information in real time.

IT RISK MANAGEMENT

Risks associated with IT are assessed in the process of KVPL's Risk Management mechanism. The use of licensed software, close monitoring of internet usage (to comply with the IT Use Policy), mail server operations, the use of antivirus and firewall software, are some of the safeguards currently in place to minimize IT related risks.

EXTERNAL AUDIT

For the fourth consecutive year, Messrs. Ernst & Young (EY) were appointed as the external auditors of the company. The company is guided by the knowledge and experience of the Audit Committee to ensure effective usage of our external gauditor's expertise, while maintaining independence in order to deliver a transparent set of Financial Statements which are certified annually by them.

WHISTLE-BLOWER POLICY G4-58

The Whistle-blower policy provides a mechanism for employees to raise concerns regarding any person within the organization who they see as engaging in unlawful behaviour or violating the Company code of conduct by engaging in financial fraud, incorrect financial reporting, improper conduct, breach of values and policies of the organisation. Under the guidelines of the Whistle-blower policy, any employee who raises such concerns will be provided a guarantee that they will be protected from reprisals and victimisation.

The extent of compliance to the Code describes as follows.

REFERENCE TO CASL & SEC CODE	REQUIREMENT	STATUS OF COMPLIANCE	DETAILS OF COMPLIANCE
Section 1: The Company A. Directors			
Principle: A.1 The Board G4-37, 45, 47 During the year under review, the Board consisted of nine Directors- six Non-Executive Directors and three Executive Directors including the Chairman. The Board considered that the present composition and expertise is sufficient to meet the needs of the Group. The Non-Executive Directors contribute with their knowledge and experience collectively gained from experience in serving a variety of public and private organisations. The profiles of the Directors are found on pages 16 and 17 of this report. Details of Directors shareholdings in KVPL and the directorates they hold in other companies are given on page 18.			
A.1.1	Board meetings	Complied	The Board meets quarterly. Ad-hoc meetings are held as and when required. During the year under review the Board met on four occasions. The attendance at these meetings has been depicted in the table given in this section.
A.1.2	Responsibilities of the Board	Complied	The Board of Directors is responsible for setting up the governance framework within the company. The Board has engaged DPL Plantations (Pvt) Ltd as Managing Agent to manage the business and assets of the Company. The Board is responsible to: a. Enhance shareholder value. b. Ensure all stakeholder interests are considered in corporate decisions. c. Formulate and communicate business policy and strategy to ensure sustained growth, and monitor its implementation. d. Approve any change in the group's business portfolio and sanction major investments and dis investments in accordance with parameters set. e. Ensure Executive Directors have the skill and knowledge to implement strategy effectively, with proper succession arrangements in place. f. Ensure effective remuneration, reward and recognition policies are in place to ensure employee commitment and motivation. g. Set and communicate values/standards, with adequate attention being paid to accounting policies/practices and fostering compliance with financial regulations. h. Ensure effective information, control, risk management and audit systems are in place i. Ensure compliance with laws and regulations. j. Ensure that ethical standards are in place. k. Approve annual budgets and monitor performance against provisions made. l. Approve annual and interim results before they are published. m. Consult and consider inputs from 'experts' in relevant areas. n. Approve key appointments within the company and ensure all senior management staff receives appropriate training ensuring the adoption of an effective CEO and Key Management Personnel succession strategy.

CORPORATE GOVERNANCE *CONTD.*

REFERENCE TO CASL & SEC CODE	REQUIREMENT	STATUS OF COMPLIANCE	DETAILS OF COMPLIANCE
			o. Recognise sustainable business development in Corporate Strategy, decisions and activities. p. Adequacy and the integrity of the Plantation's Internal control systems over financial reporting and Management Information Systems are reviewed by the Board Audit Committee.
A.1.3	Compliance with the laws of the country and agreed to obtain independent professional advice	Complied	The Board collectively, and Directors individually act in accordance with the laws and regulations of the country, and group policies. The Board obtained professional advice within and outside the company on corporate planning, financial reporting, tax and legal advice, at the Company's expense during the year.
A.1.4	Access to the advice and services of the Company Secretary	Complied	The services and advice of the Company Secretary are available to all the Directors. The Company Secretary ensures that Board procedures and all applicable rules and regulation are complied with. The removal of the secretary is a matter for the Board as a whole.
A.1.5	Independent judgment of the Directors	Complied	Non-Executive Directors are independent from the Management and free from any business and other relations. None of the other Directors are related to each other. This enables all the members of the Board to bring independent judgment to bear on issues of strategy, performance, resources and standards of business conduct.
A.1.6 G4-41	Dedication of adequate time and effort of the Directors	Complied	The Board of Directors dedicates adequate time and effort to ensure that their duties and responsibilities towards Company and Board are discharged. Sufficient time is dedicated before a meeting to review Board papers and call for additional information and clarification, and to follow up on issues consequent to the meeting. Hence, they are able to familiarise with the business changes, operations, risks and controls which ultimately help to satisfactorily discharge the duties and responsibilities owed to the Company.
A.1.7 G4-43	Training for new and existing Directors	Complied	The Board is of the view that continuous training and development of skills and knowledge are vital for effective performance of duties and these requirements are reviewed regularly. Training programmes are conducted for the directors and the top-management. Training programmes for top-management cover the training requirement for the directors as well. Training was provided through the ultimate parent Hayleys group during the year.

REFERENCE TO CASL & SEC CODE	REQUIREMENT	STATUS OF COMPLIANCE	DETAILS OF COMPLIANCE
Principle: A.2 Chairman and Chief Executive Officer (CEO) Chairman and the Chief Executive Officer are two different positions which clearly distinguished the power and authority when conducting the business of the Board and facilitating executive responsibility for the management			
A.2.1	Division of responsibilities of Chairman and CEO	Complied	The Chairman and the Chief Executive Officer of the Company are two different personnel where clearly distinguish the power and authority. The Chairman of the Company is also the Chairman of DPL Plantations Limited, DPL PLC and Hayleys PLC. The separation between the position of the Chairman and officers with executive powers in the Company ensure a balance of power and authority.
Principle: A.3 Chairman's role G4-42 The Chairman is the most responsible person for guiding the Board in formulating the appropriate business strategies and gives direction to the Company. He preserves the good corporate governance in the Company.			
A.3.1 G4-39	Chairman's role	Complied	The Chairman is responsible for the efficient conduct of Board meetings and ensures, inter alia, that: a. The effective participation of both Executive and Non – Executive Directors are secured; b. All Directors are encouraged to make an effective contribution, within their respective capabilities for the benefit of the Company; c. A balance of power between Executive and Non – Executive Directors is maintained d. The view of Directors on issues under consideration are ascertained; and e. The Board is in complete control of the company's affairs and alert to its obligations to all shareholders and other stakeholders. f. The Chairman maintains close contact with all Directors and, where necessary, holds meetings with Non - Executive Directors without Executive Directors being present. g. Approving the Agenda for each meeting prepared by the Board Secretary. h. Ensuring that the Board members receive accurate, timely and clear information about the Plantation's performance in order to make sound decisions, monitor efficiently and provide advice to promote success. i. Ensure regular meetings, the minutes of which are accurately recorded and is available inspection thereof by the directors.
Principle: A.4 Financial Acumen			
A.4.1	Financial acumen	Complied	The Board includes three senior Chartered Accountants, who possess the necessary knowledge and competence to offer the Board guidance on matters of finance. One of them serves as Director / CEO of KVPL. Other is an Executive Director of Hayleys PLC. The Audit Committee chairman is also a senior Chartered Accountant. Other members of the Board are adequately experienced in handling matters of finance by serving in different organisations. Hence the Board is with sufficient financial acumen and knowledge to offer guidance on matters of finance.
Principle: A.5 Board Balance			
A.5.1	Non-Executive Directors	Complied	Six out of nine Directors on the Board are Non-Executive Directors. The composition of the Executive and Non-Executive Directors (the latter are over one third of the total number of Directors) satisfy the requirements laid down in the Listing Rules of the Colombo Stock Exchange.

CORPORATE GOVERNANCE *CONTD.*

REFERENCE TO CASL & SEC CODE	REQUIREMENT	STATUS OF COMPLIANCE	DETAILS OF COMPLIANCE
A.5.2	Independence of Non-Executive Directors	Complied	Three of six Non-Executive Directors are independent. The Board has determined that three Non-Executive Directors satisfy the criteria for "independence" set out in the Listing Rules.
A.5.3	Independence of Non-Executive Directors	Complied	Non-Executive Directors' profiles reflect their calibre and the weight their views carry in Board deliberations. Each is independent of management and free from any relationship that can interfere with independent judgment. The balance of Executive, Non-Executive and Independent Non-Executive Directors on the Board ensures that no individual Director or small Group of Directors dominate Board discussion and decision making.
A.5.4	Annual declaration of independence – of Non-Executive Directors	Complied	Each Non-Executive Director submits annual declarations on his independence or non-independence in a prescribed format.
A.5.5	Board determination of independence of Non-Executive Directors and disclosure in Annual Report	Complied	The Board considers the declaration of independence submitted by each Non-Executive Director with the basis for determination laid down by the Listing Rule of the CSE and the Code of Best Practices as a fair representation and will continue to evaluate their independence on this basis annually. Brief resume of all the Directors is available in pages 16 and 17.
A.5.6	Appointment of alternate Director	Not applicable	There were no appointments of alternative Directors during the year.
A.5.7, A.5.8	Requirement to appoint Senior Independent Director	Not applicable	This is not applicable as the Chairman and the Managing Director is not the same person.
A.5.9 G4-39	Chairman's meetings with Non-Executive Directors	Complied	The Chairman holds meetings with the Non-Executive Directors, without Executive Directors, at least once in each year and at any other time where necessary.
A.5.10	Record in the Board minutes of Concerns not unanimously resolved	Complied	All Board/Committee matters of the Company are accordingly Minuted with sufficient detail to enable a proper assessment to be made of the deliberations and any discussions taken at the meeting. All discussions during the year were unanimously agreed.

REFERENCE TO CASL & SEC CODE	REQUIREMENT	STATUS OF COMPLIANCE	DETAILS OF COMPLIANCE
Principle: A.6 Supply of information The Board is provided with timely information in a form and of a quality appropriate to enable them to discharge their duties.			
A.6.1	Timely and appropriate information to the Board	Complied	Management provides the Board with appropriate and timely information. When information volunteered by management is inadequate Directors could make further inquiries. Chairman ensures that all Directors are properly briefed on issues arising at meetings.
A.6.2	Information provided in advance to the Board meetings	Complied	The Board meetings are arranged in advance and all Directors are informed. The Directors are provided with minutes, the agenda and the Board papers in advance to prepare and clearly comprehend with the matters to be discussed.
Principle: A.7 Appointments to the Board G4-40 There should be a formal and transparent procedure for the appointment of new Directors to the Board			
A.7.1, A.7.2	Appointment to the Board	Complied	As per the recommendation made by the Nomination committee of Hayleys PLC, the ultimate parent company, the Board as a whole approves on the appointment of Directors. The Board annually assesses the Board composition to ascertain whether the combined knowledge and experience of the Board matches the strategic demands facing the Company.
A.7.3	Disclosure of new appointments	Complied	There were no new Board appointments made during the financial year. In the event of new appointments, a brief resume of the Director, nature of his experience and the independency is informed to the Colombo Stock Exchange in line with the listing Rules and disclosed in the Annual Report on Pages 16 and 17.
Principle: A.8 Re-election All Directors submit themselves for re-election at regular intervals and at least once in every three years.			
A.8.1, A.8.2	Re-election of Directors	Complied	The provisions of the Company's Articles require a Director appointed by the Board to hold office until the next Annual General Meeting, and seek re-appointment by the shareholders at that meeting. The Articles call for one third of the Directors in office to retire at each Annual General Meeting. The Directors who retire are those who have served for the longest period after their appointment /re-appointment. Retiring Directors are generally eligible for re-election. The Managing Director does not retire by rotation.
Principle: A.9 Appraisal of Board Performance G4-44 Board periodically appraises their own performance in order to ensure that Board responsibilities are satisfactorily discharged.			
A.9.1, A.9.2, A.9.3	Appraisal of Board performance	Complied	The performance of the Board and Sub-Committees is evaluated annually on self-assessment basis.
Principle: A.10 Disclosure of Information in respect of Directors			
A.10.1	Disclosures about Directors	Complied	Name, qualifications, brief profile, and nature of expertise are given in pages 16 and 17 of this annual report. Director's interests in contracts are given in the pages 201 to 203 of this report. The numbers of Board meetings attended by the Directors are available in the page 102 of this report.

CORPORATE GOVERNANCE *CONTD.*

REFERENCE TO CASL & SEC CODE	REQUIREMENT	STATUS OF COMPLIANCE	DETAILS OF COMPLIANCE
Principle: A.11 Appraisal of Chief Executive Officer			
A.11.1, A.11.2	Evaluation the performance of the CEO	Complied	The short, medium and long-term objectives including financial and non-financial targets that should be met by the CEO are set and evaluated at the commencement of each fiscal year. The performances were evaluated annually and ascertained whether the targets were achieved or whether achievement is reasonable in the circumstances.
B. Directors Remuneration			
Principle: B.1 Remuneration procedure G4-51, 52			
B.1.1	Remuneration Committee.	Complied	The Remuneration Committee of Hayleys PLC, the ultimate parent company is responsible in assisting the Board in recommending the remuneration payable for the Executive Directors and Corporate management. The Board makes the final determination after considering such recommendations.
B.1.2, B1.3	Composition of the remuneration committee		The Remuneration Committee of Hayleys PLC, which is the ultimate parent of the Company, acts as the Remuneration Committee of KVPL. The Remuneration Committee comprises of following two Independent Non-executive Directors. Dr. H. Cabral, PC - Chairman Mr. M.Y.A. Perera and Mr. S. C. Ganegoda – an Executive Director of Hayley PLC.
B1.4	Remuneration of the Non-Executive Directors		The Board as a whole decides the remuneration of the Non-Executive Directors in line with the market rates and within the limit set in the Articles of Association of the Company.
B1.5	Consultation of the Chairman and access to professional advice.		Remuneration committee consults the Chairman about its proposal regarding the remuneration of other Executive Directors. Both internal and external professional advice has been taken during the year under review.
Principle: B.2 The level and make up of remuneration			
B.2.1, B.2.2	Levels of remuneration for Executive Directors	Complied	Remuneration package is designed to attract, retain and motivate the Directors needed to run the Company successfully but avoid paying more than necessary for this purpose. The Remuneration Committee takes into account market practices. Their remuneration comprises a fixed salary component, which include perquisites and allowances.
B.2.3	Positioning company remuneration levels relative to other companies	Complied	The Remuneration Committee structures and reviews the company's remuneration levels in relation to the other companies and other parts of the Group.

REFERENCE TO CASL & SEC CODE	REQUIREMENT	STATUS OF COMPLIANCE	DETAILS OF COMPLIANCE
B.2.4	Performance related elements of remuneration for executive Directors	Complied	The performance based incentives has been determined by the remuneration committee to ensure that the earnings of the executives are aligned with the achievement of objectives and budgets of the Group companies.
B.2.5	Share option schemes	Not applicable	Presently the Group does not have an Executive Share Option scheme.
B.2.6 G4-53	Designing performance related Remuneration	Complied	Performance-related remuneration is designed by the Remuneration Committee based on the provisions set out
B.2.7, B.2.8 G4-54,55	Compensation, commitments in the event of early termination and dealing with early termination	Complied	There are no provisions for compensation for early termination in the letter of contract. However, the Directors would determine this on a case by case basis.
B.2.9	Levels of remuneration for Non-Executive Directors	Complied	The Remuneration Committee determines the levels of remuneration for Non-executive Directors taking into account the time commitment and responsibilities of their role and market practices. Remuneration for non-executive Directors does not include share options.
Principle: B.3 Disclosure of the remuneration			
B.3.1	Disclosure of the remuneration	Complied	The total of Directors' Remuneration is reported in note 9 to the Financial Statements.
C. Relations with Share Holders			
Principle: C.1 Constructive use of the AGM and conduct of General Meetings			
C.1.1	Use of proxy	Complied	The Company ensures that all proxy votes are counted and the level of proxies lodged on each resolution is conveyed to the Chairman
C.1.2	Separate resolution for substantially separate issue	Complied	Separate resolutions are proposed at an Annual General Meeting on each substantially separate issue. Adoption of the Annual Report of the Board of Directors on the affairs of the Company, Statement of Compliance and the Financial Statements with the Independent Auditor's Report is considered as a separate resolution.
C.1.3	Answer questions at the AGM	Complied	The Board invites the Chairman of the Audit Committee to be available to answer queries at the AGM when necessary. The active participation of shareholders at the Annual General Meeting is encouraged. The Board believes the AGM is a means of continuing effective dialogue with shareholders. The Board offers clarifications and responds to concerns shareholders have over the content of the Annual Report as well as other matters which are important to them. The AGM is also used to adopt the financial statements for the year.

CORPORATE GOVERNANCE *CONTD.*

REFERENCE TO CASL & SEC CODE	REQUIREMENT	STATUS OF COMPLIANCE	DETAILS OF COMPLIANCE
C.1.4, C.1.5	Notice of Annual General Meeting and General Meetings	Complied	The Notice of Meeting is included in the Annual Report. The Notice contains the Agenda for the AGM as well as instructions on voting for shareholders, including the appointment of proxies. A Form of Proxy is enclosed with the Annual Report. The period of notice prescribed by the Companies Act No 7 of 2007 has been met. The notice and the agenda of the Annual General Meeting together with the Annual Report with all other relevant documents are sent to the shareholders 15 working days prior to the meeting.
Principle: C.2 Communication with shareholders			
C.2.1	Channel to reach all shareholders of the company	Complied	The modes of communication between the company and the shareholders are the Annual Reports, Quarterly Financial Statements, Interim Reports, announcements made through the Colombo Stock Exchange, other press releases and Annual/ Extraordinary General Meetings. Shareholders may bring up concerns they have, with the Chairman, the Managing Director or the Secretaries, as appropriate. The soft version of the Annual Report is posted on the company website as soon as they have been released to the Stock Exchange. The website posts news and latest updates of the company.
C.2.2.	Disclosure of the communication policy	Complied	The communication policy and methodology for communication with the shareholders are given in the stakeholder engagement.
C.2.3	Implementation of the policy and methodology for communication with Shareholders	Complied	In terms of the CSE Listing Rules, Annual Reports are issued in CD form. However a shareholder could be provided with a printed copy of the Annual Report if requested in writing to do so. A copy of the interim financial statements are released to the Colombo Stock Exchange and posted on their website. Copies of all public announcements are made available to the CSE for dissemination to the public.
C.2.4	Disclosure of contact person	Complied	Shareholders can forward their inquiries via electronic media (e-mail, telephone call or in writing) to the relevant person to raise queries. The contact person for such communication is the Company Secretary.
C.2.5	Major issues and concerns of shareholders	Complied	All the major issues relating to shareholders are brought to the attention of the Board.
C.2.6 G4-50	Person to be contacted with regard to shareholders' matters.	Complied	The company secretary holds the responsibility to be contacted in relation to shareholders' matters.
C.2.7 G4-50	Process for responding to shareholder matters	Complied	The Company Secretary is the first contact for shareholder matters. The Board in conjunction with the Company Secretary formulates the process for addressing shareholder matters.

REFERENCE TO CASL & SEC CODE	REQUIREMENT	STATUS OF COMPLIANCE	DETAILS OF COMPLIANCE
Principle: C.3 Major and material Transactions			
C.3.1	Disclosure of Major Transactions to shareholders	Complied	There have been no transactions during the year falling within the definition of "Major Transactions" as set out in the Companies Act No 7 of 2007.
D. Accountability and Audit			
Principle: D.1 The Board should present a balanced and understandable assessment of the Company's financial position and performance and prospect			
D.1.1	Balance and understandable information to shareholders	Complied	The Board places great emphasis on complete disclosure of financial and non-financial information within the bounds of commercial reality, and on the adoption of sound reporting practices. Financial information is disclosed in accordance with the Sri Lanka Accounting Standards. Revisions to existing accounting standards and adoption of new standards are carefully monitored.
	Price Sensitive Information		The Annual Report includes descriptive, non-financial content through which an attempt is made to provide stakeholders with information to assist them make more informed decisions.
	Shareholder Value & Return		Due care is exercised with respect to share price sensitive information. The Board strives to enhance shareholder value and provide a total return in excess of the market. It has been the policy of the Board to distribute a reasonable dividend to the shareholders whilst retaining sufficient resources for capital needs.
D.1.2	Statement of Directors Responsibility	Complied	The Statement of Directors' Responsibilities for the financial statements is given in page 140 of this report.
D.1.3	Responsibilities of Board for preparation of Financial Statements together with Auditors Report	Complied	Chief Financial Officer and two other Directors have signed the Financial Statements on behalf of the Board. Responsibilities of Board of Directors are disclosed in page 140 The Auditors' Report for the year ended 31 March 2017 is available on page 145 of this report. A statement on Internal Control is included on page 138
D.1.4	Management Discussion & Analysis	Complied	A comprehensive coverage of key initiatives undertaken during the year, external impacts, sector performances, achievements and future outlook, awards won and certifications received is available in the Management Discussion (page 30 to page 96) of this Report.

CORPORATE GOVERNANCE *CONTD.*

REFERENCE TO CASL & SEC CODE	REQUIREMENT	STATUS OF COMPLIANCE	DETAILS OF COMPLIANCE
D.1.5	Declaration of Going Concern	Complied	The Directors have reasonable expectations that the Company has resources to continue in operational existence for the foreseeable future. Arriving that, the Directors make necessary inquiries and reviews for all the aspects that effect on financial performance and position i.e. budgets for the ensuing year, capital expenditure requirements, future prospects and risks, cash flows and borrowing facilities. Therefore the going concern basis has been adopted in the preparation of the financial statements. This has been disclosed under the Summary of Significant Accounting Policies in the Financial Statements.
D.1.6	Summon an EGM to notify serious loss of capital	Complied	In the event the net assets of the Company fall below 50% of its Stated Capital, the Directors will forthwith summon an Extra Ordinary General Meeting to notify shareholders the remedial action being taken. However such event has not taken place since the adoption of New Companies Act No 07 of 2007.
D.1.7	Related party transactions	Complied	The company adheres to the Code of Best Practises on Related Party Transactions which is issued by the Securities and Exchange Commission of Sri Lanka.
Principle: D.2 Internal Control			
D.2.1	Requirement of sound system of internal control	Complied	The Directors hold responsibility to conduct reviews of the risks facing the company and the effectiveness of the internal controls to be reported to shareholders. The Audit Committee executes this function; evaluate the effectiveness on behalf of the Board and make necessary recommendations to the Board.
D.2.2	Review need for Internal Audit function	Complied	Company is having an internal audit function at head office and sub office. Audits are conducted in accordance with the programme prepared at the beginning of the year. The Hayleys Group Management Audit and System Review Department (MA&SRD) carried internal audits according to the annual plan. The internal audit function are also outsourced to leading audit firms according to the annual audit plan.
D.2.3	Review of the process and effectiveness of risk management	Complied	The Board has delegated to the Audit Committee to carry out reviews of the process and effectiveness of risk management and internal controls, and to report it to the Board. The disclosure of internal controls are on page 138
D.2.4	Sound system of internal controls	Complied	The responsibilities of the Directors in maintaining a sound system of internal control and the contents of the Statement of Internal control are reported in page 138
Principle: D.3 Audit Committee			
D.3.1	Composition of Audit Committee	Complied	The Audit Committee was established in 2008. The Committee consists entirely of Non-Executive Directors and is chaired by Mr. L.N.De.S.Wijeyeratne. He is a Fellow Member of The Institute of Chartered Accountants of Sri Lanka. All three Directors are Independent Non-Executive Directors.

REFERENCE TO CASL & SEC CODE	REQUIREMENT	STATUS OF COMPLIANCE	DETAILS OF COMPLIANCE
D.3.2	Committees' purpose, duties and responsibilities	Complied	The Committee is empowered to examine any matters relating to the Financial Reporting systems of KVPL, and its external and internal audits. Its duties include the detailed review of Financial Statements, internal control procedures and risk management framework, accounting policies and compliance with applicable accounting standards and other rules & regulations. It reviews the adequacy of systems in place for compliance with relevant legal, regulatory and ethical requirements and company policies. The Audit Committee makes recommendations to the Board pertaining to appointment, re –appointment of External Auditors after assessing the independence and performance, and approves the remuneration and terms of engagement of the external auditors. The Chairman, the Managing Director, the Chief Executive Officer of the Company, Head of Group Internal Audit and Hayleys Group CFO are invited to attend Meetings. Other Directors and Senior Managers attend meetings as required. The input of the External Auditors is obtained where necessary. The Audit Committee helps the Group to achieve a balance between conformance and performance.
D.3.3	Written Terms of Reference	Complied	Terms of References (TOR) provides proper guideline duty and authority to deliver the responsibilities.
D.3.4	Disclosures	Complied	Mr. L.N.De.S.Wijeyeratne is the Chairman of the Audit Committee. Mr. F. Mohideen and Mr. C V Cabraal are the two other members. Annual report contains a compliance report of the Audit Committee in pages 141 and 142
Principle: D.4 Code of Business Conduct & Ethics G4-56			
D.4.1	Disclosure on presence of Code of Business Conduct & Ethics	Complied	The Directors and members of the Senior Management team are bound with a Code of Business Conduct & Ethics which is developed by the Hayleys Group. The Code consists of important topics such as conflict of interest, corporate opportunities, confidentiality, fair dealing, protection and proper use of Company assets, compliance of laws, rules and regulations etc. The Board ensures the compliance with the code and noncompliance may cause to disciplinary actions.
D.4.2	Affirmation of Code in the Annual Report by the Chairman	Complied	The Chairman affirms that he is not aware of any violation of any of the provisions of the Code of Business Conduct & Ethics in the Annual Report. Please refer the Chairman's Statement in the page 101 of this report.
Principle: D.5 Corporate Governance disclosures			
D.5.1	Disclosure of adherence to Corporate Governance	Complied	The extent to which the Company adheres to established principles and practices of good Corporate Governance are disclosed from pages 101 to 121 of this report.

CORPORATE GOVERNANCE *CONTD.*

REFERENCE TO CASL & SEC CODE	REQUIREMENT	STATUS OF COMPLIANCE	DETAILS OF COMPLIANCE
Section 2: Shareholders **E. Institutional Investors**			
Principle: E.1 Shareholder voting, E.2. Evaluation of governance disclosures			
E.1.1	Use of the vote of Institutional Investors	Complied	All investors are invited to attend the Annual General Meeting and they are encouraged to make comments/suggestions . The Company seek dialogues with institutional investors. Impartiality is maintained on shareholder votes at the AGM based on individual holding and weightage.
E.2	Evaluation of governance disclosure	Complied	Institutional investors are encouraged to give due weight to all relevant factors drawn to their attention when evaluating companies' governance arrangement particularly in relation to Board structure and composition.
F. Other investors			
Principle: F.1 Investing/Divesting decisions F.2 Shareholder voting			
F.1	Individual shareholders are encouraged to do their own analysis or seek independent advice.	Complied	The Quarterly Financial Statements, Company disclosures, Annual Report provides sufficient information to carry out their own analysis in investing or divesting decisions. In addition KVPL encourages individual shareholders to seek independent advice for their investing and divesting decisions
F.2	Encourage shareholders to participate and vote at AGM	Complied	All shareholders are encouraged to actively participate in the AGM and they have the independence of exercising their votes as they wish.
Principle: G. Sustainability reporting G4-48			
G.1	Principles of sustainability reporting	Complied	Recognition, measurement, disclosure and accountability to internal and external stakeholders for organisational performance towards the goals of sustainable development in the context of the overall business activities of the organization are being reported in the Sustainability Report.
G.1.1	Economic sustainability	Complied	The company takes responsibility for impact of the strategies, decisions and activities on economic performance and how this is integrated throughout the organisation.
G.1.2	The environment	Complied	The organisation adopts an integrated approach that takes into account the direct and indirect economic, social, health and environmental implications of their decisions and activities, including pollution prevention, sustainable resource use, climate change, protection of environment, bio-diversity and restoration of natural resources.
G.1.3	Labour practice	Complied	The company encompasses all policies and practices in relation to work performed by or on behalf of the company.

REFERENCE TO CASL & SEC CODE	REQUIREMENT	STATUS OF COMPLIANCE	DETAILS OF COMPLIANCE
G.1.4	Society	Complied	Company engages in supporting and building relationships with the community and striving for sustainable development. This includes responsible public policy participation, fair competition and responsible community involvement.
G.1.5	Product Responsibility	Complied	Company manufactures quality tea and distributes them ensuring that the products are safe for the consumers so that they can make an informed choice. Company complied with the international food safety standards. i.e. HACCP and ISO 22000 Certification, Rainforest Alliance (RA™) Certification, Forest Stewardship Council (FSC™), Good Manufacturing Practice.
G.1.6 G4-49	Stakeholder identification, engagement and effective communication	Complied	Internal and external stakeholder groups are identified in relation to company's sphere of influence, impact and implication. Communication with them is proactive and transparent. Communications with stakeholders include reporting on economic, social, and environmental issues which are relevant, material, comparable with past performance and focuses on substance over form.
G.1.7	Sustainable reporting and disclosure	Complied	Sustainable reporting and disclosure is formalised as part of the company's reporting process on a regular basis. Company's sustainability reporting is done based on the G4 version in GRI standards. This is Board's responsibility which is built on several guidelines.

