Content

Our Vision

To be a trend setter to the Plantation Industry by being a result oriented innovative Tea Company

Our Mission

- *To manage the Plantations as economically viable units and ensure the enhancement of their agro economic value.*
- *To improve the Socio Economic Conditions of the Workers.*
- *To enhance returns to the Shareholders*
- *To become the best managed World Class Tea Company reputed for quality.*

Historical Background

The Company was originally incorporated as Madulsima Plantations Ltd on 22nd June 1992 by Certificate of Incorporation issued in terms of Section 15 (1) of the Company's Act No.17 of 1982 read with Section 2 (2) of the Conversion of Public Corporation or Government owned business Undertakings into Public Company's Act. No.23 of 1987 and the order published in the Gazette Extra Ordinary of the Democratic Socialist Republic of Sri Lanka dated 22nd June 1992. The Company was thereafter reregistered under the Company's Act No.07 of 2007 as Company No. PQ 184 and a fresh Certificate of Incorporation issued under the provision of Section 485 (6) of the Company's Act No.7 of 2007 with the Corporate name changed by operation of law to Madulsima Plantations PLC.

The first tranche of 51% (10.2 million shares) of the issued share capital of the Company was sold by the Secretary to the Treasury through the Colombo Stock Exchange on an "all or nothing" basis and was purchased by Stassen Exports Limited in February 1996.

The convertible Debentures of Rs.90 million issued in February 1996 to Distilleries Company of Sri Lanka were converted to 9 million ordinary shares on 30th November 1998 and were issued to the holder.

As per decision of the Government 10% (2 million shares) of the shares of the Company belonging to the Secretary to the Treasury on behalf of the Government were distributed among the employees of the Company.

20% (4 million shares) of the shares of the Company belonging to the Secretary to the Treasury on behalf of the Government were sold to the public through the Colombo Stock Exchange.

16,949,673 shares belonging to the main shareholder, Stassen Exports (Pvt) Ltd were purchased by related party Melstacorp PLC on 22nd September 2017

Notice of Meeting

Notice is hereby given that the Twenty Fifth Annual General Meeting of Madulsima Plantations PLC will be held at the Auditorium, Sri Lanka Foundation Institute, 100, Independence Square, Colombo 07 on 20th June 2018 at 10.00 for the follwing purposes.

1. To receive and consider the Report of the Directors and the Financial Statements of the Company for the year ended 31st December 2017 together with the Auditors' Report thereon.

2. To re-elect Mr D H S Jayawardena who is above the age of 70 years as a Director of the Company in terms of Sections 210 and 211 of the Companies Act No 7 of 2007.

3. To re-elect Dr N M Abdul Gaffar who is above the age of 70 years as a Director of the Company in terms of Sections 210 and 211 of the Companies Act No 7 of 2007.

4. To re-elect Dr A Shakthevale who is above the age of 70 years as a Director of the Company in terms of Sections 210 and 211 of the Companies Act No 7 of 2007.

5. To re-elect Mr D S K Amarasekera who retires by rotation at the Annual General Meeting in terms of Article 92 of the Articles of Association as a Director of the Company.

6. To re-elect Mr D Hasitha S Jayawardena at the Annual General Meeting in terms of Article 98 of the Articles of Association as a Director of the Company.

7. To re-elect Mr B M D K S Basnayake at the Annual General Meeting in terms of Article of 98 of the Articles of Association as a Director of the Company.

8. To re-appoint Ernst & Young as Auditors and to authorize the Directors to determination their remuneration.

By order of the Board
Pradeep A Jayatunge
Secretary

Colombo
20.04.2018

Note :

a) A member entitled to attend and vote at the above Meeting is entitled to appoint a Proxy to attend and vote instead of him. A proxy need not be a member of the Company. The Form of Proxy will be found at the end of this Annual Report.

b) The Shareholders and the proxy holders are kindly requested to bring this report along with an acceptable form of identity.

c) A Proxy may not speak at the Meeting unless expressly authorized by the instrument appointing him. The Proxy may vote on a poll (and join in demanding a poll) but not on a show of hands.

d) The completed form of proxy should be deposited at the Registered Office of the Company at 833, Sirimavo Bandaranaike Mawatha, Colombo 14 not less than 48 hours before the time for holding the Meeting.

Corporate Information

Company	Madulsima Plantations PLC	
Legal Form	Quoted Public Company	
Date of Incorporation	22nd June 1992	
Company Registration No.	P Q 184	
Registered Office	833, Sirimavo Bandaranaike Mawatha, Colombo 14	
Board of Directors	Mr. D H S Jayawardena	Chairman/MD
	Dr. N M Abdul Gaffar	Non Executive Director
	Mr. B M D K S Basnayake	Executive Director (w.e.f.20/02/2018)
	Mr. D Hasitha S Jayawardena	Non Executive Director
	Dr. A Shakthevale	Independent Director
	Mr. D S K Amarasekera	Independent Director
Secretary	Mr. P A Jayatunga, 833 Sirimavo Bandaranaike Mawatha Colombo 14. Telephone : 2524734/2522871	
Registrars	P W Corporate Secretarial (Pvt) Ltd 3/17 Kynsey Road Colombo 08 Telephone : 4640360-3	
Auditors	Messrs. Ernst & Young Chartered Accountants 201 De Saram Place Colombo 10	
Bankers	Hatton National Bank PLC City Office, 16 Janadhipathi Mawatha, Colombo 01	
Managing Agents	Stassen Exports (Pvt) Limited 833 Sirimavo Bandaranaike Mawatha Colombo 14	

Senior Management & Estate Superintendents

As at 31st December 2017

Senior Management

Mr. D Venmathirajah	Acting __Chief Executive Officer (Appointed w.e.f. 14/03/2018)
Mr. B P Dharmasena	Financial Controller

Estate Superintendents

Mr. K.D.Senerath	Battawatte
Mr. D. C. K. Samaranayake (Temp. Actg. Supdt.)	Cocogalla
Mr. L.G.S.Wijeratna	El Teb
Mr. M.A.M.Perera	Galloola
Mr. A.S.A.Madena	Mahadowa
Mr. A.C. de Arthur	Roeberry
Mr. I.A. Bogahawatte (Temp. Actg. Supdt.)	Uvakellie
Mr. A D B B Hewawasam	Verellapatna
Mr. R.S.J.A.Perera	Kew
Mr. R.S.Kotalawela	Kirkoswald
Mr. S.P.Ariyarathne	Theresia
Mr. T.C. Wedisinghe (Temp. Actg. Supdt.)	Venture

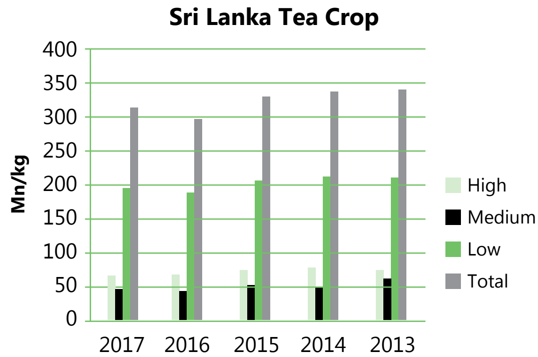
Chairman's Review

On behalf of the Board of Directors of Madulsima Plantations PLC, I have pleasure in presenting the Annual Report and the Financial Statements of the Company for the year 2017.

The Company made a Profit of Rs. 44.59 million for the year ended 31st December 2017, when compared with a loss of Rs. 292.59 million in 2016 and a loss of Rs. 288.06 million in 2015. The profit made after ten years (Rs. 26.42 Mn in 2007) is significant, though mainly due to other income and gain on change in fair value of Biological Assets. On production of made tea the Company incurred a loss of Rs. 232.31 Mn mainly due to the high finance cost amounting to Rs. 175.09 Mn.

Plantation Industry

	2017 qty (mn) kg	2016 qty (mn) kg	2015 qty (mn) kg	2014 qty (mn) kg	2013 qty (mn) kg
High	**64.36**	64.43	75.43	78.87	75.57
Medium	**45.55**	44.51	50.97	49.21	56.21
Low	**197.17**	183.64	202.37	209.95	208.45
Total	**307.08**	292.57	328.77	338.03	340.23



Sri Lanka's tea production recovered somewhat during the year from the declining trend observed since 2013. The year on year increase reflects a gain of 4.96% over the preceding year. However, the negative impact of adverse weather, the ban imposed on use of Glyphosate, the high cost of fertilizer and the aging seedling and some VP tea could still be seen when comparing production levels of 2017 with that of the previous year. Sri Lanka reached the 300 Mn kilogram mark in tea production in the year 2000 and achieved the all time record of 340.23 Mn in 2013.

When analyzing production figures since year 2000, fluctuations could be seen with dips and spikes in alternate years reflecting the predominant impact of whether on production. Moreover, the declining trend in the tea production volume is an indication that the required level of annual replanting has not taken place to sustain growth levels required to resist the impact of adverse weather. Most smallholder farmers and plantation companies are reluctant to undertake replanting due to its long gestation period, high cost and uncertainty associated with recovering their investments.

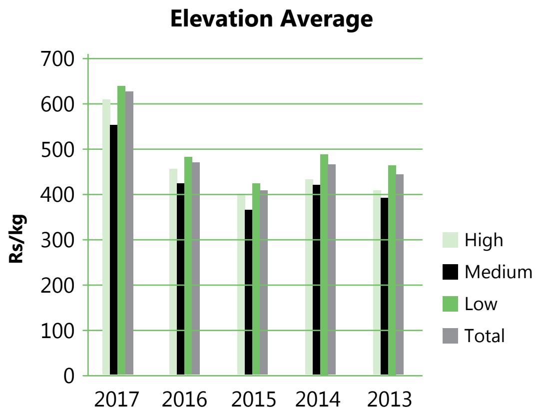
High grown production for the year is marginally lower by 0.14% from 2016, whilst Medium and Low grown production gained by 2.34% and 4.96% respectively.

Year on year Global tea production statistics for 2017 indicate a marginal decrease of 25.886 Mn kilos which is a negative variance of 1.24 %. The decrease is observed mainly in Kenya with a deficit of 35,557 Mn kgs (8.31%), followed by Bangladesh with a deficit of 8,178 Mn kgs (10.15%), Uganda 7,728 Mn kgs (17.28%) and Tanzania 200,000 kgs (0.87%). The global shortage in production was a contributory factor for the prices to continue at exceptionally high levels during 2017.

The strengthening of oil prices was a further factor for the improved price levels and influenced purchase of higher volumes by middle east countries with Turkey being the highest Export Destinations having imported 37.8 Mn kgs reflecting a market share of 13.09%, followed by Iraq with 35 Mn kgs, a market share of 12.12%, Russia 33.4 Mn kgs with a market share of 11.55% and Iran 27.4 Mn kgs with a market share of 9.49%.

Chairman's Review

Elevation Averages (Rs per kg)	2017	2016	2015	2014	2013
High	**606.59**	457.58	400.30	430.59	407.91
Medium	**565.85**	420.67	362.93	414.41	396.96
Low	**637.95**	487.16	417.41	488.61	469.67
National	**620.17**	470.85	405.33	465.06	444.75



However, the decline observed in production locally has restricted growth in tea export volume and value. It has also led to increase in cost of production and deterioration of quality making the current high price levels somewhat artificial.

The loss of quality is a matter of grave concern which exporters attribute to the protection given to producers by the Government which does not expose them to real competition and market forces. Tea is the most regulated export industry in the country and the regulatory process is negatively impacting competitiveness of Sri Lankan produce as most producers make no serious effort to improve quality, reduce production costs and improve management efficiency.

The visible changes in the global tea markets where brands are gradually phasing out country of origin is a major threat to 'Ceylon Tea'. Such threats could be resisted only by strengthening the 'Ceylon Tea' Brand. The strength of 'Ceylon Tea' since its inception has been its quality. Quality is the medium through which we have built our best relationships with our core consumers. Quality is the way forward and the pathway to consumers in new markets, particularly the younger generation whose addiction to artificial beverages could be countered by offering a natural health drink linked to fair trade values and supportive of fragile ecosystems by being essentially organic.

Company Performance	Year				
	2017	2016	2015	2014	2013
Production ('000 kg)	**4,412**	4,475	5,010	5,320	5,290
Yield (kg/ha)	**860**	914	1,098	1,128	1,066
Revenue (Rs Mn)*	**2,605**	1,842	1,870	2,208	2,057
NSA (Rs/kg)*	**572.39**	426.67	368.45	401.68	378.34
COP (Rs/kg)*	**623.44**	524.13	467.33	482.23	458.72
Profit/(Loss) (Rs/kg)*	**(51.04)**	(97.45)	(98.88)	(80.55)	(80.38)

* Based on SLFRS/LKAS adjustment.

Production

Year	Madulsima Region			Bogowantalawa Region			Company		
	Estate Crop	Bought Crop	Total Crop	Estate Crop	Bought Crop	Total Crop	Estate Crop	Bought Crop	Total Crop
2017	**1,798,370**	**1,307,069**	**3,105,439**	**1,274,860**	**32,017**	**1,306,877**	**3,073,229**	**1,339,086**	**4,412,315**
2016	1,829,367	1,193,832	3,023,199	1,452,012	0	1,452,012	3,281,380	1,193,831	4,475,210
Variance	(30,997)	113,237	82,240	(177,152)	32,017	(145,135)	(208,151)	145,255	(62,895)
Variance %	(1.69%)	9.49%	27.20%	(12.20%)	100.00%	(10.0%)	(6.34%)	12.17%	(1.41%)

Effect of the Weather on Performance

Year	Madulsima Region		Bogowantalawa Region		Company	
	Rainfall mm	Wet days	Rainfall mm	Wet days	Rainfall mm	Wet days
2017	**2,792**	**124**	**2,225**	**165**	**2,603**	**138**
2016	1,868	85	1,808	161	1,848	110
Variance	924	39	417	04	755	28
Variance %	49.46%	45.88%	23.06%	2.48%	40.85%	25.45%

Chairman's Review

Decennial Average						
Year	**Madulsima Region**		**Bogowantalawa Region**		**Company**	
	Rainfall mm	**Wet days**	**Rainfall mm**	**Wet days**	**Rainfall mm**	**Wet days**
2017	**2,945**	**124**	**2,620**	**188**	**2,836**	**146**
2016	2,912	122	2,632	190	2,818	145
Variance	33	2	(12)	(02)	18	01
Variance %	1.13%	1.64%	(0.46%)	(1.05%)	0.64%	0.69%

Variance over Decennial Average						
2017	**(153)**	**0**	**(395)**	**(23)**	**(233)**	**(08)**
Variance %	(5.19%)	0.00	(15.08%)	(12.23%)	(8.22%)	(5.48%)

Madulsima region recorded a significant increase in rainfall of 49.46% when compared with year 2016. However, the lowest rainfall on record since 1992 was experienced during the year 2016 and the rainfall recorded in 2017 was more in line with the normal pattern though in comparison to the Decennial Average the rainfall recorded in 2017 reflects a shortfall of 153 mm which is a negative variance of 5.19%.

In the Bogawantalawa region, a similar pattern is seen with an increase in rainfall of 23.06% in year 2017 over the preceding year, but still falling short of the decennial average by 15.08%.

During the year Estate production in the Madulsima Region declined marginally by 1.69% when compared with the preceding year due to several factors such as limited use of fertilizer due to high cost and extensive growth of weeds due to the ban imposed on use of chemicals. However, Bought leaf intake increased by 9.49% as a result of our attempts to increase bought leaf intake to compensate for the decline in estate production. As a result of the increased purchase of bought leaf, total production in the Madulsima Region recorded an increase of 82,240 kgs reflecting a gain of 27.20% year on year.

In the Bogawantalawa region estate production declined by 12.20% and total production by 10% despite an intake of 32,017 kgs of bought leaf. Total production of the Company for the year 2017 recorded a marginal deficit of 1.41% when compared with the preceding year which in terms of volume amounted to 62,895 kgs. The consequent revenue loss approximately amounted to Rs.35 Mn.

Strikes & their effects

Industrial relations throughout the year remained cordial, other than a seven days strike on Galloola Estate from 17th to 24th April, 2017 on grievances relating to accommodation and work norms and on Theresia Estate on 2nd November 2017, demanding sundry work for factory female workers. The consequent approximate crop loss was 3,303 kgs of Made Tea with an approximate value of Rs. 1.982 Mn.

Development Programmes undertaken in 2017		
Item	**Units**	**Amount Spent (Rs.)**
Tea Replanting & Upkeep	92.46 Ha	28,113,096/-
Rubber - Planting	75.20 Ha	11,440,841/-
Timber Planting & Upkeep	174.65 Ha.	6,302,702/-
Pepper	0.20 Ha	183,215/-
Coffee	29.72 Ha	343,628/-
Cinnamon	7.70 Ha	179,714/-
Cloves	5.02 Ha	151,251/-
Murunga	0.80 Ha	146,601/-
Avacado - Upkeep	8.50 Ha.	15,079/-
Buildings	40 Nos	967,400/-
Plant & Machinery		659,873/-
Equipments		1,370,505/-
Vehicles		10,338,592/-
Computers		767,200/-
Total		**Rs. 60,979,697/-**

Chairman's Review

Diversification undertaken in 2017

The following extents were diversified during the year 2017.

