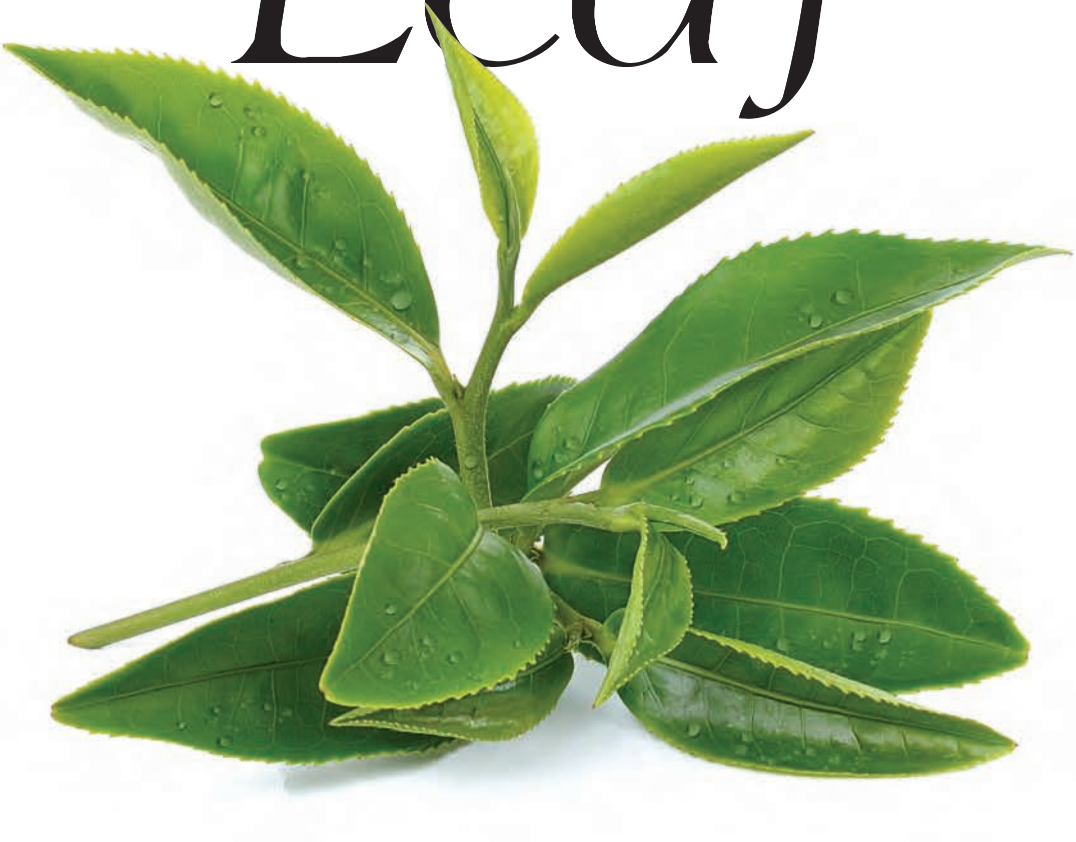
Leap by Leaf



Hatton Plantations PLC

Annual Report 2017/18

a sunshine enterprise

Leap by Leaf

Hatton Plantations PLC (HPL) enters an exciting new 'go it alone' era as a new dawn and direction unfolds for its enterprise. The momentum and thrust for this new 'leap' into the future will be provided by the 'leaf' ...we mean tea. We are confident that the prime focus we pay to 'two leaves and a bud' will build strength and provide greater and more sustainable avenues of achievement for the Company and its stakeholders.

a sunshine enterprise

CONTENTS

ABOUT THE REPORT

We continue our quest for excellence in corporate reporting with our 2018 Annual Report which presents our financial, environmental, and social performance for the six month period under review, ending 31 March 2018.

This Annual Report incorporates best practice in corporate reporting, inspired by the IIRC Integrated Reporting Framework, GRI Sustainability Reporting Standards, and the Smart Integrated Reporting Methodology.

The Report also complies with regulatory requirements as per the Code of Best Practice on Corporate Governance; Listing Requirements of the Colombo Stock Exchange; Sri Lanka Accounting & Auditing Standards Act No.15 of 1995; and the Sri Lanka Financial Reporting Standards.

Key changes to the structure include:

Reporting principle	Improvement
Strategic focus and future orientation	Improved communication of forward-looking strategy
Connectivity of information	Improved signposting through the value creation model
Stakeholder engagement	Presentation of information has been improved
Comparability	Comparable information has been provided wherever possible
Reliability	Information provided is carefully scrutinised to ensure that it is reliable.

Boundary for all material aspects reported in this report is the company unless otherwise stated.

Hatton Plantations PLC
No. 60, Dharmapala Mawatha
Colombo 03

+94 11 470 2416

Overall Report Architecture

Companies Act No.7 of 2007 Integrated Reporting Framework

Financial Statements	Economic, Social & Financial Reporting	Corporate Governance
Sri Lanka Accounting & Auditing Standards Act No.15 of 1995 Sri Lanka Financial Reporting Standards	GRI G4 Guidelines "In Accordance core"	Code of Best Practice on Corporate Governance Listing Requirement of the Colombo Stock Exchange

HIGHLIGHTS

FINANCIAL HIGHLIGHTS

		2018
Earnings Highlights and Ratios		
Revenue	LKR Mn.	**2,317**
Results from operating activities	LKR Mn.	**436**
Profit before tax	LKR Mn.	**391**
Profit after tax	LKR Mn.	**241**
Dividends	LKR Mn.	**118**
Earnings per share	LKR	**1.02**
Interest cover	Number of times	**15.99**
Return on equity (ROE)	%	**12.34**
Pre-tax return on capital employed (ROCE)	%	**12**
Balance Sheet Highlights and Ratios		
Total assets	LKR Mn.	**3,830**
Total debt	LKR Mn.	**254**
Net debt (cash)	LKR Mn.	**(2)**
Total shareholders' funds	LKR Mn.	**1,952**
Number of shares in issue		**236,666,671**
Net assets per share	LKR	**8.25**
Debt/equity	%	**13**
Debt/total assets	%	**7**
Market/Shareholder Information		
Market price of share as at 31 March (actual)	LKR	**7.80**
Market capitalisation	LKR Mn.	**1,846**
Enterprise value	LKR Mn.	**1,845**
Total shareholder return	%	**12**
Price earnings ratio (PER)	Number of times	**7.65**
Dividend payout	%	**49**
Dividend per share	LKR/share	**0.5**
Dividend yield	%	**6**

OPERATIONAL HIGHLIGHTS

Employee & Social Capital

LKR 488.9 Mn.
Investment for community development (via direct inputs and partnerships with government and non-governmental agencies)

7,000+
Employees

678h

Total investment for training and development
LKR 1.9 Mn.

Manufactured Capital

7200+ Ha
Arable land on estate

LKR 662 Mn.
Value of bearer plants on estate

Daily Tea production capacity
49,945 Kg

Natural Capital

Renewable energy consumption
74%

CO_2

Green leaf - Daily processing capacity
232,300 Kg

50.45 Ha
Natural forests, scrub lands and riverine basins protected and preserved

Relationship Capital

100%
Purchases from local suppliers

100+
Local smallholders supported

Intellectual Capital

Globally recognised environment, social, and product responsibility standards

14 garden selling marks, each distinct in their own taste, quality, character and appearance

ABOUT HATTON PLANTATIONS PLC

"HPL is in a sustainable Agribusiness, ethically producing quality Pure Ceylon tea to cater to customer needs."

Our Future
"To be the most admired Plantation Company in Sri Lanka"

Our Purpose
"Growing Hatton Plantations to be the Industry Leaders"

Our Values

Our Approach	Our Heritage	Our Solutions	Our Promise
Integrity *Honest, open and transparent*	**Perseverance** *Never give up*	**Innovation** *Improvement through continuous change*	**Responsibility** *Accountable to all stakeholders*

Trust
The foundation upon which we grow

Sunshine Holdings PLC — 60%

Pyramid Wilmar Plantations (Private) Limited — 40%

↓

Estate Management Services (Private) Limited

75.65%

↓

Hatton Plantations PLC

Our journey began with the privatisation of twenty-two regional plantation companies in Sri Lanka in 1992, and Estates Management Services (Private) Limited took over Watawala Plantations' management in 1996, steering the company to what it is today.

Hatton Plantations PLC (HPL) was incorporated on 14 September 2017 in order to carry out the existing Upcountry Tea Business of Watawala Plantations PLC (WATA), where all the operational assets and liabilities of the Upcountry Tea Business segment of WATA were segregated and vested with Hatton Plantations PLC on 30 September 2017 through an "Arrangement" carried out in terms of Section 256 of the Companies Act No. 07 of 2007. On 30 September 2017, 236,666,671 shares of the Company were issued to the shareholders of WATA as at end of trading on 29 September 2017, identical to their holding in WATA. The issue price per share is LKR 7.62 based on the net assets as at 30 June 2017. On 02 February 2018, HPL listed in Colombo Stock Exchange.

Currently, we are involved in cultivation and production of tea from 14 estates located in the Central Province of Sri Lanka. With over 5,000 hectares of arable land at elevations reaching 4,800 feet above sea level, the estates also hold factory and other buildings and structures, plant and machinery, fixtures and fitting, bungalow and movable properties. With these assets, certain liabilities of the Upcountry Tea Business as vested with HPL.

Operating as a stand-alone company has certain benefits. Chief among them is that HPL can synergise all its efforts at producing premium quality tea, fit for international and domestic markets. We produce high and medium-grown teas in the key regions of Hatton, Watawala and Lindula, using both Othodox and CTC (Cut, Tear, Curl) manufacturing methods, assisted by versatile production facilities. We currently own twelve factories with a total daily processing capacity of approximately 232,300 kg of green leaf. 90% of our production is sold via Colombo Tea Auctions, while the balance is directly sold to buyers.

As its stand-alone position allows us to focus purely on production of tea, we currently produce over thirty-five different grades. We combine good agricultural practices and balanced nutrient intake to harness the best in quality parameters. This allows us to ensure the retention of the tea plant's liquoring characteristic, together with its flavour and quality. As a company with an unwavering on production of tea, we consider these our top priorities to ensure a product fit for the domestic and international markets.

Our plans for the future are based on maximising our expertise on growing, producing, and marketing tea, which will also enable us to concentrate more fully on the allied services and deliver our responsibility to employees, customers, communities and the environment, in a focused and sustainable manner.

14	**11**	**7,004**	**8-9 Mn. Kg**	**232,300 Kg**	**7,206 ha**
Estates	Factories	Workforce	of tea produced	daily tea processing capacity	land extent


102 Km
Colombo
Nuwara Eliya
Galle
Nuwara Eliya District
Pussellawa
Ramboda
Nawalapitiya
Kotmale
Watagoda
12
Ginigathena
15
Watawala
14
13
Rosella
11
1
2
7
8
Lindula
4
Nanuoya
10
Hatton
Keppetipola
9
3
5
6
Maskeliya

CHAIRMAN'S MESSAGE

'Leap by Leaf' signifies the tremendous value and responsibility we place on operating HPL as a stand-alone company. We expect a quantum leap in the production of high quality tea, as we synergise our efforts to make our operating theme a reality.

Dear Shareholder,
It is with great pride and pleasure that I present to you the very first Annual Report, on the progress of Hatton Plantations PLC (HPL). The Report documents the progress we have made since managing the estates under our purview, focused on sustainability, financial performance, and robust governance.

Highlights for 2017/18

As you are aware, the Upcountry tea business segment of Watawala Plantations PLC was fully vested in our Company, which is now an independent entity focusing and specialising in the production of high quality tea for domestic and international markets.

To maximise on this opportunity which affords us total focus on the production of tea, we themed our forward operation - "Leap by Leaf", which signifies the tremendous value we place on the responsibility of operating HPL as a stand-alone company. Expecting a quantum leap in the production of high quality tea, fit for our international and domestic markets, we can now synergise our efforts to make our operating theme, a reality.

Additionally, we continued to invest in fields, factories and people, even during lean periods when cash flows were strained, a *sine qua non* for success in the plantation sector. Total asset growth of 8% reflects our commitment to sustained growth and diversification, while net asset growth of 5% reflects improvement in financial stability and a low appetite for debt in the current macro economic environment. Collectively, these key performance indicators are affirmation of our vision and strategy that have enabled HPL to garner a profit after tax of LKR 241 Mn., and consolidate our prospect in the tea business, as a resilient and a sustainable plantation company.

Certification of all our tea estates by Rainforest Alliance and the Ethical Tea Partnership is testimony of our progress toward sustainability goals. Uplifting associate living standards remains a key thrust area, and formal structures are in place to address structural legacy issues. Our work is enumerated in greater detail in the Employee and Community Engagement Report.

Operating in a Challenging Landscape

Unrelenting weather conditions bordering on severe drought, geopolitical tensions, tightening fiscal and monetary policy and regulations, and Governmental stance in prohibiting certain pesticides, combined to make 2017/18 a challenging year.

In this backdrop, and global cooperation gradually evolving in the shape of protectionism and growing nationalistic sentiments in key advanced economies, questioned hitherto accepted globalisation and regional coalitions.

Estate associate compensation and benefits escalated while associate replacement due to natural attrition challenged the industry. This is mainly due to the younger population of the estate community aspiring for higher education and other avenues of livelihood, rather than following in the footsteps of the previous generation.

Shareholder Value

Shareholder value delivered during the period under review includes an interim dividend of LKR 0.50 per share, a final dividend of LKR 0.25 per share and market price of of LKR 7.80 as of the Balance Sheet date. Market capitalisation of the Company is at LKR 1.8 Bn. with the Company showing substantial growth within a period of six months. It is encouraging to observe the growing intrinsic value of the Company as share price increase outpaced growth in net book value, indicating progress on increasing value of non-monetised capital.

Strengthening Governance

The composition of the Board remained unchanged other than the resignation of three nominee directors of Tata Global Beverages, consequent to the divestment of their shares. We believe we have the expertise required on the Board. Board discussions have focused on areas for growth including diversification and performance review against agreed financial and sustainability goals. The Board is responsible for the conformance dimension, ensuring the Company's compliance with statutory and regulatory requirements; and the performance dimension, delivering better value to shareholders. The composition of the Board, regular Board meetings and Board subcommittee structures ensures the discharge of these responsibilities.

Employee and Community Social Responsibility

Recognising that our synergistic growth can be achieved primarily by our dedicated estate workforce, and in an effort to uplift their living conditions in a sustainable manner for their well-being, the company invested significantly in this area. The total investment for estate communities amounted to LKR 473 Mn. This was made possible by direct Company inputs, coupled with investments from Government and non-governmental partners who carried out a plethora of services for our worker community, during the period under review.

Housing construction, housing renovation, maternity and child care, and elder care took priority in our community service agenda. Emphasising the importance of a healthy environment and hygienic living conditions, we carried out several awareness programmes to educate the worker community.

Educating estate-dwelling children was another key area of focus. We supported the younger generation as they sought alternative income generation paths, providing scholarships, vocational training, and education grants. A training programme for preschool teachers was conducted, while preschool equipment helped them apply the skills learned.

We are grateful to the Ministry of Hill Country New Villages, Infrastructure and Development; Berendina; World Vision; and the officers of the Ministry of Health, who partnered with us in this cause. Our dedicated field staff also lead from the front, supporting our worker communities in all initiatives.

Looking Ahead

While the external market will remain challenging, our operating theme "Leap by Leaf", will be our vision-force, driving the business through production of high quality tea in a challenging market environment. We, expect the pace of growth to pick up as forecast both globally and locally. Our focus continues to be on the long term, and will intensify in the year ahead with the production of high quality and specialised teas for sustainable business growth.

Our joint venture partner's input in the area of modern technology is invaluable for operations across the Company. Building on this platform, we plan to establish state-of-the-art factories in all our estates, while peripheral management too, will undergo a best-practice migration of HR and office functions. Currently, our estates are equipped with the latest modern technology.

Our investment in the human, social, natural capitals of the Company are significant. Building on a strong foundation and diverse stakeholder base i.e. customers, suppliers, employees, and government agencies, our Company has achieved a definitive milestone within a year of operation as a stand-alone company, to deliver value to all our stakeholders, inclusive of you, our shareholders. We work with several non-governmental organisations to uplift the living conditions of our estate workers, providing them decent housing, medical support, assistance in their children's education, elder-care, maternity and child health, and conduct many awareness programmes to inculcate a culture of environmental preservation, where they live and work.

We are also keenly aware that a second layer of managers need to be built and have in place a robust succession plan, so that our Company will continue to deliver value in the long term. It is also encouraging to note the cordial relationship that exists between estate management and the Trade Unions, who finally share the same objective – producing high quality tea and upholding the welfare of the estate community.

Appreciations

This has been a record year as our journey has moved to a higher level of performance as a stand-alone company. I commend the leadership provided by the Managing Director Mr Vish Govindasamy that set the pace for our operation and growth in a challenging year. I thank the team at HPL for their hard work in delivering holistic performance that has made our journey a success story in the industry at a time when many are struggling. I wish to thank the Board and the Directors from Tata Global Beverages, for their valuable insights and counsel that has enabled us to chart a course and steer to success. The Board joins me in thanking our shareholders for the confidence and trust placed in us to manage HPL, and we look forward to your continued support.

Mr Sunil G Wijesinha
Chairman
25 May 2018

MANAGING DIRECTOR'S REVIEW

As the sector faced several challenges, we drew strength from the Company's future-focused strategy, based on agricultural best-practices, modernisation, and consistent investment in our factories, workers, and communities.

Hatton Plantations PLC (HPL) was formed as a stand-alone company, unlocking a host of advantages. Chief among them, is the intensive focus the Company has to produce high quality tea in many specialised forms. We were able to draw up the Company's future strategy based on this singular requirement of producing high quality tea. Our strategic push is underpinned by our theme "Leap by Leaf", as we gear to face a challenging market and achieve our business goals.

We implemented agricultural best-practices and introduced state-of-the-art equipment to many of our estates. Preserving the environment and our natural capital in keeping with sustainable development goals, we carried out several field activities, which are dealt with further on in the Report. A significant investment was made in our people, especially the estate community, in uplifting their living conditions and environment, while taking steps to educate them on maternal and child healthcare and welfare of elders. Training and development took a priority status in our overall human capital agenda. Training, not only estate employees but our next level of managers. We are now reaping the rewards of this visionary strategy to invest in our people and our other assets.

Company Performance in 2017/18

It is noteworthy that these results were delivered during a period when the agriculture industry of the country contracted by 4.2% as a result of the prolonged drought that prevailed, dampening the country's GDP growth to 3.1%. It is however, encouraging to record that the tea industry weathered the period well to bounce back to a marginally good period in the third quarter of the year under review.

Although weather conditions were adverse for the majority of the year, as per the Agricultural Production Index, the tea industry recovered marginally by a 5.2% increase in production, compared to the rest of the agricultural produce. An increase was recorded in the Colombo Tea Auctions for 'Ceylon Tea', with an increase of exports to Turkey and Russia.

The advantage of being a stand-alone was extended to our estate worker communities, where we heavily invested in the welfare of our people. The inherent inter-relatedness of our workers and communities allow us to upgrade their living conditions, which acts as a key benefit, motivator, and a valuable investment in human capital. It is, our intention that all our estate communities should be supported in a manner that befits decent living conditions, right through to elder care in their twilight years. The Report's Employee and Social Capital section indicates in detail, how we have delivered on this priority. Seventy child development centres and a student population of well over 7000, are just some of the fruits of our labour.

Key Challenges

Although the forecast for global growth rate is positive, there are several key concerns for undisturbed growth of cross-border trade. Among these factors, volatile geopolitical situations, exacerbated by the underlying but ever-present threat posed by widespread pockets of conflict and upheavals in the financial markets, are key.

A positive trend however, is the demand for tea in the global market, which indicates a gradual upward swing, supported by authentic research efforts that popularise tea-drinking as a contributory factor to better health. Turkey, Ireland, the UK, Russia, and Morocco are identified as the top tea-drinking nations, closely followed by Egypt, Japan, South Africa, Australia and the UAE.

At a local level, with settlement of wage negotiations, average wage per day has escalated, together with bonus/incentive factors. This pushed up the cost of production. When natural attrition takes place, replacing the workforce remains a challenge as the younger generation opt to seek other avenues of income generation. As such, capacity building in the estate worker ranks is a key priority.

The regulatory environment was a key challenge with the ban on weedicides including glyphosate and the arbitrary withdrawal of the fertiliser subsidy during the worst period for the industry. Fertiliser doubled in price as a result during a period when tea prices were at a low ebb, exerting immense pressure on margins. Although the prolonged drought was a key concern, resilience of the tea crop was evident in the marginal increase in production, compared to the previous year. The impact of the drought was also offset by higher prices at Colombo Tea Auctions towards the latter half of the year, which enabled a fragile recovery in the sector.

To counter the challenges present globally and those inherent to the tea industry, we have significantly invested in our operating environment, upgraded our factories and production lines, implemented many schemes to preserve and add value to our natural capital, and embraced a culture of people-centric social development that uplifts the living conditions of our estate community.

The specialised tea segment garners a good garden-mark with several of our 35 different grades at top-tier level. Striking a balance between employee interests and shareholder interest continues to be a key challenge in the plantation sector. In the face of a positive economic growth both globally and locally, we will seek to deliver revenue, profit and asset growth maintaining our growth trajectory. Downside risks to our plans include climate change impacts such as prolonged drought, sustainability of tea prices, and the policy environment. The agriculture sector has weathered a difficult year and a stable policy environment which supports growth of this sector is critical to its success.

Next Steps

To achieve the full value of our theme "Leap by Leaf", we plan to equip all our factories with state-of-the-art equipment, ensure structured training and development of the next level of managers, continually uplift the living conditions of our estate community, and reach beyond the borders of our estate to preserve and add value to the environment as a whole.

Synergising to deliver on our promise is our unwavering aim. It takes a well-coordinated effort to deliver consistent growth in earnings and assets. I am deeply appreciative of the visionary guidance of the Board which enabled us to set a clear course. I thank the team at Hatton Plantations PLC for delivering on our strategic goals as a united team through meticulous implementation of detailed, ambitious plans. We enjoyed high levels of constructive engagement with our brokers, business partners and suppliers during the period, and I convey my sincere appreciation for their support. In conclusion, I thank the shareholders for their confidence placed in me to lead this Company to success.