CORPORATE GOVERNANCE *CONTD.*

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

RULE NO.	SUBJECT	APPLICABLE REQUIREMENT	COMPLIANCE STATUS	APPLICABLE SECTION IN THE ANNUAL REPORT
7.10.1 (a)	Non-Executive Directors	At least one third of the total number of Directors should be Non-Executive Directors	Compliant	Corporate Governance A.5.1 Six out of nine Directors on the Board are Non-Executive Directors
7.10.2 (a)	Independent Directors	Two or one third of Non-Executive Directors, whichever is higher, should be Independent	Compliant	Corporate Governance A.5.2 Three of six Non-Executive Directors are Independent
7.10.2 (b)	Independent Directors	Each Non-Executive Director should submit a declaration of independence/non-independence in the prescribed format	Compliant	Corporate Governance A.5.4 Each Non-Executive Director has submitted declarations stating the independence/non-independence in a prescribed format
7.10.3 (a)	Disclosure relating to Directors	Names of Independent Directors should be disclosed in the Annual Report	Compliant	Corporate Governance A.5.5 Brief resume of all the Directors is available on pages 16 and 17
7.10.3 (b)	Disclosure relating to Directors	The basis for the Board to determine a Director is Independent, if criteria specified for Independence is not met	Compliant	Corporate Governance A.5.5 All the Independent Non-Executive Directors meet the criteria specified in the Listing Rules of the CSE.
7.10.3 (c)	Disclosure relating to Directors	A brief resume of each Director should be included in the Annual Report and should include the Director's areas of expertise	Compliant	Corporate Governance A.5.5
7.10.3 (d)	Disclosure relating to Directors	Forthwith provide a brief resume of new Directors appointed to the Board with details specified in 7.10.3 (a),(b) and (c) to the Exchange	Compliant	Corporate Governance A.7.3 There were no new appointments of new Directors during the financial year.
7.10.5	Remuneration Committee	A listed company shall have a Remuneration Committee	Compliant	Corporate Governance B.1.1, B.1.2, B.1.3, B.1.4, B.1.5 Remuneration Committee of Hayleys PLC, the ultimate parent company, acts as the Remuneration Committee of KVPL
7.10.5 (a) G4-52	Composition of Remuneration Committee	Shall comprise Non-Executive Directors a majority of whom will be independent	Compliant	Corporate Governance B.1.1, B.1.2, B.1.3, B.1.4, B.1.5 Comprise of two Independent Non-executive Directors
7.10.5(b)	Functions of Remuneration Committee	The Remuneration Committee shall recommend the remuneration of Chief Executive Officer and Executive Directors	Compliant	Corporate Governance B.1.1, B.1.2, B.1.3, B.1.4, B.1.5

RULE NO.	SUBJECT	APPLICABLE REQUIREMENT	COMPLIANCE STATUS	APPLICABLE SECTION IN THE ANNUAL REPORT
7.10.5 (c)	Disclosure in the Annual Report relating to Remuneration Committee	The Annual Report should set out; ▪ Names of Directors comprising the Remuneration Committee ▪ Statement of Remuneration Policy ▪ Aggregated remuneration paid to Executive & Non-Executive Directors	Compliant	Corporate Governance B.1.1, B.1.2, B.1.3, B.1.4, B.1.5
7.10.6	Audit Committee	The company shall have an Audit Committee	Compliant	Corporate Governance D.3.1, D.3.2 The Audit Committee was established in 2008.
7.10.6 (a)	Composition of Audit Committee	▪ Shall comprise of Non-Executive Directors a majority of whom will be independent ▪ Non-Executive Directors shall be appointed as the Chairman of the committee ▪ Chief Executive Officer and Chief Financial Officer should attend Audit Committee Meetings ▪ The Chairman of the Audit Committee or one member should be a member of a professional accounting body	Compliant	Corporate Governance D.3.1, D.3.2 Audit Committee Report is available in pages 141 and 142
7.10.6 (b)	Audit Committee Functions	Functions shall include: ▪ Overseeing of the preparation, presentation and adequacy of disclosures in the financial statements in accordance with Sri Lanka Accounting Standards ▪ Overseeing of the compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements. ▪ Overseeing the 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 auditors.	Compliant	Corporate Governance D.3.3

CORPORATE GOVERNANCE *CONTD.*

RULE NO.	SUBJECT	APPLICABLE REQUIREMENT	COMPLIANCE STATUS	APPLICABLE SECTION IN THE ANNUAL REPORT
7.10.6 (c)	Disclosure in the Annual Report relating to Audit Committee	a) Names of Directors comprising the Audit Committee b) The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination c) The Annual Report shall contain a Report of the Audit Committee setting out of the manner of compliance with their functions	Compliant	Corporate Governance D.3.4 Please refer Audit Committee Report on pages 141 and 142
9.2.1 & 9.2.3	Related Party Transactions Re-view Committee	As per the Listing Rules of the CSE this is mandatory from 1 January 2016. If the parent Company and the subsidiary Company both are listed entities, the Related Party Transactions Re-view Committee of the parent Company may be permitted to function as such Committee of the subsidiary.	Compliant	The RPT Committee of Hayleys PLC the Parent Company, which was formed on 10 February 2015 functions as the committee of the Company.
9.2.2	Composition	02 Independent Non-Executive Directors and 01 Executive Director	Complaint	RPT review committee report Annual Report of the Board of Directors
9.2	Related Party Transactions Re-view Committee Functions	▪ To review in advance all proposed related party transactions of the group 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. ▪ Seek any information the Committee requires from management, employees or external parties to with regard to any transaction entered into with a related party. ▪ Obtain knowledge or expertise to assess all aspects of proposed related party transactions where necessary including obtaining appropriate professional and expert advice from suitably qualified persons. ▪ To recommend, where necessary, to the Board and obtain their approval prior to the execution of any related party transaction. ▪ To monitor that all related party transactions of the entity are transacted on normal commercial terms and are not prejudicial to the interests of the entity and its minority shareholders.	Complaint	RPT Review Committee Report

RULE NO.	SUBJECT	APPLICABLE REQUIREMENT	COMPLIANCE STATUS	APPLICABLE SECTION IN THE ANNUAL REPORT
		▪ Meet with the management, Internal Auditors/External Auditors as necessary to carry out the assigned duties. ▪ To review the transfer of resources, services or obligations between related parties regardless of whether a price is charged. ▪ To review the economic and commercial substance of both recurrent/non recurrent related party transactions ▪ To monitor and recommend the acquisition or disposal of substantial assets between related parties, including obtaining 'competent independent advice' from independent professional experts with regard to the value of the substantial asset of the related party transaction.		
9.2.4	Related Party Transactions Re-view Committee-Meetings	Shall meet once a calendar quarter	Complaint	RPT Review Committee Report. Annual Report of the Board of Directors.
9.3.2	Related Party Transactions Re-view Committee-Disclosure in the Annual Report	a) Non-recurrent Related Party Transactions- If aggregate value exceeds 10% of the equity or 5% Total assets whichever is lower. b) Recurrent Related Party Transactions – If aggregate value exceeds 10% Gross revenue/income as per the latest audited accounts c) Report by the Related Party Transactions re-view Committee d) A declaration by the Board of Directors	Compliant	RPT Review Committee Report. (Page No. 143) Annual Report of the Board of Directors. (Page No. 136)

RISK MANAGEMENT

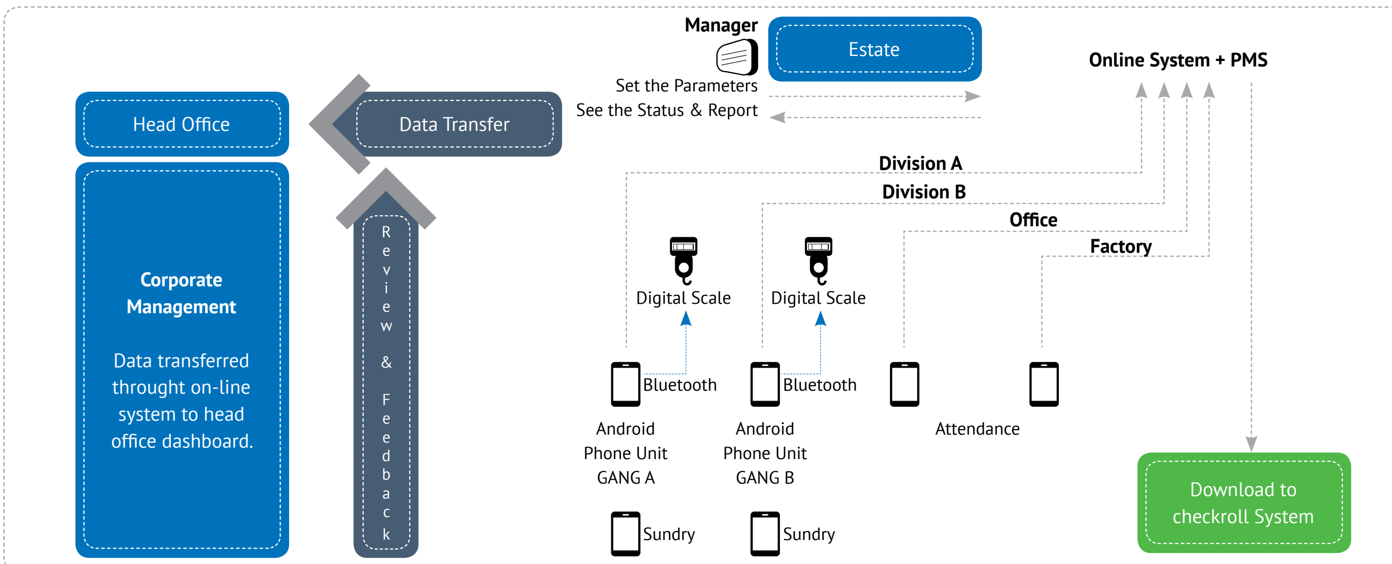
G4-2,14, EC 2

A Structured and transparent Enterprise Risk Management (ERM) system, adopting the guidelines presented by the Committee of Sponsoring Organisations of the Treadway Commission (COSO) is in place at Hayleys group (Ultimate parent of the company) to identify, manage and mitigate risks in a consistent and structured manner.

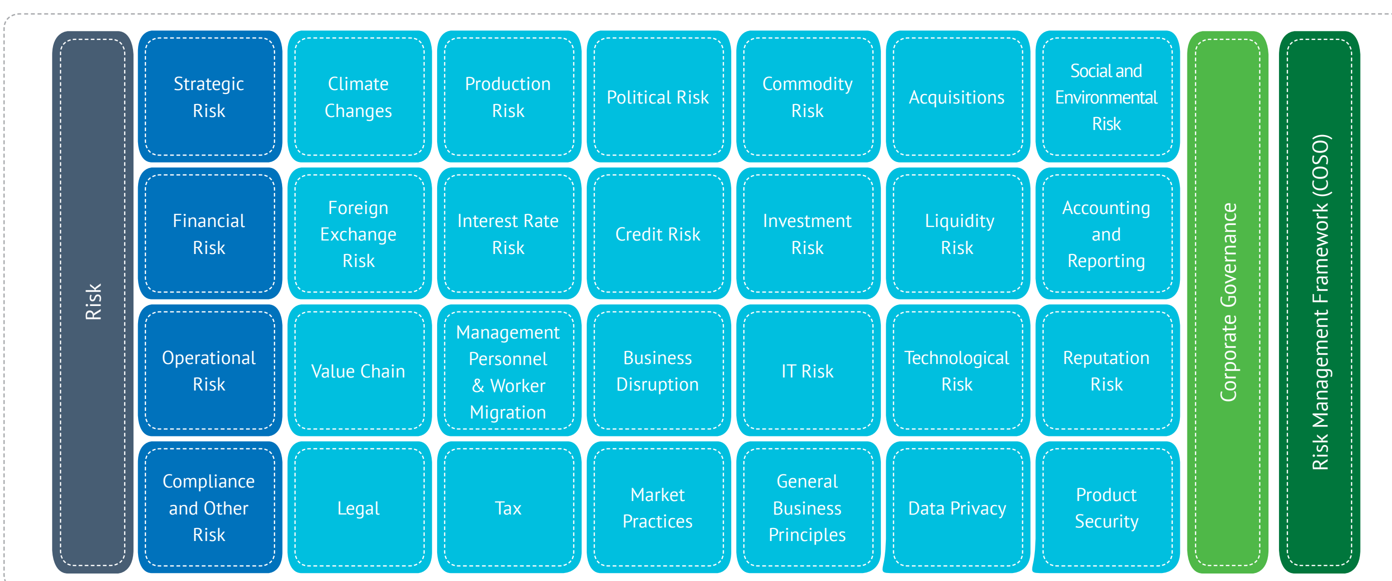
KVPL RISK MANAGEMENT SYSTEM

Our risk management system is a dynamic process that integrates strategic level risk management with ground level developments. It is a highly responsive model that incorporates estate communities and employees into the overall risk management framework, vis-à-vis an Estate Level Risk Management Process.

The overall risk management system is supported by the daily operational updates generated through KVPL's Management Information System that links-up all estates through a common platform.



Our business is exposed to a wide range of risks as illustrated below.



Our approach to risk management:

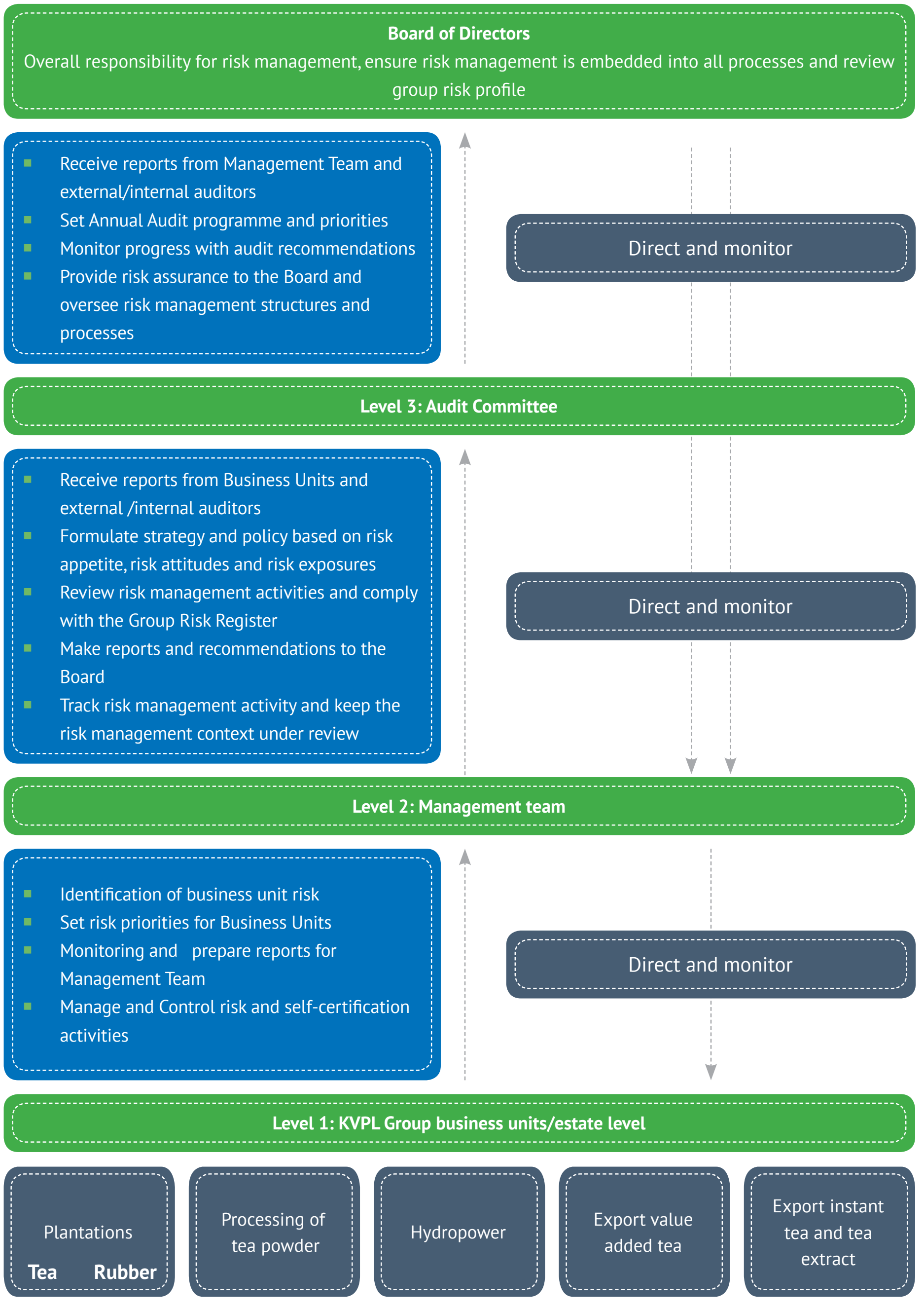
- **Bottom-up approach:** Regular meetings are conducted to discuss the company's results, potential, opportunities and ground level operational risks. Remedial action and goal settings are also done at this forum

- **Hayleys Groups' risk management functions:** The Internal Audit division of Hayleys PLC, the ultimate parent, co-ordinates the identification and documentation of control risk areas, enhancing the risk management system and monitoring its effectiveness at regular intervals.

- **Internal Systems Review:** Our internal Systems-review team carries out regular system evaluations in order to monitor the effectiveness and compliance of existing systems and controls. Based on the findings, necessary feedback is given to management teams at both head office and estates.

- **External auditor's Management Letter:** The management letter issued by the external auditors, highlights the possible risks associated with the year-end audit findings. The outcome of these findings are then used for continuous enhancement of KVPL's overall risk management system.

RISK ARCHITECTURE G4-46



RISK MANAGEMENT *CONTD.*

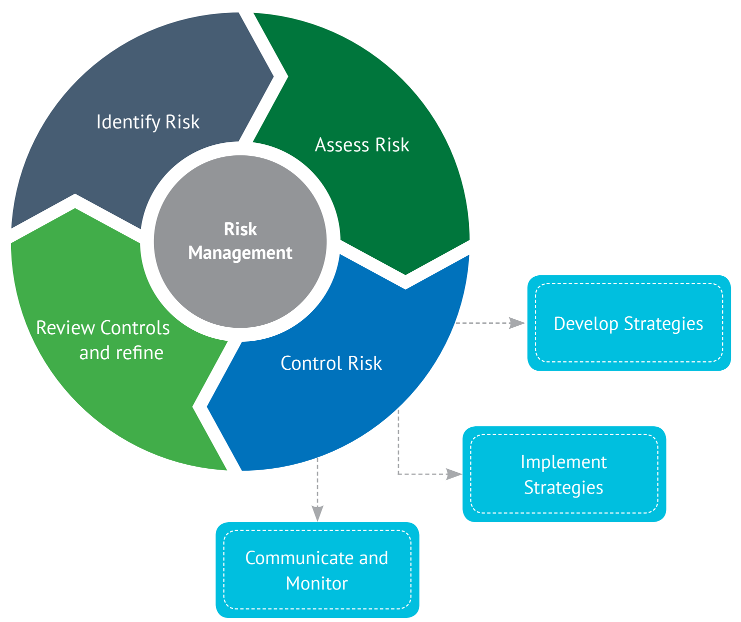
- **Business units/estates:** Divisional business units/estates are responsible for identifying, evaluating and managing the risks that originate within their approved risk appetites and policies. They are required to establish and maintain appropriate risk management controls, resources and self-assurance processes to enable them to manage these risks.

- **Management team / Executive Committee:** The management team is responsible for developing division-specific risk appetite statements, policies, controls and procedures, in addition to monitoring and reporting in line with the Board's statement of risk appetite and the risk management frameworks approved by the Board of Directors. Monthly executive management meeting is the place where corporate and Estate level decision makers are meeting together to get company level management decisions which is time saving and much effective for an industry like plantation where speedy decision making is vital.

- **Audit Committee:** Group Audit Committee leads the optimisation of the risk-reward concept by overseeing the development of risk appetite statements, risk management frameworks, policies and risk concentration controls and monitoring diverse risk profiles to sharpen the alignment with approved risk appetites and strategies.

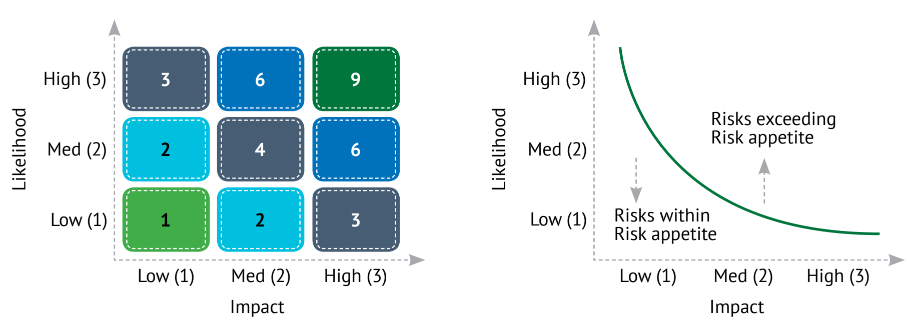
RISK MANAGEMENT PROCESS

The Group has established and adheres to a comprehensive risk management framework illustrated below;



- **Identify Risk:** The responsibility for setting up the overall framework for risk management lies with the Board of Directors. Line managers are responsible for the identification, measurement and management of risks in their respective areas. Monthly/quarterly review meetings and internal systems reviews are key instruments used to identify possible risks arising from one-off events as well as more gradual trends that could result in changes in risk.

- **Assess the Scale of Risk:** Risks mentioned in the report are ranked as high, medium and low risk events, based on the impact and likelihood. A higher risk event requires a more urgent and concerted management response.



Likelihood x Impact = Risk

- **Develop Risk Response Strategies:** Depending on the tolerance of risk, decisions are taken to manage risk by accepting, reducing, sharing or avoiding it. Such decisions are influenced by the company's risk appetite. The Managing Director and the management team responsible, are tasked with initiating risk mitigation measures. A sound system of internal controls is in place, within the Group to ensure proper action is taken in response to risk. KVPL has obtained insurance coverage, where available, on economically viable terms to minimize the financial losses arising from uncertainty and risk. These insurance covers are frequently re-examined and adjusted accordingly with the advice of experts.

- **Communication:** Quarterly review reports presented to the Board contain Key Performance Indicators and possible risk events along with recommendations on risk mitigation strategies. A report on compliance levels with regard to risk mitigating actions are tabled at the Audit Committee and are then reviewed and acted upon. Risk areas that are relevant to staff are communicated to them on a regular basis at staff meetings and other communication channels based on importance of the information.

- **Monitoring:** The ultimate responsibility for monitoring risk management process lies with the Senior Management Team/ Executive Committee and the Audit Committee. This includes regular and annual review of risk management and monitoring the efficiency and effectiveness of the internal control system.

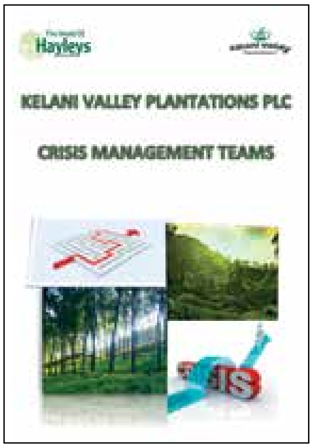
- **Review:** KVPL's Risk profile is reviewed annually. Through this process it was revealed that there is no substantial diversion KVPL's Risk profile for the year.

Estate level risk management process

KVPL's Estate Risk Management Process has identified that workers and estate communities are exposed to a number of risks while on duty, including; environmental risks, housing and other risks. Environmental risks include earth slips, cyclones, floods, lightning strikes, bee attacks and others. Housing and other risks include factory fires and factory accidents, fires at worker houses, field accidents and sudden illness, violence and strikes etc. For each of these risk, the Estate Risk Management process identifies:

- How the risk could occur
- Who might be harmed
- What is being done already
- Is anything else required to control this risk
- Action by who
- Action by when

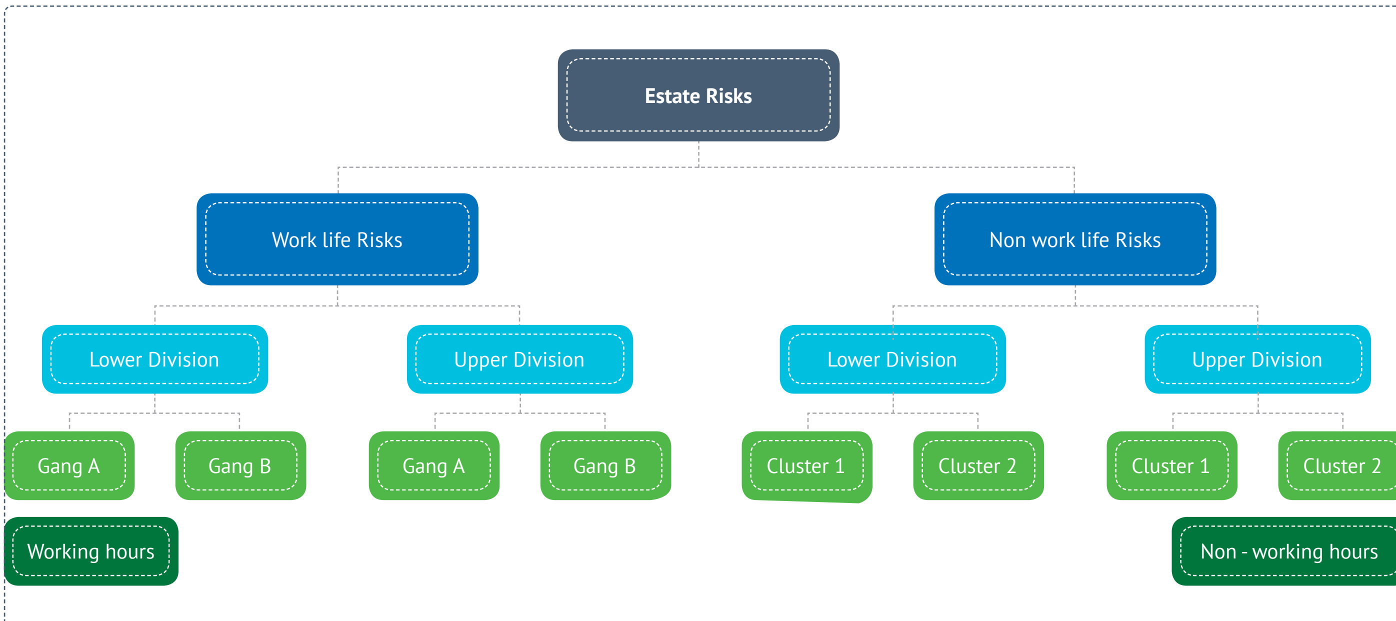
Our Estate Crisis Management Booklet



RISK MANAGEMENT *CONTD.*

PROCESS OF MANAGING ESTATE RISKS

Based on the possible location of the hazard, Estate Risk Management is classified into work life risks and Non work life risks. Work life risk management applies to workers, while housing/environment risk management covers the estate community. Response actions to hazards are assigned at divisional, field and work gang levels, to be able to reach the grass root level in each estate. Responsibilities are assigned between working hours and non-working hours and the risk communication processes follow a bottom-up approach.

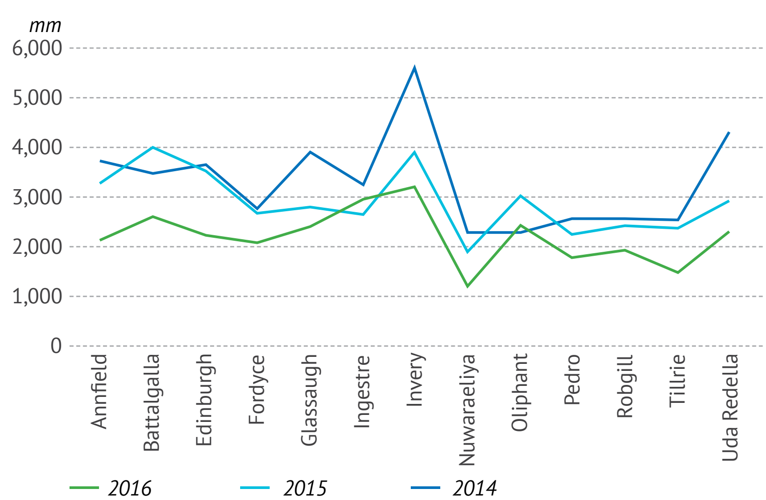


KVPL GROUP RISK MANAGEMENT IN 2016/17

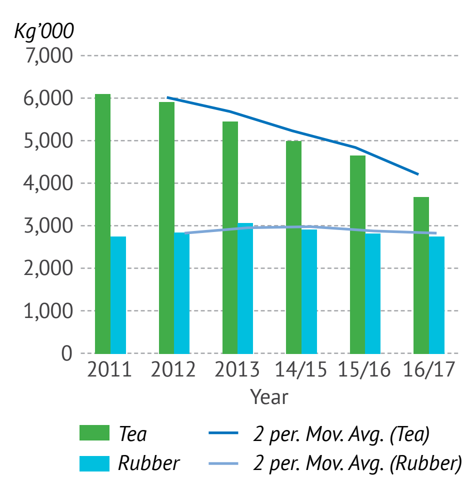
No significant changes in the risk status was observed during the current period, compared to the previous year. As in the previous year, climate change, value chain and possible changes to the wage structure were the other high-risk areas.

RISK FACTOR	RISK RATING		RESPONSE
	2016/17	2015/16	
Strategic Risk			
Climate Changes Both tea and rubber crops fluctuate due to adverse weather conditions, changes due to ambient temperature and natural disasters. This affects the yield, quality, market share, earnings and profitability of the product.	H	H	Climate change remained a high risk and unpredictable area during the current year as well. Our sustainable agricultural practices, strengthened emergency respond plan and business recovery plan minimise effects of climatic changes. ▪ Monitor tea and rubber crop variances. ▪ Successfully implementation of company crisis management plan with periodic updation. ▪ Rest rubber plants during heavy rainy days to get maximum output during dry periods. ▪ Reserve forests and water sheds to retain the moisture contains. ▪ Foliar spraying to prevent excessive transpiration during dry seasons. ▪ Planting of shade trees. ▪ Diversify crop (cinnamon, timber and fuel wood). ▪ Deep draining and sloping agriculture land technology to avoid soil erosion and maintain a laboratory for soil analysis. ▪ Diversified into hydro power to maximise on heavy rains and compensate adverse impacts on the tea and rubber sectors.

Up Country Estates - Rain Fall



RISK MANAGEMENT *CONTD.*

RISK FACTOR	RISK RATING		RESPONSE
	2016/17	2015/16	
Production Risk Consistency in product quality depends on the consistency of quality of raw material (Green leaf, Latex...etc). inconsistencies lead to reduced demand, resulting in a drop in market price, market share and reputation, and increases the number of quality claims	M	M	In plantation industry, quality of end product (Eg; made tea and rubber) is purely dependable on quality of the raw material and the way of harvesting. Production risk remained a mid-level risk as controlled through: ■ Regular awareness programmes are conducted to manual grade work force on quality raw material and ways and means of harvesting. Company has appointed a separate personnel as the Human Development Manager with the support of competent team to provide on the job training to manual work force at the work place itself. ■ Close supervision of plucking rounds and manufacturing process. ■ Obtaining regular advice from industry experts, TRI and RRI, brokers and customers. ■ Strengthen the marketing division with frequent visits to buyers and brokers. ■ Frequent quality audits, reviews and corrective measures. (quality assurance systems) ■ Done a better grade mix by converting our plantation latex crop in to RSS/latex crepe, centrifuge and sole crepe in order to obtain the best market trends. ■ Making arrangements with other factories to transfer excess leaf to get optimum output and price (Centralising tea factories according to high NSA. This will optimise capacity and reduce COP). ■ We do Garden Fresh Tea marks, value addition and marketing promotions through marketing subsidiary Mabroc Teas. ■ Developed new areas of diversification in to identified high market potential crops and products such as Cinnamon, etc. ■ New market segments developed for direct sales of value added rubber and tea. ■ Diversification of marginal land and optimising outputs in productive areas ■ KVPL teas are distributed in different agro-climatic regions giving the opportunity to produce seasonal quality teas to cater different markets competitively. ■ Innovations through our Instant Tea/RTD tea manufacturing plant in NuwaraEliya. **Estate Production** 

RISK FACTOR	RISK RATING		RESPONSE
	2016/17	2015/16	
Political Risk G4-SO 6 Political intervention in wage negotiations and major industrial relations inhibit the resolution of issues on the basis of economic viability alone.	M	M	Political risks remained a mid-level risk during the year. Management initiatives to improve labour productivity were not supported as expected and unplanned acquisitions of land aggravated the situation. However, we continue to make representations to key members of Government and the bureaucracy to negotiate Collective Agreements with major plantation trade unions, in which wages and parameters of the operation are agreed.
Value chain Fluctuations in global supply and demand, consumer preferences, close substitutes and competition from other major low cost producers (India, China, Kenya, Vietnam and Indonesia) affects the demand and determines the price(s) of KVPL products. Further, increases in prices of chemicals and energy contribute to higher production costs. Risk due to loss of confidence and relationship with suppliers of fertilizer, chemicals, packing materials, bought leaf and latex etc. and brokers, buyers and end customers and risk of non compliance with UTZ and Rain Forest Alliance Certifications and or inability to renew the certification Banning chemicals, high fertiliser cost cause operational disruption. Low cost substituted and low buying power of end customers.	H	H	External price fluctuations of commodities and energy remained a High-level risk during the year. We responded by maintaining our on-going strategy. ▪ Our marketing company Mabroc Teas, RTD tea and green tea plants are adding value to our product mix to match customer preferences. ▪ Obtaining accreditations for black tea factories on international food hygienic standards and accreditations of tea estates for good agricultural practices ▪ Membership in the UNGC which positions KVPL as a socially responsible plantation company ▪ Differentiating KVPL to bulk buyers as an "Ethical Tea Producer" and marketing "The Ethical Tea Brand of the World" to retailers through Mabroc Teas ▪ Promotion of single origin products by leveraging unique locations/points of differentiation ▪ Converting to cheaper energy and implementing energy saving strategies in the production process. ▪ We follow a transparent procedure to evaluate quotations of suppliers and ensure prompt payments and settlements for bought leaf, latex suppliers and other suppliers. ▪ Unbiased evaluations of products and services of suppliers. ▪ We educate and provide necessary tools/ equipment to bought leaf and latex suppliers to deliver a good quality produce. ▪ Frequent meetings and discussions with brokers together with frequent dialogues with buyers and end users locally and internationally will enable identification of end user requirements, trends, preferences, opportunities and further improvements of the quality of the produce. ▪ Use of alternative energy sources such as solar power for factories is under discussion.