Rubber	-	5.00 Hect.
Clove	-	2.00 Hect

Loans taken in 2017			
Institution	**Facility Rs. Million**	**Rate of Interest**	**Date**
1. M/s. Melstacorp PLC	200	AWPLR + 1%	04-07-2017
2. M/s. Melstacorp PLC	50	AWPLR + 1%	04-08-2017
3. M/s. Melstacorp PLC	34	AWPLR + 1%	29-09-2017
4. M/s. Melstacorp PLC	136	AWPLR + 1%	29-09-2017
5. Sri Lanka Tea Board	49	AWPLR + 1%	02-05-2017
7. John Keells PLC	40	17.50%	09-03-2017

Social Development Work

Activities completed & Capitalized in year 2017

Item	Units	Value Rs.
Latrines	40	967,400.00
TOTAL		**967,400.00**

Noteworthy performance of Estates

Top prices achieved by estates during year 2017.

Number of Sales for the year - 50

Various grades of Tea manufactured by Battawatte, El-Teb, Mahadowa, Rathkellie/Uva, Uvakellie, Kew, Kirkoswald & Theresia Estates obtained all island top prices on 167 occasions at the Colombo Auctions.

Chairman's Review

Prospects for 2018

Agriculture with so many variables impacting performance needs faith in weather gods as much in strategy. Tea production in Sri Lanka during the last few years had been on a declining trend. Adverse weather could be assumed as the predominant factor. From a strategical point of view stepping up replanting to meet the recommended level of 2 - 3% of the land extent annually is mandatory to replace the aging seedling tea. Ironically it is the seedling tea that is resilient to adverse weather and provide much of the unique 'Ceylon Tea' quality in the end product. The long gestation period and high cost of replanting are further deterrents to the producer to invest in replanting.

With global production on the increase, remaining competitive in the global market would largely depend on our ability to maintain quality in our tea. It is in this context that the state policy on use of weedicides need to be resolved as it significantly impacts quality as much as cost.

From the Company's point of view positive changes are underway to keep our plantations vital and responsive. The previous CEO and other senior management have been replaced with a new look management team of dynamic professionals with long term strategies to revitalize and redirect the Company. This new team would be a business model that incorporates both social good and corporate consciousness. Significant investments are being made to develop our plantations. Factory Modernization with latest high capacity Driers, installation of Colour Sorters, and other grading and clearing machineries adoption of best agricultural practices; introduction of Solar Power to achieve significant cost savings and provision of adequate funds to undertake manual weeding extensively to clean the tea fields which had been infested with weeds following the ban imposed on use of Glyphosate are some of the major development activities in progress. General rapidness of response to changing markets and other external dynamics would be a prime focus of this new strategy. Replacing inherent defensiveness with pragmatic action in a slow moving unionized industry needs insight and commitment to quality and values as much as concern for minimizing costs and enhancing financial gains to complement and reinforce one another.

It is hoped the professional approach would restore the core values of thE company by addressing agricultural and operational priorities and the customers' willingness to pay a premium for fairly-harvested, environmentally-friendly products would increase profitability and long term sustainability. New team will be capable of changing the story of our plantations and revive its potential while at the same time complementing and enriching our living environment.

Dividends

I regret very much to inform you that for the fifteenth consecutive year your Directors are not recommending a dividend for the year ended 31st December 2017.

Acknowledgement

On behalf of the Board of Directors I wish to thank the Buyers, Brokers and Suppliers for their patronage. I would also like to acknowledge the dedication, commitment and loyalty of the Management team, Executives, Staff and Workers of the Company in carrying out their tasks. I thank each and every one of them for their excellent service.

Sgd D H S Jayawardena
Chairman/Managing Director

20.04.2018

Sustainability Report

In achieving corporate sustainability we have placed high value in identifying the various dimensions of our business and how they operate in the social, cultural and economic environment. We attempt to look internally and externally to understand our environment and its social impact. We are looking closer than ever at how and with whom we work around the world.

More than ever, we know that our role in sustainable agriculture plays a critical role in our survival, our success as a going concern and in our future progress. Amidst threatening global challenges for our produce, to remain competitive we realize that we need to reassess our resources and make measurable progress in our strategies.

Economic Environment

Identifying the needs of our buyers especially in the EU and Middle Eastern destinations, is a key aspect in planning our activities in each of our markets to create a better demand for our produce. They expect the products they buy from us are produced responsibly.

Rain Forest Alliance Certification of our produce is an assurance we intend providing our buyers to ensure that our products are produced in an environmentally responsible way. Preliminary steps for training and other infrastructure development in this regard were taken during the year in our plantations in the Bogawantalawa region.

Learning sustainable growing practices is a key aspect in being adoptive and in being resilient to climate change. Educating our senior managers to share knowledge, raise awareness and support the implementation of sustainable agriculture principles and practices is an important aspect of our corporate sustainability strategy. Regular discussions and workshops have been undertaken in this regard to spread the message among our workforce with a view to improve their productivity. The training programs focus on topics such as practices for improved harvesting and thereby yields, crop diversification and achieving community support for adaptation of other crop varieties which traditionally they have been resisting.

Tea Smallholders play a critical role in our supply chain. Going forward we intend building closer relationships with them that would improve their agronomic practices and entrepreneurial skills to be partners in our progress. We recognize that farmer organizations can play a key role in supporting smallholder relations and create a stable and long term business commitments.

Information Technology

Information Technology can contribute to improved management, planning and decision making in the field of agriculture more so than in any other field of economic activity. Considering the many variable factors impacting decision making in agriculture such as climate, weather, types of crop, human resources and global market forces besides the exhaustive coverage on financial management that agriculture based industries demand, information technology provides the way in which these specific challenges could be transcended when moving towards specific targets.

Having developed our own software over the years to meet our needs in management information we have realized the challenges faced in this rapidly growing field require specialized professional assistance and have sought the services of a reputed service provider in introducing their Software programs for our plantations.

Social Environment

The objective of our social development programs is to identify and prioritize strategies to provide resources and education to improve the living standards of our workforce. Plantation communities mostly live in marginalized areas in the poverty belt combating malnutrition and inferior living conditions. Providing them security in the rural and impoverished environment within the limited financial resources the plantation companies have is a challenge for us. Together with our stakeholders, we are working hard to exceed those expectations. We are committed to working with them to continue to drive responsibility and establish accountability in being self reliant in improving their living environment.

Sustainability Report

Retaining the educated plantation youth on our plantations is a major challenge and require new strategies such as outsourcing agricultural operations. Outsourcing which promotes a smallholder concept among plantation workers appears to be the way forward in combating the high wage costs and worker shortages. We have introduced outsourcing to Battawatte, Cocogalla, El Teb and Roeberry Estate in the Madulsima region, where we are experiencing a severe shortage of workers.

The following awareness programs were conducted during the year to drive progress on key social issues and raise awareness of our workforce, who play a key role in our production chain.

Awareness Programs/Clinics Conducted in 2017

1. Cancer Control
2. Empowerment of Women
3. Gender based Violence
4. Handling Disaster Situations
5. Improving Nutritional Status of Women & Children
6. Mobile Dental Hygiene Program
7. Syndromic STI Management
8. Safeguarding sexual and reproductive health

Social Welfare Activities Undertaken in 2017

1. 40 units of New Latrines on Verellapatna Estate
2. Re-roofing 10 Line Rooms on Galloola Estate

Board of Directors

MR. D H S JAYAWARDENA – CHAIRMAN/MANAGING DIRECTOR

Mr. D H S Jayawardena is one of the most successful and prominent business magnates in Sri Lanka. He heads many successful ventures in diversified fields of business.

Chairman
Aitken Spence PLC, Browns Beach Hotels PLC, Aitken Spence Hotel Holdings PLC, Aitken Spence Hotel Managements Asia (Pvt) Ltd., Negombo Beach Resorts (Pvt) Ltd., Lanka Power Projects (Pvt) Ltd., Stassen Exports (Pvt) Ltd., Milford Holdings (Pvt) Ltd., C B D Exports (Pvt) Ltd., Stassen International (Pvt) Ltd., Stassen Natural Foods (Pvt) Ltd., Stassen Foods (Pvt) Ltd., Milford Exports (Ceylon) (Pvt) Ltd., Ceylon Garden Coir (Pvt) Ltd., Milford Developers (Pvt) Ltd., Lanka Milk Foods (CWE) PLC, Lanka Dairies (Pvt) Ltd., Ambewela Livestock Company Ltd., Ambewela Products (Pvt) Ltd., Pattipola Livestock Company Ltd., Timpex (Pvt) Ltd., Texpro Industries Ltd., Distilleries Company of Sri Lanka PLC, Periceyl (Pvt) Ltd., Melstacorp PLC, Bellvantage (Pvt) Ltd., Madulsima Plantations PLC, Balangoda Plantations PLC, Indo Lanka Exports (Pvt) Ltd., Bogo Power (Pvt) Ltd., Telecom Frontier (Pvt) Ltd., Lanka Bell Ltd., Bell Solutions (Pvt) Ltd.

Managing Director
Stassen Real Estate Developers (Pvt) Ltd.

Director
Stassen Plantation Management Services (Pvt) Ltd.

Others
Consul General for Denmark in Sri Lanka

DR. N M ABDUL GAFFAR – DIRECTOR

N M Abdul Gaffar Ph.D. (London), M.Sc. (London), Dip in Bio Chem Eng (U.C.LONDON), B.Sc. Chemistry Hons (Ceylon). He was the Head of the Technology Division of the Tea Research Institute of Sri Lanka before he joined Stassen Exports Limited as a Director in January 1982 and has been in charge of the Stassen Green Tea Project, the pioneer commercial Green Tea Project of Sri Lanka, since its inception. He has been involved in the Organic Tea Project of Stassen Natural Foods (Pvt) Ltd., which is the pioneer organic tea project of Sri Lanka and the first certified organic tea project of the world. He is a Director of Madulsima Plantations PLC. He is also a Director of Stassen Plantation Management Services (Pvt) Ltd., Bogo Power (Pvt) Ltd and is in charge of the development of its 4 MW Kirkoswald Mini Hydro Project.

MR. B M D K S BASNAYAKE - EXECUTIVE DIRECTOR - (Appointed w.e.f.20/02/2018)

Mr Basnayake is a Member of Institute of Chartered Accountants, Sri Lanka. He is also a Member of the Chartered Institute of Management Accountants (United Kingdom) and a Member of Chartered Global Management Accountants.

MR. D HASITHA S JAYAWARDENA – NON-EXECUTIVE DIRECTOR

Mr. Hasitha Jayawardena holds a Bachelor's Degree in Business Administration BBA (Hons) from the University of Kent in the United Kingdom.

Mr. Jayawardena joined Stassen Group in February 2013. He is a Director of Stassen Exports (Pvt) Ltd., Milford Exports (Ceylon) (Pvt) Ltd., Stassen International (Pvt) Ltd., Stassen Natural Foods (Pvt) Ltd., Ceylon Garden Coir (Pvt) Ltd., Milford Developers (Pvt) Ltd., Stassen Foods (Pvt) Ltd., C.B.D. Exports (Pvt) Ltd., Lanka Milk Foods (CWE) PLC., Lanka Diaries (Pvt) Ltd., Ambewela Livestock Company Ltd., Pattipola Livestock Company Ltd., Ambewela Products (Pvt) Ltd., Zahra Exports (Pvt) Ltd., Mcsen Range (Private) Ltd., Distilleries Company of Sri Lanka PLC., Periceyl (Pvt) Ltd., Melstacorp PLC., Balangoda Plantations PLC and Madulsima Plantations PLC.

Mr. Jayawardena has also worked as an Intern at the Clinton Global Intiative Programme (CGI) in New York in 2007.

Board of Directors

DR. A. SHAKTHEVALE – INDEPENDENT NON-EXECUTIVE DIRECTOR

Director

Director

Lanka Milk Foods (CWE) PLC, Madulsima Plantations PLC and Balangoda Plantations PLC.

Retired Additional Secretary (Livestock), Ministry of Agriculture and Livestock in 2002, served as the Secretary, Ministry of Rehabilitation and Social Services in the Northeast Provincial Council and as a member of the Independent Finance Commission for two terms from July 2004 - July 2009. He works as a freelance Consultant in the field of livestock. He has also worked for FAO, as the National Consultant -Veterinary Production Specialist, UNDP, GTZ, UNHABITAT, Land O'Lake, Oxfarm GB and several local livestock organizations. He is a Forum Member and Member of the Executive Council of 'The Organization of Professional Association of Sri Lanka' representing the Veterinary Profession of Sri Lanka.

MR. D.S.K. AMARASEKERA – INDEPENDENT NON – EXECUTIVE DIRECTOR

Director

Balangoda Plantations PLC, Browns Investments PLC, Eden Hotel Lanka PLC, Browns Capital PLC, Kelani Tyres PLC, Lanka Milk Foods (CWE) PLC, Madulsima Plantations PLC, Palm Garden Hotels PLC, Central Services (Pvt) Ltd., Ceylon Cineman Holding (Pvt) Ltd., Excel Global Holding (Pvt) Ltd., Excel Restaurants (Pvt) Ltd., Foton Lanka (Pvt) Ltd., Browns Capital Properties (Pvt) Ltd., Free Lanka Plantations Co. (Pvt) Ltd., Millennium Development (Pvt) Ltd., Samudra Beach Resorts (Pvt) Ltd., Sierra Holdings Ltd., Southern Cleaners (Pvt) Ltd., The Tea Leaf Resort Holdings (Pvt) Ltd., Tropical Villas (Pvt) Ltd., Business Process Outsourcing (Pvt) Ltd., The Colombo Land Exchange Ltd., Morningside Estate (Pvt) Ltd., Ceylon Hotel Holdings (Pvt) Ltd., Suisse Hotel Kandy (Pvt) Ltd., Ceylon Roots (Pvt) Ltd., Green Paradise (Pvt) Ltd., BG Air Services (Pvt) Ltd., Browns Tours (Pvt) Ltd., Sun & Fun Resorts Ltd, NPH Holdings (Pvt) Ltd, Bodufaru Beach Resorts (Pvt) Ltd., Don & Don Holdings (Pvt) Ltd.

Mr. D.S.K. Amarasekera is an eminent Tax Consultant and the Senior Tax and Legal Partner of Amerasekera & Company, a leading tax consultancy firm in the country. He is a Member of the Institute of Chartered Accountants of Sri Lanka, and is an Attorney-at-Law of the Supreme Court of Sri Lanka.

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

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

PRINCIPAL ACTIVITIES
The principal activity of the Company is the cultivation and processing of Tea. The Company has 8 estates in the Madulsima and 4 in the Bogawantalawa regions. The cultivated land consists of 3706.25 ha under tea.

PARENT COMPANY
The Company's parent undertaking and controlling party is Melstacorp PLC, which is incorporated in Sri Lanka as a limited liability company.

MANAGING AGENTS
The Company is managed since 1st April 1996 by Stassen Exports (Pvt) Limited.

MANAGEMENT FEE
With effect from 1st June 2017 the Management fee was withdrawn by the Managing Agent, M/s. Stassen Exports (Pvt) Limited.

GOING CONCERN
Please refer policy note 2.1.1.

REVIEW OF PERFORMANCE
The review of the Company's performance during the year is given in the Chairman's Review in this Annual Report.

DEVELOPMENT AND DIVERSIFICATION
Development and Diversification are covered in the Chairman's Review in this Annual Report.

FINANCIAL STATEMENTS
The Financial Statements of the Company are given on pages 24 to 62 of this Annual Report.

AUDITORS' REPORT
The Auditors' Report on the financial statements is given on page 23 of this Annual Report.

ACCOUNTING POLICIES
The Accounting Policies adopted in the preparation of the Financial Statements are given on pages 29 to 43 of this Annual Report.

REMUNERATION AND OTHER BENEFITS OF DIRECTORS
The Directors did not receive any remuneration or other benefits during the accounting period.

DONATIONS
The Company did not make any donation during the year.

FINANCIAL RESULTS		
	2017 Rs.'000	2016 Rs.'000
Revenue	**2,605,104**	1,842,069
Profit/(Loss) before Tax	**108,658**	(286,701)
Income Tax Expense	**(64,062)**	(5,885)
Profit/(Loss) After Tax	**44,596**	(292,586)
Retained Profit B.F.	**(2,817,538)**	(2,562,132)
Timber Reserve	**3,063,430**	2,933,812
Proposed Dividend	**-**	-
Retained Profit C.F.	**(2,900,407)**	(2,817,538)

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

FINANCIAL RATIOS	**2017**	2016
Debt equity ratio	**0.56**	0.07
Interest Cover	**1.62**	(1.29)
Quick Ratio	**0.26**	0.27

APPROPRIATION AND DIVIDEND
The Directors have not recommended the payment of a dividend for the year ended 31st December 2017.

CAPITAL EXPENDITURE
The Company incurred a capital expenditure of Rs 60.980 million of which Rs 46.876 million has been spent on field development.

LAND HOLDINGS & INVESTMENT PROPERTIES
The extents, locations, valuations and the number of buildings of the Company's land holdings and investment properties are as follows:

Estate	Location	Extent Hects.	Total Number of Buildings	Value Rs
Battawatte	Madulsima	12.58	574	18,493,083
Cococgalla	Metigahatenne	3.89	323	4,296,964
El Teb	Passara	32.44	1,086	21,038,652
Galloola	Madulsima	9.80	272	3,354,648
Mahadowa	Madulsima	34.90	769	22,106,067
Roeberry	Pitamaruwa	54.83	965	10,465,959
Uvakellie	Madulsima	8.49	315	3,626,483
Verellapatna	Madulsima	13.57	543	10,453,104
Kew	Bogawantalawa	52.07	689	14,905,131
Kirkoswald	Bogawantalawa	6.27	1,078	16,526,250
Theresia	Bogawantalawa	32.45	653	10,865,819
Venture	Norwood	28.94	359	28,720,338
Head Office	Badulla	0.04	2	510,171
TOTAL		**290.27**	**7,628**	**165,362,669**

CAPITAL COMMITMENTS & CONTINGENT LIABILITIES
Capital commitments and Contingent liabilities are disclosed in Notes 31 & 32 to the Financial Statements.