Mr V Govindasamy
Managing Director
25 May 2018

STEWARDSHIP
BOARD OF DIRECTORS

Mr B A Hulangamuwa
Director
(Non-Executive/
Non-Independent)

Mr M S Mawzoon
Director
(Non-Executive/
Non-Independent)

Mr V Govindasamy
Managing Director
(Executive/
Non-Independent)

Mr Sunil G Wijesinha
Chairman

Mr N B Weerasekera
Director
(Non-Executive/
Independent)

Mr G Sathasivam
Director
(Non-Executive/
Non-Independent)

Mr A N Fernando
Director
(Non-Executive/
Independent)

Mr Pratheepan Karunagaran
Director
(Non-Independent/
Non-Executive)

Mr L D Ramanayake
Director
(Non-Executive/
Independent)

	Mr Sunil G Wijesinha Chairman Age : 69	Mr G Sathasivam Director (Non-Executive/ Non-Independent) Age : 71	Mr V Govindasamy Managing Director (Executive/ Non-Independent) Age : 54	Mr A N Fernando Director (Non-Executive/ Independent) Age : 71
Qualifications / Business Experience	MBA from Postgraduate Institute of Management, University of Sri Jayewardenepura. Fellow Member of the Chartered Institute of Management Accountants (UK). Fellow Member of the Institute of Management Services (UK). Associate Member of the Institution of Engineers, Sri Lanka.	Fifty years experience in pharmaceutical Industries and plantation. Initiated and spearheaded joint venture with Tata Group.	Holds an MBA from the University of Hartford, USA. Bachelor of Science in Electrical Engineering, University of Hartford, USA.	Holds an MBA in Finance, Industrial and Corporate Strategy from IMD Business School, Lausanne, Switzerland. Fellow Member of The Institute of Chartered Accountants of Sri Lanka.
Other Key Positions	**Chairman** • United Motors Lanka PLC • Watawala Dairy Limited • Watawala Plantations PLC • RIL Property Limited • SC Securities (Private) Limited • UML Property Development Ltd • UML Heavy Equipment Ltd **Director** • BizEx Consultancy (Private) Limited • Sampath Centre Limited	**Chairman** • Estate Management Services (Private) Limited **Director** • Sunshine Holdings PLC • Sunshine Energy Limited • Sunshine Healthcare Lanka Limited • Waltrim Hydropower (Private) Limited • Healthguard Pharmacy Limited • Watawala Plantations PLC	**Chairman/Director** • Tata Communications Lanka Limited • Sunshine Healthcare Lanka Limited • Watawala Tea Ceylon Limited **Group Managing Director** • Sunshine Holdings PLC • Watawala Dairy Limited • Healthguard Pharmacy Limited • Watawala Plantations PLC **Director** • TAL Lanka Hotels PLC • Sunshine Energy Limited • Estate Management Services (Private) Limited • Waltrim Hydropower (Private) Limited • Sunshine Packaging Lanka Limited • Watawala Tea Australia (Pty) Ltd.	**Former Chief Partner** • KPMG Ford Rhodes Thorntonand & Co. Chartered Accountants **Director** • Watawala Plantations PLC
Board meeting attendance	3/3	3/3	3/3	3/3
Audit Committee attendance	2/2	N/A	N/A	2/2
Nomination and Remuneration Committee attendance	N/A	N/A	N/A	N/A
Related Party Transactions Review Committee	2/2	N/A	N/A	2/2

Mr M S Mawzoon Director (Non-Executive/ Non-Independent) Age : 48	**Mr L D Ramanayake** Director (Non-Executive/ Independent) Age : 66	**Mr N B Weerasekera** Director (Non-Executive/ Independent) Age : 59	**Mr B A Hulangamuwa** Director (Non-Executive/ Non-Independent) Age : 62	**Mr Pratheepan Karunagaran** Director (Non-Independent/ Non-Executive) Age : 48
Twenty-six years experience in various business industries.	MBA from Postgraduate Institute of Management, University of Sri Jayewardenepura. Fellow Member of the Institute of Certified Professional Managers. Member of the Chartered Institute of Marketing.	Fellow Member of the Chartered Institute of Management Accountants, UK. Holds an MBA from University of Colombo. Holds a Degree in Physics from University of Peradeniya.	Holds an MBA from University of Colombo. Fellow Member of The Institute of Chartered Accountants of Sri Lanka. Certified Fraud Examiner (USA).	Holds a Bachelor of Science in Chemical Engineering from University of Wisconsin. Over 15 years' experience in the management of businesses in the Agribusiness industry and currently holds the position of General Manager - Africa and Sri Lanka for Wilmar International Limited.
Managing Director • Pyramid Lanka (Private) Limited • Pyramid Wilmar (Private) Limited • Pyramid Wilmar Oils and Fats (Private) Limited • Pyramid Wilmar Plantations (Private) Limited • The Phone Company (Private) Limited • The Phone International (Private) Limited **Director** • Estate Management Services (Private) Limited • Watawala Tea Ceylon Limited • Shangri La Hotels Lanka (Private) Limited • Shangri La Investments Lanka (Private) Limited • Jewelsco Restaurants (Private) Limited • Watawala Plantations PLC	**Former Chairman** • Colombo Brokers' Association **Former Deputy Chairman** • Tea Association of Sri Lanka **Former Executive Vice-President** • John Keells Holdings PLC **Director** • Watawala Tea Ceylon Limited • Watawala Plantations PLC	**Managing Director** • Abraaj Group for Sri Lanka and Bangladesh **Director** • Sunshine Holdings PLC • Sunshine Energy Limited • Sunshine Healthcare Limited • Healthguard Pharmacy Limited • Watawala Plantations PLC	**Director** • Sunshine Holdings PLC • Waltrim Hydropower (Private) Limited • Sunshine Energy Limited • Asia Siyaka Commodities PLC • Watawala Plantations PLC	**Director** • Pyramid Lanka (Private) Limited • Pyramid Wilmar (Private) Limited • Pyramid Wilmar Oils and Fats (Private) Limited • Pyramid Wilmar Plantations (Private) Limited • Watawala Plantations PLC
3/3	2/3	3/3	3/3	
N/A	2/2	N/A	1/2	N/A
N/A	N/A	N/A	N/A	N/A
N/A	2/2	N/A	1/2	N/A

EXECUTIVE COMMITTEE AND MANAGEMENT TEAM

Executive Committee

Name	Designation
Mr Binesh Pananwala	Chief Executive Officer
Mr Anandh Vaithylingam	GM – Plantations
Mr Alex Samuel	GM – HR and Administration
Mr Robin Winter	DGM – Hatton/Watawala
Mr Dinesh Perera	DGM – Lindula Region
Mr T Ratnam	DGM – Systems Assurance
Mr Thusith Jayawardena	Senior Manager – Finance

Head Office Management Team

Name	Designation
Mr Gamini Wanasekera	Senior Manager – Purchasing
Mr Uditha Karunaratne	Manager Marketing
Mr Ravikumar Palanisamy	Manager ERP/MIS

Estate Management Team

Estate	Manager
Kenilworth	Mr Manoj Ramadas
Carolina	Mr Robin Winter
Wigton	Mr Haresh Wijesinghe
Strathdon	Mr Lalindra Abeywardhana
Shannon	Mr Zaman Imthiaz
Vellaioya	Mr Ajith Prasanna Premachandra
Abbotsleigh	Mr Suranga Dela
Dickoya	Mr Mihiraj Samaraweera
Agrakande	Mr Tharaka Wijeratne
Henfold	Mr Priyantha Sunilaratne
Ouvahkelle/Lippakelle	Mr Kapila Sumanaratne
Tangakelle	Mr Nandakumar Somasundaram
Waltrim	Mr Udeni Wanigathunga

Regional Ex-Com Hatton/Watawala Region

Name	Designation
Mr Prasanna Premachandra	Senior Manager – Vellaioya Estate
Mr Suranga Dela	Senior Manager – Abbotsleigh Estate
Mr Mihiraj Samaraweera	Manager – Dickoya Estate
Mr Zaman Imthiaz	Acting Manager – Shannon Estate
Mr Viduranga Tennekoon	Assistant Manager – Kenilworth Estate

Regional Ex-Com Lindula Region

Name	Designation
Mr Kapila Sumanaratne	Senior Manager – Ouvahkelle Estate
Mr Udeni Wanigathunga	Senior Manager – Waltrim Estate
Mr Nandakumar Somasundaram	Manager – Tangakelle Estate
Mr Priyantha Sunilaratne	Manager – Henfold Estate
Mr Tharaka Wijeratne	Deputy Manager – Agrakande Estate
Mr Kusal Chandrasekera	Senior Assistant Manager – Henfold Estate
Mr T Shanmuganathan	Senior Assistant Manager – Tangakelle Estate

CORPORATE GOVERNANCE

Sound governance, balancing stakeholder interests in an equitable manner, has defined how we do business, shaping our success and reputation. Building on regulatory requirements, we incorporate voluntary codes and sound principles into the framework as set out in the adjacent column.

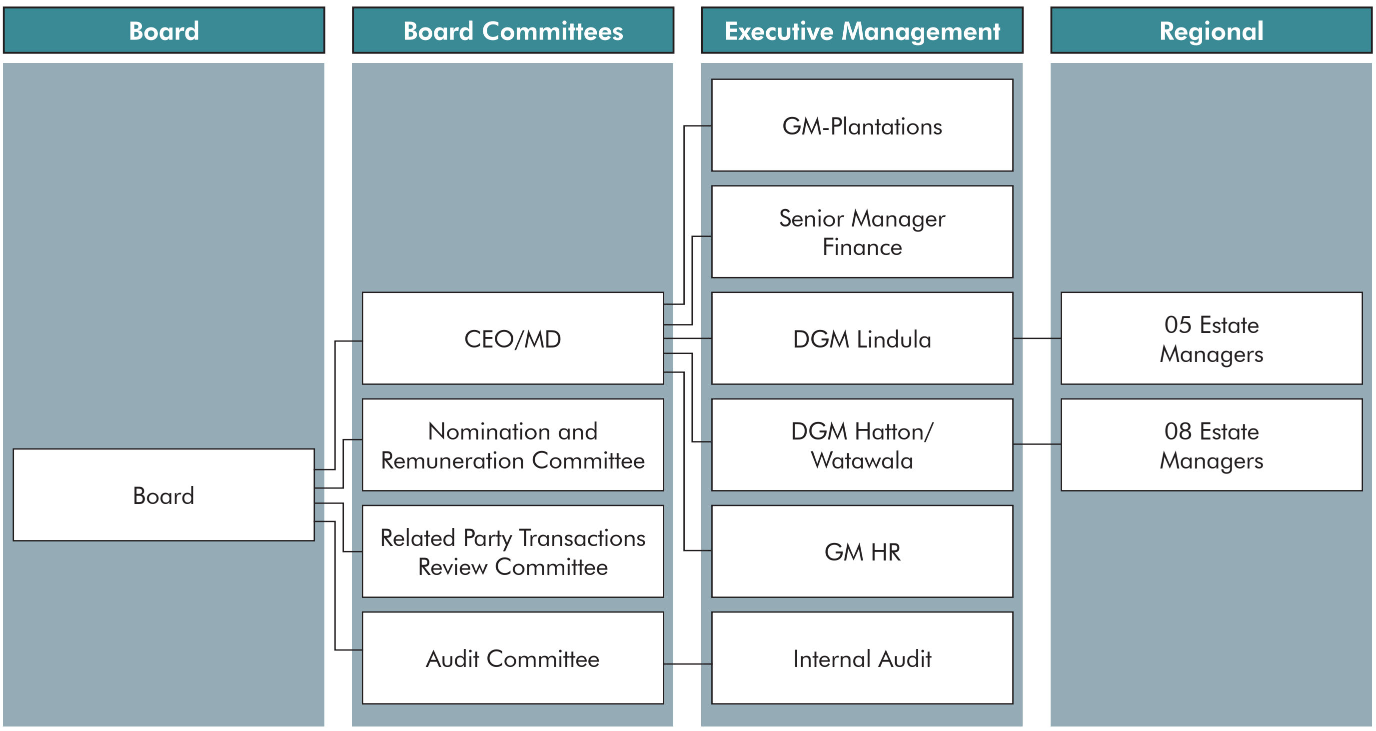
As the highest decision-making authority, the Board sets the tone at the top through the Hatton Plantations PLC's Charter for the Board of Directors and guidelines for Corporate Governance. While all executives and clerical staff are provided with the Code of Conduct, we rely on training, meetings and trilingual communication of corporate values for associates who are mainly engaged in field work. Hatton Corporate Governance Framework comprises:

- Governance Structure
- Policy Framework
- Corporate Values
- Board Charter
- Code of Conduct
- Guidelines for Corporate Governance

KEY LEGAL ENACTMENTS, CODES AND AGREEMENTS COMPLIED WITH

- Companies Act No. 07 of 2007
- Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995
- Continued Listing Requirements of the Colombo Stock Exchange
- Employees' Provident Fund Act
- Employees' Trust Fund Act
- Payment of Gratuity Act
- Maternity Benefits Ordinance
- Medical Wants Ordinance
- Shop and Office Act
- Industrial Disputes Act
- Factories Ordinance
- Workmen's Compensation Ordinance
- Collective Agreement entered into between the EFC, the CESU and NESU
- Code of Best Practice on Corporate Governance jointly issued by the Securities and Exchange Commission and The Institute of Chartered Accountants of Sri Lanka
- Inland Revenue Act No. 10 of 2006

Governance Structure



Board Composition

The Board comprises nine Directors of which four are Non-Independent Non-Executive Directors including the Chairman. Four of the Directors are Independent Non-Executive Directors with one Executive Director.

The Directors are professionals of the highest calibre in diverse fields such as Plantation Management, Export Marketing, Tea Industry and Finance etc. and their profiles are set out on pages 16 to 17.

Composition of the Board and Subcommittees

Member of the Board and Board Committees	Executive Directors	Non-Executive Directors	
		Independent	Non-Independent
Board of Directors	1	4	4
Audit Committee		3	1
Remuneration and Nomination Committee		3	1
Related Party Transactions Committee		3	1

Areas of Expertise of Board Members

Area of expertise	Number of Board Members with expertise
Business management	6
Financial and management accounting	4
Plantation management	2
Engineering	2
Science	1

Anti-Corruption

The Company's Code of Conduct clearly sets out the standard of conduct expected of all our employees addressing, amongst other things, matters such as conflicts of interest, payments to outside entities and individuals, political contributions, and the maintenance of proper books, records and controls. Employees are provided training at the time of joining and awareness is reinforced through consistent application of the principles. Our consistent commitment to the high standards enumerated in this policy protects both the Company and its employees in their dealings with others.

The principles are articulated and disseminated to all employees in all three languages. The competency framework and performance appraisal criteria also addresses the need to maintain high standards of ethics to ensure that employees are sufficiently knowledgeable about their areas of expertise. Reprimands issued in case of breaches are recorded in personnel files and serve as early warning signs for monitoring by management.

This Report has been organised along the structure of the Code of Best Practice on Corporate Governance as graphically summarised below.

Code of Best Practice on Corporate Governance

The Company	Shareholders	Sustainability
Directors	Institutional investors	
Directors' remuneration	Other shareholders	
Relations with shareholders		
Accountability and audit		

A – Directors

Principle A 1
An Effective Board

The Board of Directors comprises nine Directors of which one is Executive and four are Non-Executive Independent Directors, four Directors are Non-Executive Non-Independent.

A 1.1 Frequency of Board Meetings

The Board meets once a quarter to discuss and review the performance of the past quarter and the future performance. Further, additional Board meetings are summoned when the Board feels it is necessary to meet. The Audit Committee which is a subcommittee of the Board also meets quarterly with additional meetings scheduled as deemed necessary.

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

Board Attendance

Director	Board Meetings	Audit Committee	Nominations and Remuneration Committee	Related Party Transactions Review Committee
Mr S G Wijesinha	03/03	02/02		02/02
Mr G Sathasivam	03/03			
Mr V Govindasamy	03/03			
Mr K Venkataramanan (Resigned w.e.f. 28.12.2017)	00/01			
Mr A Misra (Resigned w.e.f. 28.12.2017)	01/01			
Mr A N Fernando	03/03	02/02		02/02
Mr M S Mawzoon	03/03			
Mr L D Ramanayake	02/03	02/02		02/02
Mr C P Thomas (Resigned w.e.f. 28.12.2017)	01/01			
Mr N B Weerasekera	03/03			
Mr B A Hulangamuwa	03/03	01/02		01/02
Mr Pratheepan Karunagaran				

A 1.2 Responsibilities of the Board
The Company's Board of Directors reviews the business strategies especially at times when the commodity prices reach lower levels. The Executive Committee chaired by the Chief Executive Officer review performance and discuss new strategies and the methods prior to recommending same to the Board of Directors for discussion. The Regional Executive Committees streamline the flow of information to the Executive Committee for fast decision-making. The Five Year Strategic Plan, the Annual Budget are discussed in-depth at the Executive Committee prior to submitting to the Board for approval, expediting decision-making and focus on key matters.

The Company's Executive Committee (Ex-Com) which assists in the decision-making process comprises the Chief Executive officer and the GM/DGM Plantations, SM Finance, GM – Human Resources and DGM System Assurance. The second level of Ex-Com which is now known as the Regional Ex-Com has been developed to cascade information to the Regions and to provide insights to the Ex-Com, enhancing the deliberations.

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

The Board of Directors is committed to comply with all laws, rules and regulations, and ethical standards. The Company has complied a detailed checklist to ascertain the compliance with laws and regulations of which a summary is appended on page 19 of this Report.

The Company's Board of Directors considers stakeholders' requirements as important in taking corporate decisions. The Company has also embarked on several cost reduction methods which are addressed in the Managing Directors Review. CSR which is discussed elsewhere in this Report has received much focus from the Company in the recent years.

A 1.3 Act in Accordance with the Relevant Laws and Seek Independent Professional Advice
Board ensures compliance with the applicable laws wherever required. Page 19 of this Report list down the laws (in the best possible manner) applicable to the organisation and its compliance.

The Board also obtains professional advice from outside parties whenever necessary. The Company has appointed F J & G De Saram as their legal consultants. The Company also obtains advice on other issues such as Taxation, Actuarial Services, Product Development, Process Development, Productivity Development wherever necessary. Any Director may obtain independent professional advice that may be required in discharging his responsibilities effectively, at Company's expense.

A 1.4 Company Secretary
The Company Secretaries are Corporate Advisory Services (Private) Limited, which acts as secretaries to the Board and make their presence at every Board meeting. The Company Secretaries advise the board on all regulatory matters pertaining to Colombo Stock Exchange, Securities and Exchange Commission of Sri Lanka. The Secretaries also record minutes which are tabled for the next meeting for effective follow-up on decisions taken. The Directors have independent access to the Company Secretary.

Appointment and removal of the Company Secretary is a matter for the Board as a whole and this was evident with the appointment of Messrs Corporate Advisory Services (Private) Limited, as the new Company Secretaries during the year.

A 1.5 Independent Judgement.

The Directors use their independent judgements in making decisions. Eight of the nine Directors are Non-Executive and four are Independent. As experienced Directors, they are able to exercise their independent judgement without hindrance and every effort is made by the Chairman to ensure that all Directors contribute to the deliberations.

A 1.6 Director's Dedication of Time and Effort.

In addition to the attendance and participation at the Board meetings, Board members make their time available for consultation whenever necessary. All Board papers are sent to the members of the Board well in advance and all queries raised by them are answered before or even after the meetings. The Board has met three times during the period as reported on page 21 and is satisfied that all Non-Executive Directors have committed sufficient time during the year under review.

A 1.7 Training for Directors

The decisions on Directors training is at Board level where Directors are sent specially on overseas training and study tours wherever necessary. The Executive Director participated in several study tours of Plantations outside Sri Lanka.

Principle A 2
Chairman and Managing Director

The Chairman is a Non-Executive Independent member of the Board and the Managing Director is an Executive Director, maintaining a clear segregation of roles between them.

Principle A 3
Chairman's role

The Chairman conducts the Board meetings ensuring the participation of all Board members, maintaining a balance between Executive and Non-Executive, and Independent and Non-Independent Directors.

The Managing Director presents all detail operating results to the Board along with the Chief Executive Officer and the Senior Manager Finance. He also ensures that the Board is in complete control of Company's affairs.

Principle A 4
Financial Acumen

The Board comprises three Chartered Accountants and two Chartered Management Accountants namely,

Mr K Venkataramanan – FCA of Tata Coffee Limited, (Resigned w.e.f. 28.12.2017)

Mr B A Hulangamuwa – FCA, MBA

Mr A N Fernando – FCA, MBA

Mr Sunil Wijesinghe – FCMA

Mr N B Weerasekera – FCMA

Principle A 5
Board Balance

The Board comprises eight Non-Executive Directors which constitutes 88.89% of the Board of Directors of which four are Independent.

Following are Non-Executive Directors of the Company.

Mr S G Wijesinha
Non-Executive Independent Director

Mr G Sathasivam
Non-Executive Non-Independent Director

Mr K Venkataramanan
Non-Executive Non-Independent Director
(Resigned w.e.f. 28.12.2017)

Mr B A Hulangamuwa
Non-Executive Non-Independent Director

Mr A N Fernando
Non-Executive Independent Director

Mr M S Mawzoon
Non-Executive Non-Independent Director

Mr L D Ramanayake
Non-Executive, Independent Director

Mr C P Thomas
Non-Executive Non-Independent Director
(Resigned w.e.f. 28.12.2017)

Mr A Misra
Non-Executive Non-Independent Director
(Resigned w.e.f. 28.12.2017)

Mr N B Weerasekera
Non-Executive, Non-Independent Director

Mr. Pratheepan Karunagaran
Non-Executive, Non-Independent Director

The four Independent Directors mentioned above are totally independent of the Management and free of any business relationship that could interfere in their independent judgement. Declaration of Independence as per the Code of Best Practices in Corporate Governance has been obtained from the Independent Non-Executive Directors. The Board has determined that the following Non-Executive Directors are Independent.

- Mr A N Fernando
- Mr S G Wijesinha
- Mr L D Ramanayake
- Mr N B Weerasekera

The full Board of Directors are indicated on page 21.

If there are any concerns of Directors that cannot be unanimously settled such issues are recorded in the minutes by the Secretary and circulated to the Board prior to the next Board meeting where the minutes are adopted. To date such situations have not arisen in the Company.

Principle A 6
Supply of Information

The Board meets quarterly with additional meetings scheduled, if required, more frequently. The Board is supplied with all information including the following:

- Quarterly financial statements reviewed and recommended by the Audit Committee.
- Minutes of the previous Board meeting and follow-up action.
- Proceedings of the monthly review meetings of the Company.
- Recommendation of capital expenditure and its justifications.
- Next quarters projected performance and how the year would end.
- Any other matter of importance.
- Annual Business Plan.
- A full presentation is made to the Board by the Managing Director on the performance of the Company during the period under review.

The members of the Board are provided with Board Papers prior to the Board meeting. Further, Board members could request for any additional information if required. All documents listed under (A 6) are circulated to the entire Board seven days before the Board meeting.

Principle A 7
Appointments to the Board

The Board decides on the appointment of new Directors and nominations of professionals to the Board. In finding suitable candidates the Board assesses its composition to ascertain whether the combined knowledge and experience of the Board could meet the strategic demands facing the Company. New appointments are made only after the above assessments are completed. No new appointments were made during the Financial Year. Details of the current Board of Directors are given on pages 16 and 17 of this report.

Principle A 8
Re-Election

At the first Annual General Meeting of the Company, all new Directors appointed during the year, with the exception of the Managing Director and Directors appointed by shareholders at previous AGM, shall retire from office and every subsequent year, one third of the directors except the Managing Director shall retire from office at every annual general meeting as required by the Company's Articles of Association. A retiring Director is eligible for reappointment.

Principle A 9
Appraisal of Board Performance

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

- The past performance.
- Reviewing and formulating a sound business strategy.
- Ensuring that the Managing Director and the Management Team is capable in achieving the said standards.
- Securing effective information and control systems and audit
- Prevention or minimising risks.
- Ensuring compliance with legal/ethical standards.

Principle A 10
Disclosure of Information in Respect of Directors

- A detailed profile in respect of the Directors is disclosed in pages 16 and 17 of this Report.
- Related party transactions are disclosed on pages 97 and 98 of this Report.
- The details of Board meetings attended are on page 21.
- Board Committees that the Directors serve on and their attendance is on page 20.

Principle A 11
Appraisal of Chief Executive Officer and Managing Director

Performance of the Managing Director is evaluated by the Board on his meeting the companies short and medium term targets and his capability of meeting the future targets. He submits a detailed performance of the Company to the Chairman for this purpose.

At the commencement of the Financial Year a detailed budget is prepared which is presented to the Board for approval. Once the Budget is approved, the Managing Director has indicative targets to work on. Any specific deviations from the approved budget on expenses such as capital expenditure need to have the approval of the Board.

At the end of the year, the Board evaluates the performance of the Managing Director on the final performance of the Company.

B – Directors' Remuneration

Principle B 1
Remuneration Committee

The Board determines the remuneration of the Managing Director. In deciding this remuneration the Board takes into consideration the levels of remuneration met by similar companies. Executive Directors who draw their remuneration from this Company are also entitled to a performance related incentive. They are given specific targets at the commencement of the year and their remuneration is decided at the year-end after their performances have been appraised. The Company does not have a Share Option Scheme nor a Pension scheme. The report of the Remuneration Committee is on page 42 of this report.

Remuneration of the management staff is also approved by the Board in total.

The Directors' remuneration is disclosed in Note 27 of the Financial Statement and the Management Staff remuneration is described on page 95 of this report under Reward and Recognition.

Principle B 2
Level of makeup of Remuneration

The Executive Directors who draw salaries from the Company are remunerated in keeping with the market rates and are also entitled to defined incentive schemes. The annual salary increments are granted after a year end appraisal. There is no Executive Share Option Scheme in the Company. There were no instances where compensation was paid on early termination. Mr B A Hulangamuwa, Mr A N Fernando, Mr S G Wijesinha, Mr L D Ramanayake and Mr N B Weerasekera draw a fee and the other Non-Executive Directors do not get any remuneration from the Company.

Principle B 3
Disclosure of Remuneration

Remuneration Committee report on page 42 will give the members of the Remuneration Committee and the remuneration policy. The remuneration of the Executive Directors and the key managers are shown on page 95 of this report.

C – Relations with Shareholders

Principle C 1
Constructive Use of the Annual General Meeting (AGM)

The Company Secretary ensures that adequate notice is given to all shareholders as required by the Companies Act No. 07 of 2007 of its Annual General Meeting and presents them with an Annual Report at the time of such notice. Active participation of its shareholders is welcome where all relevant questions are answered by the Board of Directors. The Chairman of the Audit Committee, the SMF and other managers of divisions make themselves physically present at this meeting. The annual General Meeting of the Company will be held on the 28 June 2018.

Proxy Forms are sent to all shareholders with the Annual Report. On the day of the Annual General Meeting a separate counter is setup to receive and record proxy forms. The Company proposes separate resolutions for substantially separate issues. Adoption of Report and Accounts are taken as separate item in the Agenda. The Chairmen of the two subcommittees, the Audit Committee and the Remunerations Committee make themselves available at the AGM. The Company Secretary ensures that adequate notice is given to all shareholders as required by the Companies Act No. 07 of 2007 of its Annual General Meeting and presents them with an Annual Report at the time of such notice. Summary of the voting procedure is stated in the Proxy Form which is circulated to all shareholders along with the Annual Report.

There were no Major Transactions during the year as specified by Section 185 of the Companies Act No. 07 of 2007.

D – Accountability and Audit

Principle D 1
Financial Reporting

In the preparation of the annual and quarterly financial statements, the Company complies to the requirements of the

- Companies Act No. 07 of 2007.
- Sri Lanka Financial Reporting Standards.
- Listing Rules of the Colombo Stock Exchange.

The table below depicts the dates the quarterly accounts were published within the prescribed time of the Listing Rules.

3rd Quarter	8 February 2018
4th Quarter	25 May 2018

The Annual Report is prepared at the end of the year covering the whole year. All price sensitive information such as appointment of new Directors retirement of Directors and other price sensitive information was conveyed to the CSE within time.

- Directors Report is presented on pages 35 to 37 of this report.
- Report on Going Concern is on page 35.
- Management Discussion and Analysis on pages 52 to 63 in this report.
- A comprehensive risk assessment is on pages 30 to 34.
- Industrial Structure and Developments, opportunities and threats are stated in the Chairman's and Managing Directors report on pages 10 to13.
- Social and Welfare work and development of Human Resources and Industrial Relations is on page 47 to 49.
- The responsibility of the Board regarding the presentation of Financial Statements together with the Auditors Statement have been presented on pages 35 and 68 respectively.
- Directors Report on page 35 confirm that the business is a Going Concern.