RISK MANAGEMENT *CONTD.*

RISK FACTOR	RISK RATING		RESPONSE
	2016/17	2015/16	
Social environmental Risk ▪ The younger generation is searching advance employment brands. ▪ Unfavourable campaigns organised by trade unions ▪ Differences such as religion and race	M	M	We maintain a good rapport with workers and trade unions and arrange regular social and cultural events, youth events, to develop relationships with the new generation. Providing uniforms, change of designations, providing all the awareness highlighting the benefits of working in the plantation industry, such as medical, housing and other income sources. This will enhance the relationship with the younger generation and workers to attract them to work in the plantation sector.
Financial Risk			
Foreign Exchange Risk Our subsidiary Mabroc and equity accounted investee Hayleys Global Beverages are mainly focused on foreign markets and adverse fluctuations of foreign exchange rates affects pricing policy and results of these companies.	M	M	The exchange rate risk and the associated risk exposure is managed as follows. ▪ Arranging forward exchange contracts to minimise the exposure of currency volatility ▪ Monitor exchange rate movements and outlook for high exposure currencies ▪ Forex exposures are monitored and appropriate action is recommended to reduce inherent risk and minimise adverse impact of currency rate movements on assets and liabilities ▪ Measures are established to determine effectiveness of actions taken
Interest rate risk Changes in national fiscal and monitory policies affect the company's pricing policy and profitability. Similarly, low returns on investment, high opportunity cost of investment and difficulty in generating funds for capital development and growth are the other major risks inherent in the industry.	M	M	▪ The KVPL Group's credibility, reputation, strength and financial dependability help ensure ready access to funds at attractive rates. ▪ Fluctuation of local currency interest rates are minimised by having foreign currency borrowings linked to LIBOR.

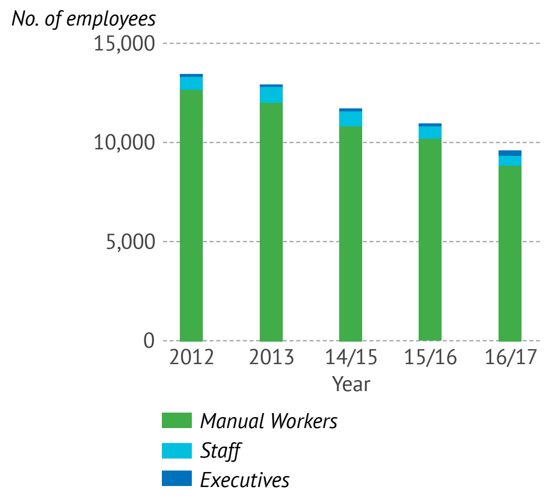
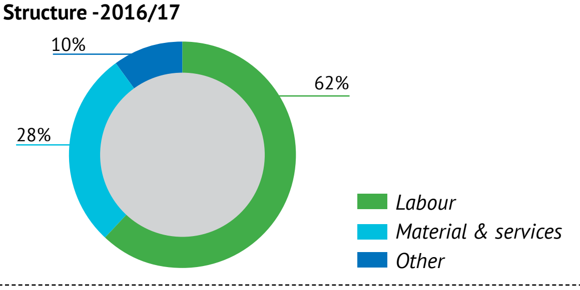
RISK FACTOR	RISK RATING		RESPONSE
	2016/17	2015/16	
Credit Risk Credit risk is in the form of financial losses when customers default and the prospect of protracted legal proceeding without assurance of a favourable outcome.	L	L	Although this is a low risk area for mitigatory measures are followed. ▪ Credit risks are assessed, limits are set and credit granted is closely monitored. ▪ Suppliers are settled and dues collected from customers leaving no room for default on payment. ▪ Tea and Rubber stocks are sold through auction and settlements are assured in seven (07) days. ▪ Customers of Mabroc Teas (Pvt) Ltd are given credit through a proper evaluation and all open account customers are subjected to credit insurance by SLECIC. ▪ Further, production and delivery of RTD is done only on settlement of outstanding balances. ▪ Government leases and other finances are closely monitored and settled without delay.
Investment Risk This entails failure in investments/ inability to achieve expected objectives. This affects future profitability and sustainability of the Group.	M	M	▪ Any "proposed investments" are subjected to a rigorous evaluation and feasibility process by seeking expert advice to ensure a maximum return on investment and seek Board approval prior to embarking on a proposed investment. ▪ Further we closely monitor the progress to ensure project deliverables are achieved within the given budgets and timelines. ▪ Prudent investments are made in capital development i.e. replanting, machinery and plant upgrading and rationalising the production capacities in major factories.
Liquidity Risk Liquidity problems are bound to arise due to uncontrollable factors such as erratic weather patterns, wage hike, drop in demand and prices and increase in prices of input materials etc.	M	L	Low production due to erratic weather and low commodity prices during the year for tea and Rubber resulted for negative cash flows and increased the risk level to mid-range. ▪ Efficient cash management such as close monitoring of expenditure, maintaining effective budgetary control system and building up of reserves are key to minimise liquidity risks. ▪ We monitor cash flows of each estates on weekly basis (expenses are prioritise and expenditure curtailed to the earnings of the estates especially in less crop and lower NSA seasons) and expenses are controlled through the Annual Budget.
Accounting and Reporting Possibility of misstatement of financial position or profitability and noncompliance with accounting standards and other regulatory requirements	L	L	▪ The KVPL Board consists of senior qualified chartered accountants ▪ The KVPL Group consists of three chartered accountants and skilled staff with relevant qualifications. ▪ We consult experts in the field when required and regular training on areas such as changes in standards, laws and compliance are given to the staff.

RISK MANAGEMENT *CONTD.*

RISK FACTOR	RISK RATING		RESPONSE
	2016/17	2015/16	
Operational Risk			
Management Personnel and Worker Migration The risk of losing management personnel due to dissatisfaction with remuneration, lack of adequate educational and other infrastructural facilities in plantation areas, migration to other industries and availability of more attractive Colombo-based job opportunities. Migration of workers could result in plantations not having adequate resident manpower. Immobility of labour within/between estates/ crops. High performing executives may move to competing companies. High turnover rate compare to other industries.	L	L	Attraction and retention of skilled employees through our Short term and Long term plans: **SHORT TERM-** Strengthen the HR strategies to develop a system to attract and capture the best talents for short term through comprehensive interviewing model. **LONG TERM-** Developed sector level planter trainee programme to train the talented and qualified planter trainees and second batch was successfully selected. Well-structured HR Strategic Plan (04 Year Strategic plan from 2014-2018) mainly to upgrade the knowledge levels of manual work-force which consists 93% of total work-force, by regular and on-going training programme. **As a result, we have been able to retain and attract employees of age between 18- 30 years as illustrated below.**

	YEAR				
AGE CATEGORY	2012	2013	2014/15	2015/16	2016/17
18 - 30	**2,379**	**2,356**	**1,674**	**3,205**	**3,418**
30-50	8,295	7,580	7,183	5,812	3,214
Above 50	2,821	2,966	2,910	1,983	2,861
Total	13,495	12,902	11,767	11,000	9,493

Further,
- Our core CSR initiation 'A Home for Every Plantation Worker,' programme
- Improved welfare schemes, medical benefits and other community development programmes.
- Initiatives such as providing transport facilities at low cost through concessionary funding schemes
- Rewarding high performers
- Empowering the employees by educating on other income sources such as home gardening, animal husbandry etc.
- Transparent communication culture.

RISK FACTOR	RISK RATING		RESPONSE
	2016/17	2015/16	
			■ Easy accessibility to senior management and developing a company culture, which fosters team work and close interaction amongst all management staff. ■ Development programmes such as out-bound training and career paths, ensuring promotions ■ Succession plans for all departments. ■ Leadership development programmes. **KVPL Group - Total Work Force** 
Wage Structure Increase in wage rates has a substantial impact on cost of production, profitability and gratuity liability as the industry is highly labour intensive. Strong trade unions play an active role in determining wages.	H	H	This remained a high risk area as labour cost accounts for over 60% of total costs of the Company. We are managing this risk by: ■ Increasing land and worker productivity through training, monitoring, motivation and mechanisation, ■ Outsourcing non value adding activities, ■ Motivating and empowering employees ■ Negotiating with trade unions and stake holders for a wage structure that is in line with productivity (Wage negotiation are done collectively with the Employers' Federation of Ceylon and the Plantation Industry.) **Cost Structure -2016/17** 

RISK MANAGEMENT *CONTD.*

RISK FACTOR	RISK RATING		RESPONSE
	2016/17	2015/16	
Reputation Risk KVPL's reputation may be tarnished due to non-compliance, unethical practices, and inconsistency in product quality	L	L	▪ KVPL had adopted stringent quality assurance policies with regard to raw and packaging materials bought from third parties ▪ Compliance with international standards (ISO 22000:2005 and HACCP) and Rain Forest Alliance Certification. ▪ Implementation of Group policies on health, safety and environment will ensure best practices (in the sector).
Business disruption Natural disasters, human involved activities (human errors, accidents etc.) may cause business/ operational disruptions.	L	L	▪ Regular safety training and monitoring at factories (such as boiler safety, fire etc.) and compliance audits and awareness programmes on disaster management are conducted and safety standards are followed. ▪ Skill development programmes for workers and staff are also conducted on regular basis. ▪ Adequate insurance cover is in place to recover any financial losses and re instate the losses within a reasonable period.
IT Risk Include risk of system failure and loss of data	M	M	▪ Have implemented a sound IT policy, including IT security, privacy and confidentiality, supported by adequate systems and controls ▪ Have a disaster recovery plan in place to mitigate the risk of IT failures. An effective backup procedure has been implemented both at estates and head office level with the support of Hayleys Group IT unit ▪ Monitor system hardware capacities ▪ Have a maintenance contract for hardware with a reputed company ▪ Have immediate IT related support for estates in the capacity of skilled personnel in the regional office ▪ Have provided new technologies (Tabs, Smart phones etc.) for online transmission of daily information to the estate managers ▪ Closely monitor the internet and email usage
Technological Risk Not keeping pace with technological developments could lead to obsolescence	L	L	▪ Mechanisation of estate functions up to the highest possible extent ▪ Investing in research and development activities whenever necessary ▪ Investing in hardware resources ▪ Maintain cost relationship with research institutes and universities for new technology.
Compliance and Other Risks G4-EN 26			
Regulatory Risk (Legal, Tax...etc) Compliance with laws and other statutory obligations and risk arising from litigation and law suits against the company may lead to loss of reputation and penalties being imposed.	L	L	▪ Statutory obligations are regularly reviewed by the Head of Finance and reported to the Audit Committee. ▪ Group has its own legal and tax consultants

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

The Board of Directors of Kelani Valley Plantations PLC has pleasure in presenting their Report on the Affairs of the Company together with the Audited Consolidated Financial Statements for the year ended 31 March, 2017.

The details set out herein provide the pertinent information required by the Companies Act No. 07 of 2007, the Colombo Stock Exchange Listing Rules and are guided by recommended best reporting practices.

PRINCIPAL ACTIVITIES, BUSINESS REVIEW AND FUTURE DEVELOPMENTS

The principal activities of the Company are the production and processing of tea and rubber. Details of activities of other companies in the Group are given on page 18 of this Report. The Chairman's Message (pages 24 to 26), Management Discussion and Analysis (pages 30 to 96), Sustainability Report (pages 87 to 96) and Financial Capital (pages 57 to 67) describe the performance of the Company during the year, with comments on the financial results, future strategic developments and the progress of its subsidiaries, Kalupahana Power Company (Pvt) Ltd., Kelani Valley Instant Tea (Pvt) Ltd., Mabroc Teas (Pvt) Ltd and equity accounted investee, Hayleys Global Beverages (Pvt) Ltd.

Hayleys Global Beverages (Pvt) Ltd (HGBL) made a new allotment of 8,500,000 shares on 30 November 2016 of which 3,400,000 shares were allocated to Kelani Valley Plantations PLC amounting to Rs. 34,000,000. Note 15.1 to the Financial Statements comprises the information relating to investments and movement of Investments in equity accounted investee.

There were no material changes in the nature of business of the Company and the Group other than mentioned above.

The Directors, to the best of their knowledge and belief, confirm that the Group has not engaged in any activities that contravene laws and regulations.

FINANCIAL STATEMENTS

The Financial Statements of the Company and the Group are given in pages 139 to 211.

AUDITOR'S REPORT

The Auditor's Report on the Financial Statements of the Company and the Group is given on page 145.

ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the Financial Statements are given in pages 154 to 170.

GROUP REVENUE

The Group revenue during the year was Rs. 6,852,261,668/- (2015/16 - Rs. 6,068,746,556 /-) and an analysis is given in Note 6.1 to the Financial Statements.

The Group revenue from tea increased by Rs. 717,197,749/- (2015/16 – decreased by Rs. 2,068,809,818/-) and rubber increased by Rs. 78,536,253/- (2015/16 – decreased by Rs. 506,792,174/-) during the year, respectively.

RESULTS AND DIVIDENDS

The Group profit before taxation amounted to Rs. 12,473,512/- (2015/16- loss of Rs. 30,520,192/-) After deducting Rs. 27,822,507/- (2015/16- Rs. 11,670,966/-) for taxation, the loss was Rs. 15,348,994/- (2015/16- Rs. 42,191,158/-).

The Group loss attributable to owners of the parent which was deducted for non-controlling interest of Rs. 3,383,973/- (2015/16- loss of Rs. 14,445,000/-) for the year was Rs. 18,732,968/- (2015/16- Rs. 27,746,158/-) the profit available for appropriation, inclusive of Rs. 592,660,320/- (2015/16 - Rs. 599,791,749/-) of brought forward retained profit which was restated for Gain on change in fair value of bearer biological produce of Rs. 4,346,893/- amounted to Rs. 880,914,025/- (2015/16 - Rs. 592,660,320/-).

No dividend has been proposed for the year 2016/17 (2015/16 – Rs. Nil/-).

PROPERTY, PLANT & EQUIPMENT

The capital expenditure of the Group during the period amounted to Rs. 499,236,429/- (2015/16 - Rs. 413,929,487/-) whilst that of the Company was Rs. 424,375,448/- (2015/16 – Rs. 407,109,042/-) which includes replanting expenditure of Rs. 318,308,290/- (2015/16 - Rs. 348,832,898/-) on tea, rubber and cinnamon.

Information relating to movement of Property, Plant & Equipment is given in Notes 12, 13 and 14 to the Financial Statements.

STATED CAPITAL AND RESERVES

In compliance with the Companies Act No. 07 of 2007, the Financial Statements reflect the stated capital of the Company. The stated capital is the total of all amounts received due or payable to the Company in respect of the issue of shares.

The stated capital of the Company, consisting of 34,000,000 ordinary shares and one Golden share amounts to Rs. 340,000,010/-.There was no change to the stated capital during the year.

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY *CONTD.*

The Golden share of Rs. 10/- held by the Secretary to the Treasury, enjoys the following special rights:

- The concurrence of the Golden Shareholder should be obtained to sub-lease estate lands and amend the Articles of Association of the Company in which the Golden Shareholders' rights are given.
- The Golden Shareholder, or his nominee, has the right to examine the books and accounts of the Company.
- The Company is required to submit a detailed quarterly report to the Golden Shareholder.
- The Golden Shareholder can request the Board of Directors of the Company to meet with him.

RESERVES

The total reserves of the Group as at 31 March, 2017 amounted to Rs. 2,580,914,025/- (2015/16 - Rs. 2,292,660,320/-) comprising the general reserve of Rs. 1,700,000,000/- (2015/16 - Rs. 1,700,000,000/-) and the carried forward profit of Rs. 880,914,025/- (2015/16 - Rs. 592,660,320/-).

The movement is shown in the Statements of Changes in Equity in the Financial Statements.

TAXATION

It is the Company's policy to provide for deferred taxation on all known temporary differences on the liability method. The Company is liable to income tax at the rate of 10% on its agricultural profits and 28% on manufacturing profits and other income for the year of assessment 2016/17.

Information relating to income tax rates of subsidiary companies is shown in Note 10 to the Financial Statements.

INTEREST REGISTER

The Company, in compliance with the Companies Act No. 07 of 2007, maintains an Interest Register. Particulars of entries in the Interest Register are detailed below. The subsidiary companies have unanimously agreed to dispense with the keeping of an Interest Register.

DIRECTORS' INTERESTS IN TRANSACTIONS

The Directors of the Company have made the general disclosures provided for in Section 192 (2) of the Companies Act No. 07 of 2007. Note 32 to the Financial Statements dealing with related party disclosures includes details of their interests in transactions.

RELATED PARTY TRANSACTIONS

The Board of Directors has given the following statement in respect of the related party transactions.

The related party transactions of the Company during the financial year have been re-viewed by the Related Party Transactions Re-view Committee of Hayleys PLC the Parent Company and are in compliance with Section 09 of the CSE Listing Rules.

The Related Party Transactions Review Committee comprises two Independent Non-Executive Directors and one Executive Director. The Committee comprises the Following members.

Dr. H Cabral, PC **- Chairman
Mr. M Y A Perera **- (Appointed w. e. f. 12.09.2016)
Mr. S C Ganegoda *
Mr. M D S Goonatilleke **- (Resigned w. e. f. 12.05.2016)

*Executive
** Independent Non-Executive

Attendance

The Committee met four (04) times in the financial year 2016/17.
Meetings held on 18 May 2016, 5 August 2016, 04 November 2016 and 09 February 2017.

Dr H Cabral, PC	4/4
Mr M Y A Perera	2/2
Mr S C Ganegoda	3/4

The related party transaction review committee report is shown on page 143.

DIRECTORS' INTERESTS IN SHARES

Directors who have relevant interests in the shares of the Company have disclosed their shareholdings and any acquisitions/ disposals during the year to the Boards, in compliance with Section 200 of the Companies Act.

Details of Directors share holdings as per the rules of the CSE is as below

	AS AT 31.03.17 NO. OF SHARES	AS AT 01.04.16 NO. OF SHARES
Mr. W G R Rajadurai, Managing Director	91	91
Mr. S Siriwardana, Chief Executive Officer/Director	193	193
Dr. K I M Ranasoma, Director	300	300

None of the other Directors held shares of the Company as at 31 March 2017.

There were no share transactions by the Directors during the year in terms of Section 200 of the Companies Act in respect of the subsidiaries.

INSURANCE & INDEMNITY

The ultimate parent of the Company, Hayleys PLC has obtained a Directors & Officers liability insurance from Orient Insurance Ltd., Providing worldwide cover to indemnify all past, present and future Directors & Officers (D & O) of the Group.
The limit on liability of the cover is USD 5 M per annum.

PAYMENT OF REMUNERATION TO DIRECTORS

Executive Directors' remuneration is determined within an established framework. The total remuneration of the Executive Directors of the Group and the Company for the year ended 31 March, 2017, is Rs. 28,621,000/- and Rs. 7,729,800/- respectively, including the value of perquisites granted to them as part of their terms of service.

The total remuneration of Independent Non-Executive Directors of both Group and the Company for the year ended 31 March, 2017, is Rs. 1,725,000/-, determined according to scales of payment decided upon by the Board previously. The Board is satisfied that the payment of this remuneration is fair to the Company.

CORPORATE DONATIONS

No donations were made during the year (2015/16 - Nil) by the Company and its subsidiaries.

No donations were made for political purposes.

DIRECTORATE

The names of the Directors who held office during the financial year are given below and their brief profiles appear on pages 16 and 17.

EXECUTIVE DIRECTORS

A M Pandithage, W G R Rajadurai,
S Siriwardana.

NON-EXECUTIVE DIRECTORS

S C Ganegoda, L T Samarawickrama,
Dr. K I M Ranasoma.

INDEPENDENT NON-EXECUTIVE DIRECTORS

F Mohideen, C V Cabraal,
L N De S Wijeyeratne.

In trems of Article No. 30 of the Articles of Association of the Company, Mr. L N De S Wijeyeratne and Mr. L T Samarawickrama retire by rotation, and being eligible offer themselves for re-election.

Notice has been given pursuant to Section 211 of the Companies Act No. 07 of 2007, of the intention to propose an ordinary resolution for the re-appointment of Mr. F Mohideen, who is over 70 years of age, notwithstanding the age limit stipulated by Section 210 of the Companies Act. No 07 of 2007.

Directors of the Company and the Subsidiaries are given on page 18.

CORPORATE GOVERNANCE

The Company has complied with the Corporate Governance Rules laid down under the Listing Rules of the Colombo Stock Exchange. Adoption of good governance practices has become an essential requirement in today's corporate culture. The practices carried out by the Group are explained in the Corporate Governance Statement in pages 101 to 121.

AUDITORS

The Auditors, Messrs Ernst & Young, were paid Rs. 4,940,193/- (2015/16 - Rs. 4,658,800/-) and Rs. 3,903,300/- (2015/16 - Rs. 3,614,200/-) by the Group and the Company respectively as Audit fees for the Financial year ended 31 March 2017.

In addition, the Group paid Rs. 943,969/- (2015/16 - Rs. 928,380/-) to Messrs Ernst & Young for the year whilst the Company incurred Rs. 220,000/- (2015/16 – Rs. 685,260) on non – audit related work which is mainly consists of tax consultancy services.

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY *CONTD.*

The Auditors of the Company and its subsidiaries have confirmed that they do not have any relationships (other than that of Auditor) with, or interests in the Company or any of its subsidiaries other than those disclosed above.

Messrs Ernst & Young, Chartered Accountants are deemed re-appointed, in term of Section 158 of the Companies Act No. 7 of 2007, as Auditors of the Company.

A resolution proposing the directors be authorised to determine their remuneration will be submitted at the Annual General Meeting.

SHARE INFORMATION AND MAJOR SHAREHOLDINGS

Information relating to earnings, dividend, Net Assets Per Share, Market Value Per Share and share trading is shown on pages 20 and 215, respectively.

SHAREHOLDERS

It is the Group/Company policy to endeavour to ensure equitable treatment to its shareholders. The Twenty major shareholders' names, comparative number of shares held and the percentage held as at 31 March, 2017 are given on page 215 of this report. Public shareholding percentage and total number of public shareholders is shown on page 215.

EVENTS OCCURRING AFTER THE DATE OF STATEMENT OF FINANCIAL POSITION

No circumstances have arisen since the date of Statement of Financial Position, which would require adjustments to, or disclosure of other than those disclosed in Note 35 to the Financial Statements.

EMPLOYMENT

The number of persons employed by the Group at financial year-end was 9,634 (2015/16 - 11,000) of which 9,457 (2015/16 – 10,964) are engaged in employment outside the District of Colombo.

STATUTORY PAYMENTS

The declaration relating to statutory payments is made in the Statement of Directors' Responsibilities on page 140.

Directors, to the best of their knowledge and belief, are satisfied that all statutory payments in relation to employees and the Government have been made promptly.

ENVIRONMENTAL PROTECTION

The Group's efforts to conserve scarce and non-renewable resources, as well as its environmental objectives and key initiatives, are described in the environment section of the Sustainability Report in pages 87 to 96.

The Group's business activities can have direct and indirect effect on the environment. It is the Group's policy to minimise any adverse effects its activities may have on the environment and to promote co-operation and compliance with the relevant authorities and regulations.

INTERNAL CONTROL

The Directors acknowledge their responsibility for the Group's system of internal control. The system is designed to give assurance, inter alia, regarding the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information generated. However, any system can only ensure reasonable and not absolute assurance that errors and irregularities are either prevented or detected within a reasonable time period.

The Board, having reviewed the system of internal controls, is satisfied with its effectiveness for the period up to the date of signing the Financial Statements.

GOING CONCERN

The Directors, after making necessary inquiries and reviews including reviews of the Group's budget for the ensuing year, capital expenditure requirements, future prospects and risks, cash flows and borrowing facilities, have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. Therefore, the going concern basis has been adopted in the preparation of the Financial Statements.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at the registered office of the Company at No. 400, Deans Road, Colombo 10, Sri Lanka on Tuesday, 20 June 2017 at 3.00 p.m. The Notice of the Annual General Meeting appears on page 222.

For and on behalf of the Board,

A M Pandithage
Chairman

W G R Rajadurai
Managing Director

Hayleys Group Services (Pvt) Ltd.
Secretaries

12 May 2017

FINANCIAL REPORTS

Financial Calender

2016/17		2015/16
03 AUGUST 16	1 QUARTER	28 JULY 15
25 OCTOBER 16	2 QUARTER	05 NOVEMBER 15
30 JANUARY 17	3 QUARTER	25 JANUARY 16
12 MAY 17	ANNUAL REPORT	11 MAY 16
20 JUNE 17	ANNUAL GENERAL MEETING	16 JUNE 16

DATE OF AUTHORISATION FOR ISSUE	FINANCIAL YEAR	ANNUAL GENERAL MEETINGS
08 May 2015	2014/15	29 June 2015
13 February 2014	2013	28 March 2014
20 February 2013	2012	28 March 2013
14 February 2012	2011	29 March 2012
9 February 2011	2010	31 March 2011
9 February 2010	2009	31 March 2010
19 February 2009	2008	31 March 2009
22 February 2008	2007	28 March 2008
07 February 2007	2006	30 March 2007
28 February 2006	2005	10 April 2006

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible under sections 150 (1), 151, 152 (1),) & 153 of the Companies Act No. 7 of 2007, to ensure compliance with the requirements set out therein to prepare financial statements for each financial year giving a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit & loss of the Company and the Group for the financial year.

The Directors are also responsible, under section 148, for ensuring that proper accounting records are kept to enable, determination of financial position with reasonable accuracy, preparation of financial statements and audit of such statements to be carried out readily and properly.

The Board accepts responsibility for the integrity and objectivity of the financial statements presented. The Directors confirm that in preparing the financial statements, appropriate accounting policies have been selected and applied consistently while reasonable and prudent judgments have been made so that the form and substance of transactions are properly reflected.

They also confirm that the financial statements have been prepared and presented in accordance with the Sri Lanka Accounting standards, Companies Act No 07 of 2007 and the listing rules of the Colombo Stock Exchange. Further, the financial statements provide the information required by the Companies Act and the listing rules of the Colombo Stock Exchange.

The Directors are of the opinion, based on their knowledge of the company, key operations and specific inquiries that adequate resources exist to support the Company on a going concern basis over the next year. These financial statements have been prepared on that basis.

The Directors have taken reasonable measures to safeguard the assets of the Group and, in that context, have instituted appropriate systems of internal control with a view to preventing and detecting fraud and other irregularities.

The external Auditors, Messrs Ernst & Young deemed re- appointed in terms of Section 158 of the Companies Act were provided with every opportunity to undertake the inspections they considered appropriate to enable them to form their opinion on the Financial Statements. The report of the Auditors, shown on page 145 sets out their responsibilities in relation to the Financial Statements.

COMPLIANCE REPORT

The Directors confirm that to the best of their knowledge, all statutory payments relating to employees and the Government that were due in respect of the Company and its Subsidiaries as at the Balance Sheet date have been paid or where relevant, provided for.

By order of the Board

HAYLEYS GROUP SERVICES (PVT) LTD
Secretaries

12 May 2017

AUDIT COMMITTEE REPORT

COMPOSITION OF THE AUDIT COMMITTEE

The Audit Committee, appointed by and responsible to the Board of Directors, comprises the following three Independent Non-Executive Directors.

Mr L N de S Wijeyratne (Chairman)
Mr F Mohideen
Mr C V Cabraal

The Chairman of the committee, Mr. Mr L N de S Wijeyratne is an Independent Non - Executive Director. He is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and over thirty-five years of experience in Finance and General Management.

Brief profiles of each member are given on pages 16 and 17 of this report. Their individual and collective financial knowledge and business acumen and the independence of the Committee, are brought to bear on their deliberations and judgments on matters that come within the Committee's purview.

Company secretary acts as the secretary to the audit committee. The Chairman & Chief Executive, Group Chief Finance Officer of Hayleys PLC and Head – Hayleys Group Management Audit & System Review, Managing Director and the Director/CEO of Kelani Valley Plantations PLC attend meetings of the Committee by invitation.

CHARTER OF THE AUDIT COMMITTEE

The audit committee Charter is periodically reviewed and revised with the concurrence of Board of Directors. The terms of reference of the committee are clearly defined in the Charter of the Audit Committee.

Rules on Corporate Governance' under listing rules of corporate governance under Colombo Stock Exchange and 'Code of Best Practice on Corporate Governance' issued jointly by Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka further regulate the composition, role and functions of the Board Audit Committee.

MEETINGS OF THE AUDIT COMMITTEE

The Audit Committee met 4 times during the year. The attendance of the members at these meetings is as follows:

INDEPENDENT NON-EXECUTIVE DIRECTOR	11/05/2016	03/08/2016	25/10/2016	30/01/2017	TOTAL
Mr L N de S Wijeyratne (Chairman)	√	√	√	√	4/4
Mr F Mohideen	√	√	√	√	4/4
Mr C V Cabraal	√	√	√	√	4/4

THE OBJECTIVE AND ROLE OF THE AUDIT COMMITTEE

The role of the committee, which has specific terms of reference, is described in the Corporate Governance Report on page 115.