DIRECTORATE
The following Directors held office during the year under review.

Mr. D H S Jayawardena	- Chairman/MD
Dr. N M Abdul Gaffar	- Non Executive Director
Mr. B M D K S Basnayake	- Executive Director (w.e.f. 20/02/2018)
Mr. D Hasitha S Jayawardena	- Non Executive Director (w.e.f. 1/10/2017)
Dr. A Shakthevale	- Independent Director
Mr. D S K Amarasekera	- Independent Director

In terms of Article 92 of the Articles of Association Mr. D S K Amarasekere retires by rotation and being eligible offer himself for re-election.

DIRECTORS' INTERESTS IN SHARES
No shares of the Company were held by the Directors of the Company, their spouses or dependents at the beginning and end of the financial year.

INTEREST REGISTER
Directors' interests in the Company are disclosed in Note 34 to the Financial Statements and have been declared at a meeting of the Directors. The Directors have no direct or indirect interest in any other contracts or proposed contracts of the Company.

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

SHAREHOLDER AND INVESTOR INFORMATION

Distribution of Shareholdings as at 31st December 2017, Analysis Report of Shareholders, Market Statistics of Company's shares and the list of 25 major shareholders are given on pages 63 and 64 of this Annual Report.

EVENTS OCCURRING AFTER THE DATE OF THE STATEMENT OF FINANCIAL POSITION

Please refer Note 33 for events occurring after the date of the Statement of Financial Position, which would require disclosure in the Financial Statements.

MATTERS PERTAINING TO THE GOLDEN SHARE

1. The Golden Share shall only be held by the Secretary to the Treasury in his official capacity and not in his own name, for and on behalf of the State of the Democratic Socialist Republic of Sri Lanka, or by a company in which the State of the Democratic Socialist Republic of Sri Lanka owns 99% or more of the issued share capital.

2. The Company shall obtain the written consent of the Golden Shareholder prior to sub-leasing, ceding or assigning its rights in part or all of the lands set out in Section 3A(1) of the Memorandum of Association.

3. The Articles of the Company as originally framed may from time to time be altered by special resolution, provided that the concurrence of the Golden Shareholder in writing shall be first obtained to amend the definition of the words Golden Share and Golden Shareholder and Articles 2A,2B,3(c), 3(c)(i), 3(c)(ii), 25A, 127A, 127B, 127C and 128.

4. The Golden Share may be converted into an ordinary share with the concurrence of the Golden Shareholder and the concurrence of a majority of the shareholders.

5. The Golden Shareholder shall be entitled to call upon the Board of Directors of the Company once in every three month period if desired to meet with the Golden Shareholder and or his nominees, and the Directors if so called upon shall meet with the Golden Shareholder and or his nominees to discuss matters of the Company of interest to the State of the Democratic Socialist Republic of Sri Lanka.

6. The Golden Shareholder and or his nominee shall be entitled to inspect the books of accounts of the Company after giving two weeks written notice to the Company.

7. The Company shall submit to the Golden Shareholder, within 60 days of the end of each quarter, a quarterly report relating to the performance of the Company during the said quarter in a pre-specified format agreed to by the Golden Shareholder and the Company.

8. The Company shall submit to the Golden Shareholder, within 90 days of the end of each fiscal year, information relating to the Company in a pre-specified format agreed to by the Golden Shareholder and the Company.

AUDITORS

Messrs. Ernst & Young, Chartered Accountants audited the accounts for the year ended 31st December 2017 and offer themselves for reappointment.

Fees paid to the Auditors are disclosed on page 46 in the Financial Statements.

As far as the Directors are aware, the Auditors do not have any relationship (other than that of an Auditor) with the Company other than those disclosed above. The Auditors also do not have any interest in the Company.

Sgd. D H S Jayawardena
Chairman/Managing Director

Sgd. B M D K S Basnayake
Executive Director

Sgd. Pradeep A Jayatunga
Secretary

20.04.2018

Audit Committee Report

Composition
The Chairman of the Committee is Mr. D.S.K. Amarasekera, an Attorney-At-Law and Senior Accountant. The other Member of the Audit Committee is the Independent Non-Executive Director, Dr. A. Shakthevale. The Company Secretary functions as the Secretary to the Audit Committee.

Meetings:
The Committee had three meetings during the year. The Director/CEO and the Financial Officers attended the meetings. The Executive Senior Management Team was present at discussions, as required.

Terms of Reference:
The Audit Committee Charter clearly sets out the terms of reference governing the Audit Committee ensuring highest compliance with the Corporate Governance Rules applicable to Listed Companies in accordance with the Rules of the CSE and the code of best practice on Corporate Governance.

Activities and Responsibilities

Financial Reporting
The Committee reviewed and discussed the financial reporting system adopted by the Company in the preparation of its quarterly and annual financial statements with the Management and the External Auditors to ensure reliability of the processes and the consistency of the Accounting Policies adopted and its compliance with the Sri Lanka Accounting Standards and the provisions of the Companies Act No. 07 of 2007.

Internal Audit
The internal audit function of the company was carried out by the Internal Audit Division. The Committee reviewed the effectiveness of the internal audit plan to ensure that it has been designed to provide reasonable assurance that the financial reporting system adopted by the Company can be relied upon in the preparation and presentation of the Financial Statements. The Committee also reviewed the findings of the Internal Auditors and their recommendations together with the management responses and regularly followed up the progress of the implementation of such recommendations in order to enhance the overall control environment.

External Audit
The Audit Committee met with the External Auditors to discuss the scope and the audit strategy. The Committee also reviewed and discussed the Report of the Auditors and Management Letters issued by them to ensure that no limitations have been placed on their scope of work and conduct of the audit.

The Committee carried out an annual evaluation of the External Auditors to establish their independence and objectivity and also obtained a written declaration from the Auditors in this regard.

The Audit Committee has recommended to the Board of Directors that Messrs Ernst & Young be reappointed as the External Auditors for the financial year ending 31st December 2018.

Compliance with Law and Regulations
The Committee reviewed the quarterly compliance reports submitted by the relevant officers to ensure that the Company has complied with all statutory requirements.

Conclusion
The Audit Committee is satisfied that the Company's accounting policies, operational controls and risk management processes provide reasonable assurance that the affairs of the Company are managed in accordance with Company policies and that the Company assets are properly accounted for and adequately safeguarded.

D.S.K. Amarasekera
Chairman
Audit Committee

20.04.2018

Remuneration Committee Report

The Remuneration Committee of MP PLC which consists of the two Independent Non-Executive Directors namely Dr. A. Shakthevale and Mr. D.S.K. Amarasekera as Chairman is responsible for determining the remuneration policy relating to the Key Management Personnel of MP PLC.

It is the firm belief of this committee that it should formulate policies to attract, motivate and retain Key Management Personnel. The Chairman / Managing Director assist this Committee in its deliberations.

D.S.K. Amarasekera
Chairman
Remuneration Committee.
20.04.2018

Related Party Transactions Review Committee Report

As per the latest directive issued by the Securities Exchange Commission of Sri Lanka, which has been incorporated into the Listing Rules of the Colombo Stock Exchange, the Related Party Transactions Review Committee was established by the Board in March 2016.

Composition

The Committee comprises of the following three members and two of them including the Chairman are Independent Non-Executive Directors.

Mr. D S K Amarasekera - Independent Non-Executive Director/Chairman

Dr. A Shakthevale - Independent Non-Executive Director

Mr. Dr. N M A Gaffar - Non-Executive Director

Profiles of the members are given on pages 11 & 12.

Purpose of the Committee

The purpose of the Committee as set out in Appendix 9A of the CSE Listing Rules is to review all Related Party Transactions except for transactions set out in Rule 9.5, either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such review, prior to completion of the transaction.

Meetings

The Committee formulated in March 2016 met three (3) times during the year under review.

Policies and Procedures

The Company has in place a Related Party Transaction (RPT) Policy whereby the categories of persons who shall be considered as "related parties" has been identified. In accordance with the RPT Policy, self-declarations are obtained from each Director and Key Management Personnel of the Company for the purpose of identifying parties related to them.

As per the existing practice, a detailed report on the related party transactions is submitted to the Board of Directors periodically and such transactions are also disclosed to the shareholders through the Company's financial statements. The RPT Committee reinforces its functions by revisiting the TOR of the Committee and RPT Policy and re-aligning the internal procedures and policies with the requirements thereof.

Disclosures

During the year 2017, there were no non- recurrent related party transactions that exceeded the respective thresholds mentioned in the Listing Rules of the Colombo Stock Exchange. (Note 34.3)

Recurrent related party transactions are disclosed in Note 34.4.

Details of other related party transactions entered into by the Company during the above period is disclosed in Note 17, 20, 23, 29 & 34 to the financial statements.

The Board of Directors affirms that the Related Party Transactions are in compliance with the Related Party Transactions Rules stipulated by the Colombo Stock Exchange.

Sgd D S K Amarasekara
Chairman
Related Party Transactions Review committee

20.04.2018

Corporate Governance Statement

Corporate Governance is the system by which companies are managed and controlled. Madulsima Plantations PLC is committed to comply with the code of Best Practices of Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka (ICASL) & the Securities Exchange Commission of Sri Lanka (SEC) and the Listing Rules of the Colombo Stock Exchange. A comprehensive view of the Governance System in the Company is given below.

The Board of Directors and its Functions

The Company is governed by its Board of Directors who direct, lead and supervise the business and affairs of the Company on behalf of its shareholders. The Board consists of 02 Executive Directors including Chairman/Managing Director & Executive Director, 02 Non-Executive Director and 02 Non-Executive Independent Directors. The composition of the Company's Board has been structured in keeping with principles of good governance and long term strategy and the names of the members of the Board of Directors and their brief resumes are given on pages 11 & 12.

Although the two Independent Non-Executive Directors do not qualify under Rule 7.10.4 (g) of the Colombo Securities Exchange Listing Rules, the Board of Directors, taking account of all the circumstances, has determined that the two Directors are nevertheless independent as per the Rule 7.10.3 (b).

The Board meets as and when required to take all major decisions. Prior to each meeting the Directors are provided with all relevant management information and Board papers are submitted in advance on new investments, capital projects, company performance and other issues which require specific Board approval.

The main functions of the Board :

- Conducting the business and facilitating executive responsibility for management of the Company's affairs.
- Formulate short and long term strategies and monitor implementation.
- Identify the principle risks of the business and ensure adequate risk management policies in place.
- Institute effective internal control systems to safeguard the assets of the Company
- Ensure compliance with rules and regulations.
- Approve the financial statements of the Company

Executive Committee

The Executive Committee, which consists of the Chairman/Managing Director and the Executive Director is delegated with the responsibility of monitoring the progress and implementing the policies of the Company. The Executive Director reports monthly on the progress of every estate and that of the Company to the Executive Committee.

Audit Committee

The Audit Committee consists of two Independent Non-Executive Directors and assists the Board by overseeing the entity's compliance with financial reporting requirements, Company's internal controls, risk management and assessment of the independence and performance of the external auditors. The Company has an Internal Audit Division, which submits its reports on a regular basis to the Audit Committee. The guidelines for the Internal Audit Policy ensure that the assets of the Company are protected against any unauthorized use or misappropriation, proper records are maintained and reliable information is received. Audit Committee Report on page No. 16 describes the activities carried out during the financial year.

Remuneration Committee

The Remuneration Committee which consists of two Independent Non-executive Directors makes recommendations to the Board on the Company's framework of remunerating Key Management Personnel. The Remuneration Committee Report appears on page 17.

Related Party Transactions Review Committee

The composition of the Related Party Transactions Review Committee includes two Independent Non-Executive Directors and one Non-Executive Director. All related party transactions except for transactions set out in Rule 9.5 of the CSE Listing Rules are reviewed by the Related Party Transactions Review Committee. The Related Party Transactions Review Committee Report appears on page 17.

Corporate Governance Statement

Levels of compliance with the CSE Listing Rules on Corporate Governance are as follows.

Rule No.	Applicable Requirement	Compliance Status	Details
	Non-Executive Directors		
7.10.1 (a)	• At least one-third of the total number of Directors should be Non-Executive Directors	Complied	Four out of Six Directors are Non-Executive Directors
	Independent Directors		
7.10.2.(a)	• Two or one third of Non-Executive Directors whichever is higher should be independent	Complied	Two out of four Non-executive Directors are independent.
7.10.2. (b)	• Each Non-Executive Director should submit a declaration of independence/non-independence in the prescribed format	Complied	Non-executive Directors have submitted these declarations.
	Disclosure Relating to Directors		
7.10.3 (a)	• Names of Independent Directors should be disclosed in the Annual Report	Complied	Refer pages 11 & 12
7.10.3 (b)	• The basis for the Board to determine a Director is independent, if criteria specified for independence is not met.	Complied	Refer page 18
7.10.3 (c)	• A brief resume of each Director should be included in the Annual Report and should include the Director's areas of expertise	Complied	Refer pages 11 & 12
7.10.3 (d)	• 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 CSE.	Complied	Not applicable
	Remuneration Committee		
7.10.5	• A listed Company shall have a Remuneration Committee	Complied	
7.10.5 (a)	• Composition of Remuneration Committee Shall comprise Non-Executive Directors a majority of whom will be independent	Complied	
7.10.5 (b)	• Functions of Remuneration Committee The Remuneration Committee shall recommend the remuneration of Chief Executive Officer and Executive Directors	Complied	Refer page 17
7.10.5 (c)	• Disclosure in the Annual Report relating to Remuneration Committee **The Annual Report should set out :** (a) Names of Directors comprising the Remuneration Committee (b) Statement of Remuneration Policy	Complied	
7.10.6	**Audit Committee** • The Company shall have an Audit Committee	Complied	
7.10.6 (a)	• Composition of Audit Committee		
	• Shall comprise of Non-Executive Directors, a majority of who will be independent.	Complied	
	• Non-Executive Director shall be appointed as the Chairman of the Committee	Complied	Refer page 16
	• Chief Executive Officer and Chief Financial Officer should attend Audit Committee Meetings	Complied	
	• The Chairman of the Audit Committee of one member should be a member of a professional Accounting Body	Complied	
7.10.6 (b)	• Audit Committee Functions	Complied	
7.10.6 (c)	• Disclosure in the Annual Report relating to Audit Committee	Complied	

Statement of Directors' Responsibilities

The Directors select the appropriate accounting policies and apply them consistently, subject to any material departures being disclosed and explained. Further, the Directors are responsible for ensuring that the Company keeps sufficient accounting records to present, with reasonable accuracy, the financial position of the Company, in a manner that is easily understood by the shareholders. They also ensure that the Financial Statements comply with the Companies' Act and the Sri Lanka Accounting Standards (SLFRS/LKAS). In addition, they are also responsible for taking reasonable steps to safeguard the assets of the Company by the establishment of appropriate systems of internal controls with a view to the prevention and detection of fraud and other irregularities.

The Directors prepare the Financial Statements and provide the External Auditors with every assistance to undertake whatever inspections, they consider to be appropriate for the purpose of enabling them to give their Audit Report in accordance with the Sri Lanka Auditing Standards. The Report of the External Auditors sets out their responsibility in respect of the Financial Statements.

The Directors confirm that, to the best of their knowledge and belief, they have discharged their responsibilities as set out in this statement.

By Order of the Board
Sgd. Pradeep A Jayatunga
Seccretary

20.04.2018

Risk Management

Risk management is the identification, assessment and prioritization of the effects of uncertainty on objectives. Madulsima Plantations PLC recognizes the importance of Risk Management within the organization and its operational environment.

The Board of Directors assumes the overall responsibility of formulating policy and implementing effective systems of control in financial and operational objectives of the Company and in complying with legal regulations enforced by statutory bodies.

