

ANNUAL REPORT 2015



VISION

Our vision is to become the model plantation company in the world through innovation, diversification and high quality standards

MISSION

Malwatte Valley Plantations PLC is committed to achieved excellence and the highest quality standards in every sphere of activity by optimising productivity and developing its employees. We will become an increasingly profitable, stable and growth oriented model private plantation sector securing an acceptable return on investment through its core business as well as by diversification into other sectors, whilst affording the highest priority for environmental and social needs

CORPORATE INFORMATION

Name of the company

Malwatte Valley Plantations PLC
(PQ 111)

Date of incorporation

22nd June 1992

Board of directors

Mr. Frits Bogtstra MBA, BSc (Hon) (UK) - Chairman
Mr. Lucas Bogtstra - Managing Director
Mr. T. R. Gerlach
Mr. S. N Dharmaratna FCA, FSCMA, CGMA(UK), ACMA(UK), DBA
Ms. C. A. Gerlach
Mr. K. A. S. Gunasekara BA (Cey), SLAS
Mr. G. Chamindra De Silva MBA, FCA, FCMA(UK), FCCA (UK), CA (SD)

Mr. K.G.M. Piyaratne FCA, ACMA(U.K.), CPA(Canada), FSCMA, MSc (Mgt&IT)
Mr. A.D.A. Nilanth De Silva

Secretaries

Management Applications (Pvt) Ltd.
12, Rotunda Gardens,
Colombo – 03.
Tel. No: 2445751/2327595

Registered office

No. 280, Dam Street,
Colombo – 12, Sri Lanka.
Tel. No: 5388800

Auditors

Ernst & Young
Chartered Accountants
No. 201, De Sarem Place,
Colombo - 10.

Bankers

Hatton National Bank PLC
Union Bank PLC
NDB Bank
People's Bank
DFCC Bank

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FINANCIAL HIGHLIGHTS

	Company	
	2015	2014
	12(Month) Rs.'000	12(Month) Rs.'000
Turnover	2,881,044	3,581,342
Gross Profit	(114,922)	133,943
Operating Profit	(241,674)	66,258
Gross Profit on Cost of Sales (%)	(4)	4
Gross profit on Turnover (%)	(4)	4
Profit/(Loss) Before Tax	(269,437)	53,246
Tax expenses	8,524	29,186
Profit/(loss) After Tax	(277,961)	24,060
Fixed Assets	3,750,006	3,669,701
Current Assets	1,520,842	1,552,503
Current Liabilities	926,528	601,820
Shareholders Fund	2,589,043	2,850,624
Capital expenditure	215,600	219,685
Earnings Per Share (Rs.)	(1.25)	0.11
Net Assets Per share (Rs.)	11.60	12.78
Dividend Per Share (Rs.)	-	0.025
Stated Capital	373,000	373,000
Capital Employed	3,235,493	3,565,215
Net Assets	2,589,043	2,850,624
Return on Capital Employed (%)	(8)	2
Market Capitalisation	689,493,929	912,565,490

CHAIRMAN'S REVIEW

As you may already know, our late Chairman - my father - Mr. W.L Bogtstra - passed away on 28th November 2015. Since then I have been appointed Chairman of your company and my brother Lucas, who was previously Director Operations, has been appointed Managing Director / Chief Executive Officer of Malwatte Valley Plantations PLC.

Together with the other Board Members and the rest of our staff we will continue to implement our late chairman's vision, and further the developments he started.

The impact our late Chairman has had on your company was tremendous. His great business acumen coupled with his thorough knowledge of plantation management and his immense energy made him one of the most impressive leaders this industry has ever known. His memory will be with us for a long time to come, in our current business as well as in our diversification projects which were initiated by him.

I regret to have to inform you that in the year under review your company has recorded a loss for the first time in 12 years. The downturn in the plantation industry, which was already mentioned by our late Chairman in his review of the previous year, continued in this year. Details will be given in the sector reviews below.

Overview

Your company manages approximately 5,000 Ha of tea and 2,000 Ha of rubber, and has a workforce of nearly 10,000.

Tea sector

The total tea production of Sri Lanka during 2015 was 328.96 million kgs, compared with 338.03 million kgs in 2014, which is a decrease of 3%. The total tea export during 2015 was 306.94 million kgs, with an export value of Rs. 182.05 billion.