TASKS OF THE AUDIT COMMITTEE FINANCIAL REPORTING SYSTEM

The Committee reviewed the financial reporting system adopted by the Group in the preparation of its quarterly and annual Financial Statements to ensure reliability of the processes and consistency of the accounting policies and methods adopted and their compliance with the Sri Lanka Financial Reporting Standards. The methodology included obtaining statements of compliance from Managing Director and Director/CEO. The Committee recommended the Financial Statements to the Board for its deliberations and issuance. The Committee, in its evaluation of the financial reporting system, also recognized the adequacy of the content and quality of routine management information reports forwarded to its members.

INTERNAL AUDITS

The Committee reviewed the process to assess the effectiveness of the Internal Controls that have been designed to provide reasonable assurance to the Directors that assets are safeguarded and that the financial reporting system can be relied upon in preparation and presentation of Financial Statements. The Hayleys Group Management Audit & Systems Review Department (MA & SRD) reports on key control elements and procedure in Group companies that are selected according to an annual plan were reviewed. Internal Audits are outsourced wherever necessary, to leading audit firms in line with an agreed annual audit plan. Follow up reviews are scheduled to ascertain that audit recommendations are being acted upon. The Committee appraised the independence of the MA&SRD and other internal auditors, in the conduct of their assignments.

AUDIT COMMITTEE REPORT *CONTD.*

EXTERNAL AUDITS

The Committee held meetings with the External Auditors to review the nature, approach, scope of the audit and the Audit Management Letters of Group Companies. Actions taken by the management in response to the issues raised, as well as the effectiveness of the internal controls in place, were discussed with the heads of business units. Remedial action was recommended wherever necessary.

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

APPOINTMENT OF EXTERNAL AUDITORS

The Audit Committee has recommended to the Board of Directors that Messers Ernst & Young; continued as Auditors for the financial year ending March 31, 2018.

SUPPORT TO THE COMMITTEE

The Committee received information and support from management during the year to enable it to carry out its duties and responsibilities effectively.

ETHICS AND GOOD GOVERNANCE

The committee continuously emphasized on upholding ethical values of the staff members. In this regard, Code of Ethics and Whistle-Blowers Policies were put in place and followed educating and encouraging all members of the staff. All appropriate procedures are in place to conduct independent investigations into incidents reported through Whistle-Blowing or identified through other means. The Whistle-Blower Policy guarantees strict confidentiality of the identity of the Whistle-Blowers.

SRI LANKA ACCOUNTING STANDARDS

The Committee continued to monitor the progress of the mandatory implementation of Sri Lanka Accounting Standards (SLFRS/ LKAS) which converged with International Financial Reporting Standards (IFRS) effective from January 1, 2012.

Committee reviewed the revised policy decisions relating to adoption of new and revised Sri Lanka Accounting Standards (SLFRS/LKAS) applicable to the Group companies and made recommendation to the Board of Directors.

The Committee would continue to monitor the compliance with relevant Accounting Standards and keep the Board of Directors informed at regular intervals.

The committee has pursued the support of Messers Ernst and Young to assess and review the existing SLFRS policies and procedures adopted by the Group.

L N de S Wijeyratne
Chairman
Audit Committee

12 May 2017

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

The Related Party Transaction review Committee of Hayleys PLC, the ultimate parent Company functions as the Committee of the Company in terms of the Code of Best Practice on Related Party Transactions issued by the Securities & Exchange Commission of Sri Lanka and the Section 9 of the Listing Rules of the Colombo Stock Exchange.

COMPOSITION OF THE COMMITTEE

The Related Party Transactions Review Committee comprises two Independent Non-Executive Directors and one Executive Director.

The Committee comprises the Following members.

Dr. H Cabral, PC **	-	Chairman
Mr. M Y A Perera **	-	(Appointed w e f. 12.09.2016)
Mr. S C Ganegoda *		
Mr. M D S Goonatilleke**	-	(Resigned w.e.f. 12.05.2016)

* Executive
** Independent Non-Executive

ATTENDANCE

Committee met – 04 times in the Financial Year 2016/2017
Meetings held on 18th May 2016, 5th August 2016, 4th November 2016 and 9th February 2017.

	MEETINGS
Dr. H. Cabral, PC	4/4
Mr. M.Y.A. Perera	2/2
Mr. S. C. Ganegoda	3/4

THE DUTIES OF THE COMMITTEE

- To review in advance all proposed related party transactions of the group 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.
- Seek any information the Committee requires from management, employees or external parties to with regard to any transaction entered into with a related party.
- Obtain knowledge or expertise to assess all aspects of proposed related party transactions where necessary including obtaining appropriate professional and expert advice from suitably qualified persons.
- To recommend, where necessary, to the Board and obtain their approval prior to the execution of any related party transaction.
- To monitor that all related party transactions of the entity are transacted on normal commercial terms and are not prejudicial to the interests of the entity and its minority shareholders.
- Meet with the management, Internal Auditors/External Auditors as necessary to carry out the assigned duties.
- To review the transfer of resources, services or obligations between related parties regardless of whether a price is charged.
- To review the economic and commercial substance of both recurrent/non recurrent related party transactions
- To monitor and recommend the acquisition or disposal of substantial assets between related parties, including obtaining 'competent independent advice' from independent professional experts with regard to the value of the substantial asset of the related party transaction.

TASK OF THE COMMITTEE

The Committee re-viewed the related party transactions and their compliances of Kelani Valley Plantations PLC and communicated the same to the Board.

The Committee in its re-view process recognized the adequate of the content and quality of the information forwarded to its members by the management.

Dr. Harsha Cabral, PC.
Chairman

Related Party Transactions Review Committee of Hayleys PLC

17 May 2017

MANAGING DIRECTORS' AND CHIEF FINANCIAL OFFICERS' RESPONSIBILITY STATEMENT

G4-SO 8

The Financial Statements of Kelani Valley Plantations PLC and the Consolidated Financial Statements of the Group as at 31 March, 2017 are prepared and presented in compliance with the requirements of the following:

- Sri Lanka Accounting Standards issued by The Institute of Chartered Accounts of Sri Lanka;
- Companies Act No. 07 of 2007;
- Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995;
- Listing Rules of the Colombo Stock Exchange; and
- Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka.
- Code of Best Practices on Related Party Transactions issued by the Securities and Exchange Commission of Sri Lanka.

We confirm that the significant accounting policies used in the preparation of the Financial Statements are appropriate and are constantly applied, as described in the notes to the Financial Statements. The significant accounting policies and estimates that involved a high degree of judgment and complexity were discussed with the Audit Committee and our External Auditors.

We have taken measures in installing systems of internal control and accounting records, to safe guard assets, and to prevent and detect frauds as well as other irregularities. These have been reviewed, evaluated and updated on an ongoing basis. Reasonable assurance that the established policies and procedures have been consistently followed was provided through periodic audits conducted by Hayleys Group Internal Auditors (MA & SRD) and our own internal auditors. However, there are inherent limitations that should be recognized in weighing the assurances provided by any system of internal controls and accounting.

The Audit Committee of the Company meets quarterly and additionally if required with the Internal Auditors and the Independent Auditors to review the effectiveness of the audits, and to discuss auditing, internal control and financial reporting issues. The Independent Auditors and the Internal Auditors have full and free access to the Audit Committee to discuss any matter of substance.

The Financial Statements were audited by Messrs Ernst & Young, Chartered Accountants, the Independent External Auditors. Their report is given on page 145 of the Annual Report.

The Audit Committee approves the audit and non-audit services provided by the External Auditor, in order to ensure that the provision of such services does not impair their independence.

We confirm that:

- The Company and its subsidiaries have complied with all applicable laws, regulations and prudential requirements:
- There are no non-compliances: and
- There is no material litigation that is pending against the Group.

Roshan Rajadurai
Managing Director

Sarath Siriwardana
Director/ Chief Executive Officer/ Chief Financial Officer

12 May 2017

INDEPENDENT AUDITORS' REPORT

EY
Building a better working world

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BW/CSW/SJJC

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF KELANI VALLEY PLANTATIONS PLC

Report on the Financial Statements

We have audited the accompanying Financial Statements of Kelani Valley Plantations PLC ("the Company") and the Consolidated Financial Statements of the Company and its subsidiaries ("Group") which comprise the Statement of Financial Position as at March 31, 2017 and the Statement of Profit or Loss, Statement of Comprehensive Income, Statement of Changes in Equity and Statements of Cash Flow for the year then ended, and a summary of significant Accounting Policies and other explanatory information.

Board's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the Financial Statements, whether due to fraud or error. In making those risk assessment, the auditor considers internal controls relevant to the entity's preparation of the Financial Statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the Financial Statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at March 31, 2017 and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

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

a) The basis of opinion, scope and limitations of the audit are as stated above.
b) In our opinion:
   - we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company,
   - the Financial Statements of the Company give a true and fair view of its financial position as at March 31, 2017, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards, and
   - the Financial Statements of the Company and the Group comply with the requirements of sections 151 and 153 of the Companies Act No.07 of 2007.

Ernst & Young

12 May 2017
Colombo

STATEMENT OF PROFIT OR LOSS

For the year ended 31 March,	Notes	Consolidated 2016/17 Rs.'000	Consolidated 2015/16 Rs.'000	Company 2016/17 Rs.'000	Company 2015/16 Rs.'000
Revenue	6.1	6,852,262	6,068,746	3,436,658	3,375,820
Cost of sales		(6,234,523)	(5,604,044)	(3,143,093)	(3,235,109)
Gross profit	6.2	617,739	464,702	293,565	140,711
Gain on change in fair value of biological assets	14.2.1	26,517	21,238	26,517	21,238
Other income	7	116,151	68,198	140,750	78,968
Administrative expenses		(439,472)	(466,180)	(266,843)	(263,721)
Distribution expenses		(74,203)	(53,188)	-	-
Results from operating activities		246,732	34,770	193,989	(22,804)
Finance income	8.1	7,594	1,626	1,912	1,991
Finance expenses	8.2	(92,365)	(45,645)	(77,949)	(27,051)
Interest paid to Government on finance lease	8.3	(68,999)	(66,935)	(68,999)	(66,935)
Net finance cost	8	(153,770)	(110,954)	(145,036)	(91,995)
Deemed disposal gain due to change in controlling interest		-	45,664	-	-
Share of Profit from equity accounted investee	15.1	(80,488)	-	-	-
Profit/(loss) before tax	9	12,474	(30,520)	48,953	(114,799)
Tax expense	10.1	(27,823)	(11,671)	(10,123)	13,510
Profit/(loss) for the year		(15,349)	(42,191)	38,830	(101,289)
Attributable to:					
Equity holders of the Parent		(18,733)	(27,746)	38,830	(101,289)
Non-controlling interest		3,384	(14,445)	-	-
Profit/(loss) for the year		(15,349)	(42,191)	38,830	(101,289)
Earnings per Share					
Basic earnings per share (Rs.)	11.1 (A)	(0.55)	(0.82)	1.14	(2.98)
Diluted earnings per share (Rs.)	11.1 (B)	(0.55)	(0.82)	1.14	(2.98)
Dividend per Share (Rs.)	11.2	-	-	-	-

Figures in brackets indicate deductions.

Notes to the Financial Statements from pages 154 to 211 form an integral part of these Financial Statements.

STATEMENT OF COMPREHENSIVE INCOME

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For the year ended 31 March,	Notes	Consolidated 2016/17 Rs.'000	Consolidated 2015/16 Rs.'000	Company 2016/17 Rs.'000	Company 2015/16 Rs.'000
Profit/(loss) for the year		(15,349)	(42,191)	38,830	(101,289)
Other Comprehensive Income					
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:					
Share of Profit from equity accounted investee	15.1	511	-	-	-
Actuarial gains on defined benefit plans	25	363,483	23,369	366,506	28,722
Income tax effect	10.2	(57,003)	(3,638)	(57,761)	(4,527)
Other comprehensive income for the year, net of tax		306,991	19,731	308,745	24,195
Total comprehensive income for the year, net of tax		291,642	(22,460)	347,575	(77,094)
Attributable to:					
Equity holders of the Parent		288,254	(7,133)	347,575	(77,094)
Non-controlling interest		3,388	(15,327)	-	-
Total comprehensive income /(loss) for the year		291,642	(22,460)	347,575	(77,094)

Figures in brackets indicate deductions.

Notes to the Financial Statements from pages 154 to 211 form an integral part of these Financial Statements.

STATEMENT OF FINANCIAL POSITION

		Consolidated			Company		
	Notes	As at 31.03.2017 Rs.'000	As at 31.03.2016 Rs.'000	As at 01.04.2015 Rs.'000	As at 31.03.2017 Rs.'000	As at 31.03.2016 Rs.'000	As at 01.04.2015 Rs.'000
ASSETS							
Non-current assets							
Lease hold property, plant & equipment	12	378,198	404,561	429,757	378,198	404,561	429,757
Freehold property, plant & equipment	13	1,382,202	1,329,709	1,839,404	1,015,195	998,440	1,035,997
Improvements to leasehold property	14.1	3,298,204	3,066,672	2,795,516	3,298,204	3,066,672	2,795,516
Biological assets - consumable	14.2	137,515	125,264	105,005	137,515	125,264	105,005
Investments in subsidiaries	15	-	-	-	309,881	309,881	459,881
Investments in equity accounted investee	15.1	214,023	260,000	-	294,000	260,000	-
Intangible assets	16	33,564	33,692	34,188	-	-	-
Total non-current assets		5,443,706	5,219,898	5,203,870	5,432,993	5,164,818	4,826,156
Current assets							
Produce on bearer biological assets	17.1	15,349	4,347	3,368	15,349	4,347	3,368
Inventories	17.2	820,678	694,816	866,133	429,837	402,284	455,025
Amounts due from subsidiaries	29	-	-	-	324	375	5,487
Amounts due from other related companies	29	8,448	11,445	91,350	7,127	6,708	89,835
Amounts due from equity accounted investee	29.2	10,531	18	-	10,531	-	-
Trade and other receivables	18	911,650	541,030	737,204	244,397	201,235	220,290
Income tax recoverable	28.1	1,412	138	1,015	-	-	-
Short-term deposits	20.1	186	177	40,021	-	-	-
Cash and cash equivalents	20.2	45,451	54,853	54,202	29,695	33,360	2,559
Total current assets		1,813,705	1,306,824	1,793,293	737,260	648,309	776,564
Total assets		7,257,411	6,526,722	6,997,163	6,170,253	5,813,127	5,602,720
EQUITY AND LIABILITIES							
Equity							
Stated capital	21	340,000	340,000	340,000	340,000	340,000	340,000
Revenue reserves		2,580,914	2,292,660	2,358,424	2,511,082	2,163,508	2,286,932
Total equity attributable to equity holders of the company		2,920,914	2,632,660	2,698,424	2,851,082	2,503,508	2,626,932
Non-controlling interest		33,475	33,087	158,739	-	-	-
Total equity		2,954,389	2,665,747	2,857,163	2,851,082	2,503,508	2,626,932
Non-current liabilities							
Interest-bearing borrowings	22.1	368,375	323,916	432,145	332,790	323,916	156,562
Amounts due to other related companies	29.1	36,286	22,500	-	36,286	22,500	-
Deferred income	23	535,688	522,763	478,357	534,936	521,985	477,553
Deferred tax liability	24.1	457,659	390,615	393,243	401,724	334,240	342,903
Retirement benefit obligations	25	816,560	1,153,244	1,122,870	791,915	1,128,871	1,101,270
Liability to make lease payment	26	441,841	443,557	445,075	441,841	443,557	445,075
Total non-current liabilities		2,656,409	2,856,595	2,871,690	2,539,492	2,775,069	2,523,363

	Notes	Consolidated			Company		
		As at 31.03.2017 Rs.'000	As at 31.03.2016 Rs.'000	As at 01.04.2015 Rs.'000	As at 31.03.2017 Rs.'000	As at 31.03.2016 Rs.'000	As at 01.04.2015 Rs.'000
Current liabilities							
Trade and other payables	27	463,858	415,052	430,376	366,578	322,782	351,587
Liability to make lease payment within one year	26	1,715	1,518	1,343	1,715	1,518	1,343
Amounts due to subsidiaries	29	-	-	-	10,169	13,241	12,310
Amounts due to other related companies	29	31,591	19,768	17,280	30,766	17,192	13,416
Amounts due to equity accounted investee	29.2	-	4,905	-	-	4,905	-
Income tax payable	28.2	12,126	15,503	7,780	348	-	6,086
Interest-bearing borrowings payable within one year	22.1	107,783	79,831	37,680	95,921	79,831	16,493
Short-term interest bearing borrowings	22.2	755,238	372,722	722,661	-	-	-
Bank overdraft	20.3	274,302	95,081	51,190	274,182	95,081	51,190
Total current liabilities		1,646,613	1,004,380	1,268,310	779,679	534,550	452,425
Total liabilities		4,303,022	3,860,975	4,140,000	3,319,171	3,309,619	2,975,788
Total equity and liabilities		7,257,411	6,526,722	6,997,163	6,170,253	5,813,127	5,602,720
Net assets per share (Rs.)		85.91	77.43	79.37	83.86	73.63	77.26

It is certified that the Financial Statements have been prepared in compliance with the requirements of the Companies Act No. 7 of 2007.

Sarath Siriwardana
Director / Chief Executive Officer/ Chief Financial Officer

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.
Signed for and on behalf of the Board,

A M Pandithage
Chairman

W G R Rajadurai
Managing Director

12 May 2017

Notes to the Financial Statements from pages 154 to 211 form an integral part of these Financial Statements.

STATEMENT OF CHANGES IN EQUITY

Consolidated

	Attributable to equity holders of the parent							
		Revenue reserves						
	Stated capital Rs.'000	General reserve Rs.'000	Timber reserve Rs.'000	Bearer biological produce Rs.'000	Retained earnings Rs.'000	Total Rs.'000	Non-controlling interest Rs.'000	Total equity Rs.'000
Balance as at 31 March, 2015	340,000	1,700,000	47,439	-	607,617	2,695,056	158,739	2,853,795
Impact of the amendments of LKAS 16 and LKAS 41	-	-	-	3,368	-	3,368	-	3,368
Restated balance as at 31 March, 2015	340,000	1,700,000	47,439	3,368	607,617	2,698,424	158,739	2,857,163
Super gain tax	-	-	-	-	(24,632)	(24,632)	-	(24,632)
Adjusted Balance as at 1 April, 2015	340,000	1,700,000	47,439	3,368	582,985	2,673,792	158,739	2,832,531
Profit/(loss) for the year	-	-	20,259	979	(48,984)	(27,746)	(14,445)	(42,191)
Other comprehensive income	-	-	-	-	20,614	20,614	(883)	19,731
Dividends	-	-	-	-	(34,000)	(34,000)	(10,080)	(44,080)
Decrease in non-controlling interest	-	-	-	-	-	-	(100,244)	(100,244)
Balance as at 31 March, 2016	**340,000**	**1,700,000**	**67,698**	**4,347**	**520,615**	**2,632,660**	**33,087**	**2,665,747**
Profit/(loss) for the year	-	-	15,515	11,002	(45,250)	(18,733)	3,384	(15,349)
Other comprehensive income	-	-	-	-	306,987	306,987	4	306,991
Dividends	-	-	-	-	-	-	(3,000)	(3,000)
Balance as at 31 March, 2017	**340,000**	**1,700,000**	**83,213**	**15,349**	**782,352**	**2,920,914**	**33,475**	**2,954,389**

Company

		Revenue reserves				
	Stated capital Rs.'000	General reserve Rs.'000	Timber reserve Rs.'000	Bearer biological produce Rs.'000	Retained earnings Rs.'000	Total equity Rs.'000
Balance as at 31 March, 2015	340,000	1,700,000	47,439	-	536,125	2,623,564
Impact of the amendments of LKAS 16 and LKAS 41	-	-	-	3,368	-	3,368
Restated balance as at 31 March, 2015	340,000	1,700,000	47,439	3,368	536,125	2,626,932
Super gain tax	-	-	-	-	(12,330)	(12,330)
Adjusted Balance as at 1 April, 2015	340,000	1,700,000	47,439	3,368	523,795	2,614,602
Profit/(loss) for the year	-	-	20,259	979	(122,527)	(101,289)
Other comprehensive income	-	-	-	-	24,195	24,195
Dividends	-	-	-	-	(34,000)	(34,000)
Balance as at 31 March, 2016	**340,000**	**1,700,000**	**67,698**	**4,347**	**391,463**	**2,503,508**
Profit/(loss) for the year	-	-	15,515	11,002	12,312	38,829
Other comprehensive income	-	-	-	-	308,745	308,745
Balance as at 31 March, 2017	**340,000**	**1,700,000**	**83,213**	**15,349**	**712,520**	**2,851,082**

Retained Earnings	Consolidated		Company	
	2016/17 Rs.'000	2015/16 Rs.'000	2016/17 Rs.'000	2015/16 Rs.'000
Holding company	811,082	463,508	811,082	463,508
Subsidiaries	69,832	129,152	-	-
	880,914	**592,660**	**811,082**	**463,508**

General reserves set aside for future distribution and investment.
The timber reserve relates to change in fair value of managed trees which includes commercial timber plantations cultivated on estates.
The bearer biological produce relates to change in fair value of harvestable produce growing on bearer biological assets.

Figures in brackets indicate deductions.

Notes to the Financial Statements from pages 154 to 211 form an integral part of these Financial Statements.

STATEMENT OF CASH FLOWS

For the year ended 31 March,	Notes	Consolidated 2016/17 Rs.'000	Consolidated 2015/16 Rs.'000	Company 2016/17 Rs.'000	Company 2015/16 Rs.'000
Cash flows from operating activities					
Profit/(loss) before tax		12,474	(30,520)	48,953	(114,799)
Adjustments for;					
Interest on Government finance lease	8.3	68,999	66,935	68,999	66,935
Finance expenses	8.2	92,365	45,645	77,949	27,051
Finance income	8.1	(7,594)	(1,626)	(1,912)	(1,991)
Profit on disposal of property, plant & equipment	7	(4,914)	(3,770)	(5,204)	(3,619)
Gains on fair value of biological assets		(23,253)	(21,238)	(23,253)	(21,238)
Dividend income	7	-	-	(29,480)	(13,608)
Depreciation		210,972	219,630	175,562	173,338
Lease amortisation		26,363	25,196	26,363	25,196
Amortisation of intangible assets	16	128	338	-	-
Write off property, plant & equipment		-	158	-	-
Provision for retirement benefit obligations		167,392	158,860	164,015	155,834
Amortisation of capital grants	23	(19,740)	(15,382)	(19,714)	(15,356)
Deemed disposal gain due to change in controlling interest		-	(45,664)	-	-
Share of (profit)/loss from equity accounted investee	15.1	80,488	-	-	-
Provision/(reversal) for obsolete inventories		10,102	667	3,990	(1,884)
Provision/(reversal) for doubtful debts		170	(24,489)	104	(706)
Operating profit before working capital changes		613,952	374,739	486,372	275,153
(Increase)/decrease in inventories		(135,963)	151,096	(31,542)	54,626
(Increase)/decrease in trade and other receivables		(370,790)	216,600	(43,267)	25,269
(Increase)/decrease in amounts due from related companies		2,996	75,001	(368)	88,238
Increase/(decrease) in trade and other payables		58,702	(9,691)	63,908	(34,556)
Increase/(decrease) in amount due to related companies		5,068	384,112	3,747	2,208
Increase/(decrease) in equity accounted investee		(15,418)	4,887	(15,436)	4,905
Cash generated from operating activities		158,547	1,196,745	463,414	415,843
Interest paid on Government finance lease	8.3	(68,999)	(66,935)	(68,999)	(66,935)
Interest paid		(97,840)	(41,979)	(77,949)	(27,051)
Taxes paid		(32,332)	(6,807)	(20,165)	(3,419)
Super gain tax paid		-	(24,632)	-	(12,330)
Retirement benefit obligations paid	25	(140,592)	(101,703)	(134,465)	(99,511)
Net cash flow from operating activities		(181,215)	954,688	161,836	206,598

For the year ended 31 March,	Notes	Consolidated 2016/17 Rs.'000	Consolidated 2015/16 Rs.'000	Company 2016/17 Rs.'000	Company 2015/16 Rs.'000
Cash flows from investing activities					
Field development expenditure	14.1	(318,308)	(348,832)	(318,308)	(348,832)
Interest received	8.1	7,594	1,626	1,912	1,991
Dividends received		-	-	29,480	8,100
Acquisition of property, plant & equipment		(180,929)	(1,425,243)	(106,068)	(58,277)
Proceeds from disposal of property, plant & equipment		9,154	4,236	5,730	3,791
Investments in equity accounted investee		(34,000)	(110,000)	(34,000)	(110,000)
Net cash used in investing activities		(516,489)	(1,878,213)	(421,254)	(503,227)
Net cash Inflow/(outflow) before financing activities		(697,705)	(923,525)	(259,418)	(296,630)
Cash flows from financing activities					
Dividend paid		(3,000)	(39,388)	-	(30,599)
Capital settlement of net liability to lessor		(1,519)	(1,343)	(1,518)	(1,343)
Exchange gain/(loss)		5,475	(3,667)	-	-
Short-term loans obtained during the year		2,866,530	1,914,973	-	100,000
Short-term loans repaid during the year		(2,484,013)	(2,264,912)	-	(100,000)
Long-term loans obtained during the year	22	147,447	1,233,718	100,000	249,282
Long-term loans repaid during the year	22	(75,036)	(72,614)	(75,036)	(18,590)
Long-term loans obtained from group company	29.1	25,000	25,000	25,000	25,000
Long-term loans repaid to group company	29.1	(4,458)	-	(4,458)	-
Grants received	23	32,665	59,788	32,665	59,788
Net cash used in financing activities		509,091	851,555	76,652	283,538
Net increase/(decrease) in cash and cash equivalents		(188,614)	(71,969)	(182,766)	(13,092)
Change in cash reserve due to deemed disposal		-	(11,115)	-	-
Cash and cash equivalents at the beginning of the period		(40,051)	43,033	(61,721)	(48,629)
Cash and cash equivalents at the end of the period (Note A)		(228,665)	(40,051)	(244,487)	(61,721)
Note A :					
Analysis of cash and cash equivalents					
Cash and bank balances	20.2	45,451	54,853	29,695	33,360
Short-term deposits	20.1	186	177	-	-
		45,637	55,030	29,695	33,360
Bank overdraft	20.3	(274,302)	(95,081)	(274,182)	(95,081)
Cash and cash equivalents		(228,665)	(40,051)	(244,487)	(61,721)

Figures in brackets indicate deductions.

Notes to the Financial Statements from pages 154 to 211 form an integral part of these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

G4-17

1. REPORTING ENTITY

Kelani Valley Plantations PLC was incorporated on 18 June, 1992 under the Companies Act No. 17 of 1982 (The Company was re-registered under the Companies Act No. 07 of 2007) in terms of the provisions of the Conversion of Public Corporation and Government-Owned Business Undertakings into Public Companies under Public Companies Act No. 23 of 1987.

The registered office of the Company is located at No 400, Deans Road, Colombo 10, and Plantations are situated in the planting districts of Nuwara Eliya, Hatton and Yatiyantota.

The ordinary shares of the Company are listed on the Colombo Stock Exchange of Sri Lanka.

All companies in the Group are limited liability companies incorporated and domiciled in Sri Lanka.

The Consolidated Financial Statements of Kelani Valley Plantations PLC., as at and for the year ended 31 March, 2017 comprise the Company and its Subsidiaries namely, Kalupahana Power Company (Pvt.) Ltd., Kelani Valley Instant Tea (Pvt.) Ltd ,Mabroc Teas (Pvt.) Ltd ("MTPL") and the Group's interest in Equity Account Investees, Hayleys Global Beverages (Pvt.) Limited ("HGBL") (together referred to as the 'Group').

The Financial Statements of all companies in the Group are prepared for a common financial year, which ends on 31 March.

1.1 Principle Activities and nature of the operations

During the year, the principal activities of the Company were the producing and processing of Tea and Rubber.

Principal activities of other companies in the Group are as follows.

COMPANY	NATURE OF THE BUSINESS
Kalupahana Power Company (Pvt) Ltd	Generating Hydropower
Kelani Valley Instant Tea (Pvt) Ltd	Manufacture of Ready-To-Drink Tea Powder
Mabroc Teas (Pvt) Ltd	Export of bulk and retail packed Tea
Hayleys Global Beverages (Pvt) Limited	Manufacturing Instant Tea and Tea Extracts

1.2 Holding Company

The Company is a subsidiary of DPL Plantations (Pvt) Ltd., which is a wholly-owned subsidiary of Dipped Products PLC whose ultimate parent enterprise is Hayleys PLC.

1.3 Date of Authorization for issue.

The Financial Statements of Kelani Valley Plantations PLC for the period ended 31 March 2017, were authorized for issue in accordance with a resolution of the Board of Directors on 12 May 2017.

1.4 Responsibility for Financial Statements.

The responsibility of the Directors in relation to the Financial Statements is set out in the Statement of Directors' Responsibility Report in the Annual Report.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The Financial Statements of the Company and the Group which comprise the Statement of Profit or Loss, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows together with Accounting Policies and Notes to the Financial Statements. The Consolidated Financial Statements have been prepared in accordance with Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, which requires compliance with Sri Lanka Accounting Standards promulgated by The Institute of Chartered Accountants of Sri Lanka (CASL), and with the requirements of the Companies Act No. 07 of 2007.

2.2 Basis of Measurement

These Consolidated Financial Statements have been prepared in accordance with the historical cost convention other than following items in the Financial Statements.

- Right to use of land and leased assets of JEDB/SLSPC have been revalued as described in Note 12 to the Financial Statements
- Managed consumable biological assets are measured at fair value
- Produce grown on bearer biological assets.

Where appropriate, the specific policies are explained in the succeeding Notes.

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

2.3 Functional and Presentation Currency

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

2.4 Materiality and Aggregation

Each material class of similar items is presented separately in the Consolidated Financial Statements. Items of a dissimilar nature or function are presented separately unless they are immaterial.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below are consistent with those used in the previous year. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

3.1 Going Concern

The Consolidated Financial Statements have been prepared on the assumption that The Company is a going concern. The Directors have made an assessment of the Group's ability to continue as a going concern in the foreseeable future. Furthermore, board is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as going concern and they do not intend either to liquidate or to cease operations of Group. Therefore, the Consolidated Financial Statements continue to be prepared on the going concern basis.

3.2 Basis of Consolidation

The Consolidated Financial Statements comprise the Financial Statements of the Group and its subsidiaries as at 31 March 2017. Subsidiaries are those entities controlled by the group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the Consolidated Financial Statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of Other Comprehensive Income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the Financial Statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

3.2.1 Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any Non-Controlling Interest in the acquiree. For each business combination, the Group elects whether it measures the Non-Controlling Interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

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

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of LKAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in statement of profit or loss or as a change to OCI. If the contingent consideration is not within the scope of LKAS 39, it is measured in accordance with the appropriate SLFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in statement of profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

3.2.2 Equity Accounted Investees

Equity accounted investees are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity. Equity accounted investees are accounted for using the equity method.