MITIGATING STRATEGIES IMPLEMENTED

Risk	Risk Assessment	Mitigating Strategies	Threat Probability
Business Risk	Tea growing and manufacturing is our Principal line of business. The Company is susceptible to all risks associated with agriculture.	Regular monitoring of performance for appropriate remedial action Enforcing sustainable agricultural practices, Adopting practices recommended by the Tea Research Institute in infilling and replanting Crop diversification Value addition Focus on producing quality tea. Out sourcing agricultural practices and adopting motivational alternatives to encourage plantation youth to remain on plantations	High
Operational Risk	Weaknesses in internal control systems, human error and limitations, frauds, natural disasters, obsolete systems and practices, equipments that are obstacles to business objectives.	Adopting effective internal control systems and periodic review. Variance analysis of budgetary provisions against actual performance. A monthly re-evaluation process where performance of each plantation is reviewed by Senior Executives of the Head Office. Appropriate advices conveyed to enforce a high degree of situational awareness among the Planting Executives. Compliance audits and standardization procedures Obtain comprehensive insurance policies to cover operational risks.	Moderate
Environmental Risk	Adverse and uncertain weather has a negative impact on agricultural produce.	Monitoring weather patterns and their impact on crop harvests. Adoption of sustainable agricultural practices. Constant examination and review of soil nutrient contents Undertaking effective soil conservation measures. Reservation of forests and watersheds	High
Human Resource	Low productivity, reduction in resident manpower, disruptions in achieving the targeted objectives.	Providing Welfare facilities and introducing participative housing projects to retain workers on plantations and improve their productivity . Train and encourage Plantation Executives to acquire communication skills in resolving labour disputes. Improve employee motivation, commitment, welfare, recognition and appreciation. Abide by the Collective Agreement entered into with the Trade Unions in the Company's capacity	Moderate

Risk Management

Risk	Risk Assessment	Mitigating Strategies	Threat Probability
Product Quality Risk	Inconsistency in quality of end products and its negative impact on prices and market share.	Ensure safety and ethical standards in providing a quality consumable product. Upgrade manufacturing process and factories to cater to the fluctuating market demand. Monitor quality assurance measures	Moderate
Political Risk	The impact of political intervention, major industrial relations issues, regulatory changes, ad hoc acquisitions of land etc are constraints faced by the Industry.	Negotiating Collective Agreements with major Plantation Trade Unions. Maintaining a closer dialogue with the Trade Union Leaders Implementing human development policies	High
Interest Rate Risk	Fiscal and monitory policy changes have a direct impact on liquidity and production costs .	Maintain cash flow and budgetary control systems Diversification Capital development Upgrading plant and machinery Maintenance of biological assets in optimum condition to enhance productivity and turnover	Moderate
Technical & IT Risk	Lack of accurate and timely information due to ineffective IT systems.	Strengthen software development with internal controls including IT security and confidentiality Implement a sound backup system in case of system failure Use Licensed Software	Moderate
Investment Risk	Adequate return on investment heavily depends on global economic trends.	Undertake proper evaluation and feasibility process Continue replanting and infilling with a prudent policy and environmentally viable clones Work closely with the TRI in developing an economic model to make replanting a viable investment.	Moderate
Inventory	Liquidity is a major concern as the industry is cyclical with long gestation periods for returns.	Produce stocks are monitored closely for speedy disposal. Input stock levels are controlled to avoid obsolescence and theft. High value input stocks such as fertilizer, firewood and packing materials are purchased on a need basis.	Moderate
Risk of Competition	Competition from other major low cost producers .	Monitoring market trends and fluctuations in supply and demand closely. Regular check of tea samples to maximize market gains, Adopting appropriate remedial measures to ensure market leadership of quality marks. Rationalize manufacture during lean cropping months. Close executive supervision on quality of leaf harvested. Educating employees on the importance of their services.	Moderate
Company Reputation Risk	Maintaining loyalty and trustworthiness among stakeholders and compliance with statutory requirements.	Compliance with statutory requirements Compliance with the code of corporate governance by all employees. Protection of the environment and adoption of sustainability initiatives, health & food safety procedures.	Low

Independent Auditors' Report

EY
Building a better working world

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INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF MADULSIMA PLANTATIONS PLC

Report on the Financial Statements

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

Board's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Report on Other Legal and Regulatory Requirements

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

a) The basis of opinion, scope and limitations of the audit are as stated above.
b) In our opinion:
    - we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company ,and
    - the financial statements of the Company comply with the requirements of sections 151 of the Companies Act No.07 of 2007.

Sgd. Ernst & Young
(Chartered Accountants)

02 May2018
Colombo

Statement of Profit or Loss

Year Ended 31 December 2017

	Notes	2017 Rs.	2016 Rs.
REVENUE	6	2,605,103,502	1,842,069,360
COST OF SALES		(2,507,562,674)	(2,046,316,104)
GROSS PROFIT / (LOSS)		97,540,828	(204,246,744)
OTHER INCOME	7	196,322,207	48,354,688
ADMINISTRATIVE EXPENSES		(153,956,530)	(91,140,225)
GAIN / (LOSS) ON CHANGE IN FAIR VALUE OF BIOLOGICAL ASSETS	16.1	144,650,733	85,682,648
FINANCE COST	8	(175,899,165)	(125,351,816)
PROFIT / (LOSS) BEFORE TAXATION	9	108,658,073	(286,701,449)
INCOME TAX EXPENSE	10.1	(64,061,840)	(5,884,990)
NET PROFIT / (LOSS) FOR THE YEAR		44,596,233	(292,586,440)
BASIC EARNINGS PROFIT / (LOSS) PER SHARE	10.4	0.26	(1.73)

The accounting policies and notes on pages 29 through 62 form an integral part of the Financial Statements.

Statement of Comprehensive Income

Year Ended 31 December 2017

	Notes	2017 Rs.	2016 Rs.
Profit/(Loss) for the year		44,596,233	(292,586,440)
Other Comprehensive Income		-	-
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax)			
Net change in fair value of available-for-sale financial assets	17	356,192	(591,614)
Net Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods		356,192	(591,614)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods (net of tax)			
Actuarial gains / (losses) on defined benefit plans	24	2,503,240	104,565,294
Income tax effect	25	(350,454)	-
Income tax effect on Revalued Assets - **Note**	25	(72,083,118)	-
Net other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods		(69,930,332)	104,565,294
Other comprehensive income / (Loss) for the year, net of tax		(69,574,140)	103,973,680
Total comprehensive income/(Loss) for the year, net of tax		(24,977,907)	(188,612,760)

Note :

Due to continuous losses of the company ,previous years deffered tax assets has not been recognized in the financial statements, however consequent to the income tax rate increased in the current year, there is a deffered tax Liability. Therefore, deffered tax effect on revalued assets recognised in Other Comprehensive income.

The accounting policies and notes on pages 29 through 62 form an integral part of the Financial Statements.

Statement of Financial Position

Year Ended 31 December 2017

	Notes	2017 Rs.	2016 Rs.
ASSETS			
Non Current Assets			
Right to use of Land	11	113,534,273	117,662,792
Immovable estate assets on finance lease (Other than Right to use of Land)	12	391,914,951	418,427,421
Property, Plant & Equipment	13	533,519,213	565,375,964
Bearer Biological Assets	14	636,233,536	608,228,670
Consumable Biological Assets	15	3,234,577,309	3,098,656,750
Available For Sale Financial Assets	17	4,155,598	3,799,407
Total Non Current Assets		4,913,934,881	4,812,151,005
Current Assets			
Produce on Bearer Biological Assets	16	4,106,680	4,776,984
Inventories	18	248,971,802	287,223,520
Trade and Other Receivables	19	86,733,811	139,454,611
Amounts Due from Related Companies	20	952,933	1,788,049
Cash and Cash Equivalents	21	3,065,435	4,264,192
Total Current Assets		343,830,661	437,507,356
TOTAL ASSETS		5,257,765,542	5,249,658,361
EQUITY AND LIABILITIES			
Capital and Reserves			
Stated Capital	22	1,624,760,670	1,624,760,670
Timber Reserve		3,063,430,407	2,933,812,551
Revaluation Reserve		659,257,983	731,341,101
Available For Sale Reserve		2,939,515	2,583,323
Retained Earnings/(Loss)		(2,900,406,924)	(2,817,538,087)
Total Equity		2,449,981,651	2,474,959,558
Non Current Liabilities			
Interest Bearing Loans & Borrowings	23	354,272,713	151,013,043
Retirement Benefit Obligations	24	857,678,431	824,161,812
Deferred Tax Liability	25	130,398,551	-
Deferred Grants & Subsidies	26	148,545,751	152,910,838
Liability to make Lease Payment after one year	27	31,550,440	32,215,837
Total Non Current Liabilities		1,522,445,886	1,160,301,530
Current Liabilities			
Trade and Other Payables	28	313,394,294	524,947,762
Liability to make Lease Payment within one year	27	665,397	639,805
Amounts Due to Related Companies	29	411,914,047	444,349,857
Interest Bearing Loans & Borrowings	23	85,514,077	144,432,229
Bank Overdraft	21	473,850,190	500,027,620
Total Current Liabilities		1,285,338,005	1,614,397,273
TOTAL LIABILITIES		2,807,783,891	2,774,698,803
TOTAL EQUITY AND LIABILITIES		5,257,765,542	5,249,658,361
NET ASSETS PER SHARE		14.45	14.60

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

Sgd. B.P. Dharmasena
Financial Controller

The Board of Directors is responsible for these Financial Statements.

Approved and signed for and on behalf of the Board of Directors of Madulsima Plantions PLC

Sgd. D.H.S. Jayawardena
Chairman / Managing Director

Sgd. B.M.D.K.S. Basnayake
Executive Director

The accounting policies and notes on pages 29 through 62 form an integral part of the Financial Statements.

02 May 2018
Colombo

Statement of Changes in Equity

Year Ended 31 December 2017

	Stated Capital Rs.	Revaluation Reserve Rs.	Available For Sales Reserves Rs.	Timber Reserve Rs.	Retained Earnings/(Loss) Rs.	Total Rs.
As at 01 January 2016	1,624,760,670	731,341,101	3,174,937	2,866,428,057	(2,562,132,447)	2,663,572,318
Profit/ (Loss) for the year	-	-	-	-	(292,586,440)	(292,586,440)
Other Comprehensive Income / (loss)	-	-	(591,614)	-	104,565,294	103,973,680
Transferred to Timber Reserve	-	-	-	82,800,082	(82,800,082)	-
Transferred to Retained Earnings	-	-	-	(15,415,588)	15,415,588	-
Balance as at 31 December 2016	1,624,760,670	731,341,101	2,583,323	2,933,812,551	(2,817,538,087)	2,474,959,558
Net Profit/ (Loss) for the year	-	-	-	-	44,596,233	44,596,233
Other comprehensive income / (loss) year, net of tax	-	(72,083,118)	356,192	-	2,152,786	(69,574,140)
Transferred to Timber Reserve	-	-	-	145,321,037	(145,321,037)	-
Transferred to Retained Earnings	-	-	-	(15,703,181)	15,703,181	-
Balance as at 31 December 2017	1,624,760,670	659,257,983	2,939,515	3,063,430,407	(2,900,406,924)	2,449,981,651

The accounting policies and notes on pages 29 through 62 form an integral part of the Financial Statements.

Statement of Cash Flow

Year Ended 31 December 2017

	Notes	2017 Rs.	2016 Rs.
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Profit/(Loss) before Taxation		108,658,073	(286,701,449)
ADJUSTMENTS FOR			
Depreciation	11,12,13 & 14	90,176,627	87,334,247
Interest Income	7	(112,191)	(83,916)
Interest Expenses	8	175,899,165	125,351,816
Provision for Defined Benefit Plan Cost	24	119,739,446	114,367,591
Gain/(Loss) on Change in Fair Value - Timber Plantations		(144,650,733)	(85,682,648)
Amortization of Grants	26	(6,628,694)	(7,378,238)
ESC write off		3,621,860	-
Provision for Doubtful Debtors		44,383,762	-
Loss of Timber Trees		15,703,181	-
Profit Sale on Timber Trees	7	-	(8,389,883)
Operating profit before working capital changes		406,790,496	(61,182,480)
(Increase)/Decrease in Inventories		38,251,718	(100,418,920)
(Increase)/Decrease in Trade and other Receivables		13,069,682	6,262,828
(Increase)/Decrease in Amounts due from Related Companies		835,116	(750,416)
Increase/(Decrease) in Trade and Other Payables		(214,242,504)	154,867,657
Increase/(Decrease) in Amounts due to Related Companies		(135,904,575)	292,454,463
Cash Generated from Operating Activities		108,799,933	291,233,132
Finance Cost Paid		(130,720,502)	(113,737,249)
Income Tax/ESC Paid		(11,762,329)	(7,542,661)
Gratuity Paid	24	(83,719,587)	(46,132,781)
Net Cash Flow From Operating Activities		(117,402,485)	123,820,441
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of Property, Plant & Equipment	13	(15,110,329)	(8,172,189)
Investments in Immature plantation	14	(40,573,424)	(65,142,980)
Expenditure on Timber Cultivation	15	(6,302,703)	(3,656,064)
Proceeds from timber sales		-	23,805,471
Interest received	7	112,191	83,916
Net Cash Flow From Investing Activities		(61,874,265)	(53,081,846)
CASH FLOWS FROM FINANCING ACTIVITIES			
Total Payment of Government Lease Rentals		(10,913,659)	(10,572,093)
Intercompany & Bank Loans Obtained		367,611,716	92,412,500
Loans repayment		(154,706,242)	(169,642,732)
Grants Received	26	2,263,607	2,982,492
Net Cash Flow From Financing Activities		204,255,422	(84,819,833)
Net Increase/(Decrease) in Cash and Cash Equivalents		24,978,673	(14,081,238)
A. Cash & Cash Equivalents at the Beginning of the Year		(495,763,428)	(481,682,190)
B. Cash & Cash Equivalents at the End of the Year		(470,784,755)	(495,763,428)
NOTE A			
Cash & Cash Equivalents at the Beginning of the Year			
Cash & Bank Balances		4,264,192	2,636,243
Bank Overdrafts (Note 21.1)		(500,027,620)	(484,318,433)
		(495,763,428)	(481,682,190)
NOTE B			
Cash & Cash Equivalents at the End of the Year			
Cash & Bank Balances		3,065,435	4,264,192
Bank Overdrafts (Note 21.2)		(473,850,190)	(500,027,620)
		(470,784,755)	(495,763,428)

Notes to the Financial Statements

Year ended 31 December 2017

1 REPORTING ENTITY

Madulsima Plantations PLC is a limited liability company incorporated and domiciled in Sri Lanka, 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 833, Sirimavo Bandaranayaka Mawatha, Colombo 14 and Estates are situated in the Madulsima and Bogawantalawa regions.

The Financial Statements of company comprise with 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 Financial Statements.

1.1 Principal activities and the nature of the operations

During the year, the principal activities of the company were cultivation and manufacture and sale of Black Tea.

1.2 Parent enterprise and ultimate parent enterprise

The Company's parent undertaking and controlling party is Melstacorp PLC which is incorporated in Sri Lanka as a limited liability company.

1.3 Date of Authorization for issue.

The financial statements of Madulsima Plantations PLC for the year ended 31 December 2017 were authorized for issue in accordance with a resolution of the board of directors on 02 May 2018.

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 Madulsima Plantations PLC have been prepared in accordance with Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995,which requires compliance with the Sri Lanka Accounting Standards (SLFRS and LKAS) promulgated by the Institute of Chartered Accountants of Sri Lanka (ICASL) and with the requirements of the Companies Act No. 07 of 2007.

2.1.1 Going Concern

The financial statements have been prepared on the assumption that the company is a going concern. The Directors have made an assessment of the Company's ability to continue as a going concern in the foreseeable future, and they do not foresee a need for liquidation or cessation of trading, to justify adopting the going concern basis in preparing these financial statements. Further, the Directors of the Company noted that the company has made a gross profit of Rs. 98 Mn in the current year compared to the gross loss of Rs.204 Mn reported in the last year and confident that following will ensure the going concern ability of the company.

The administration of the Company which is now being co-ordinated by the parent Company, Mesltacorp PLC is backed by its financial strength and that of the group to ensure the going concern ability of the Company.

The parent Company and related Companies have also funded the company for its financial needs. Details are as follows

2016 Rs.200,000,000
2017 Rs.420,294,000

2.2 Basis of Measurement

The Financial Statements, presented in Sri Lanka rupees, have been prepared on an accrual basis and under the historical cost convention other than the following items in the Financial Statements.

- Plant & Machinery and Motor Vehicles which have been re-valued and stated at market values as described in Note 13 to the Financial Statements.
- Managed timber plantations have been measured at fair value.
- Financial instruments - Available-for-sale financial assets are measured at fair value.

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

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

2.3 Functional and Presentation Currency

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

Notes to the Financial Statements

Year ended 31 December 2017

2.4 Materiality and Aggregation

Each material class of similar items is presented separately in the 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.

3.1 Current versus non-current classification

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

- Expected to be realised or intended to be sold or consumed in the 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 the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period

OR

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The company classifies all other liabilities as non-current.

3.2 Fair Value Measurement

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

- Managed Consumable Biological Assets Note 15

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

- In the principal market for the asset or liability

Or

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

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

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized 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:

Notes to the Financial Statements

Year ended 31 December 2017

- 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 unobservble

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing 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 biological assets. Involvement of external valuers is decided upon annually by the Management Committee after discussion with and approval by the Company's Audit Committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Management Committee decides, after discussions with the Company's external valuers, which valuation techniques and inputs to use for each case

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

3.3 Property, Plant & Equipment

The Company 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.

3.3.1 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 Company and cost of the asset can be reliably measured.

3.3.2 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.

3.3.3 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 Profit or Loss Statement 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.

3.3.4 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.

Company 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 Company 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.

Notes to the Financial Statements

Year ended 31 December 2017

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company 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.

3.3.5 Derecognition

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

3.3.6 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 Income Statement in full or reduced to the net carrying amounts of such assets in the year of occurrence after ascertaining the loss.

3.3.7 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.

(a) Bearer Biological Assets

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

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, Timber fields) which comes into bearing during the year, is transferred to mature plantations

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

(b) Produce on Bearer Biological Assets

In accordance with LKAS 41, company recognise agricultural produce growing on bearer plants at fair value less cost to sell. Change in the fair value of such agricultural produce recognized in profit or loss at the end of each reporting period.

For this purpose, quantities of harvestable agricultural produce ascertained based on harvesting cycle of each crop category by limiting to one harvesting cycle based on last day of the harvest in the immediately preceding cycle. Further 50% of the crop in that harvesting cycle considered for the valuation.

For the valuation of the harvestable agricultural produce, the company uses the following price formulas.

- Tea - Bought Leaf rate (current month) less cost of harvesting & transport
- Rubber - latex Price (95% of current RSS1 Price) less cost of tapping & transport

Notes to the Financial Statements

Year ended 31 December 2017

(c) Consumable Biological Assets

Consumable biological assets includes managed timber trees those that are to be harvested as agricultural produce or sold as biological assets.

The managed timber trees are measured on initial recognition and at the end of each reporting period its fair value less cost to sell in terms of LKAS 41.The cost is treated as approximation to fair value of young plants as the impact on biological transformation of such plants to price during this period is immaterial. The fair value of timber trees are measured using DCF method taking in to consideration the current market prices of timber, applied to expected timber content of a tree at the maturity by an independent professional valuer. All other assumptions and sensitivity analysis are given in Note 15.