Net assets of the Company have not fallen below 50% of shareholders' funds.

Principle D 2
Internal Control

The Board is overall responsible in establishing a good system of internal control in the Company and delegated much of it to the Audit Committee. This Committee in turn reviews all management accounts, directs the Internal Audit Team to carry out checks on areas of concerns other than their normal checks.

The Audit Committee reviews all Internal Audit Reports which are circulated to them quarterly and discusses the salient features at the Audit Committee Meetings with the Internal Auditor the Chief Executive Officer and the SMF. At the end of each quarter a limited review is carried out by the External Auditors Messrs PricewaterhouseCoopers and their reports are discussed in length at the Audit Committee meetings. The year-end Management Letter submitted by the External Auditor is also discussed at the final Audit Committee Meeting during the Financial period.

Principle D 3
Audit Committee

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

The Audit Committee of the Company consists of four Non-Executive Directors:

Mr A N Fernando
Non-Executive Independent Director,
Chartered Accountant and the former Chief Partner of KPMG

Mr S G Wijesinha
Non-Executive Independent Director,
Chartered Management Accountant and the Chairman of United Motors Lanka PLC.

Mr B A Hulangamuwa
Non-Executive Non-Independent Director.
Fellow Member of The Institute of Chartered Accountants of Sri Lanka

Mr L D Ramanayake
Non-Executive Independent Director.
Director Watawala Tea Ceylon Limited

The Audit Committee has three Independent Non-Executive Directors. The Head of the Audit Committee is Mr A N Fernando who is an Independent Non-Executive Director.

The Audit Committee views at different intervals the independence of the External Auditors. The External Auditors on the other hand discusses with the Management before taking up any other assignment in the Company and would take over such assignments if it relates to work involving Audit and Assurance only. The Auditors, PWC in addition to Audit Services also provide Tax services.

The Audit Committee functions on clear guidelines given to them by the Board of Directors as set out in the Report of the Audit Committee on page 40.

Principle D 4
Code of Business Conduct and Ethics

The Company has a practice where it regularly draws attention of the Executive Directors and Senior Managers to the Company's Policy on Business Ethics by obtaining their signature on a copy of same. This document covers the following main areas:

1. Conflict of Interest with the business of the Company.
2. Relations with Customers, Government and Labour.
3. Confidentiality of documents, books and records.
4. Supplier relations.
5. Conduct.

Wherever there are transactions with connected companies such transactions are disclosed under the related party transactions. The Company is compliant with the Code of Best Practice on Corporate Governance jointly issued by the Securities and Exchange Commission of Sri Lanka and The Institute of Chartered Accountants of Sri Lanka.

The company has published the best businesses practices and ethics in the form of an employee hand book and have distributed to all the employees of the organisation. This covers a wide area of activity including policies and business ethics of the Company. These policies are regularly reviewed and updated by the Human Resource Division of the organisation.

Principle D 5
Corporate Governance Disclosures

The Company has complied with the "Code of Best Practice on Corporate Governance" issued jointly by The Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka.

The Company has been publishing quarterly financial statements with the necessary explanatory notes as required by the Rules of the Colombo Stock Exchange and the Securities and Exchange Commission of Sri Lanka to all stakeholders. Any other financial and non-financial information, which is price sensitive or warrants the shareholders and stakeholders' attention and consideration, is promptly disclosed to the public.

E and F – Institutional Investors and Other Shareholders

The Company through Company Secretary, Secretarial and Financial Services maintains an active dialog with the shareholders, potential investors, investment banks etc. All Institutional Shareholders are encouraged to participate at the Annual General Meeting and exercise their vote. All regulatory notices are sent to them on time.

G – Other Investors

The Company at different intervals throughout the year encourages Stock Brokers to publish research reports giving a full analysis of company's affairs. The Annual Report of the Company also gives a full analysis of the affairs of the Company.

H – Other Investors

This report is a full sustainability report. The GRI Index on page 109 provides a comprehensive reference to information disclosed in this report.

Rule No.	Requirement	Compliance	Reference in this report
7.10.1 (a)	**Non Executive Directors (NED)** Two or at least one-third of the total number of Directors should be NEDs	✓	Principle A1
7.10.2 (a)	**Independent Directors (ID)** Two or one-third of NEDs, whichever is higher, should be independent	✓	Principle A1
7.10.2 (b)	**Independent Directors (ID)** Each NED should submit a declaration of independence	✓	Available with the Secretaries for review
7.10.3 (a)	**Disclosure relating to Directors** The Board shall annually determine the independence or otherwise of the NEDs Names of IDs should be disclosed in the Annual Report (AR)	✓	Directors' Profiles
7.10.3 (b)	**Disclosure relating to Directors** The basis for the Board's determination of ID, if criteria specified for independence is not met	✓	Directors' Profiles
7.10.3 (c)	**Disclosure relating to Directors** A brief resume of each Director should be included in the AR including the Director's areas of expertise	✓	Directors' Profiles
7.10.3 (d)	**Disclosure relating to Directors** Provide a brief resume of new Directors appointed to the Board with details specified in 7.10.3 (a), (b) and (c) to the CSE	✓	Directors' profiles
7.10.5	**Remuneration Committee (RC)** The RC of the listed parent company may function as the RC	✓	Remuneration Committee Report
7.10.5 (a)	**Composition of Remuneration Committee** Shall comprise of NEDs, a majority of whom will be independent	✓	
7.10.5 (b)	**Functions of Remuneration Committee** The RC shall recommend the remuneration of the Managing Director's and NEDs	✓	
7.10.5 (c)	**Disclosure in the Annual Report relating to Remuneration Committee** Names of Directors comprising the RC Statement of Remuneration Policy Aggregated remuneration paid to NED/NIDs and NED/IDs	✓	Remuneration Committee Report on page 42.

Rule No.	Requirement	Compliance	Reference in this report
7.10.6	**Audit Committee (AC)** The Company shall have an AC	✓	Principle D3 and Audit Committee Report on page 40.
7.10.6 (a)	**Composition of Audit Committee** Shall comprise of NEDs a majority of whom will be Independent A NED shall be appointed as the Chairman of the Committee Managing Director and Chief Financial Officer (CFO) should attend AC meetings The Chairman of the AC or one member should be a member of a professional accounting body	✓	Corporate Governance and the Board Committee Reports
7.10.6 (b)	**Audit Committee Functions** Overseeing of the – Preparation, presentation and adequacy of disclosures in the financial statements in accordance with Sri Lanka Accounting Standards Compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements Processes to ensure that the internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards Assessment of the independence and performance of the external auditors Make recommendations to the Board pertaining to appointment, reappointment and removal of external auditors, and approve the remuneration and terms of engagement of the external auditor		Corporate Governance and the Board Committee Reports
7.10.6 (c)	**Disclosure in Annual Report relating to Audit Committee** Names of Directors comprising the AC The AC shall make a determination of the independence of the Auditors and disclose the basis for such determination The Annual Report shall contain a Report of the AC setting out the manner of compliance with their functions	✓	Corporate Governance and the Board Committee Reports
	Related party transactions review committee Names of Directors comprising the Committee. Will monitor and approve recurrent and non-recurrent related party transactions as set out in the Group policy guidelines.	✓	Corporate Governance Report

Compliance Report 2017/18 - As at 31 March 2018

Reporting Party personnel	Institute/	Subject	Responsibility	deadline	Status of compliance
STATUTORY	Inland Revenue	1. Income Tax Payment	SMF/CEO	15 February	Complied
		2. Income Tax Return	SMF/CEO	30 November	Non Applicable
		3. PAYE Payment	SMF/CEO	15th of the following month	Complied
		4. ESC Payment	SMF/CEO	20th of the month following quarter	Complied
		5. ESC Return	SMF/CEO	Annually	Complied
		6. Stamp Duty Return & Payment	SMF/CEO	15th of the month following quarter	Complied
		7. Assessment/Default notices	SMF/CEO	On given date (No assessment /default notice)	Complied
REGULATORY	Department of Labour	8. EPF Payment	SMF/CEO	30th of the following month	Complied
	ETF Board	9. ETF Payment	SMF/CEO	30th of the following month	Complied
	Department of Labour	10. Gratuity - Provision/ Payment	SMF/CEO	Within one month of resignation	Complied
	SLAASMB	11. Publishing of Annual Financial Report	SMF/CEO	By 25 May 2018 (Forthcoming)	
		12. All Financial Reports are prepared in accordance with SLFRS	SMF/CEO	–	Complied
	CSE/SEC	13. Quarterly Financial Report	SMF/CEO	30th of the month following the quarter	Complied
		14. Annual Financial Report	SMF/CEO	5 June 2018 (Forthcoming)	Complied
COMPLIANCE WITH INTERNAL PROCEDURE	Finance Department	15. Monthly Financial Statements	SMF/CEO	10th of the following month	Complied
		16. Interim Financial Statements	SMF/CEO	10th of the following month	Complied
	Chairman and BOD	17. Board approval obtained for any new projects/ Investment / venture the Company is planning to embark upon	SMF/CEO	Relevant Papers to be delivered to Directors seven days before the Board meeting	Complied
	Insurance	18. Insure all the business assets to mitigate losses	GMP/CEO	Ongoing	Complied

There are no statutory, regulatory, conventional or compliance that the Company is bound by other than those listed above.
Initialed by all responsible officers as above.

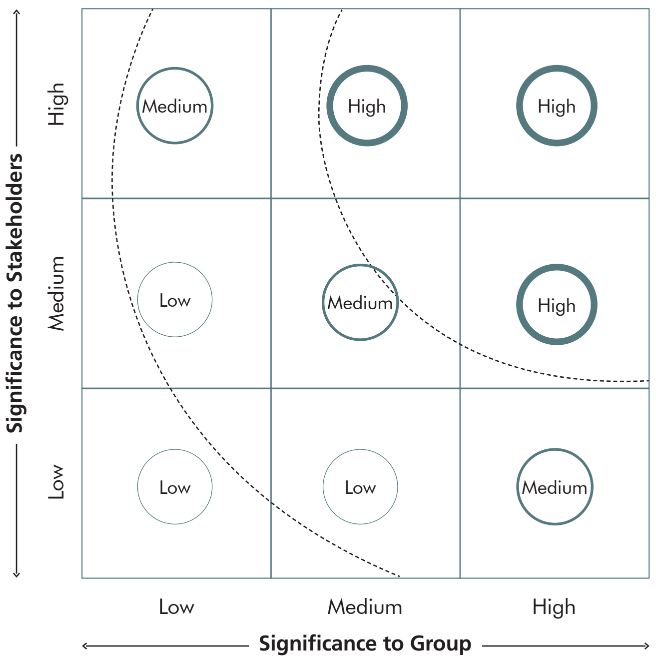
(Sgd.)
Senior Manager - Finance

(Sgd.)
Chief Executive Officer

RISK MANAGEMENT

Material issues are determined through a robust risk governance structure and a structured risk management process as illustrated alongside. Internal audit provide assurance on the effective functioning of processes and a whistle-blowing policy is in place providing a direct line to the Board.

Material issues identified are prioritised and mapped on to the grid given below which forms the basis for risk management and determining strategic direction.



Principal risks identified through this robust process are given below. These are the material matters that impact the sustainable performance of the Group and form the basis for selecting disclosures and determining the depth of reporting in this Annual Report.

Risk Management Structures

Board of Directors	Bears ultimate responsibility
Audit Committee	Assists the Board and has oversight responsibility
CEO	Risk Champion
Risk Management Executive Committee	Comprises all Deputy General Managers
Estate Risk Management Committee	Estate managers, Deputy Estate Managers, Chief Clerks and Senior Clerks

Risk Management Process

Evaluate how we create value

Stakeholder engagement

Identify risk universe

Prioritise risks

Determine material matters

Determine boundaries for risk management

Principal Risks

Risk	Potential impact	Mitigants	Risk rating
Strategic risks			
1. Climate change Unfavourable weather patterns and natural disasters	• Loss of crop and revenue, higher cost of production. In case of natural disasters, potential physical damage to employees, estate residents, fields and factories.	• Crop diversification, inter-cropping • Management of shade trees • Improving water retention capacities on estates, drought tolerant cultivars • Folio application to prevent excessive transpiration during dry spells • Analysis and forecast of weather patterns facilitating early preparations • Maintain adequate liquidity reserves to buttress adverse effects • Introduce weather resistant clones • Identify landslide prone areas • Preparing contingency plans **Link to strategy:** Good agricultural practices	Overall rating: **High** Probability of occurrence: **High** Severity of impact: **High**
2. Geopolitical risk Domestic turbulence in foreign markets Crude oil prices impacting tea prices Supply of Competitors affecting Sri Lankan auction prices	• Volatility in the topline and bottom line • Domino effect on all areas of operations such as capital expenditure (e.g. replanting), agricultural practices, staff welfare, liquidity etc.	• Improve quality to attract higher prices • Negotiate forward sale contracts • Maintain adequate liquidity buffers • Stringent cost control • Maintain an ideal crop mix • Maintain and improve product quality **Link to strategy**: Diversification, quality focus	Overall rating: **High** Probability of occurrence: **High** Severity of impact: **High**
3. Archaic wage model not conducive to productivity Biennial wage hike not linked to output	• Pressure on liquidity • High cost of production • Loss of cost competitiveness • Going concern of certain estates	• Introduce out-grower model • Engagement/motivation of associates to improve the output • Lobby for a productivity based wage structure • Better HR practices at the estates leading to higher output **Link to strategy:** Improve productivity mechanisation	Overall rating: **High** Probability of occurrence: **High** Severity of impact: **High**

Risk	Potential impact	Mitigants	Risk rating
4. Government policy Impact range from banning of glyphosate, withdrawal of fertiliser subsidy, imposition of minimum wages, border tariffs and nationalisation of plantations	• High cost of production • Pressure on liquidity • Loss of business viability • Going concern	• Collective lobbying to the Government through Planters' Association • Press for consultation before decisions are made by the Government • Anticipate and devise contingency plans for such eventualities **Link to strategy:** Representation in Industrial groups	Overall rating: **Medium** Probability of occurrence: Moderate Severity of impact: **High**
5. Investment Risk	• Earnings fall below required rate of return	• Proper project appraisal prior to the investment • Close monitoring the macro and microenvironment impacting the investment • Regular review of performances of the investee • Risk management strategies **Link to strategy:** Expertise through strategic alliances	Overall rating: **Medium** Probability of occurrence: Low Severity of impact: **High**
Operational Risks			
6. Dependence on bought leaf Approximately 25% of production is from bought leaf which maximises output and factory capacity	• Lower net sales average, revenue and higher COP	• Acceptance of only quality leaf from out-growers • Educate regular B/L suppliers on leaf quality • Reward the quality leaf suppliers by monetary and non-monetary rewards • Maintain close relationships with suppliers **Link to strategy:** Quality focus, supply chain management	Overall rating: **High** Probability of occurrence: **High** Severity of impact: **High**
7. Supply of Energy Higher prices of electricity Availability of quality firewood Power outages during droughts	• High cost of production • Strain on cash flows • Production continuity	• Revert to fuelwood • Use cheaper fuelwood substituting rubber fuelwood • Bio gas, mini-hydro projects, briquettes, • Replace old boilers with fuel efficient larger capacity boilers • Renewable energy such as waste and effluents from Oil Palm • Use of solar energy for firewood drying sheds • Variable speed drives and capacitors banks to reduce power consumption **Link to strategy:** Renewable energy	Overall rating: **High** Probability of occurrence: **High** Severity of impact: **High**

Risk	Potential impact	Mitigants	Risk rating
8. Manufacturing shortcomings Low quality teas, lower out-turn of production Higher free fatty acid in palm oil	• Impact the quality of tea resulting in lower NSA • Loss of reputation/loss of markets • Non-moving/unsalable stock • Quality claims	• Field level supervision to get quality leaf • Good agri practices to ensure quality leaf • Modern manufacturing facilities • Quality control and assurance in the manufacturing process • Factory certifications such as ISO **Link to strategy:** Field and factory development	Overall rating: **High** Probability of occurrence: **High** Severity of impact: **High**
9. Disruption to production Factory fire, machine breakdown, non- planned maintenance, availability of input materials	• Production halt/loss of revenue/crop • Loss of man-days/High COP • Loss of asset/production halt • Loss of revenue/loss of customers	• Regular maintenance • Contingency plans • Timely replacements of assets • Stringent safety measures • Insurance • Fire insurance covering business losses **Link to strategy:** Contingency planning	Overall rating: **Medium** Probability of occurrence: Moderate Severity of impact: **High**
10. Issues concerning estate labour Labour unrest shortage of skilled/unskilled labour, lower labour productivity, Out migration	• Loss of crop/revenue • Low land productivity/high cost of labour • Lower bottom line • Inhibit growth prospects	• Recognition and rewarding of associates • Cordial relationships with unions • Regular meetings to handle grievances • Training & development programs • Improvement of working conditions,facilities and estate housing infrastructure **Link to strategy:** Employee welfare and engagement	Overall rating: **Medium** Probability of occurrence: Moderate Severity of impact: **High**
11. Lower land productivity Old seedling tea fields, lower profitability of some crops, uncultivated lands, insufficient replanting ratio, ageing tea bushes	• High COP / lower revenue / Lower profit • Deprive the Co of its potential/restrict growth • Strain on cash flows • Lower yields	• Replace with profitable crops-crop diversification • Improve fields by good agri-practices. • Introduce short crops such as Citronella, pepper, maize • Introduce mechanised harvesting • Seeking low cost fund to finance replanting • Undertake replanting YoY on an incremental basis • Use own funds in a prudent manner for replanting **Link to strategy:** Diversification and development	Overall rating: **High** Probability of occurrence: **High** Severity of impact: Moderate

Risk	Potential impact	Mitigants	Risk rating
12. Ineffective accounting and information systems Inaccurate information, not generating timely information, system failures, loss of data, system security	• Wrong reporting • Loss of reputation • Penalties • Wrong decision making • Loss of investor confidence	• Sound system of internal controls • Robust internal audits • Qualified and experienced finance staff at head office and estates • Advanced and latest MIS systems with the support of in-house ERP manager • Cloud based back ups, updating of Anti virus, firewall etc. **Link to strategy:** Entity level controls	Overall rating: Low Probability of occurrence: Moderate Severity of impact: **High**
13. Health and safety Electrocution, Wasp and leech attacks, exposure to toxic chemicals Injuries from machines, Old trees falling on workers	• Loss of workers, productive time • Payment of compensation • Litigation and claims • Declining workforce morale • Worker unrest/work stoppages	• Appointments of health and safety • Executives • Training on safety measures on factories • Obtaining insurance covers • Provision of safety equipment and clothing • Removing dangerous trees in the fields and Wasp nests. • Provision of leech repellents **Link to strategy:** Health & Safety	Overall rating: **Medium** Probability of occurrence: Moderate Severity of impact: **High**
14. Risk of fraud Theft, misappropriation of assets misstatements of Financial statements	• Loss of revenue/profits • Impact on corporate reputation	• Sound internal controls • Pre-employment screening • Effective internal audit • Sound control environment **Link to strategy:** Insurance covers from reputed insurers	Overall rating: **Medium** Probability of occurrence: Moderate Severity of impact: **High**
15. Project failures	• Failure of special projects • Losses due to budget overruns	• Training to managers on project management • Close project monitoring **Link to strategy:** Skills development	Overall rating: **Medium** Probability of occurrence: Moderate Severity of impact: **High**

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

The Directors have pleasure in presenting the Annual Report for the period ended 31 March 2018 which covers business strategy, strategic imperatives, Audited Financial Statements, share-related information and reviews on risk management, governance and sustainability.

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

Principal Activities

The principal activities of the Company during the period under review were cultivation, manufacturing and sale of tea.

There was no significant change in the nature of business of the Company during the period that may have a significant impact on the state of affairs of the Company.

Review of Operations and Future Developments

A review of the financial and operational performance and future business developments of the Company's business segments are discussed in the Chairman's report on pages 10 to 11 and Managing Director's review on pages 12 to13.

These reports together with the Audited Financial Statements (pages 71 to 101) and financial review (pages 52 and 53) provide a comprehensive assessment on the financial performance, financial position and the state of affairs of the Company.

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

Financial Statements

The Financial Statements of the for the period ended 31 March 2018 duly signed by the Senior Manager – Finance, two of the Directors of the Company are given on pages 71 to 101 which form an integral part of the Annual Report of the Board of Directors.

Directors' Responsibility for Financial Statements

The Directors are responsible for the preparation of the financial statements of the Company to represent a true and fair view of its state of affairs. The Directors are of the view that these Financial Statements have been prepared in conformity with the requirements of the Sri Lanka Financial Reporting Standards, Companies Act No. 07 of 2007, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and the Listing Rules of the Colombo Stock Exchange. The Statement of Directors' Responsibility for Financial Reporting is given on page 66 and forms an integral part of the Annual Report of the Board of Directors.

Auditor's Report

Company's Auditors, Messrs PricewaterhouseCoopers, carried out the statutory audit on the Financial Statements of the Company for the period ended 31 March 2018 and the report on those Financial Statements is given on page 68 of this Annual Report.

Significant Accounting Policies

The accounting policies adopted by the Company in the preparation of Financial Statements are stated on pages 75 to 83.

Going Concern

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

Revenue

The revenue of the Company for 2017/18 was LKR 2.3 Bn. an analysis of income is given in Note 25 to the Financial Statements.

Financial Results

The Company's profit for the period amounted to LKR 241Mn.

The Company's Income Statement for the period is on page 72. Details of transfer to/from reserves in respect of the Company are shown in the Statement of Changes in Equity on page 73.

Stated Capital and Reserves

The stated capital of the Company as at 31 March 2018 is LKR 1.8 Bn. comprising 236,666,670 ordinary shares and 1 Golden share. There were no changes in the stated capital during the period.

The capital and reserves of the Company as at 31 March 2018 amounts to LKR 1803 Mn. and LKR 149 Mn., respectively.

Dividend on Ordinary Shares

An interim dividend of LKR 118,333,335 (LKR 0.50 per share), was paid on 27 March 2018.

During the period, the Directors recommend that the final cash dividend of LKR 0.25 per share be paid for the period ended 31 March 2018.

Corporate Donations

During the period 2017/18 Company has not made any donation.

Provision for Taxation

The profit of the Company is liable for income tax at varying rates. The profit from agriculture is liable for income tax at 10% while profit earned on manufacturing of tea is liable for income tax at 28%. Other operating income is liable at 28%.

The Company has also provided deferred tax on all known temporary differences under the liability method, as permitted by the Sri Lanka Accounting Standard – LKAS 12 on "Income Taxes".

Information on the income tax expense and the deferred taxes of the Company is given in Note 29 and 96 to the financial statements.

Capital Expenditure

The total capital expenditure on purchase and construction of Property, Plant and Equipment, and expenditure incurred on immature plantations by the Company as at 31 March 2018 amounts to LKR 50 Mn. and LKR 17 Mn. respectively. The movement in Property, Plant and Equipment is set out in Note 8 to the
Financial Statements.

Property, Plant and Equipment

Total value as at 31 March 2018 amounts to LKR. 1.15 Bn.

The details of Property, Plant and Equipment are given in Note 8 to the Financial Statements.

Statutory Payments

The Directors to the best of their knowledge and belief are satisfied that all statutory payments in relation to employees and the Government Institutions have been made up to date.

Events After the Reporting Date

No events have occurred after the reporting date, which would require adjustments in the Financial Statements.

Directors' Interest Register

In compliance with the Companies Act No. 07 of 2007, the Company maintained the Interest Registers. Particulars of Entries in the Interest Register are set out in Note 35 to the Financial Statements.

Shareholdings

As at 31 March 2018, there were 16,000 registered shareholders. Information on the distribution of shareholding, categories of shareholders and the percentage holding of Twenty Largest Shareholders is indicated on pages 107 and 108.

Equitable Treatment to Shareholders

The Company has at all times ensured that all shareholders are treated equitably.

Directors' Interest in Transactions

The Directors of the Company made the general disclosures provided for in Section 192 (2) of the Companies Act No. 07 of 2007. Note 35 to the Financial Statements have dealt with related party disclosures and include details of their interests in transactions. The shareholdings (No. of shares) of Directors are as follows:

As at 31 March 2018	No. of Sharers
S G Wijesinha	01
G Sathasivam	–
V Govindasamy	–
A N Fernando	01
M S Mawzoon	–
L D Ramanayake	–
N B Weerasekara	–
B A Hulangamuwa	–
Mr K Venkataramanam (Resigned w.e.f 28.12.2017)	–
Mr A Misra (Resigned w.e.f 28.12.2017)	–
Mr C P Thomas (Resigned w.e.f 28.12.2017)	–
Mr. Pratheepan Karunagaran	–

Directors' Emoluments

Directors' emoluments, in respect of the Company for the financial period ended 31 March 2018 are given in Note 27 to the Financial Statements.

The Board of Directors

As at 31 March 2018, the Board of Directors of Hatton Plantations PLC consisted of nine members. Names of the Directors and their brief profiles appear on pages 16 and 17 of the Annual Report.

Auditors

Messes PricewaterhouseCoopers, (PwC) Chartered Accountants are deemed to be appointed as Auditors in terms of Section 158 of the Companies Act No. 07 of 2007.

The audit fees paid to PwC during the period under review by the Company amounted to LKR 1.7 Mn

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 interests in the Company.

Corporate Governance/Internal Control

Adoption of good governance practices has become an essential requirement in today's corporate culture. The practices carried out by the Company are explained in the Corporate Governance reports on pages 19 to 27.