Under the equity method, the investment in the equity accounted investee is carried on the Statement of Financial Position at cost plus post acquisition changes in the Group's share of net assets of the equity accounted investee. Goodwill relating to the equity accounted investee is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The Income Statement reflects the Group's share of the results of operations of the equity accounted investee. When there has been a change recognized directly in the equity of the equity accounted investee, the Group recognizes its share of any changes and discloses this, when applicable, in the Statement of Changes in Equity. Unrealized gains and losses resulting from transactions between the Group and the equity accounted investee are eliminated to the extent of the interest in the equity accounted investee.

The consolidated financial Statements include the Group's share of profit net of tax and equity movements of equity accounted investees from the date that significant influence commences until the date significant influence ceases. When the Group's share of losses exceeds its investment in an equity accounted investee, the carrying amount of that interest is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has incurred obligations or has made payments on behalf of the investee.

The financial Statements of the equity accounted investees are prepared for the same reporting period as the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on its investment in its equity accounted investee. The Group determines at each reporting date whether there is any objective evidence that the investment in the equity accounted investee is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the equity accounted investee and its carrying value and recognizes the amount in the share of profit of an equity accounted investee, in the income Statement.

Upon loss of significant influence over the equity accounted investee, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the equity accounted investee upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

3.3 Current versus non-current classification

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

- Expected to be realised or intended to sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period Or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period
  Or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

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

3.4 Fair Value Measurement

The Group measures financial instruments and non-financial assets at fair value at each Statement of Financial Position date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in the following notes:

- Managed Consumable biological assets Note 14.2
- Produce grown on bearer biological assets on Note 17.1

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability
  Or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

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

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

The 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 minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External valuers are involved for valuation of significant assets, such as managed consumable biological assets. Involvement of external valuers is decided upon annually by the Management Committee after discussion with and approval by the Company's Audit Committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Valuers are normally rotated every three years. The Management Committee decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

3.5 Foreign Currencies

The Group's consolidated financial statements are presented in Sri Lankan Rupees, which is also the parent company's functional currency. For each entity the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or statement of profit or loss are also recognised in OCI or statement of profit or loss, respectively).

3.6 Cash dividend and non-cash distribution to equity holders of the parent

The Company recognises a liability to make cash or non-cash distributions to equity holders of the parent when the distribution is authorised and the distribution is no longer at the discretion of the Company. A distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value remeasurement recognised directly in equity.

Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in the statement of profit or loss.

3.7 Property, Plant & Equipment

The group applies the requirements of LKAS 16 on 'Property Plant and Equipment' in accounting for its owned assets which are held for and use in the provision of the services, for rental to other or for administration purpose and are expected to be used for more than one year.

3.7.1 Basis of Recognition.

Property Plant and Equipment is recognised if it is probable that future economic benefit associated with the assets will flow to the Group and cost of the asset can be reliably measured.

3.7.2 Measurement

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

3.7.3 Owned Assets

The cost of Property, Plant & Equipment includes expenditures that are directly attributable to the acquisition of the asset. Such costs includes the cost of replacing part of the property, plant and equipment and borrowing costs for long terms construction projects if the recognition criteria are met. The cost of self-constructed assets includes the cost of materials and direct labour, any other cost directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

Purchased software that is integral to the functionality of the related equipment is capitalized as a part of that equipment.

When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognises such parts as individual assets (major components) with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the Statement of Profit and Loss as incurred. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Capital work-in-progress is transferred to the respective asset accounts at the time of first utilisation or at the time the asset is commissioned.

3.7.4 Leased Assets

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Group as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

3.7.5 De-recognition

An item of property, plant and equipment and any significant part initially recognised is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Statement of Profit or Loss when the asset is de-recognised and gains are not classified as revenue.

3.7.6 Land Development Cost

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

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

Permanent impairments to land development costs are charged to the Statement of Profit or Loss in full or reduced to the net carrying amounts of such assets in the year of occurrence after ascertaining the loss.

3.7.7 Biological Assets

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

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

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

3.7.7.1 Bearer Biological Asset

The bearer biological assets are measured at cost less accumulated depreciation and accumulated impairment losses, if any, in terms of LKAS 16 – Property Plant & Equipment.

The cost of land preparation, rehabilitation, new planting, replanting, crop diversification, inter planting and fertilising, etc., incurred between the time of planting and harvesting (when the planted area attains maturity), are classified as immature plantations. These immature plantations are shown at direct costs plus attributable overheads. The expenditure incurred on bearer biological assets (Tea, Rubber) which comes into bearing during the year, is transferred to mature plantations.

3.7.7.2 Infilling Cost on Bearer Biological Assets

The land development costs incurred in the form of infilling have been capitalised to the relevant mature field, only where the number of plants per hectare exceeded 3,000 plants and, also if it increases the expected future benefits from that field, beyond its pre-infilling performance assessment. Infilling costs so capitalised are depreciated over the newly assessed remaining useful economic life of the relevant mature plantation, or the unexpired lease period, whichever is lower.

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

3.7.7.3 Borrowing Cost

Borrowing costs that are directly attributable to acquisition, construction or production of a qualifying asset, which takes a substantial period of time to get ready for its intended use or sale are capitalised as a part of the asset.

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

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

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

The amount so capitalised and the capitalisation rates are disclosed in Notes to the Financial Statements.

3.7.7.4 Consumable Biological Asset

Consumable biological assets includes managed timber trees those that are to be harvested as agricultural produce or sold as biological assets. Expenditure incurred on consumable biological assets (managed timber trees) is 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 as the impact on biological transformation of such plants to price during this period is immaterial. The fair value of timber trees are measured using DCF method taking in to consideration the current market prices of timber, applied to expected timber content of a tree at the maturity by an independent professional valuer. All other assumptions and sensitivity analysis are given in Note 14.

The main variables in DCF model concerns

VARIABLE	COMMENT
Timber content	Estimate based on physical verification of girth, height and considering the growth of the each species in different geographical regions. Factor all the prevailing statutory regulations enforced against harvesting of timber coupled with forestry plan of the Company .
Economic useful life	Estimated based on the normal life span of each species by factoring the forestry plan of the Company.
Selling price	Estimated based on prevailing Sri Lankan market price. Factor all the conditions to be fulfill in bringing the trees in to saleable condition.
Planting cost	Estimated costs for the further development of immature areas are deducted.

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 statement of profit or loss for the period in which it arises.

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

3.7.7.5 Nursery Plants

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

3.7.8 Depreciation and Amortisation

(a) Depreciation

Depreciation is recognised in Income Statement on a straight-line basis over the estimated useful economic lives of each part of an item of Property, Plant & Equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Assets held under finance leases are depreciated over the shorter of the lease term and the useful lives of equivalent owned assets unless it is reasonably certain that the Group will have ownership by the end of the lease term. Lease period of land acquired from JEDB/SLSPC will be expired in year 2045. The estimated useful lives for the current and comparative periods are as follows:

	NO. OF YEARS	RATE (%)
Buildings & Roads	40	2.50
Plant & Machinery	20	5.00
Plant & Machinery-Effluent Treatment Plant	10	10.00
Electronic Machinery	10	10.00
Hydro Power Plant	30	3.33
Motor Vehicles-Utility	10	10.00
Motor Vehicles-Supervisory	5	20.00
Equipment	4	25.00
Furniture & Fittings	10	10.00
Sanitation, Water & Electricity Supply	20	5.00
Computer Accessories	4	25.00
Tea Bagging Machines	15	6.67

Mature Plantations (Replanting and New Planting)

	NO. OF YEARS	RATE (%)
Mature Plantations - Tea	33 1/3	3.00
- Rubber	20	5.00

Depreciation of an asset begins when it is available for use and ceases at the earlier of the date on which the asset is classified as held for sale or is de-recognised. Depreciation methods, useful lives and residual values are reassessed at the reporting date and adjusted prospectively, if appropriate. Mature plantations are depreciated over their useful lives or unexpired lease period, whichever is less.

No depreciation is provided for immature plantations.

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

	NO. OF YEARS	RATE (%)
Right to Use of Land	53	1.89
Improvements to land	30	3.33
Mature Plantations (Tea & Rubber)	30	3.33
Buildings	25	4.00
Machinery	20	5.00

3.7.9 Intangible Assets
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in statement of profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

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

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

3.7.9.1 Research and Development
Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

3.8 Financial Instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

3.8.1 Financial assets
3.8.1.1 Initial Recognition and Measurement
Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, AFS financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash and short-term deposits, short-term investments, trade and other receivables, loans and other receivables, quoted and unquoted financial instruments.

3.8.1.2 Subsequent Measurement

The subsequent measurement of financial assets depends on their classification as described below:

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Financial assets at fair value through profit and loss are carried in the Statement of Financial Position at fair value with net changes in fair value recognised in finance income or finance costs in the Statement of Profit or Loss.

The Group has not designated any financial assets as at fair value through profit or loss.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method (EIR), less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the Statement of Profit or Loss. The losses arising from impairment are recognised in the Statement of Profit or Loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

Loans and receivables comprise of trade receivables, amounts due from related parties, deposits, advances and other receivables and cash and cash equivalents.

(c) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the Statement of Profit or Loss. The losses arising from impairment are recognised in the Statement of Profit or Loss in finance costs.

(d) Available for sale financial investments

AFS financial assets include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealised gains or losses recognised in OCI and credited in the AFS reserve until the investment is de-recognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the statement of profit or loss in finance costs. Interest earned whilst holding AFS financial assets is reported as interest income using the EIR method.

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

For a financial asset reclassified from the AFS category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

3.8.1.3 De-recognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is de-recognised when:

- The rights to receive cash flows from the asset have expired

- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

3.8.1.4 Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired and if such has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows.

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

3.8.1.4.1 Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income (recorded as finance income in the statement of profit or loss) continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the statement of profit or loss.

3.8.1.4.2 Available for sale financial Assets

For AFS financial assets, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from OCI and recognised in the statement of profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognised in OCI.

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The determination of what is 'significant' or 'prolonged' requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss, the impairment loss is reversed through the statement of profit or loss.

3.8.2 Financial liabilities

3.8.2.1 Initial recognition and measurement

Financial liabilities are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables net of directly attributable transaction cost. This includes directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings, financial guarantee contracts.

3.8.2.2 Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as described below:

(a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by LKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in LKAS 39 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

(b) Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the Effective Interest Rate (EIR) method. Gains and losses are recognised in profit or loss when, the liabilities are de-recognised as well as through the (EIR) amortization process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

(c) Financial guarantee contracts

Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortization.

3.8.2.3 De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of Profit or Loss.

3.8.3 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Consolidated Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

3.9 Harvestable Agricultural Produce Growing on Bearer Biological Assets

In accordance with LKAS 41, company recognise agricultural produce growing on bearer plants at fair value less cost to sell. Change in the fair value of such agricultural produce recognized in profit or loss at the end of each reporting period.

For this purpose, quantities of harvestable agricultural produce ascertained based on harvesting cycle of each crop category by limiting to one harvesting cycle based on last day of the harvest in the immediately preceding cycle. Further 50% of the crop in that harvesting cycle considered for the valuation.

For the valuation of the harvestable agricultural produce, the company uses the following price formulas.

- Tea – Bought Leaf rate (current month) less cost of harvesting & transport.
- Rubber – latex Price (92.5% of current RSS1 Price) less cost of tapping & transport.

3.10 Inventories

Finished goods manufactured from agricultural produce of biological assets

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

Input Material, Spares and Consumables
At actual cost on weighted average basis.

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

3.11 Trade and Other Receivables

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

3.12 Cash and Cash Equivalents

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

3.13 Impairment of Non-Financial Assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying

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amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually as at 31 March and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually as at 31 March at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

3.14 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Profit or Loss net of any reimbursement.

3.15 Employees Benefits

(a) Defined Contribution Plans - Provident Funds and Trust Fund

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

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

All the employees of the Company are members of the Employees' Trust Fund, to which the Company contributes 3% on the consolidated salary of such employees.

(b) Defined Benefit Plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The liability recognised in the Financial Statements in respect of defined benefit plan is the present value of the defined benefit obligation at the Reporting date. The defined benefit obligation is calculated annually using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using the interest rates that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised as in retained earnings through comprehensive income. Past service costs are recognised immediately in Statement of Profit or Loss

The provision has been made for retirement gratuities from the first year of service for all employees, in conformity with LKAS 19, Employee Benefits. However, under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service.

The Liability is not externally funded.

The key assumptions used in determining the retirement benefit obligations are given in Note 25.

3.16 Trade and Other Payables

Trade and other payables are stated at their costs.

3.17 Capital Commitments and Contingencies

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

3.18 Events Occurring after the Reporting Date

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

3.19 Earnings per Share

The Group presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3.20 Deferred Income

3.20.1 Grants and Subsidies

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

Where the Group receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to the Statement of Profit or Loss over the expected useful life and pattern of consumption of the benefit of the underlying asset by equal annual installments. Where loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as additional government grant.

Grants related to Property, Plant & 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 & Equipment as follows: Assets are amortised over their useful lives or unexpired lease period, whichever is less.

Buildings	40 years
Sanitation & water supply	20 years
Plant & equipment	13 1/3 years

Grants received for forestry are initially deferred and credited to income once when the related blocks of trees are harvested.

3.21 Statement of Profit or Loss

For the purpose of presentation of Statement of Profit or Loss, the function of expenses method is adopted, as it represents fairly the elements of the group's performance.

3.21.1 Revenue

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

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

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

(c) For all financial instruments measured at amortised cost and interest-bearing financial assets classified as AFS, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the statement of profit or loss.

(d) Dividend is recognised when the Group's right to receive the payment is established, which is generally when shareholders approve the dividend.

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

3.21.2 Expenses

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

3.21.2.1 Financing Income and Finance cost

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss, and losses on hedging instruments that are recognised in profit or loss. 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.

The interest expense component of finance lease payments is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Foreign currency gains and losses are reported on a net basis.

3.21.2.2 Taxes

3.21.2.2.1 Current Income Tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

3.21.2.2.2Deferred Tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except,

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

3.22 Statement of Cash Flow

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

3.23 Segment Reporting

Segmental information is provided for the different business segments of the Group. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incure expenses, including revenues and expenses that relate to transactions with any of the Group's other components.

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

The activities of the segments are described in note 36 to the Financial Statements. The group transfers products from one industry segment for use in another. Inter-segment transfers are based on fair market prices.

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

Assets and liabilities directly attributable to each segment are allocated to the respective segments. Assets and liabilities, which are not directly attributable to a segment, are allocated on a reasonable basis wherever possible. Unallocated items comprise mainly interest bearing loans, borrowings, and expenses.

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

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

3.24 Change in Accounting Policies and Disclosures

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

Amendments to LKAS 16- Properly, plant and equipment and LKAS 41- Agriculture, require entity to recognize agricultural produce growing on bearer plants at fair value less cost to sell separately by from its bearer plants prior to harvest. After initial recognition, changes in the fair value of such agricultural produce growing on bearer plants, recognized in profit or loss at the end of each reporting period.

Accordingly, the Group has applied these amendments retrospectively in the Financial Statements., for the details refer note 30.

4 USE OF ESTIMATES AND JUDGMENTS

The preparation of Financial Statements in conformity with SLFRS requires management to make judgments, estimates and assumptions that influence the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Judgments and estimates are based on historical experience and other factors, including expectations that are believed to be reasonable under the circumstances. Hence, actual experience and results may differ from these judgments and estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period and any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the Financial Statements is included in the following notes:

4.1 Taxation

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. Unused tax losses as of 31 March 2017 are given in Note 10B

4.2 Measurement of Retirement Benefit Obligation

The present value of the retirement benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Key assumptions used in determining the retirement benefit obligations are given in Note 25. Any changes in these assumptions will impact the carrying amount of retirement benefit obligations.

4.3 Fair Valuation of Biological Assets

The fair value of managed timber depends on number of factors that are determined on a discounted method using various financial and non financial assumptions. The growth of the trees is determined by various biological factors that are highly unpredictable. Any change to the assumptions will impact to the fair value of biological assets. Key assumptions and sensitivity analysis of the biological assets are given in the Note 14.

4.4 Impairment of Non-financial Assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognised by the Group.

5 STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. This listing of standards and interpretations issued are those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards when they become effective.

- **SLFRS 9 -Financial Instruments: Classification and Measurement**

SLFRS 9, as issued reflects the first phase of work on replacement of LKAS 39 and applies to classification and measurement of financial assets and liabilities. This standard was originally effective for annual periods commencing on or after 01 January 2018. However the effective date has been deferred subsequently.

- **SLFRS 15 -Revenue from Contracts with Customers**

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including LKAS 18 Revenue, LKAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. This standard is effective for the annual periods beginning on or after 01 January 2018.

- **SLFRS 16 -Leases**

SLFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on balance sheet model similar to the accounting for finance leases, under LKAS 17 except for few exemptions for leases for "low value" assets and short term leases with a lease term of 12 months or less. This standard is effective for the annual periods beginning on or after 01 January 2019.

Pending the detailed review of such standards and interpretations, the extent of the impact has not been determined by the management.

6 REVENUE

6.1 Industry Segment Revenue

For the year ended 31 March,	Consolidated		Company	
	2016/17 Rs.'000	2015/16 Rs.'000	2016/17 Rs.'000	2015/16 Rs.'000
Tea	6,033,599	5,235,629	2,508,389	2,530,211
Rubber	924,145	845,609	924,145	845,609
Others	25,592	37,811	4,124	-
Less: Intra-group sales	(131,074)	(50,303)	-	-
	6,852,262	6,068,746	3,436,658	3,375,820

6.2 Industry Segment Results (Gross profit)

	Consolidated 2016/17 Rs.'000	Consolidated 2015/16 Rs.'000	Company 2016/17 Rs.'000	Company 2015/16 Rs.'000
Tea	428,720	314,295	117,095	19,710
Rubber	175,937	121,001	175,937	121,001
Others	13,082	29,406	533	-
	617,739	464,702	293,565	140,711

7 OTHER INCOME

	Consolidated		Company	
	2016/17 Rs.'000	2015/16 Rs.'000	2016/17 Rs.'000	2015/16 Rs.'000
Profit on disposal of property, plant & equipment	4,914	3,770	5,204	3,619
Dividend income	-	-	29,480	13,608
Hydro power income	999	5,195	2,024	7,138
Amortisation of Government grants	19,740	15,382	19,714	15,356
Revenue grants	2,037	420	2,037	420
Sale of timber	48,885	11,596	48,885	11,596
Sundry income	39,576	31,835	33,406	27,231
	116,151	68,198	140,750	78,968

There are no unfulfilled conditions or contingencies attached to the grants.

8 NET FINANCE COST

8.1 Finance Income

For the year ended 31 March,	Consolidated		Company	
	2016/17 Rs.'000	2015/16 Rs.'000	2016/17 Rs.'000	2015/16 Rs.'000
Interest income	2,119	1,626	1,079	825
Interest income on corporate guarantee	-	-	833	1,166
Foreign exchange gain	5,475	-	-	-
	7,594	1,626	1,912	1,991

NOTES TO THE FINANCIAL STATEMENTS *CONTD.*

8.2 Finance Expenses

For the year ended 31 March,	Consolidated 2016/17 Rs.'000	Consolidated 2015/16 Rs.'000	Company 2016/17 Rs.'000	Company 2015/16 Rs.'000
Interest on term loans	(44,379)	(14,087)	(44,353)	(12,551)
Interest on overdraft and short-term loans	(47,986)	(27,891)	(33,596)	(14,500)
Foreign exchange loss	-	(3,667)	-	-
	(92,365)	(45,645)	(77,949)	(27,051)
8.3 Interest paid to Government on finance lease	(68,999)	(66,935)	(68,999)	(66,935)
	(68,999)	(66,935)	(68,999)	(66,935)
Net finance cost	(153,770)	(110,954)	(145,036)	(91,995)

9 PROFIT BEFORE TAXATION

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

For the year ended 31 March,	Notes	Consolidated 2016/17 Rs.'000	Consolidated 2015/16 Rs.'000	Company 2016/17 Rs.'000	Company 2015/16 Rs.'000
Directors' emoluments		30,346	48,478	9,455	11,203
Auditor's remuneration					
- Audit services		4,940	4,659	3,903	3,614
- Non-audit services		944	928	220	685
Depreciation and Lease Amortisation					
- Leasehold right to bare land	12.1	9,808	8,641	9,808	8,641
- Immovable leased assets	12.2	16,555	16,555	16,555	16,555
- Amortisation of intangible assets	16	128	338	-	-
- Tangible property, plant & equipment	13	124,197	141,954	88,787	95,662
- Bearer biological assets	14	86,776	77,676	86,776	77,676
Staff Costs					
- Defined contribution plan costs (EPF, CPPS, ESPS & ETF)		333,583	370,998	323,887	359,710
- Defined benefit plan cost (Retirement benefit obligations)	25	167,392	158,860	164,015	155,834
- Salaries and wages and other staff costs		1,814,067	1,818,602	1,708,466	1,718,194
- Staff training & development cost		2,554	1,111	2,173	749
Legal fees		12,396	10,434	9,128	10,122
Provision/(reversal) for bad & doubtful debts		170	(24,489)	104	(706)
Provision/(reversal) for obsolete inventories		10,102	667	3,990	(1,884)

10 TAX EXPENSE

10.1 Statement of Profit or Loss

			Consolidated		Company	
			2016/17 Rs.'000	2015/16 Rs.'000	2016/17 Rs.'000	2015/16 Rs.'000
(I) Current Tax Expense						
Income tax on current year profit	- Company		(348)	(558)	(348)	(558)
	- Subsidiaries		(19,444)	(18,357)	-	-
		10. A	(19,792)	(18,915)	(348)	(558)
(Under)/over provision in respect of previous years		10. A	4,247	2,966	(52)	879
		10. A	(15,545)	(15,949)	(400)	321
(II) Deferred Tax Expense						
Origination and reversal of temporary difference of,						
	- Company		(9,723)	13,189	(9,723)	13,189
	- Subsidiaries		(320)	(6,924)	-	-
		24.2	(10,043)	6,265	(9,723)	13,189
Tax on dividend income			(2,235)	(1,987)	-	-
Tax charge reported in Statement of Profit or Loss			(27,823)	(11,671)	(10,123)	13,510
10.2 Statement of Other Comprehensive Income						
Net gain/(loss) on actuarial (gains)/loss on defined benefit plans,	- Company		(57,761)	(4,527)	(57,761)	(4,527)
	- Subsidiaries		758	889	-	-
Tax charge directly to other comprehensive income		24.2	(57,003)	(3,638)	(57,761)	(4,527)

In terms of section 48(A) of the Inland Revenue Act No. 10 of 2006 (as amended), The Company is liable to income tax at the rate of 10% on its agriculture profits where as the income tax rate applicable to the manufacturing profits and other income during the year of assessment 2016/17 is 28%.

The five (05) year tax holiday granted to Kalupahana Power Company (Pvt) Ltd. (KPC) in terms of the BOI agreement has expired during year of assessment 2012/13. Accordingly, KPC is liable to income tax, during the year of assessment 2016/17 at the rate of 12% in terms of section 59E of the Inland Revenue (Amendment) Act, No. 18 of 2013.

The three (03) year tax holiday granted to Kelani Valley Instant Tea (Pvt) Ltd. (KVIT) in terms of section 17 of the Inland Revenue Act No. 10 of 2006 has expired during the year of assessment 2012/13. The rate applicable to KVIT during the year of assessment 2016/17 is 28%.

The qualified export profit earned by Mabroc Teas (Pvt) Ltd. has been taxed at the rate of 12% in terms of section 52 of the Inland Revenue Act No. 10 of 2006.Further, the rate applicable to profits arising from the export of tea bags as specified in terms of section 16 (c) of the Inland Revenue Act is 10%. Other income earned by the company has been taxed at 28%.

NOTES TO THE FINANCIAL STATEMENTS *CONTD.*

(A) Reconciliation of Accounting Profit to Income Tax Expense

For the year ended 31 March,	Consolidated 2016/17 Rs.'000	Consolidated 2015/16 Rs.'000	Company 2016/17 Rs.'000	Company 2015/16 Rs.'000
Profit before tax	12,474	(30,520)	48,953	(114,799)
Effective tax rate	24%	21%	28%	28%
Tax effect on profit before tax	2,963	(6,386)	13,707	(32,144)
Tax effect on deductible expenses for tax purposes	(142,210)	(137,418)	(154,571)	(163,776)
Tax effect on non deductible expenses for tax purposes	123,500	90,980	107,857	105,253
Tax effect on total statutory income	(15,747)	(52,823)	(33,007)	(90,667)
Tax effect on amortisation of Government grant exempt from tax	(5,167)	(3,218)	(6,090)	(4,300)
Tax effect on interest income	711	496	535	558
Tax effect on tax exempt income	-	(83)	(8,254)	(3,810)
Tax effect on tax exempt loss	40,176	74,581	47,351	98,777
Tax effect on utilisation of tax losses	(181)	(39)	(187)	-
Income tax on current period profits	19,792	18,914	348	557
(Over)/under provision in respect of previous years	(4,247)	(2,966)	52	(879)
Income tax charge for the year	15,545	15,949	400	(321)
(B) Tax Losses				
Tax loss b/f	(578,828)	(275,473)	(566,998)	(235,838)
Adjustment for tax loss b/f	30,046	52,925	30,046	21,613
	(548,782)	(222,548)	(536,952)	(214,225)
Tax loss for the year	(169,110)	(356,469)	(169,110)	(352,773)
Loss set-off during the year	763	189	669	-
	(168,347)	(356,280)	(168,441)	(352,773)
Tax loss c/f	(717,129)	(578,828)	(705,393)	(566,998)

11 EARNING PER SHARE AND DIVIDEND PER SHARE

11.1 Earning per Share

(A) Basic Earnings per Share

The computation of the basic earnings per share is based on profit attributable to ordinary shareholders for the period divided by weighted average number of ordinary shares outstanding during the period and calculated as follows,

For the year ended 31 March,	Consolidated 2016/17	Consolidated 2015/16	Company 2016/17	Company 2015/16
Amount used as the Numerator				
Profit attributable to ordinary shareholders (Rs.'000)	(18,733)	(27,746)	38,830	(101,289)
Amount used as the Denominator				
Weighted average number of ordinary shares ('000)	34,000	34,000	34,000	34,000
Basic earnings per share (Rs.)	(0.55)	(0.82)	1.14	(2.98)

(B) Diluted Earnings per Share
The calculation of diluted earnings per share is based on profit attributable to ordinary shareholders and weighted average number of ordinary shares outstanding after adjustment for the effect of all dilutive potential ordinary shares.

There were no potentially dilutive shares outstanding at any time during the financial year.

11.2 Dividend per Share

	Company	
For the year ended 31 March,	**2016/17**	**2015/16**
Proposed dividend for 2016/17 Rs. Nil/- per share (2015/16 - Rs. Nil/- per share) (Rs.'000)	-	-
Number of ordinary shares ('000)	34,000	34,000
Dividend per share (Rs.)	-	-

12 LEASEHOLD PROPERTY, PLANT & EQUIPMENT

		Consolidated		Company	
As at 31 March,	**Notes**	**2016/17 Rs.'000**	**2015/16 Rs.'000**	**2016/17 Rs.'000**	**2015/16 Rs.'000**
Right-to-use of land	12.1	274,619	284,427	274,619	284,427
Immovable leased bearer biological assets	12.2.1	102,267	115,323	102,267	115,323
Immovable leased assets (other than right-to-use of land and bearer biological assets)	12.2.2	1,312	4,811	1,312	4,811
		378,198	404,561	378,198	404,561

12.1 Right-to-use of land
"Right-To-Use of Land on Lease" as above was previously titled "Leasehold Right to Bare Land". The change is in order to comply with Statement of Alternative Treatment (SoAT) issued by the Institute of Chartered Accountants of Sri Lanka dated 21 August 2013. Such leases have been executed for all estates for a period of 53 years.

This right-to-use of land is amortised over the remaining lease term or useful life of the right whichever is shorter and is disclosed under non-current assets. The Statement of Alternative Treatment (SoAT) for right-to-use of land does not permit further revaluation of right-to-use of land. However, an adjustment to the "Right-To-Use of Land" could be made to the extent that the change relate to the future period on the reassessment of liability to make the lease payment. The values taken into the Statement of Financial Position as at 18 June 1992 and amortisation of the right to use of land up to 31 March 2017 are as follows,

	Consolidated		Company	
As at 31 March,	**2016/17 Rs.'000**	**2015/16 Rs.'000**	**2016/17 Rs.'000**	**2015/16 Rs.'000**
Capitalised Value (re-assessed in 2010)	333,603	333,603	333,603	333,603
	333,603	333,603	333,603	333,603
Amortisation				
As at 1 April	49,176	40,535	49,176	40,535
Amortisation for the year	9,808	8,641	9,808	8,641
As at 31 March	58,984	49,176	58,984	49,176
Carrying amount	274,619	284,427	274,619	284,427

NOTES TO THE FINANCIAL STATEMENTS *CONTD.*

The Company has sub leased an extent of 1.0127 hectares in Ingestre Estate and 2.2247 hectares in Blinkbonnie Estate to Hayleys Global Beverages (Pvt) Ltd. It was treated as an Operating Lease in the Financial Statements in terms of LKAS 17-Leases.

12.2 Immovable Leased Assets

In terms of the ruling of the UITF of the Institute of Chartered Accountants of Sri Lanka prevailed at the time of privatisation of plantation estates, all immovable assets in these estates under finance leases have been taken into the books of the Company retroactive to 18 June 1992. For this purpose, the Board decided at its meeting on 8 March, 1995, that these assets be restated at their book values as they appear in the books of the JEDB/SLSPC, on the day immediately preceding the date of formation of the Company. These assets are taken into the Statement of Financial Position as at 18 June, 1992 and amortisation of immovable leased assets to 31 March 2017 are as follows.

12.2.1 Immovable Leased Bearer Biological Assets

	Mature Plantations		**Consolidated**		**Company**	
	Tea	**Rubber**				
As at 31 March,	**Rs.'000**	**Rs.'000**	**2016/17 Rs.'000**	**2015/16 Rs.'000**	**2016/17 Rs.'000**	**2015/16 Rs.'000**
Capitalised Value						
(18 June, 1992)	213,541	178,145	391,686	391,686	391,686	391,686
Amortisation						
As at 1 April	147,166	129,197	276,363	263,307	276,363	263,307
Amortisation for the year	6,835	6,221	13,056	13,056	13,056	13,056
As at 31 March	154,001	135,418	289,419	276,363	289,419	276,363
Carrying amount	59,540	42,727	102,267	115,323	102,267	115,323

Investment in immature plantations at the time of handing over to the Company as at 18 June, 1992 by way of estate leases were shown under immature plantations.

However, since then all such investments in immature plantations attributable to JEDB/SLSPC period have been transferred to Mature Plantations. The carrying value of the bearer biological assets leased from JEDB/SLSPC is recognised at cost less amortisation. Further, investments in such plantations to bring them to maturity are shown under Note 14.