The main variables in DCF model concerns

The main variables in DCF model concerns	
Variable	**Comment**
Currency valuation	Rs.
Timber content	Estimated based on physical verification of girth, height and considering the growth of the each spices in different geographical regions. Factor all the prevailing statutory regulations enforced for harvesting of timber coupled with forestry plan of the company.
Economic useful life	Estimated based on the normal life span of each spices by factoring the forestry plan of the Company
Selling price	Estimated based on prevailing Sri Lankan market price. Factor all the conditions to be fulfilled in bringing the trees in to saleable condition
Discount Rate	Future cash flows are discounted at following discount rates: Timber trees 14%

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

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

3.3.8 Infilling Cost on Bearer Biological Assets

The land development costs incurred in the form of infilling have been capitalised to the relevant mature field, 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 Income Statement in the year in which they are incurred.

3.3.9 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 Profit or Loss Statement.

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

3.3.10 Depreciation / Amortization

(a) Depreciation

Provision for depreciation is calculated by using a straight-line method on the cost or valuation of all property, plant and equipment, in order to write off such amounts over the estimated useful economic life of such assets. Properties on lease hold land (Improvements to Building and Land Improvement) are depreciated over the shorter of their useful lives and lease term of the land.

Notes to the Financial Statements

Year ended 31 December 2017

	No of Years	Rate (%)
Improvements to Building	40	2.50
Land Improvement	40	2.50
Plant & Machinery	15 to 20	6.66/5.00
Motor Vehicles	05	20.00
Equipment	08	12.50
Computer	04	25.00
Computer Software	03	33.00
Furniture & Fittings	10	10.00
Water Projects & Sanitation	20	5.00
Mature Plantations (Replanting and New planting) Tea	33 1/3	3.00
Rubber	20	5.00
Coffee	10	10.00
Citrus	10	10.00

Depreciation of an asset begins when it is available for use and ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognized. 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 being amortized in equal amounts, over the following years.

	No of Years	Rate (%)
Bare Land	53	1.89%
Mature Plantations - Tea	30	3.33%
Buildings	25	4.00%
Plant & Machinery	15	6.67%
Land Development Cost	53	1.89%
Water Supply Scheme	30	3.33%
Mini Hydro Scheme	10	10%

3.4 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.

3.5.1 Financial assets

3.5.1.1 Initial Recognition and Measurement

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

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

The Company'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.

3.5.1.2 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 changes in fair value recognised in finance income or finance costs in the Profit or Loss statement.

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

Notes to the Financial Statements
Year ended 31 December 2017

(b) Loans and receivables

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

(c) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Company has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at 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 Profit or Loss Statement. The losses arising from impairment are recognised in the Profit or Loss Statement in finance costs

The company did not have any held-to-maturity investments during the years ended 31 December 2016 and 2017.

(d) Available for sale financial Assets

Available for sale 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 derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the 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 Company evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Company is unable to trade these financial assets due to inactive markets, the Company may elect to reclassify these financial assets if the management has the ability and intention to hold the assets for foreseeable future 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.

3.5.1.3 Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a company of similar financial assets) is derecognised when:

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

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

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

Notes to the Financial Statements

Year ended 31 December 2017

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

3.5.1.4 Impairment of financial assets

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

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization 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..

3.5.1.5 Financial assets carried at amortised cost

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

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

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

3.5.1.6 Available for sale financial Assets

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

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

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

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

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

Notes to the Financial Statements

Year ended 31 December 2017

3.5.2 Financial liabilities

3.5.2.1 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 costs.

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

3.5.2.2 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 Company 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 Company 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 method. Gains and losses are recognised in the Profit or Loss Statement when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortization process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

3.5.3 Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Profit or Loss Statement.

3.5.4 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

3.5.5 Inventories

Finish goods manufactured from agricultural produce of biological assets

These are valued at the lower of cost and estimated net realisable value, after making due allowance for obsolete and slow moving items. Net realisable value is the estimated selling price at which stocks can be sold in the ordinary course of business 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.

Notes to the Financial Statements

Year ended 31 December 2017

3.5.6 Impairment of Non-Financial Assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

3.5.7 Trade and Other Receivables

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

3.5.8 Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and short term deposit. Bank overdrafts that are repayable on demand form an integral part of the Company's cash management and are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

3.5.9 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Profit or Loss Statement net of any reimbursement.

3.5.10 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 charged recognised as in retained earnings through other comprehensive income. Past service costs are recognised immediately in the profit or Loss statement.

The provision has been made for retirement gratuities from the first year of service for all employees, in conformity with LKAS 19, "Employee Benefits". However, under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service. The Liability is not externally funded. The key assumptions used in determining the retirement benefit obligations are given in Note 24

3.5.11 Trade and Other Payables

Trade and other payables are stated at their costs.

3.5.12 Capital Commitments and Contingencies

Capital commitments and contingent liabilities of the Company have been disclosed in the respective Notes to the Financial Statements.

Notes to the Financial Statements
Year ended 31 December 2017

3.5.13 Events occurring after the date of Financial Position.
All material post events occurring after the date of financial position have been considered where appropriate; either adjustments have been made or adequately disclosed in the Financial Statements.

3.5.14 Earnings per Share
The Company 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.

3.5.15 Deferred Income

3.5.15.1 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 Company receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to the Profit or Loss Statement over the expected useful life and pattern of consumption of the benefit of the underlying asset by equal annual installments. Where loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this 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

Grants received for forestry are initially deferred and credited to income once when the related blocks of trees are harvested.

3.5.16 Statement of Profit or Loss
For the purpose of presentation of Profit or Loss Statement, the function of expenses method is adopted, as it represents fairly the elements of the company's performance.

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

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

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

(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 company'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.

3.5.16.1.1 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 or loss for the period.

Notes to the Financial Statements
Year ended 31 December 2017

3.5.16.1.2 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.

3.5.17 Taxes

3.5.17.1 Current Income Tax
Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

3.5.17.2 Deferred Tax
Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items 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.

Notes to the Financial Statements
Year ended 31 December 2017

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.

3.5.18 Statement of Cash Flows
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.

3.5.19 Segment Reporting
The segments are determined based on the company's geographical spread of operations. The geographical analysis of turnover and profits are based on location of customers and assets respectively.

Segment information has been prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the company

The segments information are disclosed in 06 the Notes to the Financial Statements.

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

Assets and liabilities directly attributable to each segment are allocated to the respective segments. Assets and liabilities, which are not directly attributable to a segment, are allocated on a reasonable basis wherever possible. Unallocated items comprise mainly 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.

4 USE OF ESTIMATES AND JUDGMENTS
The preparation of Financial Statements in conformity with SLFRS/LKAS requires management to make judgments, estimates and assumptions that influence the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Judgments and estimates are based on historical experience and other factors, including expectations that are believed to be reasonable under the circumstances. Hence, actual experience and results may differ from these judgments and estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period and any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the Financial Statements is included in the following notes:

- Note 15 -Consumable Biological Assets
- Note 24 - Measurement of the Defined Benefit Obligations
- Note 25 - Deferred Taxation
- Note 27 - Liability to make Lease Payment

4.1 Deferred 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 judgment 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.

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. As per the Inland Revenue Act no 24 of 2017 (ACT), in the case of a company predominantly conducting an agricultural business, the applicable income tax rate is 14%. As per the above ACT "Predominantly" is defined as 80% or more calculated based on gross income. The "Agriculture business" is defined in section 195 (1) as business of producing agricultural, horticultural or any animal produce and includes an undertaking for the purpose of rearing livestock or poultry. Based on the legal expert opinion obtained, the management is of the view that the company is predominantly engaged in agricultural business.

Notes to the Financial Statements

Year ended 31 December 2017

4.2 Retirement Benefit Obligations

The present value of the retirement benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Key assumptions used in determining the retirement benefit obligations are given in Note 24. Any changes in these assumptions will impact the carrying amount of retirement benefit obligations.

4.3 Consumable Biological Assets

The fair value of managed timber trees depends on a number of factors that are determined on a discounted method using various financial and non financial assumptions. The growth of the trees is determined by various biological factors that are highly unpredictable. Any change to the assumptions will impact to the fair value of biological assets. Key assumptions and sensitivity analysis of the biological assets are given in the Note 15

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 company 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 company.

5 STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective up to the date of issuance of the company's financial statements are listed below. This listing of standards and interpretations issued are those that the company reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The company intends to adopt these standards when they become effective.

5.1 Impending Accountings standards / Standards issued not yet effective

Certain new accounting standards and amendments / improvements to existing standards have been published, that are not mandatory for 31 December 2017 reporting periods. None of those have been early adopted by the Company.

SLFRS 9 Financial Instruments: Classification and Measurement

SLFRS 9 replaces the existing guidance in LKAS 39 Financial Instruments: Recognition and Measurement. SLFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from LKAS 39.

SLFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The Company has performed an impact assessment of all three aspects of SLFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Company in the future. Overall, the Company expects no significant impact on its financial position and equity

SLFRS 15 - Revenue from Contracts with Customers

The objective of this Standard is to establish the principles that an entity shall apply to report useful information to users of Financial Statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

SLFRS 15 introduces a five step approach for revenue recognition from contracts with customers and replaces all other currently applicable revenue Standards and related interpretations. SLFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018. According to the impact analysis done by the management, the Company does not have any material impact from the adoption of SLFRS 15 in the year 2018.

SLFRS 16 - Leases

SLFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('Lessee'] and the supplier ('Lessor']. SLFRS 16 will replace Sri Lanka Accounting Standard - LKAS 17 (Leases) and related interpretations. SLFRS 16 introduces a single accounting model for the lessee, eliminating the present classification of leases in LKAS 17 as either operating leases or finance leases.

Notes to the Financial Statements
Year ended 31 December 2017

The new Standard requires a lessee to:

- recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value, and
- present depreciation of lease assets separately, from interest on lease liabilities in the income statement.

SLFRS – 16 substantially carried forward the lessor accounting requirement in LKAS – 17. Accordingly, a lessor continues to classify its leases as operating lease or finance lease, and to account for those two types of leases differently.

SLFRS -16 will become effective on 1st January 2019. The impact on the implementation of the above Standard has not been quantified yet.

5.2 Amendments to Existing Accounting Standards

LKAS 7 - Statement of Cash Flows

The amendment requires an entity to disclose information that enables users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

Accordingly an entity shall disclose the following changes in liabilities arising from financing activities:

- Changes from financing cash flows
- Changes in fair values and
- Other changes

Notes to the Financial Statements

Year ended 31 December 2017

6. REVENUE

6.1) Sale of Goods

	2017 Rs.	2016 Rs.
Sale of Produce Tea	2,605,103,502	1,842,069,360

6.2) Segmental Information

Geographical Segment

	Madulsima Region				Bogowantalawa Region		Total	
	Uva High		Uva Medium		Western High			
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
(a) Segment Revenue								
Revenue	1,092,787,617	709,071,479	735,432,144	510,006,245	776,883,741	622,991,636	2,605,103,502	1,842,069,360
Cost of Sales	(1,006,700,127)	(740,281,578)	(638,376,112)	(458,843,081)	(862,486,435)	(847,191,445)	(2,507,562,674)	(2,046,316,104)
Segment Results	86,087,490	(31,210,099)	97,056,032	51,163,164	(85,602,694)	(224,199,809)	97,540,828	(204,246,744)
Other Operating Income	8,750,442	8,812,602	4,442,008	7,913,236	4,718,422	8,529,435	17,910,872	25,255,273
Administrative Expenses	(28,425,558)	(28,418,754)	(17,553,455)	(20,186,698)	(35,876,304)	(40,612,033)	(81,855,317)	(89,217,485)
	66,412,374	(50,816,251)	83,944,585	38,889,702	(116,760,576)	(256,282,407)	33,596,383	(268,208,956)
Unallocated								
Other Operating Income							178,411,335	23,099,413
Administrative Expenses							(72,101,213)	(1,922,738)
Profit/(Loss) from Operating Activities							139,906,505	(247,032,281)
Finance Cost							(175,899,165)	(125,351,816)
Gain /(Loss) on Change in Fair Value of Biological Assets							144,650,733	85,682,648
Profit/(Loss) before Income Tax Expense							108,658,073	(286,701,449)
Income Tax Expense							(64,061,840)	(5,884,990)
Net Loss for the Year							44,596,233	(292,586,440)

Notes to the Financial Statements
Year ended 31 December 2017

6. REVENUE (Cont...)

(b) Segment Assets

		Madulsima Region				Bogowantalawa Region		Total	
		Uva High		Uva Medium		Western High			
		2017	2016	2017	2016	2017	2016	2017	2016
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Non Current Assets		2,656,880,367	2,674,367,232	1,174,719,621	1,196,240,853	1,067,875,508	1,098,493,909	4,899,475,496	4,969,101,994
Current Assets		110,417,270	106,862,497	77,918,128	90,306,986	110,624,333	61,760,524	298,959,731	258,930,007
		2,767,297,637	2,781,229,729	1,252,637,749	1,286,547,839	1,178,499,841	1,160,254,433	5,198,435,227	5,228,032,001
Unallocated									
Non Current Assets								8,510,349	11,434,241
Current Assets								50,819,966	10,192,119
Total Assets								5,257,765,542	5,249,658,361
Segment Liabilities									
Non Current Liabilities		361,623,560	345,882,896	176,889,638	165,361,698	412,062,733	407,174,706	950,575,931	918,419,300
Current Liabilities		110.417,270	132,061,806	77,918,128	84,122,482	110,624,333	111,960,076	298,959,731	328,144,364
		480,692,031	477,944,702	244,736,733	249,484,180	510,000,127	519,134,782	1,249,535,662	1,246,563,664
Unallocated									
Non Current Liabilities								571,869,955	255,969,088
Current Liabilities								986,378,274	1,272,166,051
Total Liabilities								2,807,783,891	2,774,698,803
Capital Expenditure	- Allocated	19,932,360	22,970,090	19,155,041	28,550,490	14,093,456	22,450,780	53,180,857	73,971,360
	- Unallocated							8,805,599	2,999,873
								61,986,456	76,971,233
Depreciation	- Allocated	31,423,785	21,199,162	18,569,009	17,568,644	33,947,230	26,815,437	83,940,024	65,583,243
	- Unallocated							6,236,603	21,751,004
								90,176,627	87,334,247

Notes to the Financial Statements

Year ended 31 December 2017

07. OTHER INCOME AND GAINS

	2017 Rs.	2016 Rs.
Amortisation of Capital Grants	6,628,694	7,378,238
Rent Income	8,897,285	10,111,939
Sundry Income	30,612,219	22,390,712
Profit from Sale of Trees	585,082	8,389,883
Management fees Wirte Back	149,486,736	-
Interest Income	112,191	83,916
	196,322,207	48,354,688

08. FINANCE COST

	2017 Rs.	2016 Rs.
Overdraft Interest	61,172,105	57,136,849
Bank Loan Interest	3,949,158	7,815,017
Term Loan Interest	97,614,764	46,084,681
Interest on Government Lease	10,098,176	9,556,413
Finance Lease	3,064,962	4,758,856
	175,899,165	125,351,816

09. PROFIT BEFORE TAXATION IS STATED AFTER CHARGING

	2017 Rs.	2016 Rs.
Auditors fees	1,792,000	1,707,000
Depreciation/Amortisation	90,176,627	87,334,247
Defined Benefit Plan Costs	119,739,446	114,367,591
Defined Contributions Plan Costs - EPF & ETF	132,261,434	138,927,231
Personnel Costs - Salaries & Wages	1,223,745,516	1,177,825,661
Managing Agent's Fees	1,173,000	13,761,445
Director Remuneration	Nil	Nil

Notes to the Financial Statements
Year ended 31 December 2017

10. INCOME TAX EXPENSE

10.1 STATEMENT OF PROFIT OR LOSS

	2017 Rs.	2016 Rs.
(i) Current Tax Expense		
Current Income Tax Expense	5,949,032	5,884,990
Under provision previous year	147,829	-
(ii) Deferred Tax		
Relating to Origination and (reversal) of temporary differences **(NOTE 25)**	57,964,979	-
Income Tax charge/(reversal) reported in Statement of Profit or Loss	64,061,840	5,884,990
10.2 STATEMENT OF OTHER COMPREHENSIVE INCOME		
Deferred tax relating to items (charges)/ credited directly to OCI during the year		
Tax effect on actuarial Gains/(Losses)	350,454	-
Tax effect on revaluation of assets	72,083,118	-
Deferred tax charged to Other Comprehensive Income	72,433,572	-
10.3 Reconciliation between Current Tax (Expense) / Income and the product of Accounting Profit Multiplied by the Statutory Tax rate of 28% on other sources of income (2016-28%)		
Profit/(Loss) before income tax for the year	108,658,073	(286,701,449)
Gain on Biological Assets	(144,650,733)	(85,682,648)
Non Business Income	(32,686,987)	(32,335,112)
Aggregated Disallowed Items	336,967,545	228,051,662
Aggregated Allowable Items	(303,872,006)	(200,483,185)
Statutory income/(loss) from Business	(35,584,108)	(377,150,732)
Other Source of Income	32,686,987	32,335,112
Total Statutory Income	32,686,987	32,335,112
Tax Losses set off	(11,440,445)	(11,317,289)
Taxable Profit/ (Loss)	21,246,542	21,017,823
Total Tax for the year	5,949,032	5,884,990

10.4 EARNINGS PER SHARE

The calculation of the basic earnings per share has been done based on profit after tax for the year divided by the weighted average number of ordinary shares outstanding during the year.

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

	2017 Rs	2016 Rs
Amount used as the numerator		
Net profit /(loss) for the year	44,596,233	(292,586,440)
Amount used as the denominator		
Weighted average number of ordinary shares outstanding during the year	169,501,123	169,501,123

Notes to the Financial Statements

Year ended 31 December 2017

11. 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 19 December 2012. Such leases have been executed for all estates for a period of 53 years.