Environmental Protection

To the best of knowledge of the Board, the Company has complied with the relevant environmental laws and regulations. The Company has not engaged in any activity that is harmful or hazardous to the environment.

Directors' Meetings

The details of the Directors' meetings which comprise Board meetings, Audit Committee meetings, Remuneration and Nomination Committee meetings, Related Party Transactions Review Committee and Attendance of Directors at these meetings are given in the Annual Report under Corporate Governance, Audit Committee Report, and Remuneration Committee Report and Related Party Transaction Review Committee.

Annual General Meeting

The Annual General Meeting will be held at the "Lotus Room" of the Bandaranaike Memorial International Conference Hall (BMICH), Bauddhaloka Mawatha, Colombo 07, on 28 June 2018 at 11.30 am. The Notice of the Annual General Meeting appears on page 114 for and on behalf of the Board.

V Govindasamy
Managing Director

Sunil G Wijesinha
Chairman

Corporate Advisory Services (Pvt) Ltd.
Secretaries,
Hatton Plantations PLC

25 May 2018


WALTRIM

REPORT OF THE AUDIT COMMITTEE

Role of the Audit Committee

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

Composition

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

- A N Fernando – Chairman (Independent, Non-Executive Director)
- S G Wijesinha (Independent, Non-Executive Director)
- L D Ramanayake (Independent, Non-Executive Director)
- B A Hulangamuwa (Non-Independent, Non-Executive Director)

Profiles of the members are given on pages 16 and 17 Corporate Advisory Services (Pvt) Ltd., the Group Secretaries functions as the Secretaries to the Audit Committee.

Meetings and Minutes

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

The Audit Committee met two (02) times during the period.

Members and attendance at meetings held during the period ended 31 March 2018 are given below:

Name	No. of Meetings
A N Fernando	02 of 02
S G Wijesinha	02 of 02
B A Hulangamuwa	01 of 02
L D Ramanayake	02 of 02

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

The Audit Committee shall report to the Board.

Responsibilities

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

Tasks of the Audit Committee

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

Financial Reporting

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

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

In the review of the Annual Audited Financial Statements, the Committee discussed with the Chief Executive Officer, Senior Manager – Finance and External Auditors the significant accounting policies, estimates and judgements applied in preparing these reports, the accounting principles and reporting standards that were applied and the impact of the items to the Financial Statements.

Internal Control and Risk Management and Internal Audit

The Committee reviewed the risk management process and discussed the inherent risks faced by the business as they affect financial reporting. The principal risks and uncertainties are outlined in the relevant section on pages 30 to 34.

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

External Audit

Reviewed with the External Auditors their audit scope, audit strategy and audit plan for the period and their proposed fees for the statutory audit.

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

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

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

Reviewed the performance of the External Auditors, Messrs PricewaterhouseCoopers and recommended their reappointment for financial year ended 31 March 2019 subject to the approval of the shareholders at the next Annual General Meeting.

Regulatory Compliance

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

Audit Committee Effectiveness

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

Conclusion

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

On behalf of the Audit Committee,

A N Fernando
Chairman – Audit Committee
25 May 2018

REPORT OF THE REMUNERATION AND NOMINATIONS COMMITTEE

Terms of Reference

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

Composition

The Committee is made up of four Directors namely –

- G Sathasivam (Non-Executive, Non Independent)
- A N Fernando (Non-Executive, Independent)
- S G Wijesinha (Non-Executive, Independent)
- N B Weerasekera (Non-Executive, Independent)

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

Remuneration Policy

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

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

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

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

Non-Executive Directors' Fees

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

The Directors emoluments are disclosed on Note 27 to the Financial Statements.

On behalf of the Remuneration Committee,

G Sathasivam
Chairman – Remuneration Committee
25 May 2018

REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The Board Related Party Transactions Review Committee (the Committee) was established in terms of the Code of Best Practice on Related Party Transactions issued by the Securities & Exchange Commission of Sri Lanka (the "Code") and Section 9 of the Listing Rules of the Colombo Stock Exchange (the "Rules").

The Committee comprises three (3) Independent Non-Executive Directors and one (1) Non-Executive Non-Independent Director, further one committee member is a Senior Charted Accountant. The Committee's composition as at 31st March 2018 is:

- A N Fernando – Chairman (Independent, Non-Executive Director)
- S G Wijesinha (Independent, Non-Executive Director)
- L D Ramanayake (Independent, Non-Executive Director)
- B A Hulangamuwa (Non-Independent, Non-Executive Director)

The above composition is in compliance with the provisions of the Code and the Rules regarding the composition of the Committee. Brief profiles of the members are given on pages 16 and 17 of the Annual Report. The Company Secretary functions as the Secretary to the Committee.

Meetings

The Committee met two (2) times during the period. Attendance of the Committee members at each of these meetings is as follows.

	No. of Meetings
A N Fernando	02 of 02
S G Wijesinha	02 of 02
L D Ramanayake	02 of 02
B A Hulangamuwa	01 of 02

Terms of Reference

The role and functions of the Committee are regulated by the Code and the Rules.

Role and Responsibilities

The mandate of the Committee is derived from the Code and the Rules and includes mainly the following:

1. Developing and maintaining a Related Party Transactions Policy consistent with the provisions of the Rules for adoption by the Board of Directors of the Company (the Board).
2. Reviewing all proposed Related Party Transactions ("RPTs") in compliance with the provisions of the Rules.
3. Advising the Board on making immediate market disclosures and disclosures in the Annual Report where necessary, in respect of RPTs, in compliance with the provisions of the Code and the Rules, Procedures and Directives/ Guidelines Adopted by the Committee for reviewing RPTs.
4. Ensuring that Procedures / Directives/Guidelines are issued to compel all RPTs to be referred to the Committee for review.

Review Function of the Committee

Review of the relevant RPTs by the Committee takes place quarterly. The Committee has communicated its observations to the Board RPTs are published in the Note 35 to the Financial Statements.

Reporting to the Board

The minutes of the Committee meetings are tabled at Board meetings enabling all Board members to have access to same.

Professional Advice

The Committee has the authority to seek external professional advice on matters under its purview. The Committee consulted and sought advice in regard to the identification of RPTs and Reporting Requirements from the Company external auditors, Messrs PricewaterhouseCoopers.

On behalf of the Board Related Party Transactions Review Committee,

A N Fernando
Related Party Transactions Review Committee
25 May 2018


NO 1
NO 2
NO 3
NO 4
NO 5
TOTAL
ESTIMATE
DAILY
KENILWORTH

BUSINESS MODEL
OPERATING ENVIRONMENT

Sri Lanka's Economy

Though operating within a strict fiscal and monetary policy environment, according to the Asian Development Bank (ADB), Sri Lanka's economy had a slowdown in growth, achieving a rate of 3.1% in the year 2017[1] in comparison to the 4.4% growth rate in 2016. In addition, the agricultural sector had a sectoral GDP de-growth rate of - 3.3%[2] in the third quarter of the year under review.

According to a study conducted amongst Estate Workers (especially Tea estate workers), by the Institute of Policy Studies, Sri Lanka on behalf of the Global Living Wage Coalition; 4.4% of the total Sri Lankan population, consists of the estate community. According to the study, decent living wage for a family of four, based on study parameters and research methodology, is calculated at a gross of LKR 23,315.00 whereas the prevailing rates during the year 2017 marked LKR 19,086.00. This is sans the incentives, bonus, or attendance-motivator provided for estate workers. The Collective Agreement signed between the Government and the Trade Unions of the estate worker population, adjusted the gap to a certain extent. In the meantime, we support our worker population through non-food-non-housing (NFNH) efforts, upgrading their living conditions, and assisting their children in educational, recreational, and vocational training skills to live a decent life[3].

Adult children of the estate worker population do not necessarily get absorbed into the worker population, as their aspirations are more towards gaining a higher education and moving to different strata in life and society. Underpinned by the marvellous strides Sri Lanka has made in technological, telecommunication and access to information arenas, most young-adults tend not to pick their parents' sickle in becoming estate workers. This poses a challenge in replacing the work force due to natural attrition in life cycles.

Sri Lanka experienced extreme and adverse weather conditions during the first nine months of 2017, affecting most agricultural produce which forms the backbone of the economy. Growing of tea, however, recovered during the last quarter of the year, turning a new page from the downward trend it displayed over the past three years. According to the Agricultural Production Index, a decline was observed in most agricultural sectors while tea production recorded a positive growth of 5.2% in comparison to the previous year. This resulted in an output of 307.7 Mn. kilogrammes compared to 292.6 Mn. kilogrammes in 2016. It is noteworthy that this growth was recorded within the constraints of restrictions on certain types of pesticide and increased labour costs due to decreased supply, leading to a high production cost. A marginal increase in prices was seen at Colombo Tea Auctions, as well as the international market, which is attributable to an increased demand for "Ceylon Tea" and a depreciation of the Sri Lanka rupee[4].

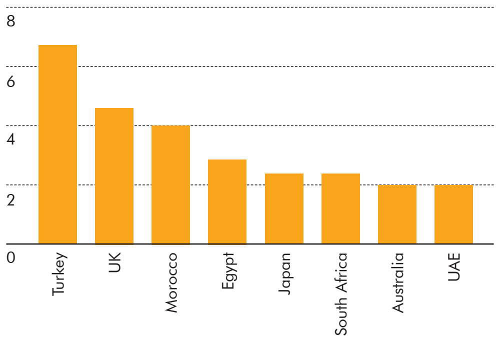
Though marginal, the upward trend in the tea prices and the demand in international and domestic markets supported by the resilience of the crop to withstand adverse weather conditions to yield a good harvest, indicate the sustainability of this product in the long term.

Global Economy

According to World Bank Reports[5], global growth reached 3% in 2017, making it the strongest growth rate year since 2011. It is forecast to move further up, albeit gradually, as the emerging markets continues to recover from economic setbacks in the previous years. This encouraging trend, however, is subject to several key risk issues. Among them, financial stress, increased protectionism, rising geopolitical tensions and over the long term, weaker potential growth. Amid these, 2018 is generally predicted as supportive to global growth as headwinds to commodity exporter activity dissipating, while importers remain robust.

Global tea market was valued at $46,392 Mn. in 2016 and is projected to reach $67,751 Mn. by 2023, growing at a CAGR of 5.5% from 2017 to 2023. It's researched and highlighted many health benefits has developed a major global population that consume tea as a habit, contributing to the growth in the tea market.

Annual Per Capita Tea Consumption, By Country (lb)



The above figures indicate Turkey, the UK, and Morocco as the top tea drinking nations. From among these, Turkey and Russia are Sri Lanka's top tea buyers[6].

Globally, there is an increasing trend for more value-added tea. Value added tea helps producers to improve margins since the product differentiation allows the producers to be less reliant on prices determined by the markets. Sri Lanka is in a position to capitalise on this trend, as our tea is renowned for its high quality, unique aroma and taste. Three major geographical zones and unique plucking methods facilitate a variety of specialized tea products in Sri Lanka. Historically, "Ceylon Tea" is a brand that's retained it's number one position in the global tea market.

It is our strong belief that these positive trends will support export of tea and garner a significant market share in the international markets to increase Sri Lanka's foreign exchange earnings. HPL is privileged to be a key player in this robust market.

1 www.adb.org/countries/sri-lanka/economy
2 www.cbsl.gov.lk/sites/default/files/cbslweb_documents/statistics/mecpac/Chart_Pack_Q3_2017
3 Global Living Wage Coalition /Institute of Policy Studies on Living Wages for the Tea sector
4 www.cbsl.gov.lk/sites/default/files/cbslweb_documents/publications/annual_report/2017/en/6_Chapter_02.pdf
5 http://pubdocs.worldbank.org/en/890001512062601032/Global-Economic-Prospects-Jan-2018-Highlights-Chapter-1.pdf
6 https://www.alliedmarketresearch.com/tea-market

STRATEGIC FRAMEWORK

Inspired by our Group strategy, HPL's future strategy is based on the singular requirement of producing high quality tea. Our strategic push will define our performance as we gear to face a challenging market, implement ambitious plans, and deepen investment in our people and assets.

Productivity

- Follow through sustainable soil management practices to improve land productivity.
- Engage the workforce, motivate and ensure their well-being.
- Invest in technology to mechanise field operations and automate factory processes.
- Reduce wastage, leakage, and keep a lean cost structure.

Quality

- Focus on innovation, quality, and greater value-addition to manufacture specialty teas to meet buyer requirements.
- Leverage strategic partnerships, consistent training, and technology development, to maximise quality in growth, harvest, purchase, and manufacture.

Responsibility

- Uphold sustainable agriculture and manufacturing practices and follow certification guidelines.
- Implement comprehensive measures to ensure environmental responsibility.
- Comply with laws and regulatory requirements.
- Carry out social programmes to uplift the living standards of the resident communities and integrate operations with neighbouring communities.

STAKEHOLDER ENGAGEMENT

Stakeholder engagement is a shared responsibility across the Organisation with feedback used as a barometer to determine the effectiveness and relevance of our operations and even considered as an early indicator for change of strategic direction.

Structured mechanisms are in place for engagement with key groups of stakeholders who create value for us and to whom we distribute value as described below:

Stakeholders	Engagement	Value created
Employees As 99% of our employees reside in the plantations, our role extends to provision of a variety of welfare services	• Daily forums • Community development forums • Employee surveys • Complaint registers maintained at all estates • Monthly meetings with union representatives	• Livelihoods • Empowerment • Equal opportunity • Job enrichment • Lifestyle • Medical facilities • Conducive environment
Small Holders We purchase tea leaves from Small scale plantations and Small holders which accounts for approximately 25% of leaves processed in our factories	• Village forums • Complaint registers maintained at all estates • One to one meetings	• Fair price • Technical advice on agribusiness • Financial support
Brokers and Buyers 90% of our tea is sold at the Colombo Tea Auctions through Brokers. Other produce is sent direct to buyers.	• Tea auctions • One to one meetings	• High quality produce • Certifications of quality assurance systems • Compliance with certification requirements
Communities We work with the government and NGOs to facilitate the socio economic progress of residents on our estates.	• Village forums • One to one meetings complaint • Registers maintained at all estates	• Provision of housing and other facilities • Basic medical facilities • Education for children • Preservation of environment • Financial support for community development
Investors Shareholders and banks provide capital to finance our growth	• Quarterly financials • Press releases • Annual Report	• Increasing financial returns • Risk Management • Corporate Governance
Government The Government is the Golden Shareholder in the Company, the lessor of the estates we manage and the regulator of markets and the environment. The Government also levies taxes on our products sold and profits.	• One to one meetings at estate level with local government and provincial councils. • One to one meetings at corporate level with relevant ministries and Department of Inland Revenue.	• Alignment with national strategy • Compliance with terms of lease agreements • Preservation of natural capital • Timely payment of taxes

VALUE CREATION MODEL

Capitals engaged (Inputs)

Natural capital
- Exceptional biodiversity, soil quality, and climate
- Renewable and non-renewable energy sources
- Water from natural aquifers
- Locally sourced raw materials

Social and Employee capital
- Skilled, motivated, and engaged employees
- Healthy and developing estate communities
- Robust Group, Company, and estate leadership

Relationship capital
- Proactive collaboration with unions, regulators, Government, and non-governmental agencies
- Engaged and aware smallholders and suppliers
- Strategic partnerships and collaborations
- Community trust
- Investor confidence

Value-creation process (Activities / Business Processes)

Growing
Planting, pruning, weeding, and nurturing our tea plantations is a part of our core business. Sustainable farming practices go hand-in-hand with forestry management and biodiversity protection.

Harvesting
Harvesting of two leaves and a bud is a fine art that underlies the quality of our tea. Strong employee engagement, regular training, and phased modernisation lead to high production capacity, while retaining quality.

Purchasing
We augment our own cultivation of tea with green tea-leaves bought from our suppliers (tea smallholders). All bought leaf is sourced locally and we work to develop the capacity of local smallholders at every step.

Relationship management
Stakeholder relationships are a key driver in our success and growth. We derive, create, and share value through strong and strategic relationships with our employees & communities, smallholders, brokers & buyers, customers, investors, and government.

Value created and shared (Impact / Outcomes)

Employees
- LKR 1.1 Bn. expended on salaries, wages, and other benefits (for 7004 employees, 99% residing on estate).
- Over 6000 employees were members of trade unions.

Communities
- LKR 488.9 Mn. invested in community development (via direct inputs and through partnership with Government and non-governmental agencies).
- Over 3000 families directly befitted from standard housing and sanitation, better healthcare, increased awareness and capacity, improved infrastructure, and greater social cohesion.

Smallholders and suppliers
- LKR 758.6 Mn. in purchases from suppliers and service providers.
- 100% of purchases from local suppliers.
- 25% - 30% of leaves processed, bought from over 100 local smallholders.

Intellectual capital
- Globally recognised brand and reputation (Selling marks, Certifications)
- Positive corporate culture
- Innovation across processes and products

Manufactured capital
- Biological assets (cultivated tea bushes, owned and bought leaf)
- Factories
- Fleet
- Equipment

Financial capital
- Debt and equity financing
- Reinvestment

Manufacturing
We emphasise on value-addition, quality, innovation, and modernisation throughout our tea manufacturing process. Our state-of-the-art factories lead the industry in setting standards for sustainable processing and operational excellence.

Branding and Marketing
Our distinct garden selling marks are renowned for premium teas. Our marketing teams leverage the Company's passion for environmental conservation, community development, sustainable farming, and quality tea, to ensure our produce has the competitive edge.

Sale
The majority of our tea is sold through brokers at the Colombo Tea Auction (CTA). Consistent and at times record-breaking performance of our garden selling marks ensures we continue to command premium prices.

Export
The majority of our tea, both orthodox and CTC, is geared for the export market. We work through strategic partnerships to export our value-added teas to countries like the USA, UK, Australia, Pakistan, India and Russia.

Customers / End-consumers
- 3985 MT tea produced.
- All estates carry certification for compliance with global benchmarks for ethical and sustainable practices.

Investors
- LKR 416.6 Mn. EBIT, LKR 390.5 Mn. PBT, LKR 240 Mn. PAT.
- LKR 118.3 Mn. dividend paid to shareholders.
- LKR 267.6 Mn. reinvested for expansion and growth.

Government
- LKR 38.3 Mn. paid on taxes and lease rentals.
- Complete alignment and coordination with Government strategies for the sector and community.


TEA PRODUCE OF SRI LANKA
NETT :5200 GRADE: BOP
TARE : 60 BAG NO: 20/20
GROSS :5260 INV NO : 25
WALTRIM
Watawala Plantations PLC

MANAGEMENT DISCUSSION & ANALYSIS
FINANCIAL CAPITAL

HPL was incorporated in September 2017. As such, the Company's financial year commenced on 1 October 2017 and the reporting period encompasses a period of six months, up to 31 March 2018. LY represents Watawala (WATA) numbers for the same period.

FY18 (06 months)

Crop - (Kgs.)

	TY	LY	%
Own	2,636,343	2,296,151	15%
Bought	1,349,487	1,198,574	13%
Total	3,985,830	3,494,725	14%

Performance (LKR '000)

Revenue	2,317,027	2,200,431	5%
Gross Profit	435,789	510,732	-15%
GP Margin %	19%	23%	
EBIT	416,607	508,650	-18%
NP	240,831	414,626	-42%

FY18Q4

Crop - (Kgs.)

	TY	LY	%
Own	1,423,106	969,656	47%
Bought	713,335	536,076	33%
Total	2,136,441	1,505,732	42%

Performance (LKR '000)

Revenue	1,331,469	1,374,383	-3%
Gross Profit	222,778	321,791	-31%
GP Margin %	17%	23%	
EBIT	230,761	334,325	-31%
NP	146,677	233,311	-37%

Earnings before interest and tax (EBIT) for the period FY 2018 was recorded at LKR 417 Mn. in comparison to the same period last year was LKR 509 Mn. in FY 2017. Several trends contributed to the decreased profitability. This is primarily due to a significant reduction in Net Sales Averages (NSA) realised at the Colombo tea auction. Reduction in NSA since FY18 Q3 to the end of FY18 was LKR 39.00 per kg. The same impact has caused a substantial reduction in Profit and EBIT for Q4 of FY18.

Increase in tea production recorded during Q4 of 2018 lowered the prices, impacting the bottom line negatively. As the Company had embarked on a modernised production line with innovative technology, complemented by futuristic strategies, prior to its incorporation in September 2017, adverse effects of the NSA were, to some extent, mitigated. As the crop increased by 14% and 42% respectively for FY18 and FY18 Q4, an increase in revenue took place by 5% for FY18 and -3% growth for Q4 of the period under review.

Gross profit margin also declined as the Government withdrew the fertiliser subsidy and banned certain weedicides, resulting in manual weeding that weighted the cost of labour. The decline was further accentuated by the increased bought-leaf cost, due to increased NSA. This impact was reflected in EBIT, for the period under review.

A Deferred tax provision of LKR 96 Mn. has been made in arriving at the Net Profit for the period, since FY18 is the first year of operation for HPL.

Weathering the adverse trends however, the Company recorded an EPS of LKR 1.02 with a PE Ratio of 7.67. Dividend payout recorded at 49% consisting of LKR 0.50 per share of an interim dividend, paid for the period under review.

Administrative Costs

Administration costs for the period are well within the budget. Lean management practices, and continuous focus and monitoring helped manage expenditure within the approved budget.

LKR '000	Actual	Budget
Staff related expenditure	64,838	67,548
Vehicle running and maintenance	5,319	7,970
Office administration expenditure	7,109	9,013
Marketing and sales promotions	1,293	2,318
Professional fees and taxes	6,056	7,528
Sundry expenditure	5,876	8,468
Depreciation	9,706	9,706
Social and other expenditure	3,464	3,831
Total	**103,661**	**116,382**

Finance Cost

The Company managed funds efficiently and effectively from cash generated by the business. Finance expenses represent the bank loan interest and JEDB/SLSPC lease interest. Finance income of LKR 10.9 Mn. was generated from short-term deposits made throughout the period. Short term deposits as at 31 March 2018 stand at LKR 151 Mn.

LKR '000	31 March 2018
Bank loan interest	16,105
JEDB/SLSPC lease interest	20,880
Finance cost	36,985
Finance income	(10,923)
Net finance cost	26,062

Other Income

The details of the other income are as follows:

LKR '000	31 March 2018
Profit on sale of property, plant and equipment	2,503
Amortisation of capital grants	3,134
Gain on biological assets – growing crops on bearer plants	3,204
Consumable biological assets – gain on fair valuation	25,673
Hydropower income	31,724
Fair value of concession loan	3,295
Net sundry income	14,946
	84,479

Net Assets

Net assets of the Company increased by LKR 95 Mn. to end FY 18, resulting in net assets per share increasing up to LKR 8.25 per share. Further, an interim dividend of LKR 0.50 per share was paid during FY18 Q4, amounting to LKR 118 Mn.

Gearing

The Debit ratio declined to 7% from 9% when compared to the opening balance sheet as at 1 October 2017. The Debt to Equity ratio also declined by 4%.

	FY 18	FY 18 OP Balance Sheet	Change %
(a) Debt Ratio (Total Borrowings/Total Assets)	7%	9%	-2%
(b) Debt/Equity Ratio (Total Borrowings/ Equity)	13%	17%	-4%

Assets

Total assets grew by LKR 281 Mn. during the period, largely attributed to an increase in inventories, cash, and cash equivalents. Biological Assets accounted for 36% of total assets, property plant & equipment and current assets represent 30% each.

Cash Flows and Working Capital Management

Strong performance during the year contributed to healthy cash flow generation. Funds were utilised toward paying dividends, settling long-term debts, and investing in capital expenditure. Excess funds have been invested in short-term deposits, reflected under cash and cash equivalents, to be utilised towards future investments.

The current and quick assets ratios are strong at 1.77 times and 0.72 times, respectively, given the increase in cash and cash equivalents.

Return to Shareholders

HPL creates value to the shareholders through dividends and enhanced value of shares. The dividend policy seeks to maximise shareholder wealth, whilst retaining funds for future investments.

The Board of Directors have recommended a final dividend of LKR 0.25 per share for FY18. This is in addition to the interim dividend of LKR 0.50 per share, already paid.

Way forward

With the advantage of a stand-alone Company that can now focus fully on the production of quality and specialised teas, HPL is well-established and positioned to navigate and manage future challenges with a strong capital base, an experienced team, expertise in the field, and a strong commitment to providing decent living conditions to the estate community.

Modernising the manufacturing process has already taken place in several estates, and will be implemented at all HPL estates in the future. This, we are confident, will contribute to a lower cost of production, together with the removal of the chemical ban and granting of fertiliser subsidy, by the Government. Solar powered green energy factories are on the drawing board, and these are expected to further reduce cost of production.

Retaining and redesignating the experienced estate associates and encouraging the next generation of youth to join the industry, is a key aim. We are working on a model to achieve both these purposes, which, no doubt, will ensure sustainable progress for our Company.

INTELLECTUAL CAPITAL

With a legacy and a long-standing history in tea production with attention to quality and the innovative technology introduced by our previous joint venture partner and the strong management practices and ethics of our Company, estates managed by HPL were in the front-running, with its Waltrim Tea Factory bagging the First Place for Best Tea Factory at National Tea Awards in 2017. The Company was placed Second, in the Best Tea Taster/Tea Exporter Category for the year under review.

Our intellectual capital distinguishes HPL from industry peers. Our distinct garden selling marks renowned for premium teas, international certifications affirming our passion for environmental conservation and community upliftment, the agri-crop specific tacit knowledge and innovative spirit of our employees and the foresighted strategic leadership of the management drives HPL's operational excellence and competitive edge.