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

	Land Development	**Buildings**	**Machinery**	**Consolidated**		**Company**	
As at 31 March,	**Rs.'000**	**Rs.'000**	**Rs.'000**	**2016/17 Rs.'000**	**2015/16 Rs.'000**	**2016/17 Rs.'000**	**2015/16 Rs.'000**
Capitalised Value							
(18 June, 1992)	3,455	84,600	23,094	111,149	111,149	111,149	111,149
Amortisation							
As at 1 April	2,740	80,504	23,094	106,338	102,839	106,338	102,839
Amortisation for the year	115	3,384	-	3,499	3,499	3,499	3,499
As at 31 March	2,855	83,888	23,094	109,837	106,338	109,837	106,338
Carrying amount	600	712	-	1,312	4,811	1,312	4,811

13 FREEHOLD PROPERTY, PLANT & EQUIPMENT

(A) Consolidated

As at 31 March,	Buildings Rs.'000	Plant & Machinery Rs.'000	Hydro Power Plant Rs.'000	Motor Vehicles Rs.'000	Furniture & Fittings Rs.'000	Equipment Rs.'000	Computers Rs.'000	Tea Bagging Machines Rs.'000	Others Rs.'000	2016/17 Total Rs.'000	2015/16 Total Rs.'000
Cost											
As at 1 April	798,782	589,566	133,017	316,825	17,493	189,144	30,688	207,904	46,157	2,329,576	2,319,166
Additions during the year	8,510	22,751	-	4,185	1,720	12,963	3,042	47,425	3,802	104,398	82,365
Disposals	-	(355)	-	(16,689)	(20)	(1,456)	-	(6,000)	-	(24,520)	(8,449)
Disposals/transfers due to change in controlling interest	-	-	-	-	-	-	-	-	-	-	(63,506)
As at 31 March	807,292	611,962	133,017	304,321	19,193	200,651	33,730	249,329	49,959	2,409,454	2,329,576
Depreciation											
As at 1 April	179,789	329,187	45,235	224,397	16,645	91,879	27,442	78,358	45,178	1,038,110	912,405
Charge for the year	20,797	40,090	4,434	32,575	959	7,287	1,512	13,548	2,995	124,197	141,954
Disposals	-	(355)	-	(16,163)	(12)	(1,150)	-	(2,600)	-	(20,280)	(7,983)
Disposals/transfers due to change in Controlling Interest	-	-	-	-	-	-	-	-	-	-	(8,266)
As at 31 March	200,586	368,922	49,669	240,809	17,592	98,016	28,954	89,306	48,173	1,142,027	1,038,111
Net book value	606,706	243,040	83,348	63,512	1,601	102,635	4,776	160,023	1,786	1,267,427	1,291,465
Work-in-Progress (a)										114,775	38,244
Carrying amount										1,382,202	1,329,709

(a) Work-in-Progress

	Consolidated				Company			
	Balance as at 01.04.2016 Rs.'000	Additions for the year Rs.'000	Transfer/ disposals Rs.'000	Balance as at 31.03.2017 Rs.'000	Balance as at 01.04.2016 Rs.'000	Additions for the year Rs.'000	Transfer/ disposals Rs.'000	Balance as at 31.03.2017 Rs.'000
	38,244	80,161	(3,630)	114,775	35,778	82,276	(3,630)	114,424

(B) Company

As at 31 March,	Buildings Rs.'000	Plant & Machinery Rs.'000	Motor Vehicles Rs.'000	Furniture & Fittings Rs.'000	Equipment Rs.'000	Computers Rs.'000	Others Rs.'000	2016/17 Total Rs.'000	2015/16 Total Rs.'000
Cost									
As at 1 April	770,521	545,610	298,232	11,878	103,005	30,380	39,169	1,798,795	1,770,000
Additions during the year	8,510	8,933	-	-	6,937	3,042	-	27,422	31,723
Disposals	-	-	(16,052)	-	-	-	-	(16,052)	(2,928)
As at 31 March	779,031	554,543	282,180	11,878	109,942	33,422	39,169	1,810,165	1,798,795

NOTES TO THE FINANCIAL STATEMENTS *CONTD.*

(B) Company *contd.*

As at 31 March,	Buildings Rs.'000	Plant & Machinery Rs.'000	Motor Vehicles Rs.'000	Furniture & Fittings Rs.'000	Equipment Rs.'000	Computers Rs.'000	Others Rs.'000	2016/17 Total Rs.'000	2015/16 Total Rs.'000
Depreciation									
As at 1 April	175,387	288,082	216,815	10,116	93,177	27,441	25,115	836,133	743,227
Charge for the year	20,426	30,681	29,933	308	4,215	1,512	1,712	88,787	95,662
Disposals/transfers	-	-	(15,526)	-	-	-	-	(15,526)	(2,756)
As at 31 March	195,813	318,763	231,222	10,424	97,392	28,953	26,827	909,394	836,133
Net book value	583,218	235,780	50,958	1,454	12,550	4,469	12,342	900,771	962,662
Work-in-Progress								114,424	35,778
Carrying amount								1,015,195	998,440

(a) The assets shown above are those movable assets vested in the Company by Gazette notification on the date of formation of the Company (18 June 1992) and all investment in tangible assets by the Company since its formation. The assets taken over by way of estate leases are set out in Note 12.

(b) The cost of fully depreciated Property, Plant and Equipment which are still in use as at date of Statement of Financial Position is as follows,

As at 31 March,	Consolidated 2016/17 Rs.'000	Consolidated 2015/16 Rs.'000	Company 2016/17 Rs.'000	Company 2015/16 Rs.'000
Computers	25,377	23,659	25,377	23,659
Equipment	111,460	105,317	90,769	87,313
Furniture & fittings	10,669	25,660	8,947	8,742
Motor vehicles	123,180	107,544	121,701	106,065
Mature plantations	34,290	19,216	34,290	19,216
Plant & machinery	58,915	48,256	58,915	48,256
Others	22,408	15,585	7,126	4,193
	386,299	345,237	347,125	297,444

(C) Unexpired lease periods of land:

Kelani Valley Plantations PLC	28 years
Kalupahana Power Company (Pvt) Ltd.	28 years

14 BIOLOGICAL ASSETS

14.1 IMPROVEMENTS TO LEASEHOLD PROPERTY (BEARER BIOLOGICAL ASSETS)

	Immature Plantations				Mature Plantations			Consolidated		Company	
	Tea Rs.'000	Rubber Rs.'000	Other Rs.'000	Total Rs.'000	Tea Rs.'000	Rubber Rs.'000	Total Rs.'000	2016/17 Rs.'000	2015/16 Rs.'000	2016/17 Rs.'000	2015/16 Rs.'000
Cost											
As at 1 April	324,403	1,194,983	47,703	1,567,089	864,230	1,248,523	2,112,753	3,679,842	3,331,010	3,679,842	3,331,010
Additions during the year	45,030	255,736	17,542	318,308	-	-	-	318,308	348,832	318,308	348,832
Transfers (from)/to	(65,512)	(171,467)	-	(236,979)	65,512	171,467	236,979	-	-	-	-
As at 31 March	303,921	1,279,252	65,245	1,648,418	929,742	1,419,990	2,349,732	3,998,150	3,679,842	3,998,150	3,679,842
Depreciation											
As at 1 April					221,820	391,350	613,170	613,170	535,494	613,170	535,494
Charge for the year					25,828	60,948	86,776	86,776	77,676	86,776	77,676
As at 31 March					247,648	452,298	699,946	699,946	613,170	699,946	613,170
Carrying amount					682,094	967,692	1,649,786	3,298,204	3,066,672	3,298,204	3,066,672

These are investments in Mature/Immature Plantations since the formation of the Company. The assets (including plantation assets) taken over by way of estate leases are set out in Note 12 to the Financial Statements. Further, investments in Immature Plantations taken over by way of leases are shown in this note. When such plantations become mature, the additional investments since taken over to bring them to maturity are transferred from immature to mature.

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

Specific borrowings have not been obtained to finance the planting expenditure. Hence, borrowing costs were not capitalised during the year under Immature Plantations (2016/17 - Nil).

The addition of Rs.318 m (2015/16 - Rs. 349 m) shown above includes the following costs among other costs incurred during the year in respect of uprooting and planting of tea and rubber.

		Consolidated				Company			
As at 31 March,		2016/17		2015/16		2016/17		2015/16	
		Extent - ha	Rs.'000	Extent - ha	Rs.'000	Extent - ha	Rs.'000	Extent - ha	Rs.'000
Uprooting	- Tea	-	-	12	4,024	-	-	12	4,024
	- Rubber	162	7,687	213	15,073	162	7,687	213	15,073
Planting	- Tea	2	2,981	34	26,707	2	2,981	34	26,707
	- Rubber	215	77,081	210	87,806	215	77,081	210	87,806
		379	87,749	469	133,610	379	87,749	469	133,610

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14.2 BIOLOGICAL ASSETS (CONSUMABLE)

	Consolidated				Company			
	Immature Rs.'000	Mature Rs.'000	2016/17 Rs.'000	2015/16 Rs.'000	Immature Rs.'000	Mature Rs.'000	2016/17 Rs.'000	2015/16 Rs.'000
As at 1 April	6,669	118,595	125,264	105,005	6,669	118,595	125,264	105,005
Gain of change in fair value less cost to sell	-	15,515	15,515	20,259	-	15,515	15,515	20,259
Decrease due to harvest	-	(3,264)	(3,264)	-	-	(3,264)	(3,264)	-
As at 31 March	6,669	130,846	137,515	125,264	6,669	130,846	137,515	125,264

Managed trees include commercial timber plantations cultivated on estates. The cost of immature trees is treated as approximate fair value particularly on the ground of little biological transformation has taken place and impact of the biological transformation on price is not material. When such Plantations become mature, the additional investments since taken over to bring them to maturity are transferred from Immature to Mature.

The fair value of managed trees was ascertained in accordance with LKAS 41.The valuation was carried by Messer's Sunil Fernando Associates, chartered valuers, using Discounted Cash Flow (DCF) methods. In ascertaining the fair value of timber, a physical verification was carried out covering all the estates.

14.2.1 Change in Fair Value of Biological Assets

	Consolidated		Company	
	2016/17 Rs.'000	2015/16 Rs.'000	2016/17 Rs.'000	2015/16 Rs.'000
Change in fair value of consumable biological assets (Note 14.2)	15,515	20,259	15,515	20,259
Change in fair value of produce on bearer biological assets (Note 17.1)	11,002	979	11,002	979
	26,517	21,238	26,517	21,238

14.2.2 Information About Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

Non financial asset	Valuation technique	Unobservable inputs	Range of unobservable inputs (probability weighted average)	Relationship of unobservable inputs to fair value
Consumable managed biological assets	DCF	Discounting rate	17.5%	The higher the discount rate, the lesser the fair value
		Optimum rotation (Maturity)	25-35 Years	Lower the rotation period, the higher the fair value
		Volume at rotation	25-85 cu.ft	The higher the volume, the higher the fair value
		Price per cu.ft.	Rs.450/- to Rs.7,000/-	The higher the price per cu. ft., the higher the fair value

Other key assumptions used in valuation

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

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

14.2.1 Sensitivity Analysis

Sensitivity variation sales price

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

Company **Managed timber**	**Rs. '000** **-10%**	**Rs. '000** **+10%**
As at 31 March, 2017	(13,310)	9,980
As at 31 March, 2016	(11,098)	9,821

Sensitivity variation discount rate

Values as appearing in the Statement of Financial Position are very sensitive to changes of the discount rate applied. Simulations made for timber show that a rise or decrease by 1.5% of the estimated future discount rate has the following effect on the net present value of biological assets:

Company	**Rs. '000** **-1.5%**	**Rs. '000** **+1.5%**
As at 31 March, 2017	2,546	(5,397)
As at 31 March, 2016	5,397	(3,967)

No biological assets have been pledged as securities for the year ended 31 March 2017 (2015/16 - Nil).
There are no capital expenditure commitments for biological assets as at the reporting date.

15 INVESTMENTS IN SUBSIDIARIES

Unquoted Investments	% Holding		No of Shares		Value Rs '000	
As at 31 March,	2016/17	2015/16	2016/17	2015/16	2016/17 Company	2015/16 Company
Kalupahana Power Company (Pvt) Ltd.	60	60	1,800,000	1,800,000	18,000	18,000
Kelani Valley Instant Tea (Pvt) Ltd.	100	100	3,000,000	3,000,000	31,881	31,881
Mabroc Teas (Pvt) Ltd.	100	100	9,000,000	9,000,000	260,000	260,000
Carrying amount					309,881	309,881

Subsidiaries	Principal Activity	% Equity Interest
Kalupahana Power Company (Pvt) Ltd.	Generates hydro power	60
Kelani Valley Instant Tea (Pvt) Ltd.	Manufactures instant tea	100
Mabroc Teas (Pvt) Ltd.	Exports of bulk & retail packed tea	100

15.1 Investments in equity accounted investee

Hayleys Global Beverages (Pvt) Ltd.

Hayleys Global Beverages (Pvt) Ltd has made a share issue on 31 March 2016. As a result, ownership percentage belongs to Kelani Valley Plantations PLC has reduced to 40% from 51%. Accordingly it has become an Equity Accounted Investee of Kelani Valley Plantations PLC with effect from 31 March 2016. Therefore, gain from deemed disposal has been reflected in financial statements amounting to Rs. 45.66 m due to loss of controlling in subsidiary.

	Consolidated				Company	
	2016/17 % Holding	2016/17 No of Shares	2016/17 Value Rs '000	2015/16 Value Rs '000	2016/17 Value Rs '000	2015/16 Value Rs '000
As at 31 March		26,000,000	260,000	260,000	260,000	260,000
Additional investment		3,400,000	34,000	-	34,000	-
	40	29,400,000	294,000	260,000	294,000	260,000
Loss for the year			(80,488)	-	-	-
Other comprehensive income			511	-	-	-
Share of loss			(79,977)	-	-	-
Carrying amount			214,023	260,000	294,000	260,000

Hayleys Global Beverages (Pvt.) Ltd, is involved in the manufacture of ready to drink tea. The Group's interest in Hayleys Global Beverages (Pvt.) Ltd is accounted for using the equity method in the consolidated financial statements. The following table illustrates the summarised financial information of the Group's investment in Hayleys Global Beverages (Pvt.) Ltd.

Statement of Financial Position

As at 31 March,	2016/17 Rs.'000	2015/16 Rs.'000
Current assets	66,398	40,430
Non-current assets	2,288,761	1,792,516
Current liabilities	(195,971)	(103,248)
Non-current liabilities	(1,713,669)	(1,169,236)
Equity	445,519	560,462

Statement of Comprehensive Income

For the year ended 31 March,	2016/17 Rs.'000	2015/16 Rs.'000
Revenue	8,409	-
Cost of sales	(49,767)	-
Administrative expenses	(102,176)	(53,354)
Distribution expenses	(5,337)	-
Finance income / (expenses)	(52,344)	23
Loss before tax	(201,215)	(53,331)
Tax expense	(6)	-
Loss after tax for the year	(201,221)	(53,331)
Other Comprehensive Income	1,278	(1,702)
Total Comprehensive Income	(199,943)	(55,033)

16 INTANGIBLE ASSETS

	Consolidated			
Cost	**Goodwill Rs'000**	**Software Rs'000**	**2016/17 Rs'000**	**2015/16 Rs'000**
As at 1 April	33,310	2,934	36,244	38,070
Disposal	-	-	-	(1,826)
As at 31 March	33,310	2,934	36,244	36,244
Ammortisation and impairment				
As at 1 April	-	2,552	2,552	3,882
Amortisation for the year	-	128	128	338
Disposal	-	-	-	(1,668)
As at 31 March	-	2,680	2,680	2,552
Carrying amount	33,310	254	33,564	33,692

Key assumptions used in the Value In Use calculations

Gross Margins

The basis used to determine the value assigned to the budgeted gross margins is the gross margins achieved in the year preceding the budgeted year adjusted for projected market conditions.

Discount Rates

The discount rate used is the risk free rate, adjusted by the addition of an appropriate risk premium.

Inflation

The basis used to determine the value assigned to the budgeted cost inflation, is the inflation rate, based on projected economic conditions.

Volume Growth

Volume growth has been budgeted on a reasonable and realistic basis by taking in to account the growth rates of one of four years immediately subsequent to the budgeted year based on Industry growth rates. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

The carrying value of goodwill represents the goodwill on acquisition of Mabroc Teas (Pvt) Ltd. There has been no permanent impairment of intangible assets that requires a provision.

17 PRODUCE ON BEARER BIOLOGICAL ASSETS AND INVENTORIES

17.1 produce on Bearer Biological assets

As at 31 March,	Consolidated 2016/17 Rs.' 000	Consolidated 2015/16 Rs.' 000	Company 2016/17 Rs.' 000	Company 2015/16 Rs.' 000
At the beginning of the year/ as previously reported	4,347	-	4,347	-
Impact of the amendments of LKAS 16 and LKAS 41	-	3,368	-	3,368
Restated balance as at 1 April	4,347	3,368	4,347	3,368
Change in fair value less cost to sell	11,002	979	11,002	979
	15,349	4,347	15,349	4,347

Level 2 inputs were used when arriving above figures.

17.2 Inventories

As at 31 March,	Consolidated 2016/17 Rs.'000	Consolidated 2015/16 Rs.'000	Company 2016/17 Rs.'000	Company 2015/16 Rs.'000
Input materials	87,277	99,177	86,892	98,593
Nurseries	16,341	20,005	16,341	20,005
Harvested crop	328,979	274,576	327,823	274,518
Bulk tea & raw materials	383,390	246,237	-	-
Finished goods	13,457	3,611	234	220
Spares and consumables	9,917	59,791	7,094	13,505
	839,361	703,397	438,384	406,841
Provision for obsolete inventories	(18,683)	(8,581)	(8,547)	(4,557)
	820,678	694,816	429,837	402,284

The carrying amount of inventories pledged as securities for bank facilities obtained amounted to Rs. 327 m (2015/16 - Rs. 275 m) and Rs 716 m (2015/16 - Rs.566 m) by the Company & the Group respectively .

18 TRADE AND OTHER RECEIVABLES

As at 31 March,	Consolidated 2016/17 Rs.'000	Consolidated 2015/16 Rs.'000	Company 2016/17 Rs.'000	Company 2015/16 Rs.'000
Trade receivables	737,774	404,499	97,702	74,068
Lease rent paid in advance	17,720	17,356	17,720	17,356
Employee advances and receivables	61,095	66,593	60,672	66,023
Advance company tax recoverable	2,760	2,813	2,760	2,813
ESC recoverable	28,248	8,666	20,165	6,308
WHT recoverable	2,099	7,615	2,020	1,970
Other current assets	62,855	34,219	44,193	33,428
	912,551	541,761	245,232	201,966
Provision for impairment in trade and other receivables	(901)	(731)	(835)	(731)
	911,650	541,030	244,397	201,235

18.1 Movement in the Provision for Impairment

As at 31 March,	Consolidated 2016/17 Rs.'000	Consolidated 2015/16 Rs.'000	Company 2016/17 Rs.'000	Company 2015/16 Rs.'000
At beginning of the year	(731)	(25,220)	(731)	(1,437)
Reversal/(charge) for the year	(170)	24,489	(104)	706
At end of the year	(901)	(731)	(835)	(731)

18.2 The Aging Analysis of Trade Receivables is as Follows;

		Neither past due nor impaired				
Balance as at 31 March 2017	**Total Rs.'000**	**0-60 days Rs.'000**	**61-120 days Rs.'000**	**121-180 days Rs.'000**	**181-365 days Rs.'000**	**> 365 days Rs.'000**
Company	97,702	97,702	-	-	-	-
Consolidated	737,774	735,974	1,347	413	40	-

Trade receivables are non-interest bearing and are generally on seven-day terms for the company.
No loans over Rs. 20,000/- have been given to Directors or officers of the Company.
The carrying amount of debtors pledged as securities for bank facilities obtained amounted to Rs.98 m (2015/16 - Rs. 74 m) and Rs. 733 m (2015/16 - Rs.395 m) by the Company & the Group respectively .

19 OTHER FINANCIAL ASSETS AND LIABILITIES

19.1 Other Financial Assets

As at 31 March,	Consolidated 2016/17 Rs.'000	Consolidated 2015/16 Rs.'000	Company 2016/17 Rs.'000	Company 2015/16 Rs.'000
Available for sale financial Instruments				
Investment in unquoted companies				
Mabroc International (Pvt) Ltd.	732	732	-	-
Mabroc Japan	4,567	4,567	-	-
Total Available for sale instruments	5,299	5,299	-	-
Total Other financial assets	5,299	5,299	-	-
Provision for falling value of investment	(5,299)	(5,299)	-	
Total current	-	-	-	-
Total non current	-	-	-	-

20 CASH AND CASH EQUIVALENTS

20.1 Short - Term Deposits

As at 31 March,	Consolidated 2016/17 Rs.'000	Consolidated 2015/16 Rs.'000	Company 2016/17 Rs.'000	Company 2015/16 Rs.'000
Short - term fixed deposits	186	177	-	-
	186	177	-	-
20.2 Favourable balances				
Cash in hand	203	95	168	60
Cash at bank	45,248	54,758	29,527	33,300
	45,451	54,853	29,695	33,360
20.3 Unfavourable balances				
Bank overdraft	(274,302)	(95,081)	(274,182)	(95,081)
	(274,302)	(95,081)	(274,182)	(95,081)

Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group and earned interest at the respective short-term deposit rates.

The securities pledged have been disclosed in Note 31 to the financial statements.

21 STATED CAPITAL

As at 31 March,	Consolidated 2016/17 Rs.'000	Consolidated 2015/16 Rs.'000	Company 2016/17 Rs.'000	Company 2015/16 Rs.'000
Issued & fully paid-ordinary shares 34,000,000 (2015/16 - 34,000,000) ordinary shares and 01 golden share	340,000	340,000	340,000	340,000
	340,000	340,000	340,000	340,000

The holders of ordinary shares and golden share are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. Special rights of the golden share are given in the Annual Report of the Board of Directors on the Affairs of the Company.

22 INTEREST-BEARING BORROWINGS

22.1 Long - Term Interest Bearing Borrowings

	HSBC Rs.'000	Sri Lanka Tea Board Rs.'000	DFCC Rs.'000	NDB Rs.'000	Amana Bank Rs.'000	2016/17 Total Rs.'000	2015/16 Total Rs.'000
Group							
As at 1 April	-	-	146,734	59,817	197,196	403,747	469,825
Obtained during the year	47,447	50,000	-	-	50,000	147,447	1,233,718
Transfered due to change in controlling interest	-	-	-	-	-	-	(1,227,182)
Repayments during the year	-	-	(36,814)	(12,376)	(25,846)	(75,036)	(72,614)
As at 31 March	47,447	50,000	109,920	47,441	221,350	476,158	403,747
Payable within one year (Transferred to current liabilities)	(11,862)	(11,111)	(27,480)	(12,376)	(44,954)	(107,783)	(79,831)
Payable after one year	**35,585**	**38,889**	**82,440**	**35,065**	**176,396**	**368,375**	**323,916**
Analysis of long term borrowings by year of repayment							
Repayable within one year from year-end	11,862	11,111	27,480	12,376	44,954	107,783	79,831
Repayable between 2 and 5 years from year-end	35,585	38,889	82,440	35,065	169,729	361,708	315,140
Repayable later than 5 years from year-end	-	-	-	-	6,667	6,667	8,776
	47,447	50,000	109,920	47,441	221,350	476,158	403,747

Company

	Sri Lanka Tea Board Rs.'000	DFCC Rs.'000	NDB Rs.'000	Amana Bank Rs.'000	2016/17 Total Rs.'000	2015/16 Total Rs.'000
As at 1 April	-	146,734	59,817	197,196	403,747	173,055
Obtained during the year	50,000	-	-	50,000	100,000	249,282
Repayments during the year	-	(36,814)	(12,376)	(25,846)	(75,036)	(18,590)
As at 31 March	50,000	109,920	47,441	221,350	428,711	403,747
Payable within one year (Transferred to current liabilities)	(11,111)	(27,480)	(12,376)	(44,954)	(95,921)	(79,831)
Payable after one year	**38,889**	**82,440**	**35,065**	**176,396**	**332,790**	**323,916**
Analysis of long term borrowings by year of repayment						
Repayable within one year from year-end	11,111	27,480	12,376	44,954	95,921	79,831
Repayable between 2 and 5 years from year-end	38,889	82,440	35,065	169,729	326,123	315,140
Repayable later than 5 years from year-end	-	-	-	6,667	6,667	8,776
	50,000	109,920	47,441	221,350	428,711	403,747

Long - Term Interest Bearing Borrowings - Lender Analysis

As at 31 March,	Loan outstanding 2016/17 Rs.'000	Loan outstanding 2015/16 Rs.'000	Rate of interest per annum	Monthly installment Rs.	Terms of repayments
22.1.1 DFCC Bank					
Term loan 1	Nil	9,333	7.5%	933,330/-	90 monthly installments commenced on 31.08.2009
Term loan 2	109,920	137,401	First two years AWPLR - 0.5% After two years AWPLR + 1.5%	2,290,033/-	60 monthly installments commenced on 14.03.2016
DFCC - Total	109,920	146,734			

22.1.2 Amana Bank

As at 31 March,	Loan outstanding 2016/17 Rs.'000	Loan outstanding 2015/16 Rs.'000	Rate of interest per annum	Installments and terms of repayments
Term Loan				
Disbursement 1	38,862	47,196	SLIBOR with a cap of 14% and floor of 7.25%	60 monthly installments commenced on 14.12.2015.
Disbursement 2	83,779	100,000	SLIBOR with a cap of 14% and floor of 7.25%	60 monthly installments commencing on 19.03.2017.
Disbursement 3	48,709	50,000	SLIBOR with a cap of 14% and floor of 7.25%	60 monthly installments commencing on 21.01.2017.
Disbursement 4	50,000	-	SLIBOR + 3.25%	60 monthly installments commencing from 17.11.2017.
Amana Bank - Total	221,350	197,196		

22.1.3 National Development Bank

	Loan outstanding 2016/17 Rs.'000	Loan outstanding 2015/16 Rs.'000	Rate of Interest per Annum	Installments and terms of repayments
Term loan 1	47,441	59,817	AWPLR - 0.5% first two years AWPLR + 1.5% after two years	60 monthly installments commenced on 11.02.2016
NDB-Total	47,441	59,817		

22.1.4 Sri Lanka Tea Board

As at 31 March,	Loan outstanding 2016/17 Rs.'000	2015/16 Rs.'000	Rate of interest per annum	Monthly installment	Terms of repayments
Term loan 1	50,000	-	6 month AWPLR + 1%	1,388,889/-	48 monthly installments commencing from 17.08.2017
Sir Lanka Tea Board - Total	50,000	-			
Company - Total	428,711	403,747			

Subsidiary - Mabroc Teas (Pvt) Ltd.

22.1.5 Hongkong & Shanghai Banking Corporation Ltd.

As at 31 March,	Currency	Loan outstanding 2016/17 Rs.'000	2015/16 Rs.'000	Rate of interest per annum	Quarterly installment	Terms of repayments
Term Loan	USD	47,447	-	3 month LIBOR+3%	USD 21,250/-	16 quarterly installments commencing from 08.06.2017
Mabroc Teas (Pvt) Ltd - Total		47,447	-			
Group - Total		476,158	403,747			

22.2 Short Term Interest Bearing Borrowings

Subsidiary - Mabroc Teas (Pvt) Ltd.

As at 31 March, Lender	Currency	2016/17 Rs.'000	2015/16 Rs.'000
Hongkong & Shanghai Banking Corporation Ltd.	USD	403,077	202,132
Sampath Bank PLC	USD	119,920	-
NDB Bank	USD	97,274	-
Hatton National Bank PLC	USD	-	100,560
CITI Bank	USD	134,967	70,030
Total		755,238	372,722

The securities pledged for these facilities have been disclosed in Note 31 to the Financial Statements.

23 DEFERRED INCOME

Grants and Subsidies

As at 31 March,	Consolidated 2016/17 Rs.'000	Consolidated 2015/16 Rs.'000	Company 2016/17 Rs.'000	Company 2015/16 Rs.'000
Capital Grants				
As at 1 April	693,842	634,054	692,875	633,087
Grants received during the year	32,665	59,788	32,665	59,788
As at 31 March	726,507	693,842	725,540	692,875
Amortisation				
As at 1 April	171,079	155,697	170,890	155,534
Amortisation for the year	19,740	15,382	19,714	15,356
As at 31 March	190,819	171,079	190,604	170,890
Net carrying amount as at 31 March	535,688	522,763	534,936	521,985

Grants were received from the Plantation Reform Project (PRP), Plantation Human Development Trust, Ministry of Community Development, Asian Development Bank, Social Welfare Project, Estate Infrastructures Development Project, Plantation Development Support Project, Ceylon Electricity Board, Tea Board and Rubber Development Division of Ministry of Plantations Industry.

The amount spent is capitalised under relevant classification of improvement to leasedhold Property, Plant & Equipment. Corresponding grant component is reflected under deferred grants and subsidies and amortised over the useful life span of the asset.

24 DEFERRED TAX LIABILITY / (ASSETS)

24.1 Statement of Financial Position

	Consolidated			
As at 31 March,	2016/17		2015/16	
	Temporary difference Rs.'000	Tax effect Rs.'000	Temporary difference Rs.'000	Tax effect Rs.'000
As at 1 April	2,439,315	390,615	2,436,393	393,243
Amount originating/ (reversal) during the year	432,541	67,044	2,922	(2,628)
As at 31 March	2,871,856	457,659	2,439,315	390,615
Deferred Tax Liability				
Temporary difference of property, plant and equipment	4,272,267	690,261	4,050,148	654,233
(including mature and immature plantation)				
Temporary difference of biological asset	152,864	15,286	125,264	12,526
As at 31 March	4,425,131	705,547	4,175,412	666,759
Deferred Tax Assets				
Temporary difference of retirement benefit obligations	(816,561)	(130,941)	(1,153,245)	(183,944)
Provision for bad debts	(901)	(148)	-	-
Provision for inventories	(18,684)	(3,886)	(4,025)	(1,002)
Carried forward tax losses	(717,129)	(112,913)	(578,827)	(91,198)
As at 31 March	(1,553,275)	(247,888)	(1,736,097)	(276,144)
Net deferred tax liability as at 31 March	2,871,856	457,659	2,439,315	390,615

NOTES TO THE FINANCIAL STATEMENTS *CONTD.*

24 DEFERRED TAX LIABILITY / (ASSETS) *contd.*

As at 31 March,	Company			
	2016/17		2015/16	
	Temporary difference Rs.'000	Tax effect Rs.'000	Temporary difference Rs.'000	Tax effect Rs.'000
As at 1 April	2,166,598	334,240	2,214,160	342,903
Amount originating (reversal) during the year	438,287	67,484	(47,562)	(8,663)
As at 31 March	2,604,885	401,724	2,166,598	334,240
Deferred Tax Liability				
Temporary difference of property, plant and equipment	3,958,711	623,893	3,737,203	588,983
(including mature and immature plantation)				
Temporary difference of biological asset	152,864	15,286	125,264	12,526
As at 31 March	4,111,575	639,179	3,862,467	601,509
Deferred Tax Assets				
Temporary difference of retirement benefit obligations	(791,915)	(124,806)	(1,128,871)	(177,910)
Provision for bad debts	(835)	(132)	-	-
Provision for inventories	(8,547)	(1,347)	-	-
Carried forward tax losses	(705,393)	(111,170)	(566,998)	(89,359)
As at 31 March	(1,506,690)	(237,455)	(1,695,869)	(267,269)
As at 31 March	2,604,885	401,724	2,166,598	334,240

24.2 Statement of Profit or Loss

	Consolidated		Company	
	2016/17 Rs.'000	2015/16 Rs.'000	2016/17 Rs.'000	2015/16 Rs.'000
As at 1 April	390,615	393,243	334,240	342,903
Tax charge/(reversal) recognised in profit or loss	10,043	(6,265)	9,723	(13,189)
Tax charge/(reversal) recognised in other comprehensive income	57,003	3,638	57,761	4,527
As at 31 March	457,659	390,615	401,724	334,240

The effective tax rate used to calculate deferred tax liability for all the temporary differences other than biological asset as at 31 March, 2017 is 15.76% (2015/16-15.76%) for the company.