Prices in the auctions plummeted by Rs. 60/= per kg from the year before, resulting in weaker earnings in our core crop. This is a result of declining commodity prices worldwide and the slowing down of emerging market economies. The Middle East in particular, where the bulk of our tea is exported to, did not recover from its Socio Economic unrest. Therefore the demand from our traditional markets such as Iran, Iraq, Syria and Ukraine became even less. The depreciation of the Russian ruble aggravated the situation even further by depressing Russia's buying power.

Notwithstanding this, the Company spent a sum of Rs.145

million under Capital Expenditure on new clearings and diversification. This will no doubt help to strengthen future earnings of your company.

Rubber sector

A decline in the rubber sector was observed for the fourth consecutive year in 2015, largely as a result of low international market prices as well as adverse weather conditions.

Rubber production declined by 10.1% to 88,570 MT in 2015 from 98,573 MT in 2014.

Rubber prices recorded a substantial drop of nearly 12% during the year as a result of depressed oil prices as well as the slowing down of global economies.

Cost of Production

In spite of weak trading conditions and a crop loss of nearly 6% as a result of the erratic weather patterns in Uva, the tea sector of your company was able to bring down its COP by as much as Rs. 16/= per kg from the year before. The rubber sector was successful in reducing its COP by Rs. 11/= per kg against 2014. The above has been made possible by spirited team work and close monitoring at every level. In a situation where most of our costs are fixed and labour wages are not related to productivity, the above achievement is phenomenal and has helped reduce losses for the year escalating even further.

Exports

The Tea Export arm of your company recorded revenue of approximately Rs. 831 million for the year compared to Rs. 968 million the year before. Entry into new market segments increased profit margins by more than 100% in spite of reduced earnings.

Focus is being made to improve our product portfolio in order to penetrate new markets. We are working closely with Tea Masters from other countries to improve the array of products we have on offer. Our goal is to enter niche markets in order to get premium prices for our exquisite teas. Branding is also on the cards for next year.

The company is currently shipping its teas to destinations such as Azerbaijan, Russia Kyrgyzstan, Japan, China, Germany and Canada.

The Rubber Export arm of your company, which is a relatively new venture, is steadily progressing. We intend to develop this further in the coming years. We are currently shipping our

CHAIRMAN'S REVIEW

rubber to Malaysia, Pakistan, Czech Republic, Brazil, Germany, Netherlands, India and Bangladesh.

Our Spice and Fruit Exports from our diversified projects will commence no sooner commercial volumes are harvested.

Crop diversification

As at the end of 2015 we have planted large extents of pepper, mandarin, avocado and cardamom. We have an aggressive program for diversifying into spices, fruit and oil palm over the next few years. Income generated from these diversification projects will probably become the "life blood" of our Company in the years to come.

Factory development and mechanization

The Rolling Rooms of both Sarnia and Dickwella Estates have now been automated which resulted in a large saving in labour. We have also invested in new machinery to manufacture different types of tea to cater to new markets. The research and development of our product portfolio continues.

Manual shears have been introduced to our workforce not only to increase productivity, but also to circumvent the acute shortage of labour which we are currently facing.

Our latest introduction is motorized harvesters, which will hopefully put an end to the need of transporting workers on a daily basis from destinations 30 - 40 km away from their workplace.

Welfare

Vincit Estate was awarded GOLD for excellence in social development through the Estate Workers Housing and Co-operative Society for the year 2015.

Human Resources

We believe that the overall quality of our products and the satisfaction of our customer are greatly dependent on the quality of life of our employees and the satisfaction they obtain by working with us. Therefore we will endeavor to assure that our employees quality of life and their skills are continuously improved.

Training

The Company has implemented a structured process oriented training policy, which is supported by comprehensive training based on needs analysis and an associated training plan.

Quarterly incentives

Appraisals are conducted quarterly and incentives awarded to different categories of staff.

Inter Plantations Rugby7's - 2015

The annual Inter Plantations Rugby7's tournament, which is the premier sports festival in the plantations sector and it's most forward looked to event, was organized for the sixteenth consecutive year by the Dickoya/Maskeliya Cricket Club. Malwatte Valley Plantations PLC, having taken part in this tournament from its inception, became the Runner-up for the 2nd consecutive year, which highlights your Company's commitment to sports and team spirit within the organization.

Acknowledgments

I wish to thank our employees for their tireless work during a very difficult year. I also wish to thank our Buyers, Brokers, Bankers and all other stakeholders for their continued support and my fellow Directors on the Board for steering our company through this very critical year.

On behalf of the Board I welcome back Mr. K.A.S. Gunasekera to the Board of Directors. Mr. K.A.S. Gunasekera's contribution to the Board are of immense value to our Company.