Selling Marks

Our 14 garden selling marks, listed below, are each distinct in their own taste, quality, character and appearance, based on the soil and climatic conditions the tea estate is located in. Many, including Waltrim, are renowned for their superior quality and are ranked at the top of selling marks from the respective agro-climatic regions, commanding premium auction prices.

Last February, the garden marks of Waltrim Estate, Lindula set an all-time record price of LKR 980.00 for a BOPF grade in the Western High Grown.

Certifications

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

Certifications

- Rainforest Alliance
- ISO 22000:2005
- HACCP
- Ethical Tea Partnership
- FLO Certification
- SGS
- Sri Lanka Standards Institution – Sri Lanka Tea Board
- 5S
- Good Agricultural Practices
- Food Safety Management System

ISO 22000:2005	HACCP	Ethical Tea Partnership	Fair Trade
This certifies that our food safety management systems addresses the food safety management risks across the food supply chain.	Certifies that our Hazards Analysis and Critical Control Points systems for biological, chemical and physical hazards from raw material production, procurement and handling to manufacturing, distribution and consumption is compliant with international best practice.	Certifies that our products meet with international standards on social and environmental practices.	This certifies that our products meet international Fairtrade Standards which cover environmental, labour and developmental aspects.
6 Estates Certified	5 Estates Certified	14 Estates Certified	6 Estates Certified
Abbotsleigh, Dickoya, Waltrim, Shannon, Kenilworth, Carolina	Abbotsleigh, Dickoya, Waltrim, Shannon, Kenilworth	Abbotsleigh, Dickoya, Waltrim, Henfold, Shannon, Tangakelle, Kenilworth, Vellaioya, Carolina, Agarakande, Ouvahakellie, Lippakellie, Strathdon and Wigton	Abbotsleigh, Dickoya, Waltrim, Henfold, Kenilworth, Vellaioya

Estate-wise Selling Marks

Hatton Plantations PLC

Region	Estate	Selling Mark
Lindula	Waltrim	Lindula, Waltrim
	Henfold	Henfold, Caledonia
	Tangakelle	Tangakelle, Cymru
	Agrakande	Agrakande, East Fassifern, Abington
	Ouvahkelle	Ouvahkelle
	Lippakelle	Lippakelle
Hatton	Dickoya	Dickoya, Adisham, Dunbar
	Vellai Oya	Vellai Oya, Agra Oya
	Abbotsleigh	Abbotsleigh CTC, Florence CTC
	Strathdon	Strathdon CTC, Coldstream CTC
Watawala	Shannon	Shannon, Watawala
	Kenilworth	Kenilworth, Strathllie, Guniss Rock
	Carolina	Carolina CTC, Kadawela CTC, Trafalgar CTC

Tacit Knowledge

HPL is committed to the use of best agricultural management practices to optimise crop yields and quality. Constantly upgrading knowledge and skill levels of its workforce from the estate worker to the estate management, HPL is committed to ingrain new and modern concepts and technologies to its production line, which is the tea estate and the factories. What may initially be introduced as 'explicit' knowledge is nurtured into tacit knowledge, through regular practice of skills and experience. This envelopes our treatment of the natural capital which is dealt in detail, further on in the Report.

Innovation

At HPL Managers are empowered in their roles and responsibilities, encouraging out of the box thinking to adapt and adopt innovative management approaches in an increasingly challenging industry environment. Employees are given a hearing ear to their ideas and are encouraged to escalate them to senior management, thus encouraging employee engagement towards improvement of the Company. Implemented ideas are rewarded, ensuring a motivated worker in an environment of belonging.

Globally recognised environment, social, and product responsibility standards

14 garden selling marks, each distinct in their own taste, quality, character and appearance

MANUFACTURED CAPITAL

Property Plant and Equipment

HPL's manufactured capital consists of property, plant and equipment and biological assets.

Property, plant and equipment primarily consists of 11 tea factories. We have continuously invested in upgrading our factories with emphasis on innovation and value addition in order to enhance capacity, product quality and cost efficiency.

Our tea estates are located in the Central Province (encompassing high grown, medium grown and low grown categories) and the factories produce both orthodox and CTC teas. We have continuously invested in upgrading our factories with emphasis on innovation and value addition in order to enhance capacity, product quality and cost efficiency.

Monetised Capital

		2018
Production Capacity		
Tea	Kg/day	49,945
Capacity Utilisation		
Tea	Kg/day	26,363
Investments in CAPEX	LKR '000	67,925
Bearer Plants	LKR '000	662,345
Biological Assets	LKR '000	679,356
Carrying Value of Property, Plant and Equipment	LKR '000	1,153,612
Depreciation/Amortisation Charge	LKR '000	76,588

Tea Production

Estate	Total Factory Production in Kg
Abbotsleigh	742,816
Carolina	548,310
Dickoya	371,424
Kenilworth	309,235
Shannon	262,474
Strathdon	461,565
Vellaioya	405,740
Agrakande	10,771
Henfold	265,160
Tangakelle	199,375
Waltrim	408,960
	3,985,830

Our eco-friendly, state-of-the-art factory at Waltrim, uses natural air flow and ventilation for tea leaf processing, improving the withering process and the quality of tea whilst transparent sheets in the loft allows for natural lighting, reducing energy cost. Watawala leads the industry, setting benchmarks for sustainable processing and operational excellence, improving our competitiveness and bottom line.

Enhancing labour productivity is another area of focus for the Company. Given the low level of mechanisation in the tea plantation sector and the Government's ban on weedicide glyphosate, it is necessary for our production to incorporate a labour intensive manual weeding in the rough and mountainous terrain. Consequently, our field productivity levels are above the national average for tea.

Embarking on a stand-alone journey, intrusively focusing on production of high quality tea, it is our aim to modernise our approach to the business, both on human capital and the technology platforms. Field irrigation being a critical component to high quality tea plants and thereby, a good harvest, we plan to invest in the latest technology to achieve this. Factories with modern equipment, solar energy plants, an automated manufacturing process, creating of Green Energy factories and maximising the potential of IT in the business process from office to factories are planned as our way forward in the coming year.

232,300 Kg
Green leaf - Daily processing capacity

LKR 662 Mn.
Value of bearer plants on estate

49,945 Kg
Daily Tea production capacity

Biological Assets

Our biological asset is the tea crop and we hold an asset value of LKR 662 Mn. in this direction. Sundry crops such as cinnamon and pepper are cultivated as sub-crops. Our use of land guided by our Agricultural policy that balances stakeholder concerns i.e., health and welfare concerns of the community, prevents abuse of the environment and ensures that we nourish the soil using environmentally-friendly measures. All our plantations are Rainforest Alliance Certified confirming our commitment to environmental conservation, biodiversity and the health and welfare of our employees and families. Natural Capital Section of the Report will further enumerate on our larger and wider commitment to this scarce resource and our efforts in working on a sustainable platform, ensuring ethical usage for the benefit of our future generations.

Yield per Hectarage (kg)

	Oct.-March	April-Sep.	Agri Sector				
Region	HPL	WPL	Total	2016/17	2015/16	2014/15	2013/14
Watawala	683	646	1,329	1,269	1,373	1,533	1,420
Hatton	747	733	1,480	1,224	1,441	1,624	1,570
Lindula	633	672	1,305	1,152	1,444	1,523	1,415
Tea	685	688	1,373	1,213	1,439	1,568	1,480

Tea Production (Kg '000)

	Oct.-March	April-Sep.	Agri Sector				
Region	HPL	WPL	Total	2016/17	2015/16	2014/15	2013/14
Tea							
Watawala	1,094	979	2,073	1,893	2,489	2,754	2,563
Hatton	1,883	1,866	3,749	3,459	4,297	4,402	4,388
Lindula	1,009	1,079	2,088	1,835	2,323	2,881	2,682
Tea	3,986	3,924	7,910	7,187	9,109	10,037	9,633

RELATIONSHIP CAPITAL

Stakeholder relationships are a key driver in our success and growth. Our model for social and relationship capital reflects how we derive value from what we do, to deliver value to our stakeholders. Harnessing and driving the attributes which underlie the strength of our brand, which are commitment and product quality, social and environment responsibility and investments in new technology and innovation, we focus on strengthening our key relationships, to build platforms of success, for the future.

Business Partners Customers and Strategic Partners

Over 90% of our tea produce is sold through brokers at the Colombo Tea Auction and the balance to direct buyers including wholesalers and exporters whom are in the process of making value added teas and selling globally earning substantial USD earnings to the country.

Suppliers

Bought leaf and agro-chemical suppliers are our regular partners. Bought leaf volumes account for 25% to 30% of green tea leaves processed and are met through over 100 suppliers, of whom 22 are key. The suppliers are either tea small holders registered with TSHDA (Tea Small Holders Development Association) or collectors from groups of out growers, registered with the Tea Commissioners Division. All bought leaf suppliers are located within a 30 km radius of the factory it is supplying.

Fertilisers and agro-chemicals are purchased from 2-3 local suppliers of repute, who are recognised in the industry for their high quality goods and reliability in supply. By regulation, these suppliers are registered with the National Fertiliser Secretariat and the Registrar of Pesticides, respectively. Volumes of purchases of agro-chemicals has reduced subsequent to the banning of weedicides – glyphosate and Basta. Alternatively, HPL engages in manual weeding, as explained under the Tea segment. Following the withdrawal of the fertiliser subsidy by the Government, HPL continues to purchase fertiliser at a higher cost. The Company has been focused on improving the cost-effectiveness of fertiliser application through initiatives including soil mapping and leaf analysis.

Engagement

Building trust in the HPL brand is the focus of our engagement initiatives. Based on nurturing relationships supported by common understanding and shared experiences, we regularly invite our business partners to visit our plants and factories to showcase our production process and to augment the confidence they have placed in our Company.

Known for our high quality production processes, that has environmental and sustainable growth as its core, we advise and share knowledge on plucking, manuring, storing and transporting goods with our bought leaf suppliers. We believe that this process is supporting their capacity-building whilst ensuring quality produce and the adoption of environmental sustainable practices throughout our supply chain. Workshops conducted for brokers enhance their knowledge in the finesse of good teas.

Apart from sharing best practices, we also provide financial support to our bought leaf suppliers by paying for goods on delivery, despite the substantial lead time until tea auction sales proceeds are received by HPL. Selected smallholders are provided further support in the form of agro-chemical inputs which are dispensed from our warehouses directly and cost subsequently recovered by deducting from earnings from the next consignment of bought leaf.

Consumer Responsibility

Quality of our product, is our highest responsibility, while ensuring health and well-being of our consumers. As such, inputs to the final product, whether it is supplier material or agricultural practices, are kept at international standards required from us. We invest in certifications to augment our claim, that we indeed, are a Company that value our markets, stakeholders and consumer and strive to provide a high quality end product. All our tea estates are certified with Rain Forest Alliance, Ethical Tea Partnership, Fair Trade, ISO 22000:2005 and HACCP voluntarily. In addition, we are in full compliance with the requirements of Sri Lanka Tea Research Institute and Sri Lanka Standards Institution and Sri Lanka Tea Board.

Our agricultural practices on tea estates conform to the requirements of the TRI and other certification requirements including concentration of agro-chemicals, gestation period and permitted materials.

Given our intrusive focus on high compliance standards, during the period under review, the Company did not record any monetary fines for non-compliance. Fully-fledged compliance, is a hallmark of our Company and we are proud to mention that none of our products were rejected in any of our product categories.

Going Forward

Built on a quality product, migrated practices from our previous partnerships and with our commitment to stakeholder and consumer well-being, it is our unwavering focus to continue to achieve higher accolades in the industry, while delivering value to all that are impacted by the existence of our Company.

100%
Purchases from local suppliers

100+
Local smallholders supported

EMPLOYEE AND SOCIAL CAPITAL

A team of 7004 employees work in 14 plantations located in Central Province. As 99% of our employees reside on the estates with their families, creating a high level of interdependency. Worker families create the societal fabric of estate life. On one platform, the worker forms part of the human capital of our business, while on the other, as an estate dweller, the worker and the families become the community we serve. It is important, therefore that we adopt wise and equitable HR processes to strike a balance between stakeholder aspirations and our estate workers, who are the backbone of our production line.

Company

Category	No.	%
0-3 Years	793	11
4-7 years	1,027	15
8-10 years	700	10
11-15 years	867	12
16-20 years	895	13
Above 21 years	2,722	39
Total	**7,004**	**100**

Gender Distribution

	No.	%
Male	3,217	46
Female	3,787	54
Total	**7,004**	**100**

Religion Distribution

	No.	%
Buddhist	168	2
Hindu	6,348	91
Christian	177	3
Roman Catholic	257	4
Islam	54	1
Total	**7,004**	**100**

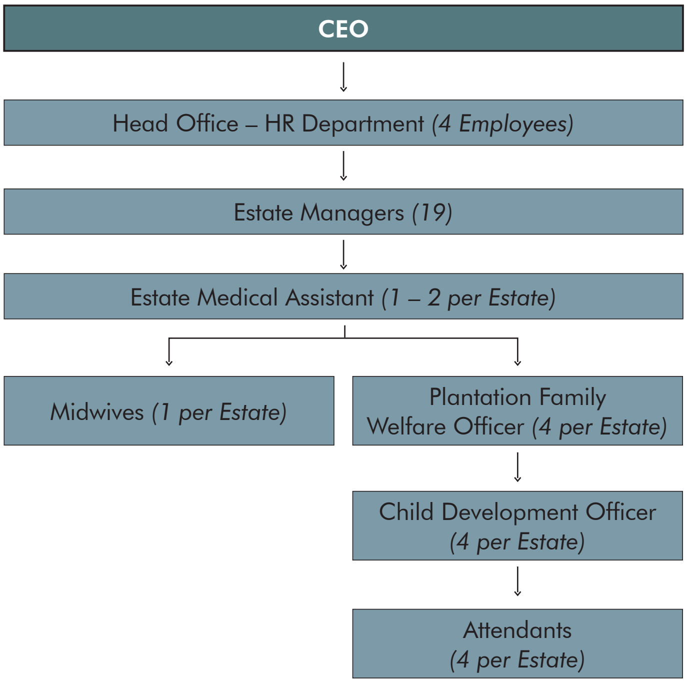
Ethnicity Distribution

	No.	%
Sinhalese	181	3
Tamil	6,780	97
Others	7	0
Muslim	36	1
Total	**7,004**	**100**

Our certifications with Rainforest Alliance and Ethical Tea Partnership cover good employment practices in their assessments. Responsibility for employee welfare is a significant part of our HR process, spread across a large number of roles, dedicated to ensure fairness and equality.

The Employee Report and the Community Engagement Reports are combined as our communities are largely represented by the families of our employees and activities are implemented by the same teams.

Sustainable Development Goals (SDGs) are used in reporting the work done on the estates to facilitate the socio economic progress of our employees.



Existing Housing Units

Estate	No. of Families	New Houses	Single Housing	Twin Cottages	Single Barrack Line Rooms	Double Barrack Line Rooms	Upstair Units	Temporary Sheds
Kenilworth	835	72		96	74	332		84
Abbotsleigh	607	57		44	185	244		82
Strathdon	1,285	133	125	54	48	17		20
Dickoya	1,616	140		59 (118 Rooms)	322	448		32
Shannon	702	20		69	111	102		75
Vellaioya	1,390	60		194	521	164		72
Carolina	863	75		134	225	106	132	82
Wigton	495	15		24	15	19		37
Agrakande	567	36 (NHDA)		36	56	206		25
Henfold	1,240	337		54	136	281		134
Tangakelle	152	75		4	14	44		0
Lippakelle	462	64		12	87	200		13
Ouvahkelle	120	32		7	4	2		17
Waltrim	953	88		26	474	170		93
Total	**11,778**	**1,204**	**125**	**864**	**2,463**	**2,501**	**132**	**769**

Fair Remuneration

Abiding by the Collective Agreements in place for members of Trade Unions while remunerating other employees in accordance with market rates, it is our policy that fair remuneration is applied without any gender discrimination, solely dependent on their contribution.

Estate worker is seen as an individual below poverty line, a legacy that has stayed with Sri Lanka's plantation sector from imperial times. As responsible employers, it is our aim to erase this stigma and upgrade the estate workers' remuneration to a fair platform. As such, since we commenced managing the estates, wages of our associates have significantly increased to an average or LKR 730.00 per day, with 300 days of guaranteed per annum. The current wage structure is also has a component to capture the performances to compensate with an incentive.

This compares very well with:

- SDG Goal 1 benchmark of USD 1.25 per day
- Wage rates in India and Kenya of USD 2 for workers
- Income distribution of the country, falling between the 2nd and 3rd decile which have medians of LKR 13,850.00 and LKR 18,944.00
- Apparel sector monthly wages of USD 90 - 110 for a 60 - hour week, which is positioned as "Garments without Guilt" based on its reputation for eschewing sweatshop practices.

Key Welfare Benefits

Executive and Above Grade	Non-Executive Grade	Associates
Fully-furnished Bungalow with Water and Electricity	Accommodation- Fully-furnished Quarters	Free Medical Assistance
Supervisory vehicle	Tea Allowance	Maternity Benefits
Insurance	Free Medical Benefits from the Estate Dispensary	Pre-Natal/Anti-Natal/ Post-Natal Clinics
Tea Allowance	Covered under Personal Accidents Insurance scheme	Child Development Centres
Mobile phone allowance	Death Donations	Free Accommodation with Water and Sanitation Transport to Closest Government Hospital, in Case of emergency Tea Allowance Health Education through Medical Staff Assistance in Case of a Death Assistance to Grade 1 School Children Nutritious Foods to Pregnant Mothers Free Feeding up to 10 Years Children

Worker Welfare, Medical and Sanitation

During the year under review, the Company invested over LKR 165 Mn. on Associate Houses, Schools for their children, Medical facilities, Welfare and Sports and Creches.

	Budget LKR	Actual LKR
Associate Houses	26,934,728	22,660,370
School	332,140	282,720
Medical	49,800,262	37,108,634
Welfare and Sports	75,058,598	71,929,065
Creches	38,225,927	33,597,488
		165,578,277

Oral Cancer Screening, Anemia Control, Personal Hygiene and Grooming programmes were conducted across some of the estates.

Our valuable resource of estate workers/associates are provided with a variety of welfare benefits, ranging from decent accommodation, to healthcare, childcare and child development avenues. Following is a comprehensive list:

Partnerships in Worker Welfare

We work in close partnership with several other non-Governmental agencies allowing their expertise, knowledge and skill to be utilised for the benefit of our workers. The estate Management is appreciative of the work carried out by Berendina, World Vision, and the Plantation Human Development Trust, amounting to a total investment over LKR 307 Mn., in the following areas:

Total Investment

Funded by	LKR Mn.
1. World Vision	8.31
2. Berendina Development Services	23.31
3. Company investments – Welfare costs HPL	165.58
4. PHDT contribution – Ministry of Hill Country, New Villages, Infrastructure and Community Development	291.72
Total	**488.92**

Awareness Programmes: Personal Hygiene, Environmental Hygiene, Non-Communicable and Communicable Disease in Elders, Basic Legal Documentation, Process to claim EPT/ETF;

Renovation of Maternity and Child Health Centre, CDC at Austin and Benachi, previously established water schemes;

Provision of Medical Apparatus and Furniture to estate dispensaries, Assistance to recreational activities conducted at Elders' Clubs, Musical and furniture items to Elders' Club, Water pumps;

Construction of Toilets, a Bridge in Lonach Estate, Grant-based house construction;

Conducting screening programmes for Haemoglobin levels of female workers and providing awareness on food intake practices and medicine, Training programmes on EMAs, Capacity building training for leadership, communication, book keeping, maintenance, advocacy, rights etc.

Celebrating Sinhala/Tamil New Year and Elders' Day on estates.

Education and Training

Several scholarships were awarded to children to facilitate Advanced Level and Graduate level education. Vocational Training Centres at Kenilworth and
Waltrim assist in training those who do not wish to pursue higher education. We plan to implement such training centres where necessary, in other estates, in the coming year. Children's Art Exhibition was held while a Community Centre was opened for their recreation. Vocational Training Centres at Kenilworth and Waltrim, cater to approximately 45 individuals who are being skilled in a variety of income-generating activities.

As our community is also our estate workforce, while ensuring their direct input is well remunerated, we ensure their community and social life is upgraded with a long-term view of a healthy individual. As such, while at work and then on retirement, we work towards affording them a quality of life, through our community relationships with them. Celebrating cultural and religious events, stepping into support differently-abled individuals in the community are all carried out with this long-term vision in mind.

To inculcate the need and value of a healthy environment, we conducted several programmes on waste and garbage management on the estates, focusing on domestic waste and the correct use of latrine systems.

LKR 678,609
Invested in Head office training

LKR 1,301,153
Invested in training Estate staff

70
Child Development Centres

7,590
Children below 14 Attending to school

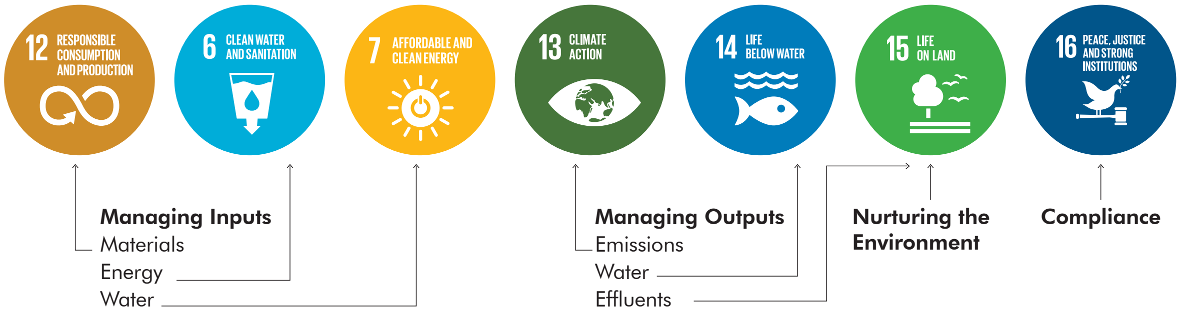
2,648
Children's education supported

Decent Work Environment

Mutual respect, dignity and harmony in the workplace are the values we uphold and practice in our Company. From a hierarchical "master-associate" structure of a by-gone era, we were able to tread softly with changing attitudinal and progressive aspirations of our workforce, to ensure a harmonious environment across our estates. We are proud of the progress we have made in this aspect. Our Managers are committed to our Company's Code of Conduct for creating a Conducive Work Environment, to achieve this.

We also maintain a continuous dialogue with Associates and Trade Union representatives as 89% of our employees belong to trade unions. Biannual wage negotiations which had reached an impasse in the previous year across the industry were concluded during the year with the inclusion of a productivity element in determining remuneration. We are appreciative of the harmonious relations maintained with trade unions and associates during this period which was free of incidents.

NATURAL CAPITAL



Placing great value on the fact that the entire spectrum of our activities rely directly on the ethical usage and continuous maintenance of natural capital, we keenly adhere to practices and policies that nurture, feed and protect this scarce resource. This we do, not only in the short term to achieve our organisational goals, but with a greater responsibility towards the global cry to ensure that natural capital is sustainably protected for the benefit of future generations of tea growers.

Our environment management policy is graphically depicted above together with the relevant Sustainable Development Goals.

Raw Materials

Except for the fertiliser and agro-chemicals, other raw materials used in the business are naturally renewable. During the early part of the year under review, however, consumption of fertilizer and agro-chemicals decreased due to the drought that prevailed. We adopt a policy of correct usage of agro-chemicals supplemented by good agricultural practices that allows for sustainability in our natural capital.

Source	Category	Usage
Fertiliser	Inorganic	2,065,409 kg
Pesticide	Chemical	679 L

Energy

Our main sources of energy are electricity, diesel, petrol, firewood and briquettes. The most energy consuming processes are the withering and drying of tea. Apart from factory operations, energy utilized for transport of goods and employees within estates, is also considerable.

Notably, 74% of energy consumed is of renewable form, from the generation of biomass energy. Given the large quantities of energy required to run the agri-crop operation, this is a popular cheaper source than fossil fuel.

Source	Category	Usage
Diesel	Fossil fuel	199,786 L
Petrol	Fossil fuel	35,852 L
Electricity	Grid	7,000,777 units
Firewood	Non-renewable	13,649.5 m^3
Fire Briquette		1,724,579 kg
Fire cuts		997,707 kg

Briquettes manufactured utilising bio waste such as tea waste, paddy husks and saw dust. These briquettes have high combustion efficiency and lower levels of moisture and ash.

Overall energy consumption decreased during the year subsequent to the reduction in tea produce. Despite the natural conditions, reduction can also be attributed to the payoff of energy efficiency initiatives implemented in the past. Such initiatives include the following;

- Increase the amount of bio-mass energy used.
- Building solar drying sheds to dry firewood.
- Replacing equipment and machinery with new energy efficient production machinery or machinery run on solar energy.
- Installation of Variable Speed Drives and capacitor banks to reduce power consumption.
- Use of an LED lighting system for palm oil factory.
- Conducting technical forums on Vehicle Fleet Management.
- Installation of three mini hydro plants in Strathdon, Ouvahkelle and Vellaioya tea estates supplying the national grid.