The effective tax rate used to calculate deferred tax liability for Biological Asset as at 31 March, 2017 is 10% (2015/16-10%) for the company.

25 RETIREMENT BENEFIT OBLIGATIONS

As at 31 March,	Consolidated 2016/17 Rs.'000	Consolidated 2015/16 Rs.'000	Company 2016/17 Rs.'000	Company 2015/16 Rs.'000
Movement in the Retirement Benefit Obligations				
As at 1 April	1,153,244	1,122,870	1,128,871	1,101,270
Transfer due to change controlling interest	-	(3,414)	-	-
Current service cost	48,274	49,775	47,235	48,791
Interest cost	119,117	109,085	116,780	107,043
Actuarial (gain) / loss due to changes in financial assumptions	(58,715)	(117,916)	(58,715)	(119,767)
Actuarial (gain) / loss due to changes in experience	(304,768)	94,547	(307,791)	91,045
	(196,092)	135,491	(202,491)	127,112
	957,152	1,254,947	926,380	1,228,382
Benefit paid by the plan	(140,592)	(101,703)	(134,465)	(99,511)
As at 31 March	816,560	1,153,244	791,915	1,128,871

LKAS 19 requires the use of actuarial techniques to make a reliable estimate of the amount of retirement benefit that employees have earned in return for their service in the current and prior periods using the Projected Unit Credit Method and discount that benefit in order to determine the present value of the retirement benefit obligations and the current service cost. This require an entity to determine how much benefit is attributable to the current and prior periods and to make estimates about demographic variables and financial variables that will influence the cost of the benefit. The following key assumptions were made in arriving at the above figure.

According to the actuarial valuation report issued by the actuarial valuer as at 31 March 2017 the actuarial present value of promised retirement benefits amounted to Rs.791,914,041/-. If the company had provided for gratuity on the basis of 14 days wages & half months salary for each completed year of service, the liability would have been Rs.1,000,871,814/-. Hence, there is a contingent liability of Rs.208,957,773/-, which would crystallise only if the company ceases to be a going concern.

The following payments are the expected contributions to the defined benefit plan obligations in future years.

	Consolidated 2016/17 Rs.'000	Consolidated 2015/16 Rs.'000	Company 2016/17 Rs.'000	Company 2015/16 Rs.'000
Within the next 12 months	140,174	111,867	138,187	109,510
Between 2 to 5 years	310,167	263,570	297,400	254,821
Beyond 5 years	366,219	777,807	356,329	764,540
	816,560	1,153,244	791,915	1,128,871

The weighted average duration of the defined benefit plan obligation as at the end of the reporting period for Staff is 6.4 years and workers is 6.3 years .The present Value of retirement benefit obligations is carried on annual basis.

The key assumptions used by Messers. NMG Consulting include the following,

	2016/17	2015/16
(i) Rate of interest	12%	11%
(ii) Rate of salary increase		
- Workers	20% (every two years)	22% (every two years)
- Staff	10% (per annum)	10% (per annum)
(iii) Retirement age		
- Workers	60 years	60 years
- Staff	60 years	60 years

NOTES TO THE FINANCIAL STATEMENTS *CONTD.*

Sensitivity Analysis

Values appearing in the financial statements are very sensitive to the changes in financial and non-financial assumptions used. A sensitivity was carried out as follows;

Company

A one percentage point change in the discount rate	+1%	-1%
As at 31 March 2017	(42,523)	47,425
As at 31 March 2016	(53,428)	49,165

A one percentage point change in the salary / wage increment rate	+1%	-1%
As at 31 March 2017	23,125	(21,936)
As at 31 March 2016	98,830	(94,942)

26 LIABILITY TO MAKE LEASE PAYMENT

	Consolidated		Company	
As at 31 March,	2016/17 Rs.'000	2015/16 Rs.'000	2016/17 Rs.'000	2015/16 Rs.'000
Gross Liability				
As at 1 April	1,781,331	1,840,709	1,781,331	1,840,709
Repayment during the year	(59,378)	(59,378)	(59,378)	(59,378)
As at 31 March	1,721,953	1,781,331	1,721,953	1,781,331
Finance cost allocated to future periods	(1,278,397)	(1,336,256)	(1,278,397)	(1,336,256)
Net liability	443,556	445,075	443,556	445,075
Payable within one year				
Gross liability	59,378	59,378	59,378	59,378
Finance cost allocated to future periods	(57,663)	(57,860)	(57,663)	(57,860)
Net liability transferred to current liabilities	1,715	1,518	1,715	1,518
Payable within two to five years				
Gross liability	237,510	237,511	237,510	237,511
Finance cost allocated to future periods	(228,110)	(229,192)	(228,110)	(229,192)
Net liability	9,400	8,319	9,400	8,319
Payable after five years				
Gross liability	1,425,065	1,484,442	1,425,065	1,484,442
Finance cost allocated to future periods	(992,624)	(1,049,205)	(992,624)	(1,049,205)
Net liability	432,441	435,237	432,441	435,237
Net liability payable after one year	441,841	443,557	441,841	443,557

Liability to make lease payment as above was previously titled as "Net Liability to lessor". The Change was in terms of the Statement of Alternative Treatment (SoAT) issued by The Institute of Chartered Accountants of Sri Lanka on 21 August 2013.

According to the re-asessment, the base rental payable per year has increased from Rs.19,598,000/- to Rs.59,377,972/-.

The Statement of Recommended Practice (SoRP) for Right-to-use Land on Lease was approved by the Council of the Institute of Chartered Accountants of Sri Lanka on 19 December 2012. Subsequently, the amendments to the SoRP along with the modification to the title as Statement of Alternative Treatment (SoAT) were approved by the Council on 21 August 2013. The Company has reassessed the liability up to financial year 2013 and not reassessed after that as this was not mandatory requirement. However, if the liability is reassessed according to the alternative treatment (SoAT) on the assumption that the lease rent is increased constantly by GDP deflater of 4% and discounted at a rate of 13%, liability would be as follows.

	Rs.'000
Gross liability	3,735,049
Finance charge	(2,491,429)
Net liability	1,243,620

27 TRADE AND OTHER PAYABLES

	Consolidated		Company	
As at 31 March,	2016/17 Rs.'000	2015/16 Rs.'000	2016/17 Rs.'000	2015/16 Rs.'000
Trade payables	74,315	55,095	6,671	3,777
Other payables and accruals	180,504	182,592	151,746	146,970
Staff payables	197,219	160,851	196,341	160,213
Unclaimed dividends	11,820	11,822	11,820	11,822
Dividend Payable	-	4,692	-	-
	463,858	415,052	366,578	322,782

28 INCOME TAX

28.1 Income Tax Receivable

	Consolidated		Company	
As at 31 March,	2016/17 Rs.'000	2015/16 Rs.'000	2016/17 Rs.'000	2015/16 Rs.'000
As at 1 April	138	1,015	-	-
Transferred from income tax payable	1,274	-	-	-
Transfer to income tax payable	-	(877)	-	-
As at 31 March,	1,412	138	-	-

28.2 Income Tax Payable

As at 31 March,	Consolidated 2016/17 Rs.'000	Consolidated 2015/16 Rs.'000	Company 2016/17 Rs.'000	Company 2015/16 Rs.'000
As at 1 April	15,503	7,780	-	6,086
Transferred from income tax receivable	-	(877)	-	-
Subsidiaries/Parent taxation on current year's profit	19,792	18,915	348	558
(Over)/under provision in respect of previous years	(4,247)	(134)	52	(879)
Cash Paid during the year	(12,167)	(6,807)	-	(3,419)
ESC,WHT,ACT set-off against income tax	(8,029)	(3,374)	(52)	(2,346)
Transferred to income tax receivable	1,274	-	-	-
As at 31 March,	12,126	15,503	348	-

29 RELATED COMPANY BALANCES

As at 31 March,	Consolidated 2016/17 Receivable Rs.'000	Consolidated 2016/17 Payable Rs.'000	Consolidated 2015/16 Receivable Rs.'000	Consolidated 2015/16 Payable Rs.'000
Other related companies				
DPL Plantations (Pvt) Ltd.	-	1,104	-	1,104
Dipped Products PLC	1,206	-	1,334	-
Dipped Products PLC - loans	-	9,256	-	2,500
DPL Premier Gloves (Pvt) Ltd.	5,451	-	4,507	-
Hayleys PLC	5	1,168	84	3,563
Hayleys Agriculture holdings Ltd.	13	465	-	4,432
Hayleys Agro Fertilizers (Pvt) Ltd.	-	19,134	-	-
Hayleys Agro Farms (Pvt) Ltd.	-	-	-	459
Talawakelle Tea Estates PLC.	232	-	867	-
Hayleys Business Solutions (Pvt) Ltd	-	95	-	-
Hayleys Consumer Products Ltd	652	5	3,673	-
Amaya Leisure PLC	1	-	-	-
Culture Club Resorts (Pvt) Ltd	122	-	-	-
Diesel & Motor Engineering PLC	-	-	103	-
Haycarb Ltd	3	-	17	-
Hunas Falls Hotels PLC	17	-	-	-
The Kingsbury PLC	325	-	46	-
Logiventure (Pvt) Ltd	-	-	-	79
MIT Cargo (Pvt) Ltd.	-	41	-	-

	Consolidated			
As at 31 March,	2016/17		2015/16	
	Receivable Rs.'000	Payable Rs.'000	Receivable Rs.'000	Payable Rs.'000
Heyleys Advantis Limited	-	-	273	-
Kandy Resorts (Pvt) Ltd	129	-	439	-
Rileys (Pvt) Ltd	243	-	36	-
Sun Tan Beach Resorts Ltd	49	-	66	-
Puritas (Pvt) Ltd	-	-	-	7,631
Civaro Lanka (Pvt) Ltd	-	6	-	-
Expelogix (Pvt) Ltd	-	317	-	-
Total	8,448	31,591	11,445	19,768

	Company			
As at 31 March,	2016/17		2015/16	
	Receivable Rs.'000	Payable Rs.'000	Receivable Rs.'000	Payable Rs.'000
Subsidiaries				
Kalupahana Power Co. (Pvt) Ltd.	17	-	375	-
Kelani Valley Instant Tea (Pvt) Ltd.	-	10,159	-	11,049
Mabroc Teas (Pvt) Ltd.	307	10	-	2,192
	324	10,169	375	13,241
Other related companies				
DPL Plantations (Pvt) Ltd.	-	1,104	-	1,104
Dipped Products PLC	1,206	-	1,334	-
Dipped Products PLC - loans	-	9,256	-	2,500
DPL Premier Gloves (Pvt) Ltd.	5,451	-	4,507	-
Rileys Ltd	238	-	-	-
Hayleys PLC	-	871	-	1,066
Hayleys Agriculture Holdings Ltd.	-	401	-	4,432
Hayleys Agro Fertilizers (Pvt) Ltd.	-	19,134	-	
Hayleys Agro Farms (Pvt) Ltd.	-	-	-	459
Talawakelle Tea Estates PLC.	232	-	867	-
Puritas (Pvt) Ltd	-	-	-	7,631
Total	7,127	30,766	6,708	17,192

The carrying amount of receivables pledged as securities for bank facilities obtained amounts to Rs.7 m (2015/16 - Rs.7 m).

NOTES TO THE FINANCIAL STATEMENTS *CONTD.*

29.1 Other Related Companies - Loan

Dipped Products PLC	Consolidated		Company	
	2016/17 Payable Rs.'000	2015/16 Payable Rs.'000	2016/17 Payable Rs.'000	2015/16 Payable Rs.'000
As at 1 April	25,000	-	25,000	-
Obtained during the year	25,000	25,000	25,000	25,000
Repayments during the year	(4,458)	-	(4,458)	-
As at 31 March	45,542	25,000	45,542	25,000
Payable within one year	(9,256)	(2,500)	(9,256)	(2,500)
(Transferred to current liabilities)				
Payable after one year	36,286	22,500	36,286	22,500

Dipped Products PLC granted a loan at the rate of five percent (5%) per annum which shall be repayable in five (5) years.

29.2 Amount Due to Equity Accounted Investees

	Consolidated			
	2016/17		2015/16	
As at 31 March,	Receivable Rs.'000	Payable Rs.'000	Receivable Rs.'000	Payable Rs.'000
Hayleys Global Bevarage (Pvt) Ltd	10,531	-	18	4,905
Total	10,531	-	18	4,905

	Company			
	2016/17		2015/16	
As at 31 March,	Receivable Rs.'000	Payable Rs.'000	Receivable Rs.'000	Payable Rs.'000
Hayleys Global Bevarage (Pvt) Ltd	10,531	-	-	4,905
Total	10,531	-	-	4,905

30 IMPACT OF AMENDMENTS TO LKAS 16 AND LKAS 41

The Group applied above amendment for the first time, which is effective for annual periods beginning on or after 1 January 2016. The nature and the effect of the changes are disclosed below.

Amendment to LKAS 16 and LKAS 41, on bearer plants, harvestable biological assets growing on the bearer plants are measured at their fair value less cost to sell and accounted retrospectively.

	Consolidated		
As as 31 March	**2015/16 As reported Previously**	**2015/16 Effect from Amendment**	**2015/16 Restated Balance**
Statement of Financial Position			
Produce on Bearer Plant			
As at the beginning of the year	-	3,368	3,368
As at the end of the year	-	4,347	4,347
Revenue Reserves			
As at the beginning of the year	2,355,056	3,368	2,358,424
As at the end of the year	2,288,313	4,347	2,292,660
Statement of Profit or Loss			
Gain on change in fair value of biological assets	20,259	979	21,238

	Company		
As as 31 March	**2015/16 As reported Previously**	**2015/16 Effect from Amendment**	**2015/16 Restated Balance**
Statement of Financial Position			
Produce on Bearer Plant			
As at the beginning of the year	-	3,368	3,368
As at the end of the year	-	4,347	4,347
Revenue Reserves			
As at the beginning of the year	2,283,564	3,368	2,286,932
As at the end of the year	2,159,161	4,347	2,163,508
Statement of Profit or Loss			
Gain on change in fair value of biological assets	20,259	979	21,238

31 ASSETS PLEDGED AS SECURITY

Following assets have been pledged as security for liabilities:

Company

Nature of liability	2016/17 Facility (Rs. m)	2016/17 Outstanding (Rs. m)	Security
Overdraft			
Bank of Ceylon	75.0	Nil	Concurrent mortgage over stock in trade and debtors.
Hatton National Bank PLC	50.0	Nil	Promissory Note.
Sampath Bank PLC	30.0	Nil	Concurrent mortgage over stock in trade and debtors.
Term Loan			
DFCC Bank PLC	221.40	109.9	Primary mortgage over the leasehold rights of Halgolla, We Oya, Polatagama and Ederapola estates and a letter of undertaking from DPL Plantations (Pvt) Ltd., was given to subordinate management fee and dividends in a default situation of term loans.
National Development Bank PLC	61.88	47.4	Primary mortgage over the leasehold rights, Buildings, Plant & Mechinery of Pedro, Mahagastota & Panawatte estates.
Sri Lanka Tea Board	50.00	50.00	Trade receivable from tea brokers.

Subsidiary
Mabroc Teas (Pvt) Ltd

Nature of Liability	2016/17 Facility (Rs. m)	2016/17 Outstanding (Rs. m)	Security
Overdraft			
CITI Bank N.A.	50.00	Nil	Corporate guarantee from Kelani Valley Plantations PLC for Rs. 200 m.
National Development Bank PLC	10.00	Nil	Primary mortgage of Rs. 50 m over stock in trade
Hatton National Bank PLC	75.00	Nil	Promissory Note.
Sampath Bank PLC	10.00	Nil	Hypothecation bond over stock and book debts.
Union Bank of Colombo PLC	13.00	Nil	Letter of hypothecation USD 500,000/-

Short-term borrowings Foreign currency loans	Facility (USD m)	Outstanding (Rs. m)	Security
CITI Bank N.A.	1.04	70.03	Corporate guarantee from Kelani Valley Plantations PLC for Rs. 200 m.
Hatton National Bank PLC	2.42	100.56	Promissory Note.
Sampath Bank PLC	2.00	Nil	Hypothecation bond totaling Rs. 200 m over stock and book debts.
National Development Bank PLC	1.04	Nil	Primary mortgage of Rs. 50 m over stock in trade
Union Bank of Colombo PLC	0.50	Nil	Letter of hypothecation of USD 500,000/-.

32 RELATED PARTY DISCLOSURES

Transactions with related parties were carried out at arm's length and at market price. Details of significant related party disclosures are as follows,

Recurrent Transactions

Company For the year ended 31 March	Relationship	Nature of transaction	Amount (paid)/received 2016/17 Rs.'000	 2015/16 Rs.'000
(A) Parent and Ultimate parent company				
The Company has controlling related party relationship with its parent company DPL Plantations (Pvt) Ltd.				
(i) Hayleys PLC	Ultimate parent	Office space together with other related facilities, finance and secretarial services	(45,666)	(42,608)

The managing agent DPL Plantations (Pvt) Ltd has waived the management fees in its entirety effective from 2007.

(B) Transactions with key management personnel

Key management personnel includes, members of the Board of Directors of the Company and key employees holding directorships in the subsidiaries and other related Companies.

(i) Loans to Directors

No loans have been given to the Directors of the Company.

(ii) Key Management Personnel Compensation

For the year ended 31 March	2016/17 Rs.'000	2015/16 Rs.'000
Directors' emoluments	9,455	11,203

(C) Transactions with Subsidiaries

Company For the year ended 31 March	Relationship	Nature of Transaction	Amount (Paid)/Received 2016/17 Rs.'000	 2015/16 Rs.'000
(i) Kalupahana Power Co. (Pvt) Ltd.	Subsidiary	Share of revenue	1,025	1,943
(ii) Kelani Valley Instant Tea (Pvt) Ltd.	Subsidiary	Sale of black Tea	861	586
		Manufacturing Charges	2,213	2,139
(iii) Mabroc Teas (Pvt) Ltd.	Subsidiary	Sales of tea	113,261	49,716
		Purchase of tea	(16,954)	(10,907)

The Company has sub leased an extent of 8 acres, 2 roods and 6.1 perches in Kalupahana estate to Kalupahana Power Co. (Pvt) Ltd.

NOTES TO THE FINANCIAL STATEMENTS *CONTD.*

(D) Transactions with other related Companies

Company		Relationship	Nature of transaction		Amount (paid)/received	
For the year ended 31 March					**2016/17 Rs.'000**	**2015/16 Rs.'000**
(i)	Dipped Products PLC.	Intermediary ultimate parent	Sale of latex		5,562	70,094
			Purchase of skim crepe		(1,960)	(2,665)
			Cost of facilities and related services rendered		(35)	(31)
			Loan installment & interest		(5,704)	(34)
(ii)	Hanwella Rubber Products Ltd.	Common Directors	Purchase of skim crepe		(2,388)	(1,894)
(iii)	Grossart (Pvt) Ltd.	Common Directors	Sale of latex		5,935	34,611
(iv)	DPL Premier Gloves (Pvt) Ltd.	Common Directors	Sale of latex		114,220	135,489
(v)	DPL Thailand (Pvt) Ltd.	Common Directors	Sale of latex		39,397	-
(vi)	Hayleys Industrial Solutions (Pvt) Ltd.	Common Directors	Repair of Generator		(249)	-
(vii)	Quality Seed Company Ltd.	Common Directors	Landscaping charges - Oliphant B'low project		(5,199)	-
(viii)	Hayleys Agro Fertilisers (Pvt) Ltd.	Common Directors	Purchase of fertiliser		(31,262)	(25,247)
(ix)	Hayleys Agriculture Holdings Ltd.	Common Directors	Purchase of chemicals		(51,650)	(21,686)
(x)	Hayleys Lifesciences (Pvt) Ltd.	Common Directors	Purchase of Cameras		(1)	-
(xi)	Hayleys Travels & Tours (Pvt) Ltd.	Common Directors	Cost of air tickets and related charges		(2,983)	(1,944)
(xii)	MIT Cargo (Pvt) Ltd.	Common Directors	Handling, clearing and courier charges		(215)	(235)
(xiii)	Puritas (Pvt) Ltd.	Common Directors	Maintenance & construction of effluent treatment plants		(42,407)	(25,305)
(xiv)	Logiventures (Pvt) Ltd.	Common Directors	Purchase of security seals		(94)	(90)
(xv)	Hayleys Consumer Products Ltd.	Common Directors	Purchase of cameras		(5)	(180)
(xvi)	Talawakelle Tea Estates PLC.	Common Directors	Share of office maintenance cost			
				- Receipt	3,912	2,198
				- Payment	(1,628)	(1,629)
			Green leaf supplies	- Receipt	29,801	53,462
(xvii)	Hayleys Business Solutions International (Pvt) Ltd.	Common Directors	Payment of executive payroll processing		(549)	(599)
(xviii)	The kingsbury PLC.	Common Directors	Services rendered for AGM		(108)	(80)
(xix)	Logiwiz Ltd.	Common Directors	Storage & handling charges		(673)	(334)
(xx)	Hayleys Agro Farms (Pvt) Ltd.	Common Directors	Purchase of chemicals		(1,115)	(468)
(xxi)	Fentons Ltd.	Common Directors	Repairing digital telephone instruments		(8)	-
(xxii)	Hayleys Electronics Lighting (Pvt) Ltd.	Common Directors	Purchase of light fittings		-	(17)
(xxiii)	Haycolour (Pvt) Ltd.	Common Directors	Purchase of dye for latex		(5)	(5)
(xxiv)	Rileys (Pvt) Ltd.	Common Directors	share of rubber products		1,029	-

Non - Recurrent Transactions

(E) Transactions with equity accounted investee

Company	**Relationship**	**Nature of transaction**	**Amount (Paid)/received**	
For the year ended 31 March.			**2016/17 Rs.'000**	**2015/16 Rs.'000**
(i) Hayleys Global Beverages (Pvt) Ltd	Equity accounted investee	Investment in shares	(34,000)	(260,000)

The Company has sub leased an extent of 1.0127 hectares in Ingestre estate and 2.2247 hectares in Blinkbonnie estate to Hayleys Global Beverages (Pvt) Ltd .

There are no non-recurrent related party transactions where aggregate value exceeds 10% of the equity or 5% of total assets and recurrent related party transactions where aggregate value exceeds 10% of gross revenue/income.

There are no related party transactions and balances other than those disclosed above and in Notes 29 to the Financial Statements

33 CONTINGENT LIABILITIES

Contingent liabilities that may result, depending on the timing of the taxability of certain fair value adjustments is amounts to approximately Rs. 2,600,000/- (2015/16 - Rs. 2,030,000/-)

34 CAPITAL EXPENDITURE COMMITMENTS

There were no material capital commitments as at the reporting date. However, the budgeted capital expenditure approved but, not committed by the Company for the financial year 2017/18 amounts to Rs.332,476,036/-(2016/17 Rs.412,502,810/-).

35 EVENTS OCCURRING AFTER THE DATE OF STATEMENT OF FINANCIAL POSITION

No circumstances have arisen since the reporting date which require adjustments to or disclosure in the financial statements.

36 SEGMENTAL ANALYSIS

Consolidated

	Tea		Rubber	
	2016/17 Rs.'000	**2015/16 Rs.'000**	**2016/17 Rs.'000**	**2015/16 Rs.'000**
Segmental assets				
Non-current assets	2,674,382	2,621,181	2,404,557	2,311,723
Current assets	1,463,741	1,017,155	148,130	100,271
Total assets	4,138,123	3,638,336	2,552,687	2,411,994
Segmental liabilities				
Non-current liabilities	1,395,409	1,297,080	434,447	403,134
Current liabilities	1,101,587	672,550	81,056	76,147
Total liabilities	2,496,996	1,969,630	515,503	479,281
Non-interest bearing liabilities				
Deferred taxation	-	-	-	-
Retirement benefit obligation	670,998	929,280	145,288	201,010
Trade & other payables	321,769	278,495	81,056	76,148
Total depreciation	118,909	142,817	86,791	71,563
Lease amortisation	13,524	12,923	12,839	12,273
Capital expenditure	142,643	103,056	300,557	269,499
Company				
Segmental assets				
Non-current assets	2,729,721	2,604,563	2,404,557	2,311,723
Current assets	393,386	366,499	148,130	100,271
Total assets	3,123,107	2,971,062	2,552,687	2,411,994
Segmental liabilities				
Non-current liabilities	1,288,778	1,226,341	434,447	403,134
Current liabilities	235,916	210,512	81,056	76,147
Total liabilities	1,524,694	1,436,853	515,503	479,281
Non-interest bearing liabilities				
Deferred taxation	-	-	-	-
Retirement benefit obligations	646,627	905,153	145,288	201,010
Trade & other payables	225,746	192,367	81,056	76,148
Total depreciation	88,025	101,031	86,791	71,563
Lease amortisation	13,524	12,923	12,839	12,273
Capital expenditure	68,018	96,236	300,557	269,499

Information in respect of geographical segments was considered not significant enough to be disclosed as explained under segment reporting in accounting policies.

Others		Unallocated		Total	
2016/17 Rs.'000	2015/16 Rs.'000	2016/17 Rs.'000	2015/16 Rs.'000	2016/17 Rs.'000	2015/16 Rs.'000
159,088	142,735	205,679	144,259	5,443,706	5,219,898
7,152	14,437	194,682	174,961	1,813,705	1,306,824
166,240	157,172	400,361	319,220	7,257,411	6,526,722
10,555	11,056	815,998	1,145,325	2,656,409	2,856,595
1,328	7,858	462,640	247,825	1,646,613	1,004,380
11,883	18,914	1,278,638	1,393,150	4,303,022	3,860,975
-	-	457,659	390,615	457,659	390,615
274	246	-	22,708	816,560	1,153,244
1,322	6,208	59,709	54,201	463,856	415,052
5,272	5,250	-	-	210,972	219,630
-	-	-	-	26,363	25,196
17,659	14,820	38,378	26,554	499,237	413,929
93,035	72,392	205,679	176,140	5,432,993	5,164,818
1,062	1,069	194,682	180,470	737,260	648,309
94,097	73,461	400,361	356,610	6,170,253	5,813,127
269	269	815,998	1,145,325	2,539,492	2,775,069
66	66	462,640	247,825	779,679	534,550
335	335	1,278,638	1,393,150	3,319,171	3,309,619
-	-	401,724	334,240	401,724	334,240
-	-	-	22,708	791,915	1,128,871
66	66	59,709	54,201	366,578	322,782
746	745	-	-	175,562	173,338
-	-	-	-	26,363	25,196
17,423	14,820	38,378	26,554	424,376	407,109

37 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities, other than derivatives, comprise loans and borrowings, trade and other payables, and financial guarantee contracts. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. The Group has loan and other receivables, trade and other receivables, and cash and short-term deposits that arise directly from its operations. Accordingly the Group has exposure to mainly Credit Risk, Liquidity Risk, Currency Risk and Market Risks from its use of financial instruments.

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

37.1 Financial Risk Management Framework

The Board of Directors has the overall responsibility for the establishment and oversight of the group's financial risk management framework which includes developing and monitoring the Group's financial risk management policies.

The Group financial risk management policies are established to identify, quantify and analyse the financial risks faced by the Group, to set appropriate risk limits and controls and to monitor financial risks and adherence to limits. Financial risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The KVPL Audit Committee oversees how management monitors compliance with the Group's financial risk management policies and procedures and reviews the adequacy of the financial risk management framework in relation to the risks faced by the Group.

37.2 Credit Risk

Credit Risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arise principally from the Group's receivable from customers and from its financing activities including deposits with banks and financial institution's foreign exchange transactions and other financial instruments.

37.2.1 Trade and Other Receivables

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

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables.

The maximum exposure to credit risk for trade and other receivables at the reporting date is Rs. 912 m (2015/16 – Rs.541 m).

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

MTPL has the largest exposure to credit risk as a major portion of the trade receivables are from foreign currencies. All open account debtors are covered with export credit Insurance. Settlement of other debtors are carried through banks.

37.2.2 Investments

Credit risks from invested balance with the financial institutions are managed by the Hayles Group Treasury Department in accordance with the Group's Policy . Investments of surplus funds are made only with approved counterparties and within credit limits assigned to them. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty's failure.

The Group held short term investments of Rs. 0.186 m as at 31 march 2017 (2015/16 – Rs. 0.177 m) which represents the maximum credit exposure on these assets.

Hayleys Global Beverages (Pvt) Ltd. (HGBL) is an equity accounted investee of the company. HGBL is in the early stage of the commercial operations and acquired considerable long term assets for its commercial operations. The Group Board of Directors continiously review the operations of HGBL to ensure that the Group investment is secured.

37.2.3 Cash and Cash Equivalents

The Group held cash at bank and in hand of Rs. 45 m as at 31 March 2017 (2015/16 – Rs.55 m) which represents its maximum credit exposure on these assets.

- Sampath Bank PLC – A+ (lka)
- Hatton National Bank PLC –AA – (lka)
- Bank of Ceylon – AA+ (lka)
- Citi Bank N.A. – AAA (lka)
- Hong Kong and Shanghai Banking Corporation Ltd – AAA(lka)
- Pan Asia Banking Corporation PLC – BBB (lka)
- Union Bank of colombo PLC – BB+ (lka)
- DFCC Bank PLC – AA- (lka)

37.3. Liquidy Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group does not concentrate on a single financial institution, thereby minimising the exposure to liquidity risk through diversification of funding sources. The Group aims to fund investment activities of the individual and Group level by funding the long-term investment with long term financial sources and short term investment with short term financing. Where necessary, the Group consults the Treasury Department and Strategic Business Development Unit in Parent Company for scrutinising the funding decisions.

The Table below summarises the maturity profile of the Groups financial liabilities based on contractual undiscounted payments.