This right-to-use land is amortized over the remaining lease term or useful life of the right whichever is shorter and is disclosed under non-current assets. The Statement of Alternative Treatment (SoAT) for right-to-use of land does not permit further revaluation of right-to-use land. The values taken into the Statement of Financial Position as at 22 June 1992 and amortization of the right to use of land up to 31 December 2017 are as follows.

	Revaluation as at 22.06.92 Rs.	Balance as at 01.01.2017 Rs.	Accumulated Amortization as at 01.01.2017 Rs.	Amortization for the year Rs.	Accumulated Amortization as at 31.12.2017 Rs.	Written Down Value as at 31.12.2017 Rs.	Written Down Value as at 31.12.2016 Rs.
Right to use of Land	218,811,513	218,811,513	101,148,721	4,128,519	105,277,240	113,534,273	117,662,792
	218,811,513	218,811,513	101,148,721	4,128,519	105,277,240	113,534,273	117,662,792

12. IMMOVABLE ESTATE ASSETS ON FINANCE LEASE (OTHER THAN RIGHT TO USE OF LAND)

All immovable assets in the JEDB/SLSPC estates under finance lease have been taken in to the financial statements of the Company retroactive to 22nd June 1992 For this purpose , the Board decided at its meeting on 08th March 1995 that these assets be restated at their book values as they appear in the book of JEDB/SLSPC, on the day immediately preceding the date of formation of the Company. These assets were taken into the Statement of financial position as at 22nd June 1992 and amortised as follows.

	Immature Plantation Tea Rs.	Mature Plantations Tea Rs.	Unimproved lands Rs.	Buildings Rs.	Plant & Machinery Rs	Water Supply Scheme Rs.	Mini Hydro Scheme Rs.	Total Rs.
Revaluation as at 22.06.1992	94,718,785	51,944,300	4,417,562	29,980,829	7,987,889	3,346,579	9,292,578	201,688,522
Revaluation of Plant & Machinery	-	-	-	-	261,838,111	-	-	261,838,111
As at 31.12.2009	-	-	-	-	-	-	-	-
Revaluation of Plant & Machinery as at 31.12.2014	-	-	-	-	146,757,320	-	-	146,757,320
Balance as at 31.12.2014	94,718,785	51,944,300	4,417,562	29,980,829	416,583,320	3,346,579	9,292,578	610,283,953
Disposals/ Transfer In /(Out)	(94,718,785)	94,718,785	-	-	-	-	-	-
Balance as at 31.12.2017	-	146,663,085	4,417,562	29,980,829	416,583,320	3,346,579	9,292,578	610,283,953
Accumulated amortization as at 01.01.2017	-	106,749,291	2,042,082	29,381,210	41,658,332	2,733,039	9,292,578	191,856,532
Amortization during the year	-	4,888,770	83,351	599,616	20,829,183	111,550	-	26,512,470
Accumulated amortization as at 31.12.2017	-	111,638,061	2,125,433	29,980,826	62,487,515	2,844,589	9,292,578	218,369,002
Written down value as at 31.12.2017	-	35,025,024	2,292,129	3	354,095,805	501,990	-	391,914,951
Written down value as at 31.12.2016	-	39,913,794	2,375,480	599,619	374,924,988	613,540	-	418,427,421

These assets are being amortized in equal annual amounts over the following periods:

Mature Plantations - Tea	30 years
Unimproved Land	53 years
Buildings	25 years
Plant & Machinery	20 years
Water Supply Scheme	30 years
Mini Hydro Scheme	10 Years

Notes to the Financial Statements
Year ended 31 December 2017

13. PROPERTY, PLANT & EQUIPMENTS

	Balance as at 01.01.2017 Rs.	Additions/ Transfer in Rs.	Disposals/ Transfer out Rs.	Balance as at 31.12.2017 Rs.
COST				
Improvement to Building	240,307,957	967,400	-	241,275,357
Land Improvements	44,657,109	-	-	44,657,109
Water Projects and Sanitation	25,698,538	-	-	25,698,538
Equipment	29,849,812	1,370,545	-	31,220,357
Computers	9,713,391	767,200	-	10,480,591
Furniture & Fittings	4,732,072	-	-	4,732,072
	354,958,879	3,105,145	-	358,064,024
VALUATION				
Plant & Machinery	326,006,250	659,873	-	326,666,123
Motor Vehicles	89,227,711	10,338,592	-	99,566,303
	415,233,961	10,998,465	-	426,232,426
	770,192,840	14,103,610	-	784,296,450

	Balance as at 01.01.2017 Rs.	Charge for the Year Rs.	Accumulated depreciation on disposals Rs.	Balance as at 31.12.2017 Rs.
DEPRECIATION				
COST				
Improvement to Building	69,534,664	6,378,023	-	75,912,687
Land Improvements	10,337,750	1,191,928	-	11,529,678
Water Projects and Sanitation	20,843,454	762,391	-	21,605,845
Equipment	28,585,879	704,175	-	29,290,054
Computers	7,207,209	1,488,028	-	8,695,237
Furniture & Fittings	4,694,597	17,318	-	4,711,915
	141,203,553	10,541,863	-	151,745,416
VALUATION				
Plant & Machinery	27,626,522	16,307,659	-	43,934,181
Motor Vehicles	70,686,653	18,357,404	-	89,044,057
	98,313,175	34,665,063	-	132,978,238
	239,516,728	45,206,926	-	284,723,654
Written Down Value	530,676,112			499,572,796

Asstes acquired on Finance Lease

	Balance as at 01.01.2017 Rs.	Additions/ Transfer in Rs.	Disposals/ Transfer out Rs.	Balance as at 31.12.2017 Rs.
COST				
Plant & Machinery	35,203,083	-	-	35,203,083
	35,203,083	-	-	35,203,083

	Balance as at 01.01.2017 Rs.	Charge for the Year Rs.	Accumulated depreciation on disposals Rs.	Balance as at 31.12.2017 Rs.
DEPRECIATION				
Plant & Machinery	1,999,502	1,760,154	-	3,759,656
	1,999,502	1,760,154	-	3,759,656
Written Down Value	33,203,581			31,443,427

	Balance as at 01.01.2017 Rs.	Additions for the Year Rs.	Transferred during the Year Rs.	Balance as at 31.12.2017 Rs.
Capital Work-in-Progress	1,496,271	1,015,120	(8,401)	2,502,990
TOTAL WRITTEN DOWN VALUE	565,375,964			533,519,213

Notes to the Financial Statements

Year ended 31 December 2017

The Assets shown above are those movable assets which are invested by the Company after the Gazette notification on the date of formation of the Company (22.06.1992).

The company carried out a revaluation of all items in plant & machinery and motor vehicle, in 12 estates. This was carried out by Mr. W.M. Chandrasena Charted Valuation Surveyor, Membership No F/141, as at 31st December 2014 by taking in to consideration of the market and physical condition.

Carrying value of Plant and Machinery at valuation had the assets been carried under the cost model at (2017 :Rs 166 Mn) (2016 :Rs.182Mn.)

Carrying value of Motor Vehicle at valuation had the assets been carried under the cost model at (2017:10.3Mn) (2016: Rs 3.1 Mn)

13 A i FAIR VALUE HIERARCHY

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

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

NON FINANCIAL ASSETS						
	Level 1		Level 2		Level 3	
As at 31st December	2017	2016	2017	2016	2017	2016
Assets measured at fair value						
Plant and Machinery	-	-	-	-	314,175,369	331,583,309
Motor Vehicle	-	-	-	-	10,522,246	18,541,058
Produce Bearer Bialogical Assets	-	-	4,106,680	4,776,984	-	-

Information on fair value measurements using significant unobservable inputs (level 3)

Non Financial Asset	**Type of Asset**	**Fair Value as at 31st December 2017**	**Method of Valuations**	**Significant unobservable inputs**	**Estimates for unobservable inputs (weighted Average)**	**Sensitivity of fair value to unobservable inputs**
Plant and machinery	Plant and machinery	314,175,369	Current Replacement Cost	Estimated Replacement cost adjusted for wear and tear	Based on number of years usage	Negatively correlated Senesitivity
Motor Vehicle	Motor Vehicle	10,522,246	Current Replacement Cost	Estimated Replacement cost adjusted for wear and tear	Based on number of years usage	Negatively correlated Senesitivity

Notes to the Financial Statements
Year ended 31 December 2017

14. BEARER BIOLOGICAL ASSETS

Mature Plantations

Cost	As at 01.01.2017 Rs.	Additions / Transfers Rs.	Disposals Rs.	As at 31.12.2017 Rs.
Tea	383,678,216	37,056,496	-	420,734,712
Rubber	1,727,490	-	-	1,727,490
Coffee	2,869,329	-	-	2,869,329
Citrus	3,389,844	-	-	3,389,844
	391,664,879	37,056,496	-	428,721,375

Depreciation	As at 01.01.2017 Rs.	Charge for the year Rs.	Disposals Rs.	As at 31.12.2017 Rs.
Tea	160,763,730	12,112,546	-	172,876,276
Rubber	899,732	86,375	-	986,107
Coffee	2,112,120	286,933	-	2,399,053
Citrus	1,145,173	82,704	-	1,227,877
	164,920,755	12,568,558	-	177,489,313
Written Down Value	226,744,124			251,232,062

Immature Plantations	As at 01.01.2017 Rs.	Additions / Transfers Rs.	Disposals / Transfers Rs.	As at 31.12.2017 Rs.
Tea	272,634,929	28,113,096	(37,056,497)	263,691,528
Rubber	97,002,923	11,440,841	-	108,443,764
Citrus	80,512	-	-	80,512
Cloves	-	151,251	-	151,251
Cinnamon	6,652,908	179,714	-	6,832,622
Coffee	1,494,960	343,628	-	1,838,588
Avacado	2,539,055	15,079	-	2,554,134
Pepper	590,521	183,215	-	773,736
Murunga	488,738	146,601	-	635,339
	381,484,546	40,573,425	(37,056,497)	385,001,474
TOTAL WRITTEN DOWN VALUE	608,228,670			636,233,536

15. CONSUMABLE BIOLOGICAL ASSETS - TIMBER PLANTATIONS

	31.12.2017 Rs.	31.12.2016 Rs.
Balance at the Beginning of the Year	3,098,656,750	3,027,616,192
Increased due to New Planting	6,302,703	3,656,064
Decreased due to Harvesting and	-	(15,415,588)
Decreased due to Fire	(15,703,181)	-
Gain / (Loss) on Change in Fair Value	145,321,037	82,800,082
Balance at the End of the Year	3,234,577,309	3,098,656,750

Managed timber plantation was measured at fair value initially as at 31 December 2010. The corresponding gain/loss was recognized in the profit or loss statement. However,the gain or loss on chage in fair value of consumable biological assets is shown as a separate sub division of equity which will be available for distribution only on realisation of consumable biological assets.

Notes to the Financial Statements

Year ended 31 December 2017

15.Ai FAIR VALUE HIERARCHY

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

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

NON FINANCIAL ASSETS - Consumable Biological Assets

As at 31st December	Date of valuation	Level 1 Rs	Level 2 Rs	Level 3 Rs
Assets measured at fair value				
Consumable Biological Assets - Timber	31st December 2017	-	-	3,234,577,309

In determining the fair value, highest and best use of timber, current condition of the trees and expected timber content at harvesting have been considered. Also, the valuers have made reference to market evidence of the company ,and the market prices of timber corporation,with appropriate adjustments for size and location.The appraised fair values are rounded with appropriate adjustments for size and location.The appraised fair values are rounded within the range of values

15.Bii INFORMATION ABOUT FAIR VALUE MEASUREMENTS USING SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)

Non Financial Assets	Valuation Techniques	Unobservable Inputs	Range of Unobservable Inputs	Relationship of Unobservable inputs to Fair Value
Consumable Biological Assets - Timber	DCF Method	Discounting factor	14%	The higher the discount rate, the lower the fair value
		Optimum rotation (Maturity)	25-35 Years	Lower the rotation period, the higher the fair value.
		Volume at rotation	25 to 85 lbs per Cu. Ft.	The higher the weight the higher the fair value
		Price per Cu. Ft.	Rs. 150/- Rs. 600 /- per Cu. Ft	The higher the price the higher the fair value

The future cash flows are determined by reference to current timber prices without considering the future increase of timber price. Following associated costs are taken into consideration in determining the present timber prices.

Key assumption used in the 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.

The valuation was carried by Mr. W.M. Chadrasena Charted Valuation Surveyor, membership no. F/141.

Notes to the Financial Statements
Year ended 31 December 2017

15.1 Sensitivity analysis of assumptions used in the valuation of timber plantations

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:

Managed Timber	(10%) Rs	10% Rs
As at 31st December, 2017	(324,779,515)	324,779,515
As at 31st December, 2016	(309,865,675)	309,865,675

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 trees show that a rise or decrease by 1% of the discount rate has the following effect on the net present value of biological assets:

Managed Timber	(1%) Rs	+1% Rs
As at 31st December, 2017	162,732,048	(145,247,638)
As at 31st December, 2016	172,952,760	(153,716,619)

16 PRODUCE ON BEARER BIOLOGICAL ASSETS

	2017 Rs.	2016 Rs.
As at 01st January -restated	4,776,984	1,894,418
Change in fair value less cost to sell	(670,304)	2,882,566
As at 31st December	4,106,680	4,776,984

16.1 GAIN /(LOSS) ON FAIR VALUE OF BIOLOGICAL ASSETS

	2017 Rs.	2016 Rs.
Consumable Biological Assets Gain/(loss)arising from changes in fair value less cost to sell (Note No 15)	145,321,037	82,800,082
Produce on Bearer Bilogical Assets Gain/(Loss) arising from changes in fair value less cost to sell (Note No 16)	(670,304)	2,882,566
	144,650,733	85,682,648

Notes to the Financial Statements
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17. AVAILABLE FOR SALE FINANCIAL ASSETS

	2017 Rs.	2016 Rs.
Investment in unquoted companies		
Investment in Bogo Power (Pvt) Ltd (3,500,000 Ordinary Shares)	3,799,407	4,391,021
(Less) / add : Fair Value Change	356,192	(591,614)
	4,155,598	3,799,407

18. INVENTORIES

	2017 Rs.	2016 Rs.
Produce Stock	215,699,780	246,765,802
Biological Assets - Nurseries	7,410,742	7,880,703
Input Material	25,215,360	31,775,553
Consumables & Spares	645,920	801,462
	248,971,802	287,223,520

19. TRADE AND OTHER RECEIVABLES

	2017 Rs.	2016 Rs.
Employee Related Debtors	40,344,273	55,511,263
Deposits & Prepayments	3,083,302	1,757,776
Other debtors	9,052,898	8,281,116
VAT Receivable	10,850,996	10,850,996
WHT Receivable	5,002,715	5,002,715
ESC Receivable	15,231,726	10,499,082
Income Tax Recoverable	6,517,024	6,517,024
ACT Recoverable (Note 19.1)	41,034,639	41,034,639
	131,117,573	139,454,611
Less : Provision for Doubtful Debts	(44,383,762)	-
	86,733,811	139,454,611

19.1 Advance Company Tax (ACT) Recoverable could be set off only against future tax liability of the Company.

20 . AMOUNT DUE FROM RELATED COMPANIES

	Relationship	2017 Rs.	2016 Rs.
Balangoda Plantations PLC	Related Company	952,933	883,905
Stassen Exports (Pvt) Limited	Related Company	-	426,550
Ambewela Farm	Related Company	-	21,433
Lanka Milk Foods (Pvt) Limited	Related Company	-	456,161
		952,933	1,788,049

21. CASH AND CASH EQUIVALENTS

	2017 Rs.	2016 Rs.
21.1 Favourable balance		
Cash at Bank and in Hand	3,065,435	4,264,192
	3,065,435	4,264,192
21.2 Unfavourable balance		
Bank Overdraft	(473,850,190)	(500,027,620)
	(473,850,190)	(500,027,620)

22. STATED CAPITAL

Issued and Fully Paid Number of Shares		
Ordinary Shares Including one Golden Share held by the Treasury which has Special rights	169,501,123	169,501,123
	169,501,123	169,501,123

Value of issued and Fully Paid Shares	2017 Rs.	2016 Rs.
Ordinary Shares Including one Golden Share held by the Treasury which has Special rights	1,624,760,670	1,624,760,670
	1,624,760,670	1,624,760,670

Notes to the Financial Statements

Year ended 31 December 2017

23. INTEREST BEARING LOANS AND BORROWINGS

	2017 Repayable within 1 year Rs.	2017 Repayable after 1 year Less than 05 years Rs.	2017 Repayable after 05 years Rs.	Total as at 31.12.2017 Rs.	2016 Repayable within 1 year Rs.	2016 Repayable after 1 year Less than 05 years Rs.	2016 Repayable after 05 years Rs.	Total as at 31.12.2016 Rs.
23.1. Term Loans	56,118,378	348,925,682	-	405,044,060	89,048,144	116,270,312	-	205,318,456
23.2 Bank Loans	9,166,850	-	-	9,166,850	36,666,600	9,166,850	-	45,833,450
23.2. Finance Lease	20,228,849	5,347,031	-	25,575,880	18,717,485	25,575,881	-	44,293,366
	85,514,077	354,272,713	-	439,786,790	144,432,229	151,013,043	-	295,445,272
		354,272,713				151,013,043		