Water

Wells, streams, springs and rain harvested water reservoirs are the key sources of water for HPL properties. Water consumption in 2017 reduced compared to 2016 given the impact of drought and reduced number of wet days resulting in a reduction in ground water content. We have adopted a number of initiatives to ensure proper usage of it and in order to improve water conservation and moisture in soil:

- Rain water harvesting and deep draining in order to ensure that maximum amount of rainwater is stored
- Burying all pruning materials to improve soil water retention and ground moisture levels
- Conservation of a perimeter of 60 metres from the water body as a catchment area

Source	Category	Water savings if any
Spring	Running water	No irrigation operation available Water used only for cleaning operation in factory and for domestic purposes No major water withdrawal process involved

Biodiversity

Our estates are rich in biodiversity, given the diverse ecosystems found within the grasslands, streams, small-scale reservoirs and home gardens in the estates. Estates in the Nuwara Eliya District are home to many endangered species of fauna and flora. Conserving this biodiversity, we own as our responsibility within the production areas of our company. Our aim is that our operations will make zero adverse impact on these natures' bounty.

Accordingly, our environmental responsibility and sustainability initiatives address shade management, responsible fertiliser and agro-chemical usage and application of sustainable agricultural practices.

With a view to establishing ecologically friendly tea estates, we continue the work begun on conservation and protection of biodiversity under the Rainforest Alliance Certification programme. Partnering with "Friends of Horton Plains", a Non-Government Organisation the series of studies aims at identifying the present status of habitats and continuously monitoring them.

Reiterating our commitment to retaining biodiversity, we planted 9,940 native plants in HPL estates, while identified and protected 50.45 Ha or natural forests, scrub lands and riverine basins. Protecting all natural ecosystems by restoring a 5m width of native vegetation, we plan to increase this by a further 300 Ha by 2026.

50.45 Ha
Natural forests protected and preserved

74%
Renewable energy consumption

60 m
Protected perimeter for water bodies

9,940 plants
Planted on estate

Reduced emissions through bio-waste

Effluents, Emission and Waste Management

An Integrated Waste Management system is the focus of our operation, incorporating waste reduction to align ourselves with the sustainability of the environment. Carbon emission of HPL was 1,253 tCO_2e for the year under review. Waste water is treated and released to the environment if it complies with the WHO specified testing parameters. Following are further initiatives adopted to ensure responsible waste management:

- Bio degradable waste generated in production is used to produce compost as fertiliser for crops.
- Pruning waste is buried to improve soil water retention and enrich the soil.
- All the non-degradable and hazardous waste is disposed of responsibly through Central Environmental Authority approved collectors.
- As majority of our employees live on the plantations, they are both beneficiaries and violators of the environment. As such, educating and,
- Awareness has been created among the associates and estate staff to dispose household waste to composting pits which they use for home gardens avoiding contamination of any sort.
- Reduced emissions by utilisation of rubber firewood, fire briquettes, and fire-cuts.
- Prevented contamination of water-bodies through treatment of waste-water.

Effluents and waste

Source	Category	Effluent/waste reduction if any
Housing	Degradable	Managing by having compost system for each families
Stores	Non-degradable	Empty chemical cans and other plastic were handing over for recycling


SURFING

FINANCIAL REPORTS

FINANCIAL CALENDAR

PUBLISHING OF QUARTERLY ACCOUNTS

3RD QUARTER – 08 FEB 2018

4TH QUARTER – 25 MAY 2018

PUBLISHING OF ANNUAL ACCOUNTS

4 JUNE 2018

ANNUAL GENERAL MEETING

1ST AGM – 28 JUNE 2018

STATEMENT OF DIRECTORS' RESPONSIBILITY

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

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

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

The Directors consider that in preparing the Financial Statements on pages 71 to 101 the Company used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimated that all accounting standards, which they consider to be applicable, are followed.

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

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

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

By Order of the Board,

V Govindasamy
Managing Director

Sunil G Wijesinha
Chairman

25 May 2018

MANAGING DIRECTOR'S AND SENIOR MANAGER – FINANCE'S RESPONSIBILITY STATEMENT

The Financial Statements of the Hatton Plantations PLC are prepared in compliance with the Sri Lanka Accounting Standards issued by The Institute of Chartered Accountants of Sri Lanka, Companies Act No. 07 of 2007, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, and the Listing Rules of the Colombo Stock Exchange. The accounting policies used in the preparation of the Financial Statements are appropriate and are consistently applied by the Company. There are no departures from the prescribed Accounting Standards in their adoption.

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

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

The Financial Statements of the Company were audited by Messrs PricewaterhouseCoopers, Chartered Accountants and their report is given on page 68 of the Annual Report.

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

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

V Govindasamy
Managing Director

Thusith Jayawardena
Senior Manager – Finance

25 May 2018

INDEPENDENT AUDITOR'S REPORT

pwc

To the Shareholders of Hatton Plantations PLC

Report on the Audit of the Financial Statements

Our Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Hatton Plantations PLC ("the Company") as at 31 March 2018, and of its financial performance and cash flows for the period then ended from 1 October 2017 to 31 March 2018 in accordance with Sri Lanka Accounting Standards.

What we have audited

The financial statements of the Company, which comprise:

- the statement of financial position as at 31 March 2018;
- the statement of comprehensive income for the period then ended from 1 October 2017 to 31 March 2018;
- the statement of changes in equity for the period then ended from 1 October 2017 to 31 March 2018;
- the statement of cash flows for the period then ended from 1 October 2017 to 31 March 2018; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for Opinion

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

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

Independence

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

Key Audit Matters

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

Key Audit Matter	How our audit addressed the Key audit matter
1. Carrying Value of Immature and Mature Plantation As stated in pages 85 of the financial statements the carrying value of bearer plants stood at Rs 662 Mn. Bearer plants mainly include mature and immature tea trees in identified plantation fields. We have focused in this area due the significant management judgement involved in determining the point at which a plant is deemed ready for commercial harvesting. As per the industry practice, transfer of immature plantations to mature plantation fields happens at the point of commencement of commercial harvesting. The actual point of which commercial harvesting could start depend on the soil condition, weather patterns and plant breed. Appropriate transfer from immature to mature plantations has a significant impact on the carrying value of the bearer plants and the reported profits as capitalisation of costs will cease from the point of transfer and the mature plantations are depreciated over the useful lives of the plants.	We performed following audit tests in connection with the transfer of immature plantations to mature plantations. We obtained schedules of costs incurred and capitalised under immature plantations as well as cost transferred to mature plantations by each estate for the year ended 31 March 2018. We reconciled these balances to the general ledger maintained at the Head Office. We identified reconciling items and obtained explanations from management for any significant variances. We compared the actual costs transferred to mature plantations from immature plantations to budgeted costs included in annual board approved budgets and assessed if the actual costs are consistent with management expectations at the beginning of the financial year. We obtained the immature to mature cost transfer worksheet of a sample of estates and checked the amounts transferred during the year was consistent with the company policy and industry norms. Based on the above procedures, management judgement involved in transferring immature plantations to mature plantations was consistent with company policy and industry norms.

PricewaterhouseCoopers, P. O. Box 918, 100 Braybrooke Place, Colombo 2, Sri Lanka
T: +94 (11) 771 9700, 771 9838, F: +94 (11) 230 3197, www.pwc.com/lk

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

2. Valuation of Consumable Biological Assets – Valuation of Timber Tree

As stated on pages 85 of the financial statements the carrying value of consumable biological assets stood at Rs 679 Mn.

The timber trees on estates managed by the Company are classified as consumable biological assets and are measured at each reporting date at fair value less cost to sell. The trees less than 5 years are carried at cost less impairment as the fair value cannot be reliably measured.

Timber trees include both immature and mature plantations. The market for timber trees are impacted by factors such as topographical characteristics of the land, age and condition of timber trees and the economic conditions that drives the supply and demand.

Management engaged a subject matter expert who is an incorporated valuer and a member of The Institute of Valuers of Sri Lanka to perform an independent valuation of the consumer biological assets of the Company as at 31 March 2018.

We consider the valuation of consumables biological assets as a key audit matter due to the significant judgements and assumptions as noted below:

Key judgements and assumptions are used by the independent valuer in the following areas:
– Discount rates
– Estimation of height and girth of trees to arrive volume of timber
– Value per Cubic meter

We obtained evidence relating to the external valuer's competence, independence from management and integrity. We also obtained the external valuation reports and performed the following tests:

– We obtained estate wise reports for timber trees from the E Plantation System which is used by the Company to record and manage timber trees and compared the number of timber trees with the valuation report to check the completeness and accuracy of the data. We also checked the accuracy of valuation formulae contained in the valuation report.

– We performed a physical verification of sample of trees during estate visits to assess the girth and height of the respective trees. We further confirmed the data gathered during sample test with estate management. The assumptions used in estimating girth and height were compared with the market projections and industry norms that are generally accepted in determining volume of timber.

– In checking the value per cubic meter, we compared the market prices for Eucalyptus Grandis to publicly available web sites. We performed these procedures as no timber trees were sold nor tenders called by the Company during the financial year to measure the reasonableness of price taken for the valuation of mature Eucalyptus.

– In assessing the appropriateness of the discount rate we considered the market yields on Government of Sri Lanka bonds. We have compared the risk free rate to the data published by the Central Bank of Sri Lanka (CBSL). In assessing the industry risk, we compared adjusted beta factors with comparable similar businesses of similar scale obtained from the Colombo Stock Exchange where information is publicly available. We found the discount rate to be consistent and in line with market expectations.

Based on our work, the judgements and assumptions used by the independent valuer in determining the value of consumable biological assets as at 31 March 2018 appropriately reflect the market rates and conditions.

Other Information

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

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

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

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act, No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

PricewaterhouseCoopers.

CHARTERED ACCOUNTANTS
CA Sri Lanka membership number – 1581

COLOMBO
25 May 2018

STATEMENT OF FINANCIAL POSITION

In Rs. '000s As at 31 March	Notes	2018
ASSETS		
Non-current assets		
Right to use of land	6	110,918
Immovable estate assets on finance lease (other than land)	7	62,369
Property, plant and equipment	8	1,153,612
Bearer plants	9	662,345
Biological assets – consumable	10	679,356
Available-for-sale investments	11	21,645
Total non-current assets		**2,690,245**
Current assets		
Inventories	13	678,439
Biological assets-growing crops on bearer plants	14	19,891
Trade and other receivables	15	185,688
Cash and cash equivalents	16	255,493
Total current assets		**1,139,511**
Total assets		**3,829,756**
EQUITY AND LIABILITIES		
Capital and reserves		
Stated capital	17	1,803,400
Reserve on rearrangement		52,798
Retained earnings		95,457
Total equity		**1,951,655**
Non-current liabilities		
Borrowings	18	151,878
Lease Liability to – SLSPC and JEDB	19	193,024
Retirement benefit obligations	20	661,290
Deferred income and capital grants	21	133,857
Deferred tax liability	22	95,646
Total non-current liabilities		**1,235,695**
Current liabilities		
Borrowings	18	101,824
Lease liability to – SLSPC and JEDB	19	4,191
Trade and other payables	23	499,794
Current tax liability	24	36,597
Total current liabilities		**642,406**
Total liabilities		**1,878,101**
Total equity and liabilities		**3,829,756**

Thusith Jayawardena
Senior Manager – Finance

The Board of Directors is responsible for the preparation and presentation of these Financial Statements. These Financial Statements were authorised for issue by Board of Directors on 25 May 2018.

V Govindasamy
Managing Director

Sunil G Wijesinha
Chairman

25 May 2018

The Notes on pages 83 to 94 form an integral part of these Financial Statements.

STATEMENT OF INCOME

In Rs. '000s 6 months period ended 31 March	Notes	2018
Revenue	25	2,317,027
Cost of sales		(1,881,238)
Gross profit	25	**435,789**
Other operating income	26	84,479
Administrative expenses		(103,661)
Operating profit	27	**416,607**
Finance income	28	10,923
Finance cost	28	(36,985)
Net finance costs		**(26,062)**
Profit before income tax		**390,545**
Income tax expense	29	(149,714)
Profit for the period		**240,831**
Earnings per share		
- Basic (LKR)	30	**1.02**

The Notes on pages 94 to 96 form an integral part of these Financial Statements.

STATEMENT OF CHANGES IN EQUITY

In Rs. '000s	Stated capital	Reserve on rearrangement	Retained earnings	Total equity
Opening balance at 1 October 2017	1,803,400	52,798	–	1,856,198
Net profit for the period	–		240,831	240,831
Total comprehensive income for the period	**–**		**240,831**	**240,831**
Transactions with owners of the Company, recognised directly in equity				
Interim dividends paid for the period ended 31 March 2018	–		(118,333)	(118,333)
Opening stock adjustment			(27,041)	(27,041)
Total transactions with owners	**–**		**(145,374)**	**(145,374)**
Balance at 31 March 2018	**1,803,400**	**52,798**	**95,457**	**1,951,655**

STATEMENT OF CASH FLOWS

In Rs. '000s 6 months period ended 31 March	Notes	2018
Cash flows from operating activities		
Cash generated from operations	34	579,835
Finance cost		(36,985)
Tax paid		(17,471)
Retirement benefit obligations paid		(47,927)
Interest received		10,923
Net cash generated from operating activities		**488,375**
Cash flows from investing activities		
Field development expenditure		(17,378)
Purchase of property, plant and equipment		(50,247)
Proceeds from sale of property, plant and equipment		2,503
Net cash used in investing activities		**(65,122)**
Cash flows from financing activities		
Dividends paid		(118,333)
Repayment of borrowings		(51,215)
Repayment of lease principal		(1,946)
Net cash generated/(used) from financing activities		**(171,494)**
Increase/(decrease) in cash and cash equivalents		**251,759**
Movement in cash and cash equivalents		
At the beginning of period		3,734
Increase/(decrease) for the period		251,759
At end of period		**255,493**

The Notes on pages 83 to 96 form an integral part of these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

(In the notes all amounts are shown in LKR. '000s unless otherwise stated)

1. Reporting Entity

Hatton Plantations PLC. (the Company) is a public limited liability company incorporated and domiciled in Sri Lanka under the Companies Act No. 7 of 2007. The registered office of the Company is located at No. 60, Dharmapala Mawatha, Colombo 03. The Plantations are situated in the planting regions of Hatton/ Watawala and Lindula.

The Company is primarily engaged in cultivation, manufacture and sale of tea.

The Company's parent undertaking is Estate Management Services (Private) Limited.

The Financial Statements consist of Statement of the Financial Position, statement of income, statement of changes of equity, statement of cash flows and notes to the financial statements for the period ended 31 March 2018. The details of assets/liabilities vested with Hatton Plantations Ltd is disclosed in the Note 05 to the Financial Statements.

The Financial Statements were authorised for issue by the Board of Directors in accordance with the resolution of the Directors on 25 May 2018.

2 Summary of Significant Accounting Policies

2.1 Basis of Preparation

The Financial Statements of the Company are prepared in accordance with Sri Lanka Accounting Standards which comprise Sri Lanka Financial Reporting Standards (SLFRS), Sri Lanka Accounting Standards (LKAS), pronouncements by the Standards Interpretation Committee (SIC) and the International Financial Reporting Interpretations Committee ("IFRIC").

The Financial Statements have been prepared under the historical cost convention except for assets carried at fair value.

The preparation of Financial Statements in conformity with Sri Lanka Accounting Standards, requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the to the Company's financial statements are disclosed in Note 4.

The accounting policies have been consistently applied in the Financial Statements.

New Standards and amendments effective after 1 January 2018

The following Standards and Interpretations had been issued but not mandatory for annual reporting periods ending 31 March 2018:

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

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

SLFRS 9 Financial Instruments

The objective of this standard is to establish principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts,timing and uncertainty of an entity's future cash flows. The standard encompasses classification and measurement,impairment and hedge accounting of the financial instruments.

Except for hedge accounting,retrospective application required,but providing comparative information is not compulsory. For hedge accounting,the requirements are generally applied prospectively with some limited exceptions.

The Company has performed a preliminary assessment of the impact of SLFRS 9, which is subject to changes arising from a more detailed ongoing analysis. SLFRS 9 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in SLFRS 9 are based on an expected credit loss model and replace the SLFRS 39 incurred loss model.

(a) Classification and Measurement
The Company will continue to account for loans and receivables at amortised cost using the amortised cost model under SLFRS 9. Currently, the Company measures its available for sale financial assets at fair value through other comprehensive income, except for its unquoted equity instruments which is measured at cost.

(b) Impairment
SLFRS 9 requires the Company to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Company expects to apply the simplified approach and record lifetime expected losses on all trade receivables. Upon application of the expected credit loss model, the group does not expect a material impact on its equity. However, it will need to perform a more detailed analysis which considers all reasonable and supportable information, including forward looking elements to determine the extent of impact.

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, timing and uncertainty of revenue and cash flows arising from a contract with a customer.

SLFRS 15 has formulated five criteria that have to be met for an entity to account for a contract with a customer. Under SLFRS 15, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under SLFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted.

The core principle in SLFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Revenue is recognised when a customer obtains control of goods or services, i.e. when the customer has the ability to direct the use of and obtain the benefits from the goods or services.

The Company has performed a preliminary assessment of the impact of SLFRS 15. Based on this preliminary assessment, the impact upon adoption of SLFRS 15 is not expected to be material to the Company's Financial Statements. However, it will need to perform a more detailed analysis which considers all reasonable and supportable information to determine the extent of impact.

SLFRS 16 - Leases

SLFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of Financial Statements to assess the effect that leases have on the financial position,financial performance and cash flows of the entity. The standard requires lessees to account for all leases, finance or otherwise, under a single on-balance sheet model similar to the accounting for leases under LKAS 17.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events(e.g: change in the lease term,a change in future lease payments resulting from a change in an index or rate used to determine those payments).The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right of use asset. SLFRS 16 also requires lessees and lessors to make more extensive disclosures than under LKAS 17.

2.2 Use of Estimates and Judgements

The preparation of company's Financial Statements in conformity with Sri Lanka Accounting Standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Financial Statements and the report of amounts of revenue and expenses during the reporting period. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within next financial year are given in Note 4.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently in these Financial Statements:

3.1 Property, Plant and Equipment

Property, plant and equipment comprise tangible assets and Bearer plants.

Recognition and Measurement

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

Subsequent Costs

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

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

Capital Work-in-Progress

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

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

Bearer Plants

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

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

Infilling Cost on Bearer Plants

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

Depreciation and Amortisation

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

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

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

Company	Leasehold assets (Years)
Right to use of land	27
Improvements to land	27
Vested other assets	30
Buildings	40
Plant and machinery	13

Company	Leasehold assets (Years)
Equipment	08
Computer equipment	04
Computer software	06
Furniture and fittings	10
Motor vehicles	5
Sanitation, water and electricity	20
Roads and bridges	40
Fences and security lights	03
Mini hydro plants	10
Bearer plants	
- Tea	30
- Caliandra	10
- Cinnamon	30

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

3.2 Biological Assets

Biological assets comprise Timber reserves and growing agricultural produce on bearer plants.

Consumer Biological Assets

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

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

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

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

Produce Growing on Bearer Plants

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

3.3 Impairment of Assets

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

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

3.4 Financial Assets

3.4.1 Classification

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

(a) Loans and Receivables

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

(b) Available-for-Sale Financial Assets

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

3.4.2 Recognition and Initial Measurement

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

3.5 Offsetting Financial Instruments

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

3.6 Impairment of Financial Assets

Assets Carried at Amortised Cost

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

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

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

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

Assets Classified as Available-for-Sale Financial Assets

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

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

3.7 Inventories

(i) Produce stock

The Company has valued unsold produce stock (tea) at lower of cost or net realisable value.

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

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

(iii) Raw material, spares and consumables

These are valued at actual cost on weighted average basis.

3.8 Trade Receivables

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

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

3.9 Cash and Cash Equivalents

In the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

3.10 Stated Capital

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

3.11 Trade Payables

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

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

3.12 Borrowings

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

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

3.13 Borrowing Costs

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

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

3.14 Accounting for Leases

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

The Company leases certain property, plant and equipment. Leases of property, plant and equipment where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the commencement of the lease at lower of the fair value of the leased property and the present value of the minimum lease payments.

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

3.15 Current Income Tax

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

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

3.16 Deferred Tax

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

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

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

3.17 Employee Benefits

3.17.1 Defined Contribution Plans

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

(i) Provident Fund Contributions

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

(ii) Trust Fund Contributions

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

3.17.2 Defined Benefit Plan - Gratuity

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

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

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

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

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

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

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

3.18 Grants

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

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

3.19 Provisions

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

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

3.20 Revenue Recognition

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.

Sale of Goods

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

Gains or Losses on Disposal

Gains and losses from sale of property, plant and equipment are recognised in the period in which the sale occurs and the delivery order is issued.

Interest Income

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

Dividend Income

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

3.21 Events After the Reporting Period

Events after the reporting period are events, favourable and unfavourable, that occur between the end of the reporting period and the date when the Financial Statements are authorised for issue as given in Note 37.

3.22 Dividends

Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when declared by the directors. In the case of final dividends, this is when approved by the shareholders at the Annual General Meeting. If the dividends are declared after the reporting period but before the Financial Statements are authorised for issue, the dividends are not recognised as a liability at the end of the reporting period. The details of dividends are detailed in Note 31.

3.23 Earning per Share

Basic Earnings per Share

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

4. Critical Accounting Estimates and Judgements

The preparation of financial statements requires the use of accounting estimates which by definition will seldom equal the actual results. Management also needs to exercise judgement in applying the Company's Accounting Policies.

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

Income Taxes

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

Pension Benefits - Gratuity

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

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

Other key assumptions for pension obligations are based in part on current market conditions and are disclosed in Note 20.

Estimated Useful Lives of Property, Plants and Equipment

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

Provisions

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

Impairment of Trade Receivables

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

Consumer Biological Assets

In measuring fair value of timber management estimates and judgement are required. These estimates and judgement relates to the market prices, average volume of trees and quality of trees. Trees grow at different rates and there can be a considerable spread in the quality and volume of trees and that affect the prices achieved.

5. Assets and Liabilities Vested with Hatton Plantations PLC

The Board of Directors of Watawala Plantations resolved at its AGM held on 29 June 2017 that the Up-country Tea business segment be vested from the Company in terms of the "Arrangement" allowed under Section 256 of the Companies Act No. 07 of 2007. Accordingly, a disclosure was made to the Colombo Stock Exchange on 30 June 2017. Consequently the proposed "Arrangement" was supported in the High Court of the Western Province (Exercising Civil Jurisdiction) held in Colombo on 20 July 2017 in Case No. HC (CIVIL)/28/2017 CO and the Honourable Judge being satisfied on the material placed before Court, made orders to the following effect:

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

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

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

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

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

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

Assets	
Right to use of land	112,956
Immovable estate assets on finance lease (other than bare land)	66,615
Property, Plant and Equipment	1,152,463
Bearer plants	679,725
Biological assets-consumable	640,131
Available for sale investments	21,645
Inventories	498,737
Biological assets-growing crop on bearer plants	16,687
Trade and other receivables	356,168
Cash and cash equivalents	3,734
	3,548,861
Less-liabilities	
Lease liabilities to SLPC/JEDB	199,161
Retirement benefit obligations	688,599
Deferred income and capital grants	136,991
Borrowings	308,212
Trade and other payables	359,700
	1,692,663
Value of net assets vested with Hatton Plantations PLC	1,856,198

Consequent to the vesting of net assets of the Upcountry tea business segment amounting to LKR 1.8 Bn with Hatton Plantations PLC, the shareholders of Watawala Plantations PLC as at 29 September 2017 holding 236,666,671 ordinary shares were issued with identical proportion of shares of Hatton Plantations PLC

The shares were issued at the price of Rs.7.62, based on the 30th June 2017 net assets value. However the price of a share as at 30 September 2017 based on net assets value was Rs.7.84. Therefore this difference in share prices has been recognised as the rearrangement reserve in the balance sheet as at 01st October 2017

6. Right to Use Land

In Rs. '000s	
Cost	
Vested from Watawala Plantations PLC	112,956
As at 31 March 2018	**112,956**
Accumulated amortisation	
Amortisation	2,038
As at 31 March 2018	**2,038**
Carrying value	
As at 31 March 2018	**110,918**

Leasehold rights of the estates of Watawala Plantations PLC was vested with the Company, by operations of law in terms of the Arrangement permitted under Section 256 of the Companies Act No. 07 of 2007 and dated 26 September 2017. Please refer Note 5.

The leases of JEDB/SLSPC estates will be assigned to the Company for a period of 27 years as per the proposed Arrangement supported in the high Court of the Western Province held in Colombo on 20 July in case No. HC(Civil) 28/2017/CO. The leasehold rights to the land on all the estates have been taken into the books of the Company as at 30 September 2017 after the Arrangement was approved by the Courts on 26 September 2017. The bare land has been recorded at the carrying value in the books of Watawala Plantations PLC immediately prior to the vesting. Corresponding liability is shown as a lease payable to JEDB/SLSPC.

7. Immovable Estate Assets on Finance Lease (other than land)

In Rs. '000s	Improvements to land	Other vested assets	Bearer plants	Roads and bridges	Total
Cost					
As at 1 October 2017 vested from Watawala Plantations PLC	354	1,319	64,755	187	66,615
As at 31 March 2018	**354**	**1,319**	**64,755**	**187**	**66,615**
Accumulated amortisation					
Amortisation	36	18	4,186	6	4,246
As at 31 March 2018	**36**	**18**	**4,186**	**6**	**4,246**
Carrying value					
As at 1 October 2017	354	1,319	64,755	187	66,615
As at 31 March 2018	**318**	**1,301**	**60,569**	**181**	**62,369**

(a) Assets in estates that are held under leasehold right to use have been vested at their book value as they appeared in the books of Watawala Plantations PLC on 30 September 2017.