As at 31 March 2017	On Demand Rs.'000	Less than 3 Months Rs.'000	3 to 12 Months Rs.'000	2 to 5 years Rs.'000	>5 years Rs.'000	Total Rs.'000
Group						
Interest bearing loans & borrowing	274,302	654,144	202,797	365,654	8,801	1,505,698
Trade & other payables	270,653	141,800	21,165	29,600	638	463,858
	544,955	795,944	223,962	395,254	9,439	1,969,556
Company						
Interest bearing loans & borrowing	274,182	18,826	71,015	330,069	8,801	702,893
Trade & other payables	208,161	107,650	21,166	29,600	-	366,578
	482,343	126,476	92,181	359,669	8,801	1,069,471

As at 31 March 2016	On Demand	Less than 3 Months	3 to 12 Months	2 to 5 years	>5 years	Total
Group						
Interest bearing loans & borrowing	95,081	391,751	60,801	315,141	8,776	871,550
Trade & other payables	20,027	361,452	22,052	11,521	-	415,052
	115,108	753,203	882,853	326,662	8,776	1,286,602
Company						
Interest bearing loans & borrowing	95,081	19,030	60,801	315,140	8,776	498,828
Trade & other payables	15,348	274,545	22,052	10,837	-	322,782
	110,429	293,575	82,853	325,977	8,776	821,610

37.4 Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk & other price risk such as equity price risk. Financial instrument affected by market risk include loans & borrowings, deposits, available for sale investment & derivative financial instruments.

37.4.1 Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates. The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. The Group has not engaged in any interest rate swap agreements.

The Group held long term borrowings with floating interest rates of Rs. 476 m (2015/16 – Rs. 394 m) which represents its maximum credit exposure on these liabilities.

Interest rate sensitivity
The following table demonstrates sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected. With all other variables held constant, the Group's Profit Before Tax is affected through the impact on floating rate borrowings as follows:

	Increase/ decrease in Interest rate	Effect on profit before tax Rs.'000
Group		
2016/17	+1%	4,762
	-1%	(4,762)
2015/16	+1%	5,612
	-1%	(5,612)
Company		
2016/17	+1%	4,287
	-1%	(4,287)
2015/16	+1%	5,612
	-1%	(5,612)

37.4.2 Foreign Currency Risk
The Group is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currency of the Group. The Group is exposed to currency risk on sales, purchases and borrowings. These currencies primarily are USD and AUD.

The Group hedges its exposure to fluctuation on the transaction of its foreign operations mainly by forward contracts.

Foreign currency Sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in the USD and AUD exchange rates, with all other variables held constant. The impact on the Group's Profit Before Tax is due to changes in fair value of monetary assets and liabilities.

	Increase/ decrease in basis points	Effect on profit before tax Rs.'000
Group		
2016/17		
USD	5%	(9,829)
AUD	5%	368
USD	-5%	9,829
AUD	-5%	(368)
2015/16		
USD	5%	(2,873)
AUD	5%	(0.24)
USD	-5%	2,873
AUD	-5%	0.24

37.4.3 Equity Price Risk

The Group's listed & unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments. Management of the Group monitors the mix of debt & equity securities in its investment portfolio based on market indices. Material investment within the portfolio are Managed on an individual basis and all buy and sell decision are approved by the Board. Equity price risk is not material to the Financial Statements. However company does not hold any quoted shares as at reporting date.

37.4.4 Capital Management

The Group's policy is to retain a strong capital base so as to maintain investor, creditor & market confidence and to sustain future development of the business. Capital consists of share capital, reserves, retain earning & non-controlling interest of the Group. The Board of Directors monitors the return on capital, interest covering ratio, dividend to ordinary shareholders.

The gearing ratio at the reporting date is as follows.

	Consolidated		Company	
	2016/17 Rs.'000	2015/16 Rs.'000	2016/17 Rs.'000	2015/16 Rs.'000
(i) Interest bearing borrowings				
Current portion of long term interest bearing borrowings	107,783	79,831	95,921	79,831
Payable within 2 and 5 years	361,708	315,140	326,123	315,141
Payable later than 5 years from year-end	6,667	8,776	6,667	8,776
(ii) Liability to make lease payment				
Current portion of liability to make lease payment	1,715	1,518	1,715	1,518
Payable within 2 and 5 years	9,400	8,319	9,400	8,319
Payable later than 5 years from year-end	432,441	435,237	432,441	435,237
(iii) Short - term Interest bearing borrowings	755,238	372,722	-	-
(iv) Bank overdraft	274,302	95,081	274,182	95,081
Total debts	1,949,255	1,316,624	1,146,449	943,903
Equity	2,920,914	2,632,660	2,851,082	2,503,508
Equity & debts	4,870,169	3,949,284	3,997,532	3,447,411
Gearing ratio	40%	33%	29%	27%

TEN YEAR SUMMARY

Period Ended	2016/17 31-Mar (12 Months) Rs.'000	2015/16 31-Mar (12 Months) Rs.'000	2014/15 31-Mar (15 Months) Rs.'000	2013 31-Dec (12 Months) Rs.'000
Trading Results				
Revenue	6,852,262	6,068,746	8,647,349	6,790,012
Gross profit	617,739	464,702	739,302	885,720
Profit before tax	12,474	(30,520)	102,407	465,485
Profit after tax	(15,349)	(42,191)	52,495	391,693
Balance Sheet Funds Employed				
Stated capital	340,000	340,000	340,000	340,000
Revenue reserves	2,580,914	2,292,660	2,358,424	2,435,888
Total equity attributable to equity holders of the company	2,920,914	2,632,660	2,698,424	2,775,888
Non - controlling interest	33,475	33,087	158,739	22,322
Liability to make lease payment	441,841	443,557	445,075	395,060
Amounts due to other related companies	36,286	22,500		
Interest - bearing borrowings	368,375	323,916	432,145	98,327
Bank overdraft	274,302	95,081	51,190	16,297
	4,075,193	3,550,801	3,785,573	3,307,894
Assets Employed				
Non current assets	5,443,706	5,219,898	5,203,870	4,408,806
Current assets	1,813,705	1,306,824	1,793,293	1,938,316
Current liabilities	(1,372,311)	(909,299)	(1,217,120)	(1,153,489)
Retirement benefit obligations	(816,560)	(1,153,244)	(1,122,870)	(1,046,403)
Deferred tax liability	(457,659)	(390,615)	(393,243)	(363,132)
Deferred income	(535,688)	(522,763)	(478,357)	(476,204)
Capital employed	4,075,193	3,550,801	3,785,573	3,307,894
Key Indicators				
Gross profit margin %	9.0	7.7	8.5	13.0
Current ratio (times)	1.10	1.30	1.41	1.66
Turnover to capital employed (times)	1.7	1.7	2.3	2.1
Return on shareholders' fund %	(0.6)	(1.1)	2.2	13.8
Earning per share (Rs.)	(0.55)	(0.82)	1.77	11.30
Net assets per share (Rs.)	85.91	77.43	79.37	81.64
Dividend per share (Rs.)	-	-	1.0	3.5
Dividend payout ratio %	-	-	56	31
Price earnings (Times)	-	-	40.58	6.93
Market value (Rs.)	82.00	65.00	71.90	78.30

2012 31-Dec (12 Months) Rs.'000	2011 31-Dec (12 Months) Rs.'000	2010 31-Dec (12 Months) Rs.'000	2009 31-Dec (12 Months) Rs.'000	2008 31-Dec (12 Months) Rs.'000	2007 31-Dec (12 Months) Rs.'000
6,518,253	6,033,498	3,883,637	2,860,004	3,108,571	2,827,974
1,156,106	905,883	595,955	134,964	455,435	560,263
680,956	545,947	355,690	(27,783)	300,276	435,267
560,732	461,363	326,152	(40,565)	278,765	410,010
340,000	340,000	340,000	340,000	340,000	340,000
2,228,473	1,813,716	1,492,786	1,216,593	1,378,208	1,289,356
2,568,473	2,153,716	1,832,786	1,556,593	1,718,208	1,629,356
16,667	17,162	14,642	22,324	20,274	8,792
427,914	428,976	429,869	362,854	367,813	372,602
97,588	136,825	226,414	379,978	449,423	370,685
1,865	4,772	13,158	473	116,766	2,582
3,112,507	2,741,451	2,516,869	2,322,222	2,672,484	2,384,017
4,019,663	3,738,736	3,463,306	3,132,622	2,978,262	2,519,202
2,054,898	1,758,879	1,411,867	954,630	1,101,238	1,115,810
(1,146,763)	(1,088,079)	(847,986)	(468,207)	(353,441)	(357,364)
(1,025,142)	(980,001)	(871,408)	(732,912)	(578,457)	(527,716)
(301,387)	(211,247)	(158,032)	(120,836)	(128,927)	(119,638)
(488,762)	(476,837)	(480,878)	(443,075)	(346,191)	(246,277)
3,112,507	2,741,451	2,516,869	2,322,222	2,672,484	2,384,017
17.7	15.0	15.3	4.7	14.7	19.8
1.79	1.61	1.64	2.04	2.34	3.10
2.1	2.2	1.5	1.2	1.2	1.2
21.8	21.3	17.5	(2.7)	16.1	25.5
16.51	13.49	9.43	(1.25)	8.11	12.20
76.03	63.85	54.34	46.44	50.43	47.92
6.0	5.0	4.0	1.0	3.5	5.5
36	37	42	-	43	45
4.85	6.7	17.0	-	5.9	4.6
80.00	90.00	159.90	53.00	47.50	56.25

INVESTOR INFORMATION

1. STOCK EXCHANGE LISTING

The ordinary shares of Kelani Valley Plantations PLC are listed with the Colombo Exchange. The audited Company and Consolidated Statements of Profit or Loss for the year ended 31 March 2017 and the audited Statement of Financial Position of the Company and of the Group as at the date have been submitted to the Colombo Stock Exchange within three months of the Statement of Financial Position date.

2. ORDINARY SHAREHOLDERS AS AT 31 MARCH 2017

Number of shareholders 14,021

	Residents			Non-Residents			Total		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
1 - 1000	13,877	1,736,605	5.1077	6	2,815	0.0083	13,883	1,739,420	5.1159
1001 - 10,000	103	309,806	0.9112	1	2,500	0.0074	104	312,306	0.9185
10,001 - 100,000	23	747,724	2.1992	3	111,219	0.3271	26	858,943	2.5263
100,001 -1,000,000	3	1,007,725	2.9639	2	493,122	1.450	5	1,500,847	4.4143
Over 1,000,000	3	29,588,484	87.0250	-	-	0.000	3	29,588,484	87.0250
	14,009	33,390,344	98.2070	12	609,656	1.7931	14,021	34,000,000	100.000

	Residents			Non-Residents			Total		
No. of Shares held	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
Individuals	13,949	2,548,472	15.557	10	518,437	1.5248	13,959	3,066,909	9.0203
Institutions	60	30,841,872	82.650	2	91,219	0.2683	62	30,933,091	90.9797
	14,009	33,390,344	98.2070	12	609,656	1.7931	14,021	34,000,000	100.000

3. MARKET VALUE

The market value of Kelani Valley Plantations PLC ordinary shares :

	2016/17		2015/16	
Highest - Rs	82.00	(29 March 2017)	73.00	(30 April 2015)
Lowest - Rs	48.70	(19 December 2016)	53.00	(08 March 2016)
Period end - Rs	82.00		65.00	

4. DIVIDEND PAYMENT

Proposed dividend of Rs.Nil/- per share. (2015/16-Rs.Nil/-)

5. SHARE TRADING

	2016/17	2015/16
Number of transactions	384	322
Number of shares traded	81,791	103,469
Value of shares traded (Rs.)	5,003,084.70	6,777,464.00

6. FIRST TWENTY SHAREHOLDERS AS AT 31 MARCH 2017

	Name of Shareholder	No. of Shares as at 31.03.2017	%	No. of Shares as at 31.03.2016	%
1	DPL Plantations (Private) Limited	24,626,900	72.43	24,626,900	72.43
2	People's Leasing & Finance Plc /Mr.L.P.Hapangama	2,821,657	8.30	2,821,756	8.30
	Mr. L.P.Hapangama	400	0.00	400	0
3	Bank of Ceylon A/c Ceybank Unit Trust	2,139,927	6.29	2,109,777	6.21
4	Bank of Ceylon A/c Ceybank Century Growth Fund	486,521	1.43	467,529	1.38
5	M H L Holdings (Private) Limited	408,204	1.20	413,323	1.22
6	Mr. T.T.T.Al-Nakib	343,122	1.01	343,122	1.01
7	Mr. H.A.A.H.Algharabally	150,000	0.44	150,000	0.44
8	Dr. D.Jayanntha	113,000	0.33	113,000	0.33
9	Z.G.Carimjee	73,867	0.22	73,867	0.22
10	Mr. M.I.Abdul Hameed	70,600	0.21	70,600	0.21
11	Gampaha District Co-Operative Rural Bank Union Ltd	66,300	0.20	66,300	0.20
12	Cargo Boat Development Company PLC	58,800	0.17	58,800	0.17
13	Mr. M.M.Udeshi & H.M.Udeshi	51,032	0.15	51,032	0.15
14	Mrs. R.S.L.De Mel	50,000	0.15	50,000	0.15
15	Mr. K.C.Viganarajah	46,500	0.14	46,500	0.14
16	Harnam Holdings SDN BHD	46,219	0.14	46,219	0.14
17	HSBC International Nominees Ltd-SSBT-Deutsche Bank	45,000	0.13	45,000	0.13
18	MRS.Z.M.Adamally	36,933	0.11	36,933	0.11
19	Seylan Bank PLC/ DR.Thirugnanasambandar Senthilverl	24,700	0.07	25,300	0.07
20	Miss. F A Adamaly	20,000	0.06	20,000	0.06
21	Miss Z A Adamaly	20,000	0.06	20,000	0.06
22	Dr. M E R Harrison	20,000	0.06	20,000	0.06
23	G A Wickremesinghe	20,000	0.06	20,000	0.06
TOTAL		**31,739,682**	**93.35**	**31,696,358**	**93.22**

7. The percentage of ordinary shares held by the public was 27.57% (2016 - 27.57%) of the issued share capital as at 31 March 2017.

ENVIRONMENTAL CALCULATIONS

Energy Convers ion factors

FUEL	FACTOR MEASURE	CONVERSION FACTOR	PER UNIT ENERGY (GJ)
Electricity		1 kWh	277.78
Petrol	Energy per Litre		[0.785 Kg/Litre * 10,900 kcal/Kg *(4.18400 × 10-6 GJ/Kcal)]
	Density - Petrol	0.785 Kg/Litre	
	Energy	1 Litres = 10,900 kcal/Kg	
	Energy	1 kcal/kg = 4.1868 kJ/kg	
	Energy	1 Kcal = 4.18400 × 10-6	
Diesel	Energy per Litre		[1.0832 Kg/Litre * 10,500 kcal/Kg *(4.18400 × 10-6 GJ/Kcal)]
	Density - Petrol	1.0832 Kg/Litre	
	Energy	1 Litres = 10,500 kcal/Kg	
	Energy	1 kcal/kg = 4.1868 kJ/kg	
Fuel wood	Energy per m3		[720 Kg/m3 * 3,800 kcal/Kg *(4.18400 × 10-6 GJ/Kcal)]
	Density - Firewood	720 Kg/m3	
	Energy	3,800 kcal/Kg	
	Energy	1 Kcal = 4.18400 × 10-6	

GLOSSARY

FINANCIAL TERMS

Accounting Policies
The Specific principles, bases, conventions, rules and practices adopted by an enterprise in preparing and presenting Financial Statements.

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

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

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

Agricultural produce
Is the harvested product of the entity's biological assets

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

Available for Sale
Non derivative financial asset that are designated as available for sale or are not classified as loans and receivable, held to maturity investment or financial assets at fair value through profit and loss.

AWDR
Average Weighted Deposit Rate

AWPLR
Average Weighted Prime Lending Rate

Basic Earnings Per Share
Profit attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue during the period.

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

Biological Assets
A living animal or plant

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

Borrowings
All interest-bearing liabilities.

Capital Employed
Total equity, non-controlling interest and interest bearing borrowings.

Capital Reserves
Reserves identified for specific purposes and considered not of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity available for distribution.

Cash Equivalents
Liquid investments with original maturity periods of three months or less

CASL
The Institute of Chartered Accountants of Sri Lanka

CBSL
Central Bank of Sri Lanka

CEA
Central Environment Authority

Contingent Liability
A possible obligation that arises from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the enterprise.

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

CSR
Corporate Social Responsibility

Current Ratio
Current assets divided by current liabilities. A measure of liquidity.

Current Service Cost
Is the increase in the present value of the defined benefit obligation resulting from employee service in the current period

DCF Method
Discounted Cash Flow method

Debt to Equity Ratio
Borrowing divided by Equity

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

GLOSSARY *CONTD.*

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

Dividends
Distribution of profits to holders of equity investments.

Dividend Cover
Profit attributable to ordinary shareholders divided by dividend. Measures the number of times dividend is covered by distributable profit

Dividend Payout
Dividend per share as a percentage of the earnings per share

Dividend Yield
Dividend per share as a percentage of the market price. A measure of return on investment

EBIT
Earnings Before Interest and Tax

EBITDA
Abbreviation for Earnings before Interest, Tax, Depreciation and Amortization.

Effective Tax Rate
Income tax expenses divided by profit from ordinary activities before tax

Enterprise Value-EV
Market capitalization plus MV of Debt, Minority Interest & Preference shares minus total cash & cash equivalent.

Enterprise Multiple-EM
Enterprise value divided by earnings before Interest Tax Depreciation & Amortization (EBITDA)

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

Equity
Shareholders' fund.

Equity Instruments
Is any contract that evidences a residual interest in the assets of a entity after deducting all of its liabilities.

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

ERP
Enterprise Resources Planning.

ETP-Ethical Tea Partnership
An initiative in ethical sourcing approved by UK based tea packing companies to work in partnership with producers to demonstrate that ethical conditions exist within the tea industry.

EVA
Economic Value Addition
The return earned beyond the cost of capital.(Weighted Average Cost of Capita into Capital Invested minus Net Operating Profit)

EU
European Union

Financial Instrument
Is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Fair Value
Fair Value is the amount for which an asset could be exchanged between a knowledgeable or liability settled between knowledgeable willing parties in an arm's length transaction.

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

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

Financial Instrument
Any contract that gives rise to a financial asset of one entity and a financial liability or equity to another entity

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

Forward Currency Contract
A forward contract in the forex market that locks in the price at which an entity can buy or sell a currency on a future date. Also known as "outright forward currency transaction", "forward outright" or "FX forward".

FSC
Forest Stewardship Council

Gearing
Proportion of total interest-bearing borrowings to capital employed

Gearing Ratio
Interest bearing capital divided by total capital invested (interest bearing and non-interest
bearing).

Interest Cover
Profit before tax plus net finance cost divided by net finance cost. Measure of an entity's debt service ability.

IUCN
International Union for Conservation of Nature.

HACCP
Hazard Analysis Critical Control Point System. Internationally accepted food safety standard.

IAS
International Accounting Standards.

IFRIC
International Financial Reporting Interpretations Committee

IFRS
International Financial Reporting Standards.

JEDB
Janatha Estate Development Board

Key Management Personnel
Key Management Personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive ot otherwise) of that entity.

LIBOR
London Inter- Bank Offered Rate

m
Million

Market Capitalization
Number of shares in issue multiplied by the market value of a share at the period date

Market Value Added-MVA
The difference of market capitalization and book value of share capital.

MKg
Million Kilo gram

MT
Metric Ton

Net Assets Per Share
Shareholders' funds divided by the weighted average number of ordinary shares in issue. A basis of share valuation

Non-controlling interest
The interest of individual shareholders, in a company more than 50% of which is owned by a holding company .

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

Price Earnings Ratio
Market price of a share divided by earnings per share as reported at that date

Related parties
Parties who could control or significantly influence the financial and operating policies of the business

Retirement benefits
-Present Value of a Defined Benefit Obligation
Is the present value of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

-Current Service Cost
Is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

-Interest Cost
Is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

-Actuarial Gains and Losses
Is the effect of difference between the previous actuarial assumptions and what has actually occurred and effects of changes in actuarial assumption.

Return on Equity
Attributable profits to the shareholders divided by shareholders funds

Return on Capital Employed
Profit before tax plus net interest cost divided by capital employed.

Return on Assets
Profit before tax plus net interest cost divided by total assets.

Revenue reserves
Reserves considered as being available for distributions and investments

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

GLOSSARY *CONTD.*

SIC
Standing Interpretations Committee

SLFRS / LKAS
Sri Lanka Accounting Standards corresponding to International Financial Reporting Standards

SoRP
Statement of Recommended practice

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

SLAS
Sri Lanka Accounting Standards. Also known as LKAS
and SLFRS

SLIBOR
Sri Lanka Inter Bank Offer Rate

Total Borrowing
Total borrowing consist of interest-bearing liabilities, fair-value derivatives, accrued interest expenses and prepaid interest income, and trade receivables with resources.

UITF
Urgent Issue Task Force of the Institute of Chartered Accountants of Sri Lanka.

Value Addition
The quantum of wealth generated by the activities of the group measured as the difference between turnover and the cost of materials and services bought in.

Working Capital
Capital required to finance day-to-day operations computed as the excess of current assets over current liabilities

NON-FINACIAL TERMS

AGM
Annual General Meeting

COP
The cost of productions. This generally refers to the cost of producing per kilo of produce (Tea /Rubber)

CQC-QMS-Ceylon tea Quality Certification-Quality Management System

A legal declaration by the tea commissioner to a registered tea manufacture in modern quality management systems that the building, equipment and manner of operation of the tea factory are of excellent standard to manufacture made tea of good quality.

Crop
The total produce harvested over a given period of time (usually during a financial year).

CRTA
Colombo Rubber Traders' Association

Extent In Bearing
The extent of land form which crop is being harvested

Field
A unit extent of land. Estates are divided into fields in order to facilitate management.

FLO- Fair trade Labeling Organization
International
A leading standard setting and certification organization for labeling fair trade established in 1997 in Germany

GMP
Good Manufacturing Practices

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.

GRI
Global Reporting Initiatives

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

Infilling
A method of filed 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

ISO
International Standards Organization

ISO 22000
International standard for food safety management system (FSMS) released by ISO in September 2005.

Mature Plantation
The extent of plantation from which crop is being harvested.

NSA
The Net Sales Average. This is the average sale price obtained (over a period of time) after deducting brokerage fees, etc.

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.

Seeding tea
Tea grown from a seed.

SLSPC
Sri Lanka State Plantations Corporation

TASL
Tea Association of Sri Lanka.

Turnover Per Employee
Consolidated turnover of the company for the year divided by the number of employees

VP tea
Vegetatively propagated tea. ie. Tea grown from a cutting of a branch of tea plant

Yield (YPH)
The average crop per unit extent of land over a given period of time (usually kgs. Per hectare per year)

5S
A Japanese management technique on the organization of the work place.
5S stands for Seiri (Sorting), Seiton (organizing), Seiso (cleaning),Seiketsu(standardization), Shitsuke(Sustenance).

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Twenty Fifth Annual General Meeting of Kelani Valley Plantations PLC, will be held at the Registered office of the Company, No. 400, Deans Road, Colombo 10, Sri Lanka, on Tuesday 20th June 2017 at 3.00 p.m. and the business to be brought before the meeting will be:

AGENDA

1) To consider and adopt the Annual Report of the Board of Directors and the Statements of Accounts for the year ended 31st March 2017, with the Report of the Auditors thereon.

2) To re-elect Mr.L.T. Samarawickrama who retires by rotation at the Annual General Meeting , a Director.

3) To re-elect Mr.L.N.De S. Wijeyeratne, who retires by rotation at the Annual General Meeting , a Director.

4) To re-appoint Mr. F. Mohideen who retires having attained the age of Seventy years and the company having received special notice of the undernoted ordinary resolution in compliance with section 211 of the companies Act No.7 of 2007 in relation to his re-appointment.

Ordinary Resolution

'That Mr. F. Mohideen retiring Director, who has attained the age of Seventy years be and is hereby re-appointed a Director in terms of Section 211 of the Companies Act No 7 of 2007 and it is hereby declared that the age limit of Seventy years referred to in Section 210 of the Companies Act No.07 of 2007 shall not apply to the appointment of the said Director'.

5) To authorise the Directors to determine contributions to Charities for the financial year 2017/2018.

6) To authorise the Directors to determine the remuneration of the Auditors, Messrs. Ernst & Young, Chartered Accountants, who are deemed to have been reappointed as Auditors in terms of Section 158 of the Companies Act No. 07 of 2007 for the financial year 2017/2018.

To consider any other business of which due notice has been given.

Note :

1) A Shareholder is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a shareholder of the Company. A Form of Proxy is enclosed for this purpose. The instrument appointing a proxy must be deposited with Hayleys Group Services (Pvt) Ltd, Secretaries, No. 400, Deans Road, Colombo 10, Sri Lanka, by 3.00pm on 18th June 2017.

By Order of the Board

KELANI VALLEY PLANTATIONS PLC.
Hayleys Group Services (Private) Limited
Secretaries

Colombo
24 May 2017

FORM OF PROXY

I/We* …… …………………………………………………………..........……………………………………………..…………………(full name of shareholder**)

NIC No./Reg. No. of Shareholder (**) ………………………………………………… of ………………………………………………………………………………
…………………………………………………………………………………………………
being Shareholder/Shareholders* of KELANI VALLEY PLANTATIONS PLC hereby appoint:

(1) ……………………………………………………………………..…………………………………...........................…………(full name of proxyholder**)

NIC No. of Proxyholder (**) ……………..……………………………………........ of ………………………………………………………………………………
……….………………………………………………………………….………………or, failing him/them

2. ABEYAKUMAR MOHAN PANDITHAGE (Chairman of the Company) of Colombo , or failing him, One of the Directors of the Company as my/our* proxy to attend, speak and vote as indicated hereunder for me/us* and on my/our* behalf at the Twenty Fifth Annual General Meeting of the Company to be held on 20th June 2017 and at every poll which may be taken in consequence of the aforesaid meeting and at any adjournment thereof:

		For	Against
1.	To adopt the Annual Report of the Directors and the Statements of Accounts for the year ended 31st March 2017 together with the Report of the Auditors thereon.		
2.	To re-elect Mr.L.T. Samarawickrama who retires by rotation at the Annual General Meeting a Director		
3	To re-elect Mr.L.N.De S. Wijeyeratne, who retires by rotation at the Annual General Meeting a Director		
4.	To re-appoint Mr.F.Mohideen, who retires having attained the age of Seventy years		
5.	To authorise the Directors to determine contributions to Charities for the financial year 2017/2018.		
6.	To authorise the Directors to determine the remuneration of the Auditors, Messrs. Ernst & Young, Chartered Accountants, who are deemed to have been reappointed as Auditors in terms of Section 158 of the Companies Act No. 07 of 2007 for the financial year 2017/2018.		

(***) The proxy may vote as he thinks fit on any other resolution brought before the Meeting of which due notice has been given
As witness my/our* hands this …………………… day of …………………………….2017.

Witnesses: Signature: ……………………………........
Name : ……………………………………
Address : ………………………………......
NIC No : ………………………….…….......

……………………………………….
Signature of Shareholder

Notes : (a) * Please delete the inappropriate words.
(b) A shareholder entitled to attend and vote at the Annual General meeting of the Company, is entitled to appoint a proxy to attend and vote instead of him/her and the proxy need not be a shareholder of the company.

** Full name of shareholder/proxy holder and their NIC Nos and Witness are mandatory. Your Proxy Form will be rejected if these details are not completed.
(c) A shareholder is not entitled to appoint more than one proxy to attend on the same occasion.
(d) Instructions are noted on the reverse hereof.
(e) This Form of Proxy is in terms of the Articles of Association of the Company.

FORM OF PROXY *CONTD.*

INSTRUCTIONS AS TO COMPLETION :

1. To be valid, the completed Form of Proxy must be deposited with the Company Secretaries, Hayleys Group Services (Pvt) Ltd at No.400, Deans Road, Colombo 10, Sri Lanka not less than 48 hours before the start of the Meeting.

2. In perfecting the Form of Proxy, please ensure that all requested details are filled in legibly including mandatory details. Kindly Sign and fill in the date of signing.

3. If you wish to appoint a person other than the Chairman of the Company (or failing him, one of the Directors) as your proxy, please insert the relevant details at (1) overleaf. The proxy need not be a member of the Company.

4. Please indicate with an X in the space provided how your proxy is to vote on the resolutions. If no indication is given, the proxy in his discretion will vote as he thinks fit. Please also delete (***) if you do not wish your proxy to vote as he thinks fit on any other resolution brought before the Meeting.

5. In the Case of a Company /Corporation the proxy must be under its common seal which should be affixed and attested in the manner prescribed by its Articles of Association.

   In the case of the individual shareholders, the signature of the shareholder should be witnessed by any person over 18 years of age.

6. Where the Form of Proxy is signed under a Power of Attorney (POA) which has not been registered with the Company, the original POA together with a photocopy of same or a copy certified by a Notary Public must be lodged with the Company along with the Form of Proxy.

7. In case of Marginal Trading Accounts (slash accounts), the form of Proxy should be signed by the respective authorised Fund Manager/ Banker with whom the account is maintained.

NOTES

NOTES *CONTD.*

CORPORATE INFORMATION

G4-3,5,7,8

NAME OF COMPANY
Kelani Valley Plantations PLC

LEGAL FORM
A Public Limited Company, incorporated in Sri Lanka on 18 June 1992.

REGISTRATION NUMBER
PQ 58

ACCOUNTING YEAR END
31 March

STOCK EXCHANGE LISTING
The ordinary shares of the Company are listed with the Colombo Stock Exchange of Sri Lanka

STOCK CODE
KVAL.N0000

PRINCIPAL LINE OF BUSINESS
Producing and processing of Tea and Rubber

DIRECTORS
A M Pandithage - Chairman
W G R Rajadurai – Managing Director
S Siriwardana – Chief Executive Officer
F Mohideen
S C Ganegoda
L T Samarawickrama
Dr. K I M Ranasoma
C V Cabraal
L N De S Wijeyeratne

SUBSIDIARIES
Kalupahana Power Company (Pvt) Ltd
Kelani valley Instant Tea (Pvt) Ltd
Mabroc Teas (Pvt) Ltd

EQUITY ACCOUNTED INVESTEE
Hayleys Global Beverages (Pvt) Ltd

AUDIT COMMITTEE
L N De S Wijeyeratne - Chairman
F Mohideen
C V Cabraal

MANAGING AGENT
DPL Plantations (Pvt) Ltd
400, Deans Road, Colombo 10,
Sri Lanka

SECRETARIES
Hayleys Group Services (Pvt) Ltd
400, Deans Road, Colombo 10,
Sri Lanka.
Telephone: (94-11)2627650
E-mail: info@sec.hayleys.com

Please direct any queries about the administration of shareholding to the Company Secretaries.

REGISTERED OFFICE / HEAD OFFICE
400, Deans Road, Colombo 10, Sri Lanka
Telephone: (94-11) 2627700, 2686274-5 (2Lines)
Fax : (94-11) 2694216
e-mail: postmaster@kvpl.com
website : www.kvpl.com

BANKERS
Bank of Ceylon
NDB Bank
Sampath Bank
Hatton National Bank
DFCC Bank
Citi Bank
People's Bank
Amana Bank

AUDITORS
Ernst & Young
Chartered Accountants
No. 201 De Saram Place, Colombo – 10
Sri Lanka

optima
Design & Concept by: Optima Designs (Pvt) Ltd.
Printed by: Printel (Pvt) Ltd.