Mr. F Bogtstra
Chairman

BOARD OF DIRECTOR'S

Mr. Frits Bogtstra (Chairman)

Mr. Frits Bogtstra completed a degree in Electrical and Electronic Engineering at King's College University of London in 1978. In 1998 he finished a Master's degree in Business Administration with a focus on competitive strategy, international enterprise and corporate financial strategy.

He was active in the field of software development relating to engine test benches for manufacturing quality control and R&D, medical equipment and internal and external ballistics.

He has been working as a manager for a reputed German car manufacturer since 1986, with responsibilities throughout the field of software development and engineering, data centre management, supplier management and outsourcing of IT operations.

In the field of corporate financial controlling, he developed controlling systems and processes for the efficient and cost optimised assembly of engines and associated logistics using just in time and just in sequence supply methods to minimise cost of capital bound by material in work.

He currently manages an international project dealing with the standardisation and rollout of business and IT processes for automobile sales and financial services worldwide.

He was appointed as Chairman 4 December 2015

Mr. Lucas Bogtstra (Managing Director)

Mr. Lucas Bogtstra joined Malwatte Valley Plantations in 1998 and was appointed to the Boards of Malwatte Valley Plantations and its holding Company, Wayamba Plantations (Pvt) Ltd in 2003.

He was appointed as MD/CEO from 4 December 2015.

He commenced his career with the John Keells Group in 1978 and has since served on many private sector boards. Apart from being a Planter, he also has vast experience in import, export, manufacture and trading.

He is responsible for setting up and managing the export arm of the Company in 2008 and it's modern warehouse complex at Wattala in 2009.

Mr. Thomas Randolph Gerlach (Director)

Mr. Thomas Randolph Gerlach has had his law studies at the University of Utrecht-Netherlands. He served a period of five years, up to 1986 as a Legal Aid Consultant in Legal Aid Association in the Hague, Netherlands. He has worked as Project Manager, Orveco B.V. Holland a company manufacturing Organic fertilizer for a period of eight years up to 1994.

He took over as Managing Director Dutch Plantin B.V. Holland a company marketing coir fibre dust worldwide. He is also a Director since 1994 of Seilaani Ltd, Sri Lankan company producing processed coir fibre dust "cocopeat".

During 2003 he joined Malwatte Valley Plantations PLC and is currently the Group Executive Director. He is also the Group Executive Director of Wayamba Plantations (Pvt) Ltd, the holding company of Malwatte Valley Plantations PLC.

Mr. Sunil Noel Dharmaratna (Director)

Mr. Sunil Dharmaratna was appointed to the Board of Directors of Malwatte Valley Plantations PLC on 24th April 2013 as Director Finance and currently works as Director Leisure/Projects.

Mr. Dharmaratna is a Fellow Member of Institute of Chartered Accountants of Sri Lanka (ICA). Associate member of Chartered Institute of management Accountants (UK) ACMA, Fellow and Founder Member of the Society of Certified Management Accountants, Sri Lanka (FSCMA), Associate Member of the Chartered Global Management Accountants (CGMA). He served as a member of the Council of CIMA Sri Lanka Branch for a period of two years. He obtained his Doctorate in Business Administration from University of International Education and Research, India in 2016.

He has successfully completed Hospitality Industry Advance Professional Development Programme in Hotel Administration at Cornell University, New York (USA).

He counts 39 years of experience and expertise in the Financial, Plantation, Real Estate, and Leisure Sectors, and held key Management Positions as Chief Accountant at Aitken Spence Hotel management, Director Finance Hotel Management Division of John Keells Holdings Limited and Senior Vice president and Head of Finance at John Keells PLC.

BOARD OF DIRECTOR'S

He has also been involved in many CSR and community service projects in many parts of the country and is a past Multiple Council Chairman of the International Association of Lions Clubs Multiple District 306 Sri Lanka. He was awarded the Title of Desabandu for community service work and is a Justice of Peace (All Island).

Mr. K. A. S. Gunasekera (Director)

Mr. K. A. S. Gunasekera joined the Sri Lanka Administrative Services in 1970 and has more than 38 years of experience in holding public sector Senior Management positions in various sectors, out of which twenty five years as secretary to eight ministries covering subject areas of public utilities, housing, justice, plantation management, environment, forestry, natural resources, urban development, sports parliamentary affairs, youth, cultural, information and broadcasting. After retirement in 2004 from public services he was appointed as chairman of public utilities commission for a period of four years.