(b) Investment by the Company on mature and immature plantations is shown separately under Bearer Plants Note 9.

8. Property, Plant and Equipment

In Rs. '000s	Buildings	Capital work in progress	Motor vehicles	Plant and machinery	Equipment	Computer	Furniture and fittings	Others	Total
Cost									
As at 1 October 2017 vested from Watawala Plantations PLC	526,697	29,242	69,093	422,703	19,559	1,316	5,986	77,867	1,152,463
Additions	14,630	3,029	12,857	–	–	421	1,580	17,730	50,247
Transfers		(7,414)						7,414	–
Disposals			(1,500)						(1,500)
As at 31 March 2018	**541,327**	**24,857**	**80,450**	**422,703**	**19,559**	**1,737**	**7,566**	**103,011**	**1,201,210**
Accumulated depreciation									
Additions	8,469		9,062	27,366	1,756	801	554	1,090	49,098
Disposal			(1,500)						(1,500)
As at 31 March 2018	**8,469**	**–**	**7,562**	**27,366**	**1,756**	**801**	**554**	**1,090**	**47,598**
Carrying value									
As at 31 March 2018	**532,858**	**24,857**	**72,888**	**395,337**	**17,803**	**936**	**7,012**	**101,921**	**1,153,612**

Assets vested as they appeared in the books of Watawala Plantations PLC on 30 September 2017.

(i) The assets shown above include assets that have been vested as they appeared in the books of Watawala Plantations PLC at book value on 30 September 2017 and all the investments made by the Company since its formation. The assets taken over by way of estate leases have been set out in Notes 6 and 7.

(ii) Cost of fully depreciated assets still in use as at 31 March 2018 amounts to Rs. 482,730,271/-.

(iii) Depreciation expense of Rs. 39,392,433/- has been charged in cost of goods sold and Rs. 9,705,648/- in administrative expenses.

9. Bearer Plants

Bearer Plants

In Rs. '000s	Nurseries	Immature plants	Mature plants	Total
Cost				
As at 1 October 2017 vested from Watawala Plantations PLC	560	120,217	558,948	679,725
Additions	353	6,167	–	6,520
Adjustments	–	(1,507)	(1,187)	(2,694)
Transfers	–	(39,276)	39,276	–
As at 31 March 2018	**913**	**85,601**	**597,037**	**683,551**
Accumulated depreciation				
Charge for the period	–	–	21,206	21,206
As at 31 March 2018	**–**	**–**	**21,206**	**21,206**
Carrying value				
As at 31 March 2018	**913**	**85,601**	**575,831**	**662,345**

(i) Bearer plants includes mainly tea bushes. Bearer plants are stated at cost less accumulated depreciation and impairment in accordance with Sri Lanka Accounting Standard - LKAS 16 - "Property, Plants and Equipment".

(ii) The transfer of immature plantations to mature plantations commences at the time the plantation is ready for commercial harvesting.

10. Biological Assets

Consumable Biological Assets

In Rs. '000s	Nurseries	Immature plants	Mature plants	Total
Cost				
As at 1 October 2017 vested from Watawala Plantations PLC	1,117	109,261	529,753	640,131
Transfers		(12,330)	12,330	–
Additions	90	13,462		13,552
Gain arising from changes in fair value less to sell			25,673	25,673
As at 31 March 2018	**1,207**	**110,393**	**567,756**	**679,356**

The mature consumer biological assets are stated at fair value determined based on an independent valuation of timber/tree reserves performed by Messrs S Sivakantha, BSc Estate Management and Valuation. The key assumptions and judgements include the following:

– Expected rate of return p.a 14.5%

– Maturity for harvesting – 25 years

– Number of trees valued – 28,798

Immature consumer biological assets comprising trees under five years old are carried at cost less accumulated impairment losses.

Sensitivity Analysis

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

Sensitivity variation sales price (using 5% estimated variation)

In Rs. '000s	+5% Increase	Value as stands	-5% Decrease
	596,144	567,756	539,368

Sensitivity variation discount rate (using 1.0% variation)

Simulations made for the timber trees show that a increase or decrease by 1% of the discount rate has the following effect on the net present value of biological assets:

In Rs. '000's	+1% Increase	Value as stands	-1% Decrease
	565,502	567,756	571,048

11. Available-for-Sale Investments Include the Followings:

In Rs. '000s As at 31 March	2018
a. Unit Energy Lanka (Private) Limited	**10,763**
b. Waltrim Hydro Power (Private) Limited	**10,882**
Closing balance	**21,645**

(a). Represent 5% of investment in Unit Energy Lanka (Private) Limited which is classified as available for sale.

(b).Represent 2.51% of investment in Waltrim Hydro Power (Private) Limited which is classified as available for sale.

12. Financial Instruments by Category

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

In Rs. '000s As at 31 March	2018
Financial Assets as per statement of Financial Position	
Trade and other receivable excluding pre-payments	185,649
Amount due from related party	1,213
Cash and cash equivalents	255,493
Available-for-sale financial assets	21,645
Total financial assets	**464,000**

In accordance with the Sri Lanka Accounting Standards - LKAS 39 - "Financial Instruments: Recognition and Measurement" financial liabilities have been classified as follows:

In Rs. '000s As at 31 March	Note	2018
Liabilities as per statement of financial position Other financial liabilities at amortised cost		
Borrowings (excluding finance lease liability)	18	253,702
Finance lease liabilities		–
Lease liability to SLSPC/JEDB	19	197,215
Trade and other payables excluding non-financial liabilities	23	499,794
Total financial liabilities		**950,711**

Credit Quality of Financial Assets

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

(i). Cash at bank and short-term bank deposits.

In Rs. '000s As at 31 March	Rating	2018
Cash at bank		
Hatton National Bank PLC	AA-	75,994
Commercial Bank of Ceylon PLC	AA	199
Nations Trust Bank PLC	A	100
Seylan Bank PLC	A-	26,612
		102,905
Counterparties without external credit rating and cash in hand		1,699
Short-term deposits/investments		
Nations Trust Bank PLC	A	150,889
		255,493

(ii) Trade receivable

In Rs. '000s As at 31 March	Note	2018
Existing customers with no default history	15	88,543
		88,543

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

In Rs. '000s As at 31 March	2018
Up to 7 days	88,543
	88,543

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

Fair Value Hierarchy

In Rs. '000s As at 31 March 2018	Level1	Level2	Level 3	Total
Biological assets – consumable			679,356	679,356
Biological assets-growing crops on bearer plants			19,891	19,891
			699,247	**699,247**

There are no movement between fair value hierarchies during the period. The details of biological assets are given in Note 10 & 14.

13. Inventories

In Rs. '000s As at 31 March	2018
Produce stock	518,154
Raw materials, spares and consumables	160,285
	678,439

The cost of inventory included in the cost of sales for the period amounted to Rs. 518,153,882/-.

14. Biological Assets-Produce on Bearer Plants

In Rs. '000s As at 31 March	2018
As at 1 October 2017 Vested from Watawala Plantations PLC	16,687
Fair value of growing crops	3,204
As at 31 March 2018	**19,891**

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

Tea – Three days crop (50% of 6 days cycle).

Produce that grows on mature bearer plantations are measured at fair value less cost to sell. The value of the unharvested green leaves is measured using the bought leaf formula recommended by the Tea Board.

15. Trade and Other Receivables

In Rs. '000s As at 31 March	2018
Trade receivables	88,543
Employee advances	31,428
Deposits and prepayments	6,643
Advance paid to creditors	27,246
Inter company receivables	1,213
Estate sundry debtors	17,630
Hydro power and tower receivables	11,844
Other receivables	1,141
	185,688

Employee advances are recovered from payroll within 12 months.

16. Cash and Cash Equivalents

In Rs. '000s As at 31 March	2018
Cash at bank – local currency	102,905
Cash in hand – local currency	1,699
Short term bank deposit	150,889
	255,493

The average interest yield on short term deposits was 10.5%.

17. Stated Capital

In Rs. '000s	2018
Issued and fully paid	
236,666,671 ordinary shares and 1 Golden Share as at 1 October	1,803,400
As at 31 March	**1,803,400**

The Golden Shareholder

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

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

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

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

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

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

18. Borrowings

Movement of borrowings during the year:

In Rs. '000s	NDB	Tea Board	Seylan Bank	Total
As at 1 October 2017 vested by Watawala Plantations PLC	13,164	93,618	201,430	308,212
Obtained during the period			–	–
Repaid during the period	(3,209)	(16,986)	(31,020)	(51,215)
Fair value adjustment of concessionary loan		(3,295)		(3,295)
As at 31 March 2018	**9,955**	**73,337**	**170,410**	**253,702**

Analysis of borrowings by year of repayment

In Rs. '000s As at 31 March	2018
Repayable within one year	
Tea Board	34,277
Seylan Bank PLC	62,000
National Development Bank	5,547
	101,824
Repayable after one year	
Tea Board	39,060
Seylan Bank PLC	108,410
National Development Bank	4,408
	151,878
Total borrowings	**253,702**

Total borrowings at 31 March can be analysed as follows:

In Rs. '000s	Notes	Within one year	2-3 years	4-5 years	Total
Term loan	18.1	67,547	112,818	–	180,365
Tea Board loan		34,277	39,060	–	73,337
As at 31 March 2018		**101,824**	**151,878**	**–**	**253,702**

Particulars about loan facilities

18.1 Term Loans

	Outstanding liability			
	Repayable within one year	Repayable after one year	Balance as at 31 March 2018	Security
National Development Bank	5,547	4,408	9,955	Unsecured
Tea Board loan	34,277	39,060	73,337	Unsecured
Seylan Bank PLC	62,000	108,410	170,410	Unsecured
	101,824	**151,878**	**253,702**	

18.1.1 National Development Bank

Purpose

To strengthen mini hydro project

				Outstanding liability 2017/18			
Year	Loan number	Original amount	Interest rate % p.a.	Repayable within one year	Repayable after one year	Balance as at 31 March 2018	Repayment terms
2017		14,880	6%	5,547	4,408	9,955	42 equal monthly instalments commencing from August 2017
Sub total		**14,880**		**5,547**	**4,408**	**9,955**	

18.1. 2 Tea Board
Purpose
For working capital financing

Year	Loan number	Original amount	Interest rate % p.a.	Outstanding liability 2017/2018 Repayable within one year	Repayable after one year	Balance as at 31 March 2018	Repayment terms
2016/17	1	28,348	0.41%	10,020	13,368	23,388	36 equal monthly instalments commencing from August 2017
2017/18	II	65,220	5.00%	24,257	25,692	49,949	36 equal monthly instalments commencing from October 2016
Subtotal		**93,568**		**34,277**	**39,060**	**73,337**	

18.1.3 Seylan Bank PLC
Purpose
Working capital/factory development

Year	Loan number	Original amount	Interest rate % p.a.	Outstanding liability 2017/2018 Repayable within one year	Repayable after one year	Balance as at 31 March 2018	Repayment terms
2016		310,000	AWPLR - 0.5% (1-2 years)	62,000	108,410	170,410	60 equal monthly instalments commencing from December 2015
Subtotal		**310,000**		**62,000**	**108,410**	**170,410**	

19. Lease Liability to SLSPC and JEDB

In Rs. '000s As at 31 March	2018 Current	2018 Non-current
Gross liability	12,184	316,781
Less: Interest in suspense	(7,993)	(123,757)
Net liability to lessor	4,191	193,024

The Company intends to assign the leases of the estates vested with the Company. It is intended that the lease liabilities will be settled over 27 years which is the remaining period of the original lease with Watawala Plantations PLC. The annual lease payments have remained unchanged.

20. Retirement Benefit Obligations

In Rs. '000s	2018
As at 1 October 2017 vested from Watawala Plantations PLC	688,599
Add: Current service cost	20,618
Less: Payments	(47,927)
As at 31 March 2018	**661,290**

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

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

(i) Rate of interest	11.5 % p.a.
(ii) Rate of salary increase	
- tea estate workers	19% every two years
- estate staff	20% every three years and 2.5% per annum.
- estate management and head office staff	7.5% every year
(iii) Retirement age	60 years
(iv) The Company will continue in business as a going concern.	
(v) Number of employees of the Company	7,004

The retirement benefit obligation comprising gratuity payable has been vested from Watawala Plantations PLC at the actuarial valuation performed as at 30 September 2017.

21. Deferred Income and Capital Grants

In Rs. '000s	2018
Capital grants	
As at 1 October 2017 vested from Watawala Plantations PLC	136,991
Amortisation	(3,134)
As at 31 March 2018	**133,857**

Deferred income and Capital grants includes funds received from the Plantation Human Development Trust (PHDT) and Ministry of Estate Infrastructure for workers' welfare facilities including re-roofing of line rooms, latrines, water supply, sanitation, etc. to Watawala Plantations PLC. Grants received from the Ministry of Estate Infrastructure for construction of crèches, farm roads and community centres are also included above. The amounts spent have been capitalised under the relevant property, plant and equipment category. The capital grants are amortised on a straight-line basis over the useful life of the respective asset. These amounts were vested to the Company under the "Arrangement".

22. Deferred Income Tax Liability

In Rs. '000s	2018
Recognised in income statement	95,646
As at 31 March 2018	**95,646**

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

The reconciliation of tax effect arising from the timing differences related to carrying amounts of assets and liabilities of the Statement of Financial Position is as follows:

Deferred Income Tax – Company

In Rs. '000s	2018		
	Deferred tax assets	Deferred tax liability	Net tax liability
Property plant and equipment		(110,041)	(110,041)
Bearers biological assets		(92,728)	(92,728)
Consumable biological assets		(4,397)	(4,397)
Retirement benefit obligations	92,581	–	92,581
Capital grants	18,939	–	18,939
Tax losses carried forward	–	–	–
Asset/(Liability) as at 31 March	**111,520**	**(207,166)**	**(95,646)**

Deferred tax assets and liabilities shall be measured based on the tax rates that have been enacted or substantially enacted by the end of the reporting period. Accordingly, the Company has used 14% as per the new Inland Revenue Act No. 24 of 2017.

23. Trade and Other Payables

In Rs. '000s As at 31 March	2018
Trade payables	208,389
Taxes	7,713
Employee related dues	143,307
Provisions and accruals	31,359
Provisions for dividend payables	36,780
Provision for Incentive for bonus	35,363
Provision for workers profit share bonus	26,654
Other payables	10,229
	499,794

24. Current Income Tax Liability

In Rs. '000s As at 31 March	2018
Charged for the period	54,068
Income Tax paid during the period	(17,471)
	36,597

25. Analysis by Principal Activities

The analysis by the principal activities, is as follows:

In Rs. '000s Period ended 31 March	2018
Revenue	
Tea	2,317,027
	2,317,027
Gross profit/(loss)	
Tea	435,789
	435,789

26. Other Operating Income

In Rs. '000s Period ended 31 March	Notes	2018
Profit on sale of property, plant and equipment		2,503
Amortisation of capital grants	21	3,134
Gain on biological assets-growing crops on bearer plants	14	3,204
Consumable biological assets – gain on fair valuation	10	25,673
Hydro power income		31,724
Net sundry income		18,241
		84,479

(a) The gain on fair value of biological assets represent the unrealised gain from valuation of trees/timber at the date of financial position.

27. Expenses by Nature

Profit before income tax is stated after charging the following:

In Rs. '000s Period ended 31 March	Notes	2018
Auditors' remuneration		
– Audit		1,358
– Non audit		378
Amortisation		
– Right to use of land	6	2,038
Depreciation		
– Immovable leased assets	7	4,246
– Property, plant and equipment	8	49,098
– Biological assets - bearer	9	21,206
Directors' emoluments		945
Staff costs	27.1	1,181,518
Cost of inventories sold other than expenses as staff costs		659,520
Transport cost		34,969
Other expenses		29,623
Total cost of sales and administrative expenses		**1,984,899**

27.1 Staff Costs

In Rs. '000s Period ended 31 March	Notes	2018
Wages and salaries		1,016,691
Defined contribution plan		129,209
Defined benefit plan	20	20,618
Workers' profit share bonus		15,000
		1,181,518
Average number of persons employed during the year		
Full time		7,004
Average cost per employee Rs. '000		169

28. Finance Expenses and Finance Income

In Rs. '000s Period ended 31 March	2018
(i) Finance costs	
Interest expense for borrowings at amortised cost	
– Interest on term loans	16,032
– Interest on bank overdrafts	73
	16,105
Contingent lease series of payments	
– Interest on leasehold rights payable to JEDB/SLSPC	20,880
Total finance costs	**36,985**
(ii) Finance income	
Interest income on short-term bank deposits	10,923
Total finance income	**10,923**
Net finance costs	**26,062**

29. Income Tax Expense

In Rs. '000s Period ended 31 March	Notes	2018
Current tax	24	54,068
Deferred tax recognised in the Income Statement	22	95,646
Taxes included in income for the period		**149,714**

Company

Tax is calculated using tax rates enacted for the year of assessment. The profits from cultivation activities are taxed at 10%. The profits from manufacturing and other activities are taxed at 28%.

Reconciliation between current tax expenses and the accounting profit:

In Rs. '000s Period ended 31 March	Notes	2018
Accounting profit before tax		390,545
Expenses not deductible for tax purposes		107,759
Expenses deductible for tax purposes		(153,089)
Taxable profit		345,215
Tax at effective rates		54,068
Deferred income tax	22	95,646
		149,714

30. Earnings Per Share

Basic earnings per share has been calculated by dividing the profit for the period attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the period.
Calculation of Earnings per share

In Rs. '000s Period ended 31 March	2018
Net profit attributable to shareholders	240,831
Weighted average number of ordinary shares in issue (thousands)	236,667
Basic earnings per share (Rs)	**1.02**

31. Dividends Paid

Calculation of dividend per share

In Rs. '000s Period ended 31 March	2018
Interim dividend - 2017/18	118,333
	118,333
Number of ordinary shares	236,667
Dividend per share (Rs.)	**0.50**

The Board of Directors of the Company has proposed the payment of a final dividend of Rs. 0.25 cents per share for the year ended 31 March 2018. In accordance with the Sri Lanka Accounting Standard – LKAS 10 – "Event after the Reporting Period", this final dividend has not been recognised as a liability in the Financial Statements as at 31 March 2018.

32. Commitments

Capital Commitments

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

In Rs. '000s Period ended 31 March	2018
Approved and contracted for	67,625
Approved and not contracted for	25,030
Total	**92,655**

33. Contingent Liability

There were no material contingent liabilities outstanding as at the date of reporting that require adjustment or disclosure in the Financial Statement.

34. Cash Generated from Operations

Reconciliation of profit before tax to cash generated from operations.

In Rs. '000s Period ended 31 March	Notes	2018
Net profit before taxation		390,545
Adjustments for:		
Depreciation	7, 8 and 9	74,550
Profit on sale of property, plant and equipment	26	(2,503)
Opening stock adjustment		(27,041)
Timber fair valuation gain	26	(25,673)
Fair value adjustment of concessionary loan		(3,295)
Amortisation of leasehold right to land	6	2,038
Amortisation of capital grants	21	(3,134)
Finance income	28	(10,923)
Finance costs	28	36,985
Changes in working capital		
– Inventories		(179,702)
– Trade and other receivables		170,480
– Biological assets-crop on bearer plants		(3,204)
– Trade and other payables		140,094
Provision for retirement benefit obligations	20	20,618
Cash generated from operations		**579,835**

35. Related Party Transactions

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

Directors' Interest in Contracts

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

(ii) Messrs G Sathasivam, V Govindasamy and B A Hulangamuwa who are Directors of the Company are also Directors of Sunshine Healthcare Lanka Limited, Waltrim Power (Private) Limited and Sunshine Holdings PLC.

(iii) Mr G Sathasivam and Mr B A Hulangamuwa who are Directors of the Company are also Directors of Sunshine Tea (Private) Limited.

(iv) Messrs G Sathasivam, V Govindasamy, M S Mawzoon and L Ramanayake who are Directors of the Company are also Directors of Watawala Tea Ceylon Limited.

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

(vi) Mr G Sathasivam, V Govindasamy and N B Weerasekera who are Directors of the Company are also Directors of Health Guard Pharmacy Limited.

(vii) Mr N B Weerasekera who is a Director of the Company is also Directors of Sunshine Holdings PLC.

35.1.Recurrent Transactions with Other Related Companies

Nature of the Company	Relationship	Name of Director	Nature of Transaction	Amounts (Rs.'000) 2018
(i) Included in the revenue and other sources of income				
Waltrim Hydropower Private Limited	Common Directors	Mr G Sathasivam	Service Income	5,286
		Mr Vish Govindasamy	Service Cost	18
		Mr B A Hulangamuwa		
Watawala Tea Ceylon Limited	Common Directors	Mr G Sathasivam	Sales	5,159
		Mr Vish Govindasamy	Service Cost	510
		Mr M S Mawzoon		
		Mr Lalith Ramanayake		
(ii) Included in the cost of sales and other expenses				
Sunshine Tea (Private) Limited	Common Directors	Mr G Sathasivam	Service Cost	2,839
		Mr B A Hulangamuwa	Service Cost	394
Sunshine Healthcare Lanka Limited	Common Directors	Mr G Sathasivam	Service Cost	9
		Mr Vish Govindasamy		
		Mr B A Hulangamuwa		
Watawala Plantations PLC	Common Directors	Mr Sunil G Wijesinha	Service Cost	88
		Mr G Sathasivam		
		Mr Vish Govindasamy		
		Mr Nirmal Fernandoo		
		Mr M S Mawzoon		
		Mr Lalith Ramanayake		
		Mr N S Weerasekara		
		Mr B A Hulangamuwa		
Watawala Dairy Limited	Common Directors	Mr Sunil G Wijesinha	Service Cost	7
		Mr Vish Govindasamy	Sales of goods and services	21,363
		Mr M S Mawzoon	Provision for management fees	1,838
			Purchase of goods and services	1,701
			Sales of goods and services	625

Nature of the company	Relationship	Name of Director	Nature of Transaction	Amounts (Rs.'000) 2018
(iii) Recurrent Transactions with the parent and ultimate parent company				
Sunshine Holdings PLC	Parent	Mr G Sathasivam	Service Cost	26,593
		Mr Vish Govindasamy	Service Cost	81
		Mr N B Weerasekera		
		Mr B A Hulangamuwa		

35.2 Amounts Due from Related Companies

In Rs. '000s As at 31 March	2018
Watawala Dairy Limited	1,213
	1,213

Transactions with related parties have been carried out on an arms length basis.

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

35.3 Key Management Compensation

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

In Rs. '000s Period ended 31 March	2018
Salaries and other short term employee benefits	**16,616**

36. Financial Risk Management Objectives and Policies

Financial Risk Factors

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

Market Risks

(i) Foreign Exchange Risk

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

As at 31 March	2018
Rate of exchange LKR per 1 US Dollar	155.97

Sensitivity Analysis

(ii) Interest Rate Risk

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

(iii) Price Risks

The Company is exposed to the commodity price risk of mainly tea. The Company monitors commodity price on a dynamic basis and manages inventory levels to minimise the impact.

Credit Risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions and outstanding balances from customers. For banks and financial institutions, only independently rated parties are accepted. No independent risk ratings are available for customers. Credit control assess the credit quality of the customers taking into account its financial position, past performance and other factors. Credit limits are set and the utilisation of credit limits is regularly monitored. The credit quality of financial assets are disclosed in Note 12.

Liquidity Risk

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

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

Financial Liabilities

At 31 March 2018	Note	Within one year	2-3 years	4-5 years	More than 5 years	Total
Lease Liability to – SLSPC and JEDB	19	4,191	8,892	9,624	174,508	197,215
Borrowings	18	101,824	151,878			253,702
Trade and other payables (excluding statutory liabilities)	23	499,794				499,794
		605,809	**160,770**	**9,624**	**174,508**	**950,711**

Financial Assets

At 31 March 2018	Note	Within one year	2-3 years	4-5 years	More than 5 years	Total
Trade and other receivables	15	185,688				185,688
Available-for-sale investments	11			21,645		21,645
Cash and cash equivalents	16	255,493				255,493
		441,181	**–**	**21,645**		**462,826**

Capital Risk Management

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

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

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the Consolidated Statement of Financial Position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the Statement of Financial Position plus net debt.