	2017 Repayable within 1 year Rs.	2017 Repayable after 1 year Less than 05 years Rs.	2017 Repayable after 05 years Rs.	Total As At 31.12.2017 Rs.	Total As At 31.12.2016 Rs.	Rate of Interest	Terms of Repayment
23.1 Term Loans							
Sri lanka Tea Board Loan through HNB (153 Mn)	30,718,800	61,440,401	-	92,159,201	122,878,001	(i)	59 equal mothly installment of Rs 2,559,900/= each and a final instal ment of Rs 2,562,701/= commencing from 31.01.2016
Sri lanka Tea Board Loan	-	-	-	-	21,971,250	(ii)	10 equal mothly installment of Rs 2,441,250/= commencing from 31.01.2016
Sri lanka Tea Board Loan (28 Mn)	9,333,333	14,777,778	-	24,111,111	28,000,000	(iii)	36 equal mothly installment of Rs 777,777/= commencing from 31.08.2017
Sri lanka Tea Board Loan (49 Mn)	16,066,245	22,707,503	-	38,773,748	-	(iv)	36 equal mothly installment of Rs 1,470,005/= commencing from 31.05.2017
Melsta Regal Finance Limited	-	-	-	-	32,469,205	(v)	10 equal mothly installments of Rs 5,787,563/= commencing from 30.11.2016
Melstacorp PLC (Rs 200 mm)	-	200,000,000	-	200,000,000	-	(vi)	Capital to be repaid after a moratorium of 03 years.interest payable monthly
Melstacorp PLC (Rs 50 mm)	-	50,000,000	-	50,000,000	-	(vii)	Capital to be repaid after a moratorium of 03 years.interest payable monthly
	56,118,378	348,925,682	-	405,044,060	205,318,456		
23.2 Bank Loans							
Hatton National Bank	9,166,850	-	-	9,166,850	45,833,450	(viii)	36 equal mothly installment of Rs 3,055,550/= and a final installment of Rs 3,055,750/= commencing from 24.04.2015
	9,166,850	-	-	9,166,850	45,833,450		
23.3 Hatton National Bank Lease	20,228,849	5,347,031	-	25,575,880	44,069,864	(ix)	48 equal mothly installments of Rs 1,795,678/= commencing from 24.04.2015
23.4 Peoples Leasing Finance PLC							
WDLELE1400101000	-	-	-	-	43,872		
WDLELE140010100700	-	-	-	-	43,872		
WDLELE1400101800	-	-	-	-	43,872	(x)	36 equal mothly installment of Rs11,466/= commencing from May 2015 and to be 36 equal mothly install ment of Rs12,548/= commencing from May 2015
WDLELE1400101900	-	-	-	-	43,872		
WDLELE140010100600	-	-	-	-	48,012		
	20,228,849	5,347,031	-	25,575,880	44,293,366		

(i) AWPLR + 1.5 % (Monthly Review)
(ii) Interest Fee Loan
(iii) AWPLR+ 1% (Monthly Review)
(iv) 5% P.A Payable monthly
(v) AWPLR+ 2% (Monthly Review)
(vi) AWPLR+ 1% (Monthly Review)
(vii) AWPLR+ 1% (Monthly Review)
(viii) AWPLR+ 2% (Monthly Review)
(ix) 9% (Total lease payment less value of the asset)

Notes to the Financial Statements

Year ended 31 December 2017

24. RETIRING BENEFIT OBLIGATIONS

	31.12.2017 Rs.	31.12.2016 Rs.
At the beginning of the year	824,161,812	860,492,296
Interest Cost	81,757,541	77,897,416
Current Service Cost	37,981,905	36,470,175
Liability experience loss/(gain) arising during the year	(2,503,240)	(53,326,332)
Liability loss/(gain) due to changes in assumptions during the year	-	(51,238,962)
Gratuity Payments for the year	(83,719,587)	(46,132,781)
At the end of the year	857,678,431	824,161,812

According to the actuarial valuation report issued by the actuarial valuer as at 31 December 2017 the actuarial present value of promised retirement benefits amounted to Rs. 857,678,431/-. 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 1,066,201,921/-. Hence, there is a contingent liability of Rs. 208,523,490/=-, which would crystalise only if the company ceases to be a going concern.

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 discounted that benefit in order to determine the present value of the retirement benefit obligation and the current service cost. This requires 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.

The Present Value of Retirement Benefit Obligation is carried on annual basis.

The following payments are expected from the defined benefit plan obligation in future years.

		Staff Rs	Workers Rs	Company Rs
Within the next 12 months	=	31,017,832	171,351,859	202,369,691
Between 1- 2 years	=	5,733,158	98,458,828	104,191,986
Between 2 and 5 years	=	6,721,373	140,408,491	147,129,864
Beyond 5 years	=	12,829,668	391,157,222	403,986,890
		56,302,031	801,376,400	857,678,431

The weighted average duration of the Defined Benefit plan obligation at the end of the reporting period is 4.58 years and 8.16 years for staff and workers respectively.

The key assumptions used by Messers. Actuarial & Management Consultants (Pvt) Ltd include the following.

	2017	2016
(i) Rate of Interest	11.00% Pa	11.00% Pa
(ii) Rate of Salary Increase		
Staff	7.50% Pa	7.50% Pa
Workers	15.00% (Once in 2 Years)	15.00% (Once in 2 Years)
(iii) Retirement Age		
Workers	60 years	60 years
Staff	58 or 60 years	58 or 60 years
(iv) Daily Wage Rate	500/=	500/=

Sensitivity Analysis

Values appearing in the financial statements are very sensitive to the changes of financial and non financial assumptions used. The sensitivity was carried for the change of discount rate and salary/wage escalation rate. Simulation made for retirement obligation show that a rise or decrease by 1% of the discount rate and salary/wage has the following effect on the retirement benefit obligation.

Variable

Rate of Wage increment (Workers - every two years/ Staff Per annum)

	2017		2016	
Discount Rate	**Increase**	**Decrease**	**Increase**	**Decrease**
Sensitivity level	**1%**	**1%**	**1%**	**1%**
Impact on defind benefit obligation Rs .	(51,557,009)	58,796,052	(49,822,349)	56,811,440

	2017		2016	
Future Salary Increment rate	**Increase 1%**	**Decrease 1%**	**Increase 1%**	**Decrease 1%**
Impact on defined benefit Obligation Rs.	30,673,910	(29,038,005)	27,304,669	(25,870,052)

Notes to the Financial Statements
Year ended 31 December 2017

25. DEFERRED TAX

25.1 Accumulated Tax Losses

	2017 Rs.	2016 Rs.
Tax Losses Brought Forward	2,790,902,488	2,413,000,896
Loss for the Year **(Note 10.3)**	35,584,106	389,503,167
Loss under absorbed last year	-	(284,286)
Losses setoff during the year	(11,440,445)	(11,317,289)
Tax losses Carried Forward	2,815,046,148	2,790,902,488

25.2 Deferred Taxation Reconciliation

	2017		2016	
	Temporary Difference Rs.	Tax Effect Rs.	Temporary Differences Rs.	Tax Effect Rs.
As at 1 January	-	-	-	-
Amount originating during the year	931,418,219	(76,403,738)	-	-
Amount originated due to the Income Tax rate change	-	206,802,289	-	-
As at 31 December	931,418,219	130,398,551	-	-
Defrred Tax Liability				
Temporary difference on PPE	773,609,032	108,305,264	812,042,581	127,838,811
Temporary difference on Bearer Biological Assets	636,233,536	89,072,695	608,228,670	60,822,867
Temporary difference on Consumable Biological Assets	3,234,577,312	452,840,824	3,098,656,750	309,865,675
Temporay difference on Produce on Bearer Bilogical Assets	4,106,680	574,935	4,776,984	477,698
As at 31st December	4,648,526,560	650,793,718	4,523,704,985	499,005,051
Deferred Tax Assets				
Temporary difference on Provision for Doubtful Debt	(44,383,762)	(6,213,727)	-	-
Temporary difference on retirement benefit obligation	(857,678,431)	(120,074,980)	(824,161,812)	(129,887,902)
Carried forward tax losses	(2,815,046,148)	(394,106,461)	(2,790,902,488)	(439,846,232)
As at 31 December	(3,717,108,341)	(520,395,168)	(3,615,064,300)	(569,734,134)
As at 31st December	931,418,219	130,398,551	908,640,685	(70,729,083)

The effective tax rate used to calculate deferred tax liability for all the Temporary Differences as at 31 December, 2017 is 14% (2016 - 15.76% other than Biological assets (10 %)) for the company.

Defered tax assets reported in the last year not recognized. However, deferred tax liability reported in the current year recognised.

Reconciliation of deferred tax charge / (reversal)

	2017 Rs.	2016 Rs.
At the beginning of the year		
Tax charge/(reversal) during the period recognised in Statement of profit or Loss	57,964,979	-
Tax charge/(reversal) during the period recognised in other Comprehensive Income-Revalued	72,433,572	-
At the end of year	130,398,551	-

Notes to the Financial Statements

Year ended 31 December 2017

26. DEFERRED GRANTS AND SUBSIDIES

	31.12.2017 Rs.	31.12.2016 Rs.
At the beginning of the year	152,910,838	157,306,584
Add : Grants received for the year - Monitory	2,263,607	2,982,492
Less : Amortisation for the year	(6,628,694)	(7,378,238)
At the end of the year	148,545,751	152,910,838

27. LIABILITY TO MAKE LEASE PAYMENT

	31.12.2017 Rs.	31.12.2016 Rs.
Gross Liability		
Balance as at 01st January	55,632,789	57,586,789
Payments made during the year	(1,954,000)	(1,954,000)
Balance as at 31st December	53,678,789	55,632,789
Finance Charges allocated for future periods	(21,462,952)	(22,777,147)
Total Net Liability	32,215,837	32,855,642

27.1 Repayable after 5 years

	31.12.2017 Rs.	31.12.2016 Rs.
Gross liability	43,908,789	45,862,789
Less : finance charges	(15,296,958)	(16,472,537)
Net liability	28,611,831	29,390,252
Repayable after1 year less than 5 years		
Gross liability	7,816,000	7,816,000
Less : finance charges	(4,877,391)	(4,990,415)
Net liability	2,938,609	2,825,585
Repayable after1 year	31,550,440	32,215,837
Repayable within1 year		
Gross liability	1,954,000	1,954,000
Less : finance charges	(1,288,603)	(1,314,195)
Net liability	665,397	639,805
Total	32,215,837	32,855,642

The Statement of Recommended Practice (SoRP) for Right-to-use of Land on Lease was approved by the Council of the Institute of Chartered Accountants of Sri Lanka on 19th December 2012. Subsequently, the amendments to the SoRP along with the modification to the title as Statement of Alternative Treatment (SoAT) were approved by the Council on 21st August 2013. The Company has not reassessed the Right-to-use of Land since this is not a 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 4% and discouted at a rate of 13% , liability would be as follows.

Gross Liability	545,329,162
Finance Charges	(276,099,067)
Net Liability	269,230,095

The above reassessed liability not reflected in these Financial Statements.

28. TRADE AND OTHER PAYABLES

	31.12.2017 Rs.	31.12.2016 Rs.
Trade creditors	100,298,302	295,713,977
Employee related creditors	148,491,376	178,206,875
Accrued Expenses	20,343,921	15,244,467
ESC Payable	5,884,207	3,195,171
Others	38,376,488	32,587,272
	313,394,294	524,947,762

29 AMOUNT DUE TO RELATED COMPANIES

	Relationship	2017 Rs.	2016 Rs.
Melstacorp PLC	Parent Company	165,649,994	86,996,352
Stassen Exports (Pvt) Limited	Related Company	508,550	152,108,043
Balangoda Plantations PLC	Related Company	10,689,013	4,835,802
Distilleries Company of Srilanka Limitied	Related Company	9,900,000	-
Melsta Logistics (Pvt) Ltd	Related Company	107,842	-
Milford Exports Ceylon (Pvt) Limited	Related Company	224,815,123	200,000,000
Bogo Power (Pvt) Limited	Related Company	243,525	409,660
		411,914,047	444,349,857

Notes to the Financial Statements

Year ended 31 December 2017

30. BANK SECURITIES PLEDGED

Following assets have been pledged as security for liabilities.

Name of Bank	Loan Facility Rs.	Security	Nature of Liability	Carrying Amount of Assets Pledged 2017 Rs.	Carrying Amount of Assets Pledged 2016 Rs.
Hatton National Bank PLC	50,000,000	Registered primary floating Mortgage Bond for Rs.160 Mn. over Leasehold properties at "Verellapatana Estate" together with factory buildings.	Overdraft	424,414,660	106,719,187
Hatton National Bank PLC	103,000,000	Leeway available on the Mortgage Bond for Rs 224.Mn. Over leasehold property at Mahadowa Estate and everything standing thereon (Including the existing buildings and /or the buildings which are to be constructed in the further together with any further developments, modification or alterations thereto) with all fixtures, fittings services and such other rights attached or appertaining thereto. (Mortgage property.)(Also Secures the existing term loan of Rs 153.59 Mn (Overdraft facility of Rs 70.Mn)	Overdraft		133,215,146
Hatton National Bank PLC	150,000,000	Registered Primary floating Mortgage bond for 150.Mn. Over commercial for 150 Mn. Over commercial property (leasehold) at Battawatte Estate and everything sanding thereon which are to be constructed in the future together with any further developments, modifications or alteraions thereto) with all fixtures, fitting services and such other rights attached or appertaining thereto (the Mortaged property) (To be executed)	Overdraft		133,215,146
Standard Chartered Bank PLC	50,000,000	Corporate Guarantee (Shares of DCSL For Rs 50Mn)	Overdraft	46,171,403	46,757,563

31. CAPITAL COMMITMENTS

	2017 Rs	2016 Rs
Capital Commitments as at the reported date		
Budgeted, but not provided for	93.52	185.98
Total	93.52	185.98

32. CONTINGENCIES

No known contingent liabilities exist as at the date of financial position other than the matter disclosed in Note 24 to the financial Statements and few legal cases pending at the year end of which the outcome is not determinable.

33. EVENTS OCCURRING AFTER THE REPORTING PERIOD

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

Notes to the Financial Statements
Year ended 31 December 2017

34. RELATED PARTY DISCLOSURES
The details of the significant related party disclosures are as follows.

34.1 Transactions with the Parent and Related entities.

Company	Relationship	Terms & Conditions	Nature of Transaction	Amount Debited/(Credited) 2017 Rs.	2016 Rs.
Melstacorp PLC	Parent Company	Market Terms	Loan & Interest	(415,757,836)	(86,996,352)
Other Related Parities					
Stassen Exports (Pvt) Ltd	Related Company	Contractual	Rent of Colombo Office	(2,280,000)	(2,280,000)
		Contractual	Managing Agent's Fee	(1,173,000)	(13,761,445)
		Market Terms	General Manager Salary	-	2,747,050
			Reimbursement of expenses	(508,550)	-
		Contractual	Waived off Management Fees	149.486,736	
Balangoda Plantations PLC	Related Company	Market Terms	Reimbursement of expenses	(10,689,013)	(3,340,577)
		Market Terms	Reimbursement of expenses	952,934	883,905
Distilleries Company of Sri Lanka PLC	Related Company	Market Terms	Reimbursement of expenses	9,900,000	-
Bogo Power (Pvt) Ltd	Related Company	Market Terms	Reimbursement of Expenses	3,078,260	2,896,802
		Contractual	Rent Income	23,048,907	22,986,197
Melsta Regal Finance PLC	Related Company	Market Terms	Loan & Interest	-	(32,469,205)
Milford Exports Ceylon (Pvt) Ltd	Related Company	Market Terms	Loan & Interest	(224,815,123)	(200,000,000)

The related party transactions were made on relevent commercial terms with respective parties

34.2 Terms and conditions
Transactions with related parties are carried out in the ordinary course of business on an relevant commercial terms. Outstanding balances at year end are unsecured and net settlement occurs in cash.

34.3 Non recurrent related party transactions
There were no non recurrent related party transactions which in aggregate value exceeds 10% of the equity or 5% of the total assets which ever is lower of the Company as per 31 December 2017 audited Financial Statements

34.4 Recurrent related party transactions
There were recurrent related party transactions which in aggregate value exceeds 10% of the gross revenue/ income of the Company as per 31 December 2017 audited Financial Statements.Details of related party disclosures are as follows,

Company	Relationship	Nature of transaction	Amount (Credited)/Debited 2017 Rs.	2016 Rs.
For the year ended 31 December				
Melstacorp PLC	Parent Company	Loans & Interest	(415,757,836)	-
		Revenue as per latest audited financial statements	2,605,103,502	-
		Percentage on revenue	16%	-
Milford Exports Ceylon (Pvt) Ltd	Related Company	Loans & Interest	-	200,000,000
		Revenue as per latest audited financial statements	-	1,842,069,360
		Percentage on revenue	-	11%

Transactions with related parties are carried out in the ordinary course of business on relevent commercial terms.

Notes to the Financial Statements

Year ended 31 December 2017

34.5 Transactions with the Key Management Personnel of the Company and parent

Key management personnel includes members of Board of directors of the company and key employees having authority and responsibility of planning, directing and controlling the activities of the entity.

	2017 Rs.	2016 Rs.
Short term employment Benefits	5,597,796	3,580,968

34.6 Other Related Party Transactions

Guarantees given by Distilleries Company of Sri Lanka PLC on behalf of the company.

* Corporate Guarantee of Rs.50 Mn. for Standard Chartered Bank overdraft facility
* Corporate Guarantee of Rs.160 Mn. For Hatton National Bank overdraft facility

35 RELATED PARTY TRANSACTIONS

There are no related party transactions other than those disclosed in Notes 17, 20, 29 & 34 to the Financial Statements.