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

In Rs. '000s As at 31 March	31 March 2018
Total borrowings [Note 18]	253,702
Less: Cash and cash equivalents [Note 16]	(255,493)
Net debt	**(1,791)**
Total equity	1,951,655
Total capital	**1,949,864**
Gearing ratio	**- 0.1%**

37. Events After the Reporting Date

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

SUPPLEMENTARY INFORMATION

VALUE ADDED STATEMENT

In Rs. '000	Company 2017/18	%
Revenue	2,317,027	
Other income	84,479	
	2,401,506	
Cost of materials and services obtained	(758,628)	
Value addition	1,642,878	
Value allocated:		
To Employees		
Salaries, wages and other benefits	1,181,518	73
To Providers of funds		
Interest to money lenders	36,985	2
To Government		
JEDB/SLSPC lease rental	20,880	
Income tax	17,471	
	38,351	2
To providers of capital		
Dividend paid to shareholders	118,333	7
To Expansion and growth		
Profit retained	95,457	
Depreciation and amortisation	76,588	
Deferred taxation	95,646	
	267,691	16
	1,642,878	100

Rs. '000	Company 2017/18	%
To Employees	1,181,518	73
To Providers of funds	36,985	2
To Government	38,351	2
To Shareholders	118,333	7
To Expansion and growth	267,691	16
	1,642,878	100

SOURCES AND UTILISATION OF INCOME

In Rs. '000	Company 2017/18	%
Sources of income		
Tea	2,317,027	96%
Other income	84,479	4%
	2,401,506	100%
Utilisation of income		
To Employees		
Salaries, wages and other benefits	1,181,518	46%
To Providers of funds		
Interest paid to money lenders	36,985	2%
To Suppliers and service providers	758,628	32%
To Providers of capital		
Dividend paid to shareholders	118,333	5%
To Government		
Lease Rent, VAT, NBT, BTT, SRL	38,351	2%
To Expansion and growth		
Retained Profits, depreciation	267,691	11%
	2,401,506	100%

In Rs. '000	Company 2017/18	%
To Employees	1,181,518	48
To Suppliers	758,628	32
To Providers of capital	118,333	5
To Providers of funds	36,985	2
To Government	38,351	2
To Expansion and growth	267,691	11
	2,401,506	100

ESTATE HECTARAGE STATEMENT

Estate Hectarage Statement

Area (Ha)	2013/14	2014/15	2015/16	2016/17	2017/18
Tea mature	4,232.49	4,230.83	4,238.48	4,098.00	4,117.00
Tea immature	60.05	82.65	82.69	45.29	64.74
Tea	**4,292.54**	**4,313.48**	**4,321.17**	**4,143.29**	**4,181.74**
Fuelwood	1,495.31	1,388.41	1,065.14	1,058.14	1,027.29
Nursery	14.58	14.58	12.08	12.08	12.08
Other cultivated area	59.66	59.66	62.66	45.74	45.74
Other area	1,767.50	1,852.21	2,166.04	2,369.09	1,939.53
Lonach – Dairy	–	–	–	(419.98)	–
KNL and STR development	–	(1.25)	–	(1.98)	–
Other	**3,337.05**	**3,313.16**	**3,305.92**	**3,063.09**	**3,024.64**
Company	**7,629.59**	**7,627.09**	**7,627.09**	**7,206.38**	**7,206.38**

CROPS AND YIELDS

Production (Kg ’000)

			Tea				
	Oct. – March	April – Sep.	Agri Sector				
Region	HPL	WPL	Total	2016/17	2015/16	2014/15	2013/14
Tea							
Watawala	1,094	979	2,073	1,893	2,489	2,754	2,563
Hatton	1,883	1,866	3,749	3,459	4,297	4,402	4,388
Lindula	1,009	1,079	2,088	1,835	2,323	2,881	2,682
Total	**3,986**	**3,924**	**7,909**	**7,187**	**9,110**	**10,036**	**9,632**

Yield per Hectarage (kg)

	Oct. – March	April – Sep.	Agri Sector				
Region	HPL	WPL	Total	2016/17	2015/16	2014/15	2013/14
Tea							
Watawala	683	646	1,329	1,269	1,373	1,533	1,420
Hatton	747	733	1,480	1,224	1,441	1,624	1,570
Lindula	633	672	1,305	1,152	1,444	1,523	1,415
Total	**685**	**688**	**1,374**	**1,213**	**1,439**	**1,568**	**1,480**

SHAREHOLDERS' AND INVESTORS' INFORMATION

Stock Exchange Listing

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

Shareholders Information

Total number of shareholders as at 31 March 2018:16,000.

Public Shareholding

The percentage of shares held by the public: 24.32%

Twenty (20) Largest Shareholders as at 31 March 2018	Number of Shares held	Percentage of the holding
Estate Management Services (Pvt) Ltd.	179,034,370	75.65
Sampath Bank PLC/Seylan Bank PLC/Dr T Senthil Verl	22,953,410	9.70
K C Vignarajah	2,195,935	0.93
Deutsche Bank AG as Trustee to Candor Opportunities Fund	1,733,507	0.73
HSBC International Nominees Ltd. SSBT – Deustche Bank	1,638,551	0.69
Vyjayanthi & Company Limited	1,000,000	0.42
J.B.Cocoshell (Pvt) Ltd.	625,256	0.26
Deutsche Bank AG as Trustee to Candor Growth Fund	576,882	0.24
N Muljie	552,900	0.23
M I Abdul Hameed	350,000	0.15
Cocoshell Activated Carbon Company Limited	305,000	0.13
S Vignarajah	262,539	0.11
Union Investments Private Ltd.	262,000	0.11
National Industries Group (Holdings) (S.A.K)	200,000	0.08
Pershing LLC S/A Averbach Grauson & Co.	200,000	0.08
Commercial Bank of Ceylon PLC/S A Gulamhusein	182,000	0.08
C M Holdings PLC	170,000	0.07
Best Real Invest Co. Services (Private) Limited	160,757	0.07
M M Hashim	151,900	0.06
P A G Weerakoon Banda	150,220	0.06
Sub Total	**212,705,227**	**89.88**
Others	23,961,444	10.12
Grand Total	**236,666,671**	**100.00**

Share Trading Information During the Period

Market Price per Share	As at 31 March 2018
Highest during the period	10.70
Lowest during the period	6.70
Closing price	7.80

Number of Transactions	1,984
Number of Shares Traded	3,358,954
Value of Shares Traded (Rs.)	28,994,545

(A) Distribution of Shareholding

Shareholdings	Residents				Non-Residents				Total			
	Number of Shareholders	%	Number of Shares	%	Number of Shareholders	%	Number of Shares	%	Number of Shareholders	%	Number of Shares	%
1 to 1,000	8,361	52.26	3,861,876	1.63	9	0.06	4,196	0.00	8,370	52.31	3,866,072	1.63
1,001 to 5,000	7,240	45.25	13,569,779	5.73	8	0.05	20,300	0.01	7,248	45.30	13,590,079	5.74
5,001 to 10,000	197	1.23	1,520,239	0.64	4	0.03	23,600	0.01	201	1.26	1,543,839	0.65
10,001 to 50,000	133	0.83	2,935,654	1.24	3	0.02	116,424	0.05	136	0.85	3,052,078	1.29
50,001 to 1,000,000	33	0.21	6,416,581	2.71	5	0.03	642,249	0.27	38	0.24	7,058,830	2.98
Over 1,000,000	6	0.04	205,917,222	87.01	1	0.01	1,638,551	0.69	7	0.04	207,555,773	87.70
Total	**15,970**	**99.81**	**234,221,351**	**98.97**	**30**	**0.19**	**2,445,320**	**1.03**	**16,000**	**100.00**	**236,666,671**	**100.00**

(B) Categories of Shareholders

Shareholdings	Institutional				Non-Institutional				Total			
	Number of Shareholders	%	Number of Shares	%	Number of Shareholders	%	Number of Shares	%	Number of Shareholders	%	Number of Shares	%
1 to 1,000	37	0.23	16,713	0.01	8,333	52.08	3,849,359	1.63	8,370	52.31	3,866,072	1.63
1,001 to 5,000	41	0.26	128,623	0.05	7,207	45.04	13,461,456	5.69	7,248	45.30	13,590,079	5.74
5,001 to 10,000	17	0.11	136,707	0.06	184	1.15	1,407,132	0.59	201	1.26	1,543,839	0.65
10,001 to 50,000	17	0.11	360,397	0.15	119	0.74	2,691,681	1.14	136	0.85	3,052,078	1.29
50,001 to 1,000,000	14	0.09	4,037,693	1.71	24	0.15	3,021,137	1.28	38	0.24	7,058,830	2.98
Over 1,000,000	5	0.03	204,057,195	86.22	2	0.01	3,498,578	1.48	7	0.04	207,555,773	87.70
Total	**131**	**0.82**	**208,737,328**	**88.20**	**15,869**	**99.18**	**27,929,343**	**11.80**	**16,000**	**100.00**	**236,666,671**	**100.00**

GRI CONTENT INDEX

GENERAL STANDARD DISCLOSURES

GENERAL STANDARD DISCLOSURES		Report Section
STRATEGY AND ANALYSIS		
G4-1	Statement from the most senior decision-maker of the Organisation.	Chairman's Statement
ORGANISATIONAL PROFILE		
G4-3	Name of the Organisation.	About Us, Corporate Information
G4-4	Primary brands, products, and services.	About Us, Value Creation Model
G4-5	Location of the Organisation's headquarters.	Corporate Information
G4-6	Number of countries where the Organisation operates, and names of countries where either the Organisation has significant operations or that are specifically relevant to the sustainability topics covered in the Report.	Corporate Information
G4-7	Nature of ownership and legal form.	Corporate Information
G4-8	Markets served.	About Us, Value Creation Model
G4-9	Scale of the Organisation.	About Us
G4-10	Workforce Profile.	Employee and Social Capital
G4-11	Percentage of total employees covered by collective bargaining agreements.	Employee and Social/decent work
G4-12	Description of Organisation's supply chain.	Relationship Capital, Stakeholders
G4-13	Significant changes during the reporting period regarding the Organisation's size, structure, ownership, or its supply chain.	About this Report
G4-14	Whether and how the precautionary approach or principle is addressed by the Organisation.	About this Report
G4-15	Externally developed economic, environmental and social charters, principles, or other initiatives to which the Organisation subscribes or which it endorses.	About this Report, About Us
G4-16	Memberships of associations (such as industry associations) and national or international advocacy Organisations.	Intellectual Capital
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES		
G4-18	Process for defining the report content and the Aspect Boundaries.	Risk Management and Materiality
G4-19	Material Aspects identified in the process for defining report content.	Risk Management and Materiality
G4-20	Aspect Boundary within the Organisation for identified material aspects.	Risk Management and Materiality
G4-21	Aspect Boundary outside the Organisation for identified material aspects.	Risk Management and Materiality
G4-22	Effect of any restatements of information provided in previous reports, and the reasons for such restatements.	N/A
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries.	N/A
STAKEHOLDER ENGAGEMENT		
G4-24	List of stakeholder groups engaged by the Organisation.	Stakeholder Engagement
G4-25	Basis for identification and selection of stakeholders with whom to engage.	Stakeholder Engagement
G4-26	Organisation's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	Stakeholder Engagement
G4-27	Key topics and concerns that have been raised through stakeholder engagement.	Stakeholder Engagement
REPORT PROFILE		
G4-28	Reporting period for information provided.	About this Report
G4-29	Date of most recent previous report.	About this Report
G4-30	Reporting cycle.	About this Report
G4-31	Contact point for questions regarding the report or its contents.	About this Report
G4-32	Report the "in accordance" option the Organisation has chosen.	About this Report
G4-33	Organisation's policy and current practice with regard to seeking external assurance for the report.	About this Report

GENERAL STANDARD DISCLOSURES		Report Section
GOVERNANCE		
G4-34	Governance structure of the Organisation, including committees of the highest governance body.	Corporate Governance
G4-38	Composition of the highest governance body and its committee.	BoD profiles, Executive Committee, Management
G4-39	Indicate whether the Chair of the highest governance body is also an Executive Officer.	BoD profiles
G4-40	Process and criteria used for nomination and selection of members to the highest governance.	Corporate Governance
G4-41	Processes in place for the highest governing body to ensure conflicts of interests are avoided and managed.	Code of Business Conduct and Ethics and Corporate Governance Report
G4-42	a. Report the highest governance body's and Senior Executives' roles in the development, approval, and updating of the Organisation's purpose, value or mission statements, strategies, policies, and goals.	Corporate Governance Responsibilities of the Board
G4-43	a. Report the measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics.	Corporate Governance Training for Directors
G4-45	a. Report the highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities.	Corporate Governance Governance structure/ Responsibilities of the Board
G4-47	a. Report the frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities.	Corporate Governance Frequency of Board Meetings
G4-51	a. Report the remuneration policies for the highest governance body and senior executives. b. Report how performance criteria in the remuneration policy relate to the highest governance body's and Senior Executives' economic, environmental and social objectives.	Corporate Governance Directors' Remuneration Committee/ level of makeup of remuneration
G4-52	a. Report the process for determining remuneration.	Corporate Governance Directors' Remuneration Committee/ level of makeup of remuneration
ETHICS AND INTEGRITY		
G4-56	Organisation's values, principles, standards and norms of behavior such as Codes of Conduct and Codes of Ethics.	Corporate Governance Code of Business Conduct and Ethics.

SPECIFIC STANDARD DISCLOSURES

SPECIFIC STANDARD DISCLOSURES		Report Section
ECONOMIC		
ASPECT: ECONOMIC PERFORMANCE		
G4-DMA	Generic Disclosures on Management Approach.	Corporate Governance
G4-EC1	Direct economic value generated and distributed.	Financial Capital, Value Creation (VC) Model, Value added statement
G4-EC2	Financial implications and other risks and opportunities for the Organisation's activities due to climate change.	Operating Environment, Risk Management
G4-EC3	Coverage of the Organisation's defined benefit plan obligations.	Financial Capital, Financial Statements
G4-EC4	Financial assistance received from Government.	Financial Capital, Financial Statements
ASPECT: INDIRECT ECONOMIC IMPACTS		
G4-DMA	Generic Disclosures on Management Approach.	Relationship Capital, Employee and Social Capital
G4-EC7	Development and impact of infrastructure investments and services supported.	Employee and Social Capital
G4-EC8	Significant indirect economic impacts, including the extent of impacts.	Employee and Social Capital
ASPECT: PROCUREMENT PRACTICES		
G4-DMA	Generic Disclosures on Management Approach.	Relationship capital

SPECIFIC STANDARD DISCLOSURES		Report Section
ENVIRONMENTAL		
ASPECT: MATERIALS		
G4-DMA	Generic Disclosures on Management Approach.	Natural Capital Raw Materials
G4-EN1	Materials used by weight or volume.	Natural Capital Raw Materials
ASPECT: ENERGY		
G4-DMA	Generic Disclosures on Management Approach.	Natural Capital Energy
G4-EN3	Energy consumption within the Organisation.	Natural Capital Energy
G4-EN5	Energy intensity.	Natural Capital Energy
G4-EN6	Reduction of energy consumption.	Natural Capital Energy
ASPECT: WATER		
G4-DMA	Generic Disclosures on Management Approach.	Natural Capital Water
G4-EN9	Water sources significantly affected by withdrawal of water.	N/A
ASPECT: BIODIVERSITY		
G4-DMA	Generic Disclosures on Management Approach.	Natural Capital Biodiversity
G4-EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	Natural Capital Biodiversity
G4-EN14	Total number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	Natural Capital Biodiversity
ASPECT: EMISSIONS		
G4-DMA	Generic Disclosures on Management Approach.	Natural Capital Emissions
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1).	Natural Capital Emissions
G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2).	Natural Capital Emissions
G4-EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3).	Natural Capital Emissions
G4-EN18	Greenhouse gas (GHG) emissions intensity.	Natural Capital Emissions
G4-EN19	Reduction of greenhouse gas (GHG) emissions.	Natural Capital Emissions
ASPECT: EFFLUENTS AND WASTE		
G4-DMA	Generic Disclosures on Management Approach.	Natural Capital Effluents and waste
G4-EN22	Total water discharge by quality and destination.	Natural Capital Effluents and waste
G4-EN24	Total number and volume of significant spills.	Natural Capital Effluents and waste
ASPECT: COMPLIANCE		
G4-DMA	Generic Disclosures on Management Approach.	Intellectual Capital, Relationship Capital, Natural Capital
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	Intellectual Capital, Relationship Capital, Natural Capital

SPECIFIC STANDARD DISCLOSURES		Report Section
ASPECT: OVERALL		
G4-DMA	Generic Disclosures on Management Approach.	Natural Capital
G4-EN30	Significant environmental impacts of transporting products and other goods and materials for the Organisation’s operations, and transporting members of the workforce.	Natural Capital Effluents, Emission and Waste Management
ASPECT: SUPPLIER ENVIRONMENTAL ASSESSMENT		
G4-DMA	Generic Disclosures on Management Approach.	Relationship Capital – Suppliers
SOCIAL		
SUB-CATEGORY: LABOR PRACTICES AND DECENT WORK		
ASPECT: EMPLOYMENT		
G4-DMA	Generic Disclosures on Management Approach.	Employee and Social Capital
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region.	Employee and Social Capital
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation.	Employee and Social Capital Fair remuneration
G4-LA3	Return to work and retention rates after parental leave, by gender.	Employee and Social Capital
ASPECT: LABOUR/MANAGEMENT RELATIONS		
G4-DMA	Generic Disclosures on Management Approach.	Employee and Social Capital Fair remuneration
ASPECT: OCCUPATIONAL HEALTH AND SAFETY		
G4-DMA	Generic Disclosures on Management Approach.	Employee and Social Capital Worker Welfare, Medical and Sanitation
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender.	Employee and Social Capital Worker Welfare, Medical and Sanitation
ASPECT: TRAINING AND EDUCATION		
G4-DMA	Generic Disclosures on Management Approach	Employee and Social Capital Training and Development
G4-LA9	Average hours of training per year per employee by gender, and by employee category	Employee and Social Capital Training and Development
G4-LA10	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Employee and Social Capital Training and Development
ASPECT: DIVERSITY AND EQUAL OPPORTUNITY		
G4-DMA	Generic Disclosures on Management Approach	Employee and Social Capital
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	Employee and Social Human capital/governance
ASPECT: LABOUR PRACTICES GRIEVANCE MECHANISMS		
G4-DMA	Generic Disclosures on Management Approach.	Employee and Social Capital Decent Work Environment

SPECIFIC STANDARD DISCLOSURES		Report Section
SUB-CATEGORY: HUMAN RIGHTS		
ASPECT: NON-DISCRIMINATION		
G4-DMA	Generic Disclosures on Management Approach.	Employee and Social Capital
ASPECT: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING		
G4-DMA	Generic Disclosures on Management Approach.	Employee and Social Capital Decent Work Environment/ Code of Conduct
ASPECT: CHILD LABOR		
G4-DMA	Generic Disclosures on Management Approach.	Employee and Social Capital Decent Work Environment/ Code of Conduct
ASPECT: FORCED OR COMPULSORY LABOUR		
G4-DMA	Generic Disclosures on Management Approach.	Employee and Social Capital Decent Work Environment/ Code of Conduct
SUB-CATEGORY: SOCIETY		
ASPECT: LOCAL COMMUNITIES		
G4-DMA	Generic Disclosures on Management Approach.	Employee and Social capital
G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programmes.	Employee and Social capital
G4-SO2	Operations with significant actual and potential negative impacts on local communities.	N/A
ASPECT: ANTI-CORRUPTION		
G4-DMA	Generic Disclosures on Management Approach	Corporate Governance – Anti-corruption
G4-SO4	Communication and training on anti-corruption policies and procedures	Corporate Governance – Anti-corruption
SUB-CATEGORY: PRODUCT RESPONSIBILITY		
ASPECT: CUSTOMER HEALTH AND SAFETY		
G4-DMA	Generic Disclosures on Management Approach	Relationship Capital Consumer Responsibility
G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	Relationship Capital Consumer Responsibility

NOTICE OF MEETING

Notice is hereby given that the First (1st) Annual General Meeting of Hatton Plantations PLC will be held at "Lotus Room", Bandaranaike Memorial International Conference Hall (BMICH), Bauddhaloka Mawatha, Colombo 07 on Thursday, 28 June 2018 at 11.30 am and the business to be brought before the meeting will be:

1. To receive and consider the Annual Report of the Board of Directors and the Statement of Audited Accounts for the period ended 31 March 2018 with the report of the Auditors thereon.
2. To declare a Final Dividend of LKR 0.25 (Cents twenty five) per share as recommended by the Directors.
3. To propose the following resolution as an ordinary resolution for the appointment of Mr A N Fernando who has reached the age of 71 years.

Ordinary Resolution

"IT IS HEREBY RESOLVED THAT the age limit referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to Mr A N Fernando who has reached the age of 71 years prior to this Annual General Meeting and that he be reappointed."

4. To propose the following resolution as an ordinary resolution for the appointment of Mr G Sathasivam who has reached the age of 70 years.

Ordinary Resolution

"IT IS HEREBY RESOLVED THAT the age limit referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to Mr G Sathasivam who has reached the age of 70 years prior to this Annual General Meeting and that he be reappointed."

5. To re-elect Mr S G Wijesinha as per Article 28 of the Articles of Association.
6. To re-elect Mr N B Weerasekera as per Article 28 of the Articles of Association.
7. To re-elect Mr L Ramanayake as per Article 28 of the Articles of Association.
8. To re-elect Mr S Mawzoon as per Article 28 of the Articles of Association.
9. To re-elect Mr P Karunagaran as per Article 28 of the Articles of Association.
10. To re-elect Mr B A Hulangamuwa as per Article 28 of the Articles of Association.
11. To reappoint Messrs PricewaterhouseCoopers (Chartered Accountants) and authorise the Directors to determine their remuneration.
12. To authorise the Directors to determine contributions to Charities.

By order of the Board,

Corporate Advisory Services (Pvt) Ltd.
Secretaries, Hatton Plantations PLC

Colombo
25 May 2018

We shall be obliged if the shareholders/proxies attending the Annual General Meeting, produce their National Identity Card to the Security Personnel stationed at the entrance.

FORM OF PROXY

I/We ....

of ....

being a member/members of Hatton Plantations PLC, hereby appoint: ....

....

of ....
or failing him, S G Wijesinha (Chairman of the Company) of Colombo, or failing him, one of the Directors of the Company as my/our proxy to vote as indicated hereunder for me/us and on my/our behalf at the First (1st) Annual General Meeting of the Company to be held on Thursday, the 28 June 2018 at 11.30 am and at every poll which may be taken in consequence of aforesaid meeting and any adjournment thereof:

	For	Against
1. To receive and consider the Annual Report of the Board of Directors and the Statement of Audited Accounts for the period ended 31 March 2018 with the Report of the Auditors thereon.		
2. To declare a Final Dividend of LKR 0.25 (Cents twenty-five) per share as recommended by the Directors.		
3. To pass an ordinary resolution to reappoint Mr A N Fernando who has reached the age of 71, as a Director.		
4. To pass an ordinary resolution to reappoint Mr G Sathasivam who has reached the age of 70, as a Director.		
5. To re-elect Mr S G Wijesinha as per Article 28 of the Articles of Association.		
6. To re-elect Mr N B Weerasekera as per Article 28 of the Articles of Association.		
7. To re-elect Mr L Ramanayake as per Article 28 of the Articles of Association.		
8. To re-elect Mr M S Mawzoon as per Article 28 of the Articles of Association.		
9. To re-elect Mr P Karunagaran as per Article 28 of the Articles of Association.		
10. To re-elect Mr B A Hulangamuwa as per Article 28 of the Articles of Association.		
11. To reappoint Messrs PricewaterhouseCoopers (Chartered Accountants) as Auditors of the Company authorise the Directors to determine their remuneration.		
12. To authorise the Directors to determine contributions to Charities.		

Dated this .... day of 2018

....
Signature of Shareholder

Shareholders NIC …………………………………………

Proxy Holders NIC ………………………………………..

(a) A proxy need not be a member of the Company.
(b) Instructions regarding completion appear overleaf.

Instructions as to Completion of the Form of Proxy

- To be valid, the completed Form of Proxy should be deposited at the Registered Office of the Company at No. 60, Dharmapala Mawatha, Colombo 03 not less than 48 hours before the time of the meeting.
- In perfecting the Form of Proxy, please ensure that all the details are eligible.
- If you wish to appoint a person other than the Chairman for calling him, one of the Directors of the Company and your proxy, please insert the relevant details.
- Please indicate with an 'X' in the space provided how your proxy to vote on each resolution. If no indication is given, the proxy, in his discretion, will vote, as he thinks fit.
- In the case of the Company/Corporation, the proxy must be under its Common Seal which should be affixed and attested in the manner prescribed by its Articles of Association.
- In the case of a proxy signed by the Attorney, the Power of Attorney must be deposited at the Registered Office, No. 60, Dharmapala Mawatha, Colombo 03 for registration.

CORPORATE INFORMATION

Name of the Company
Hatton Plantations PLC

Legal Form
Companies Act No. 07 of 2007 and listed
on the Colombo Stock Exchange

Date of Incorporation
14 September 2017

Registration No
PB 5414PQ

Financial Period
31 March

Directors
S G Wijesinha – Chairman
G Sathasivam
V Govindasamy – Managing Director
A N Fernando
M S Mawzoon
L Ramanayake
N B Weerasekara
B A Hulangamuwa
Pratheepan Karunagaran (Alternate – T. Siddique)

Secretaries
Corporate Advisory Services (Pvt) Ltd.
47, Alexandra Place, Colombo 7, Sri Lanka

Auditors
PricewaterhouseCoopers (Chartered Accountants)
PO Box 918,100, Braybrooke Place, Colombo 02

Bankers
Hatton National Bank PLC
Commercial Bank of Ceylon PLC
Seylan Bank PLC

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

Registered Office
60, Dharmapala Mawatha, Colombo 03, Sri Lanka
Phone: +94 11 470 2400
Fax: +94 11 471 6365

This Annual Report is Carbon Neutral

Produced by VisageSpice (Pvt) Limited (a member of Smart Media The Annual Report Company), a carbon neutral company that offsets its direct and indirect GHG emissions, including those resulting from the usage of paper and outsourced printing through verified sources.

SMART MEDIA The ANNUAL REPORT Company
www.VisageSpice.com

PARTNER Carbonfree Carbonfund.org
www.carbonfund.org

GSARN©
www.gsarn.org
Global Standard Annual Report Number©
LKA9700HPLXX0170180E104

a sunshine enterprise

Hatton Plantations PLC

No. 60, Dharmapala Mawatha
Colombo 03
Sri Lanka
Phone: +94 11 470 2400
Fax: +94 11 470 2496
Email: hatton@sunshineholdings.lk

www.hattonplantations.lk