36 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITES

Sri Lanka Accounting Standards - LKAS 7 (Statement of Cash Flows), requires an entity to disclose information that enables users of Financial Statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows an non- cash changes. Accordingly, changes in liabilities arising from financing activities for the year ended 31st December 2017 are disclosed below.

The funds borrowed by the Company are given in Note 23.

	Company Interest-Bearing Borrowings
Balance as at 01 January 2017	295,445,272
Net Cash flows from Financing Activities	144,341,518
Non Cash Changes	-
Balance as at 31 December 2017	439,786,790

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

37.1 FINANCIAL RISK MANAGEMENT FRAMEWORK

The Board of Directors has the overall responsibility for the establishment and oversight of the company's financial risk management framework which includes developing and monitoring the company's financial risk management policies.

The company's principal financial liabilities comprise loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the company's operations. The company has loan and other receivables, trade and other receivables, and cash and short-term deposits that arrive directly from its operations. Accordingly the company has exposure to namely Credit Risk, Liquidity Risk, Currency Risk and Interest Rate Risk from its use of financial instruments.

This note presents information about the company's exposure to each of the above risks, the company's objectives, policies and processes for measuring and managing risk.

37.2 CREDIT RISK

This is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arise principally from the company's receivable from customers.

37.2.1 Trade and Other Receivables

The company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables.

The Company has a minimal credit risk of its trade receivables as the repayment is guaranteed within seven working days by the Tea auction systems.

Notes to the Financial Statements

Year ended 31 December 2017

37.2.2 Cash and Cash Equivalents

The Company held cash and Cash Equivalents of Rs.3.0 Mn as at 31st December 2017 (2016 – Rs. 4.2 Mn) which represents its maximum credit exposure on these assets.

37.3 LIQUIDITY RISK

Liquidity risk is the risk that the company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company does not concentrate on a single financial institution, thereby minimizing the exposure to liquidity risk through diversification of funding sources. The Company aims to fund investment activities by funding the long-term investment with long term financial sources and short term investment with short term financing.

The Table below summarizes the maturity profile of the company financial liabilities based on contractual undiscounted payments.

As at 31st December 2017	On Demand Rs.	Less than 3 Months Rs.	3 to 12 Months Rs.	2 to 5 years Rs.	>5 years Rs.	Total Rs.
Interest bearing loans & borrowing	-	23,378,519	65,635,558	354,272,713	-	443,286,790
Trade & other payables	313,394,294	-	-	-	-	313,394,294
Bank Overdraft	473,850,190	-	-	-	-	473,850,190
	787,244,484	23,378,519	65,635,558	354,272,713	-	1,230,531,274
As at 31st December 2016						
Interest bearing loans & borrowing	-	38,061,811	114,125,434	151,013,043	-	303,200,288
Trade & other payables	524,947,762	-	-	-	-	524,947,762
Bank Overdraft	500,027,620	-	-	-	-	500,027,620
	1,024,975,382	38,061,811	114,125,434	151,013,043	-	1,328,175,670

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 four types of risk, currancy risk interest rate risk & other price risk such as equity price risk. Financial instrument affected by market risk include loans & borrowings, deposits & 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 Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates. The Company manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings.

The Company held long term borrowings with floating interest rates of Rs.354 Mn (2016 – Rs.151 Mn) which represents its maximum credit exposure on these liabilities.

37.4.2 Capital Management

The Company'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 and retain earning . 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.

	As at 31.12.2017 Rs.	As at 31.12.2016 Rs.
Interest bearing borrowing		
Current portion of long term interest bearing borrowings	85,514,077	144,432,229
Payable within 2 and 5 years	354,272,713	151,013,043
Bank Overdraft	473,850,190	500,027,620
	913,636,980	795,472,892
Equity	2,449,981,651	2,474,959,558
Equity & debts	3,363,618,631	3,270,432,450
Gearing ratio	27.16	24.32

Shareholder and Investor Information

The issued Ordinary shares of Madulsima Plantations PLC are listed with the Colombo Stock Exchange of Sri Lanka. The Audited Accounts of the Company for the year ended 31st December 2017 have been submitted to the Colombo Stock Exchange.

Distribution of Shareholdings as at 31 December 2017

No. of Shares Held	No. of Share Holders	No. of Share Holders %	Total Holdings	Total Holdings %
1-1,000	18,711	97.50	2,829,856	1.67
1,001-10,000	396	2.06	1,317,157	0.78
10,001-100,000	75	0.39	2,135,004	1.26
100,001-1,000,000	6	0.03	954,896	0.56
1,000,001 & Over	3	0.02	162,264,184	95.73
Grand Total	**19,191**	**100.00**	**169,501,097**	**100.00**

Analysis Report of Share Holders

No of Shares Held	No of Share Holders	No of Share Holders %	Total Holdings	Total Holdings %
Individual	19,060	99.32	6,455,477	3.81
Institution	131	0.68	163,045,620	96.19
Grand Total	**19,191**	**100.00**	**169,501,097**	**100.00**
Residents	19,161	99.84	169,204,764	99.77
Non-Residents	30	0.6	296,333	0.23
Grand Total	**19,191**	**100.00**	**169,501,097**	**100.00**

Shares held by Public amounts to 6.51%

No of share holders representing the above percentage - 19,191

Market Statistics as at 31st December

	2017	2016
Number of shares	**169,501,097**	169,501,097
Earning/(Loss) per Share Rs	**0.26**	(1.73)
Net Asset per Share Rs	**14.45**	14.60
Dividend per Share Rs	**0.00**	0.00
Highest Share Price Rs	**20.40**	8.90
Lowest Share Price Rs	**4.70**	5.80
Closing Share Price Rs	**13.70**	7.50

Shareholder and Investor Information

Twenty Five Major Shareholders as at 31st December 2017

No	Name of Shareholder	No. of Shares	%
1	Melstacorp PLC	94,767,483	55.91
2	Stassen Exports (Pvt) Limited	63,696,701	37.58
3	Secretary to the Treasury	3,800,000	2.24
4	Mrs. J.K.P.Singh	225,000	0.13
5	Dr. D.Rajakanthan	184,104	0.11
6	HSBC International Nominees Ltd - SSBT-Deustche Bank AG Singapore A/c 01	149,090	0.09
7	Seylan Bank Ltd/Govindasamy Ramanan	142,399	0.08
8	Mis N.U.Rajakanthan	131,103	0.08
9	Mr. K.Rajakanthan	123,200	0.07
10	First Capital Markets Limited/Mr. W.B.R.Somaweera	85,220	0.05
11	Mr. E.J.B.U.Fernando	82,982	0.05
12	Mr. M.S.M.Naleer	69,600	0.04
13	Mrs. M.De Zoysa	67,101	0.04
14	Mr. T.D.P.Maduranga	65,366	0.04
15	Mr. R.E.Rambukwelle	60,100	0.04
16	Mr. D.C.Hemapala	60,000	0.04
17	Mr. A.R.W.M.A.Bandara	59,728	0.04
18	Mr. N.D.Daluwatta	54,455	0.03
19	Mr. Z.G.Carimjee	50,000	0.03
20	Mr. V.S.Rajasooriyar	50,000	0.03
21	Green Olive Investment Private Limited	45,300	0.03
22	Mr. P.R.Kithulampitiya Koralage	44,873	0.03
23	Gampaha District Co-operative Rural Bank Union Ltd	43,900	0.03
24	Mrs. H.K.S. Priyadarshani	42,815	0.03
25	Mrs. P.V.S. Gunawardena	42,500	0.03
		164,143,020	96.84
	Others	5,358,077	3.16
		169,501,097	100.00

Performance of Estates 2017 and 2016

Estate	Elevation Average	Year	Tea Extent ha	Total Crop kg	Yield kg/ha	COP Rs/kg *	NSA Rs/kg *
Battawatte	Uva High	2017	225	311,072	740	599.40	557.81
		2016	229	270,331	808	515.77	412.98
Cocogalla	Uva High	2017	150	194,013	572	656.06	524.26
		2016	155	165,046	594	465.80	392.01
El Teb	Uva Medium	2017	328	753,066	1,139	513.39	578.63
		2016	338	750,254	1,145	421.16	432.24
Galloola	Uva High	2017	132	107,626	622	612.29	588.40
		2016	131	79,559	605	741.75	501.07
Mahadowa	Uva High	2017	461	462,381	669	603.79	528.33
		2016	462	499,657	654	480.95	392.57
Roeberry	Uva Medium	2017	439	520,954	785	556.04	520.44
		2016	434	541,062	835	435.34	401.44
Uvakellie	Uva High	2017	179	154,052	818	537.09	574.16
		2016	178	148,758	835	428.78	429.50
Verellapatna	Uva High	2017	248	602,275	1,169	508.27	534.27
		2016	244	568,532	1,115	417.01	389.22
Kew	Western High	2017	325	309,589	953	655.13	591.60
		2016	326	369,965	1,134	534.78	443.49
Kirkoswald	Western High	2017	493	510,113	980	704.98	587.12
		2016	489	541,693	1,108	571.28	445.72
Theresia	Western High	2017	325	282,726	855	727.02	576.72
		2016	331	300,887	909	633.77	422.58
Venture	Western High	2017	268	204,449	762	810.93	571.91
		2016	271	239,466	884	677.37	420.68
Company		2017	3574	4,412,315	860	623.44	524.13
		2016	3589	4,475,210	914	524.13	427.36

*** Based on SLFRS/LKAS**

Statement of Value Addition

	Year ended 31.12.17		Year ended 31.12.16	
	%	**Rs.'000**	**%**	**Rs.'000**
REVENUE		**2,605,104**		1,842,069
Other Income		**196,322**		48,355
Total Revenue		**2,801,426**		1,890,424
Cost of Materials and Services bought		**1,098,827**		639,372
VALUE ADDITION	**100**	**1,702,599**	100	1,251,052
DISTRIBUTION OF VALUE ADDITION				
A To Employees as Remuneration	**77.54**	**1,320,164**	105.25	1,316,753
B To Government as taxes	**4.92**	**83,734**	1.13	14,199
C To Lenders of Capital as Interest		**175,899**	10.02	125,352
D To Shareholders as Dividends				0
E Retained in Business				
E1 Provision for Depreciation	**4.78**	**90,177**	6.98	87,334
E2 Profit Retained	**2.43**	**41,364**	(23.39)	(292,586)
	100.00	**1,702,599**	100.00	1,251,052

Financial Information

	2017 Rs.'000	2016 Rs.'000	2015 Rs.'000	2014 Rs.'000	2013 Rs.'000
Revenue	**2,605,104**	1,842,069	1,870,384	2,207,885	2,056,721
Profit before Income Tax Expense	**108,658**	(286,701)	(281,872)	(270,042)	(216,009)
Income Tax Expense	**(64,062)**	(5,885)	(6,193)	(3,620)	(3,556)
Profit after Income Tax Expense	**44,596**	(292,586)	(288,065)	(277,727)	(219,628)
Profit/(Loss) brought forward	**(2,817,538)**	(2,562,132)	(2,102,164)	(1,616,940)	(1,234,231)
Dividend	**0**	0	0	0	0
Transfer to General Reserve	**0**	0	0	0	0
Retained Earnings/(Loss)	**(2,900,407)**	(2,817,538)	(2,568,929)	(2,102,164)	(1,616,940)
Property Plant & Equipment	**4,913,935**	4,812,151	4,755,721	4,454,513	3,891,249
Current Assets	**343,831**	437,507	338,090	411,709	452,701
Current Liabilities	**1,285,338**	1,614,397	1,166,580	2,202,176	1,862,099
Deferred Income	**148,546**	152,911	157,307	153,701	146,325
Non Current Liabilities	**1,373,900**	1,007,341	1,024,835	935,170	764,809
Net Assets	**2,449,982**	2,474,960	2,661,678	1,575,175	1,570,717
Share Capital	**1,624,761**	1,624,761	1,624,761	290,000	290,000
General Reserves					
Timber Reserve	**3,063,430**	2,933,813	2,871,330	2,652,947	2,453,516
Revaluation Reserve	**659,258**	731,341	731,341	731,341	441,003
Retained Profit/(Loss)	**(2,900,407)**	(2,817,538)	(2,568,929)	(2,102,164)	(1,616,940)
Available For Sale Reserve	**2,940**	2,583	3,175	3,050	3,138
Share Holders' Funds	**2,449,982**	2,474,960	2,661,678	1,575,175	1,570,717
Number of Shares ('000)	**169,501**	169,501	162,476	29,000	29,000
Earning/(Loss) per Share (Rs)	**0.26**	(1.73)	(2.14)	(9.58)	(7.57)
Dividend per Share (Rs)	**0.00**	0.00	0.00	0.00	0.00
Net Assets per Share (Rs)	**14.45**	14.60	19.81	54.32	54.16

DISTRICT WISE PERFORMANCE					
	2017	**2016**	**2015**	**2014**	**2013**
Total Production Kgs.					
Madulsima	**3,105,439**	3,023,199	3238405	3,249,874	3,191,490
Bogawantalawa	**1,306,877**	1,452,012	1771458	2,070,635	2,098,252
Total	**4,412,315**	4,475,210	5009863	5,320,509	5,289,742
Estate Crop Kgs					
Madulsima	**1,798,370**	1,829,367	2142553	2,211,361	2,139,652
Bogawantalawa	**1,274,860**	1,452,012	1771457	1,828,764	1,754,800
Total	**3,073,229**	3,281,380	3914010	4,040,125	3,894,452
Yield Kg/ha					
Madulsima	**831**	842	990	1,014	960
Bogawantalawa	**903**	1025	1265	1,304	1,231
Total	**860**	914	1098	1,128	1,066
COP Rs/kg					
Madulsima	**552.40**	466.01	420.93	449.57	415.76
Bogawantalawa	**708.76**	628.86	552.15	533.49	524.07
Total	**623.44**	524.13	467.33	482.23	458.72
NSA Rs/kg *					
Madulsima	**546.50**	521.01	346.25	399.89	367.01
Bogawantalawa	**580.53**	440.60	409.04	404.48	395.57
Total	**572.39**	426.67	368.45	401.68	378.34
Profit/(Loss) Rs/kg *					
Madulsima	**(5.90)**	(45.01)	(74.68)	(49.68)	(48.75)
Bogawantalawa	**(128.23)**	(188.26)	(143.11)	(129.01)	(128.5)
Total	**(51.04)**	(97.45)	(98.88)	(80.55)	(80.38)

* **Based on SLFRS/LKAS**

Notes

Notes

Form of Proxy

I/We...

of...

being a member/members of Madulsima Plantations PLC do hereby appoint.

Don Harold Stassen Jayawardena	or failing him
Noor Mohamed Abdul Gaffar	or failing him
B M D K S Basnayake	or failing him
D Hasitha S Jayawardena	or failing him
A Shakthevale	or failing him
D S K Amarasekera	or failing him

or..of ....

as my/our proxy to represent me/us and * .... to 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 2018 and at any adjournment thereof, and at every poll which may be taken in consequent thereof.

		FOR	AGAINST
1)	To receive and consider the report of the Directors, and the Financial Statements of the Company for the Year ended 31st December 2017 and the Report of the Auditors.		
2)	To re-elect Mr. D.H.S. Jayawardena who is above the age of 70 years as a Director of the Company in terms of Sections 210 and 211 of the Companies Act No. 7 of 2007.		
3)	To re-elect Dr. N.M. Abdul Gaffar who is above the age of 70 years as a Director of the Company in terms of Sections 210 and 211 of the Companies Act No. 7 of 2007.		
4)	To re-elect Dr. A Shakthevale is above the age of 70 years as a Director of the Company in terms ofSections 210 and 211 of the Companies Act No.7 of 2007		
5)	To re-elect Mr. D S K Amarasekera who retires by Rotation at the Annual General Meeting in terms of Article 92 of the Articles of Association, as a Director of the Company.		
6)	To re-elect Mr. D Hasitha S Jayawardena at the Annual General Meeting in terms of Article 98 of the Articles of Association as a Director of the Company		
7)	To re-elect Mr. B M D K S Basnayake at the Annual General Meeting in terms of Article 98 of the Articles of Association as a Director of the Company		
8)	To re-appoint Messrs Ernst & Young as the Auditors of the Company and to authorize the Directors to determine their remuneration.		

.... day of .... Two Thousand and Eighteen

Signature/s ....

Instructions regarding completion of Form of Proxy appear overleaf.

Instructions for Completion of Form of Proxy

1. A member entitled to attend and vote at the Meeting is entitled to appoint a Proxy to attend and vote instead of him.

2. A Proxy need not be a member of the Company.

3. Kindly complete the form of Proxy, after filling in legibly your full name and address, by signing in the space provided. Please fill in the date of signature.

4. A Proxy may not speak at the Meeting unless expressly authorized by the instrument appointing him. The Proxy may vote on a poll (and join in demanding a poll) but not on show of hands.

5. If you wish the Proxy to speak at the meeting you should interpolate the words "to speak and" in the space indicated with an asterisk (*) and initial such interpolation.

6. Please indicate a "X" in the space provided how your Proxy is to vote on each resolution. If there is in the view of the proxy holder doubt (by reason of the way in which the instructions contained in the Proxy have been completed) as to the way in which the Proxy holder should vote, the proxy holder will vote as he thinks fit.

7. In the case of corporate member the Proxy must be completed under its Common Seal which should be affixed and attested in the manner prescribed by its Articles of Association. If the form of proxy is signed by an Attorney, the relative Power of Attorney should also accompany the completed form of proxy if it has not already been registered with the Company.

8. To be valid, the completed form of Proxy should be deposited at the Registered office of the Company at No.833, Sirimavo Bandaranaike Mawatha, Colombo 14, not less than 48 hours before the time of the meeting.

9. The Shareholders and the Proxy holders are kindly requested to bring this Annual Report along with an acceptable form of identity.