He has assisted for more than 30 years in policy development; regulatory and institutional reform and development in the field of public utilities, urban infrastructure, environmental management and public administration in Sri Lanka. Provided leadership and guidance in initiating rural water supply policy and institutional framework and legal and institutional reform in the Water Sector introducing community and private sector partnerships. Involved in setting up of the Environmental Impact Assessment (EIA) Process and Environment Protection Licensing (EPL) System, making an amendment to the National Environmental Act and developing National Environmental Policy, Cleaner production Policy and Strategy, Solid Waste Management Strategy, Air Quality Monitoring program, Environmental NGO Forum, School Environmental Societies and Environmental Pioneering Brigade.

He also provided leadership in developing and managing World Bank funded environmental projects, legal and judicial reforms as well as ADB and JBIC funded Plantations Reform project and Plantation Development Project. He was appointed to the Board of Malwatte Valley Plantations PLC as a Director from 2009.

He resigned during the year on 15/03/2015 and rejoined on 23/09/2015

Mr. Chamindra de Silva (Director)

Mr. Chamindra De Silva is a Senior Chartered Accountant with over thirty years of post qualifying experience in industry and commerce. Currently he is the Chief Financial Officer at Alliance Finance Company PLC and immediately prior to joining the Alliance Finance Company, over a long period, he functioned as the Group Finance Director of Swedish Trading Group of Companies, a leading business conglomerate in the country. He is also an Independent, Non Executive Director of Malwatte Valley Plantations PLC, a leading Plantation company and functions as the head of its Audit Committee.

Mr. De Silva has been a former vice-president of the ACCA (UK)- Sri Lanka Branch and a member of the council of CIMA Sri Lanka branch, having completed both CIMA and ACCA examinations in the late 70s. He has also been a member of the Institute of Marketing UK, the Institute of management Services-UK and a recipient of the CIMA award for the Accounting & Information Systems in the Colombo University's MBA program 89/90.

He also has extensive experience in the field of managerial education specialising in the fields of Finance and Strategy and functioned over a decade as the course director for Financial Management in the prestigious MBA program University of Colombo. He has also been the chief examiner for Financial Management at the country's premier accounting body, the Institute of Chartered Accountants of Sri Lanka and currently an active participant in the ICASL's graduate and post graduate management education.

Ms. Claudia A. Gerlach (Director)

A national of the Netherlands, Ms. Claudia Gerlach obtained a bachelor degree in Hotel Management and Tourism from the Klessheim College of Tourism in Salzburg, Austria. From 1977 onwards, Ms. Gerlach has been active for 30 years in international freight forwarding and logistics. She held several Managing Director positions for international logistic service providers based in Europe. From 2009 Ms. Gerlach owns her own management consulting company, offering management consulting and interim management services. Her field of expertise is business strategy, general management and international logistics/supply chain management.

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Mr. K. G. M. Piyaratne

(Director)

Mr. Piyaratne is a fellow member of the Institute of the Chartered Accountants of Sri Lanka, member of the Institute of Certified Management Accountants of UK, Chartered Professional Accountant (CPA) of Canada and Masters degree holder of Management and information Technology from University of Kelaniya. He is a Senior Chartered Accountant with over twenty five years Experience in Industry and Commerce. He was reappointed to the Board as Director Finance of Malwatte Valley Plantations PLC in 2015. Prior to joining the Company he served as an Accountant, Mahaweli Engineering & Construction Agency. Manager, Someswaran Jayawickrama & Co. He has also served as Director Finance Sri Lanka Broadcasting corporation, Chief Accountant, Ceylinco Cisco Security Corporation (Pvt) Ltd., and Ernst & Young, Doha, State of Qatar as Audit/Tax Accountant.

He Rejoined the board with effect from 26 September 2015

Mr. A. N. De Silva

(Director)

“Mr. A. N. de Silva is a senior banker counting over four decades of allround experience in commercial banking with Hatton National Bank PLC & Union Bank of Colombo PLC. He also currently serves as an Independent Non Executive Director of Hatton National Bank PLC. He has been elected an Associate of the Chartered Institute of Bankers, London, UK, on completion of his banking examinations and has received training in banking & management from several local & overseas institutions.

He joined the Board of Malwatte Valley Plantations PLC as an Independent Non Executive Director with effect from 2nd April 2015 & is the Chairman of the Company's Finance & Administration Board Sub Committee. “

CORPORATE GOVERNANCE

Corporate Governance is about the way in which the Board oversees the managing of a Company by its managers, and how Board Members are in turn accountable to shareholders and the Company.

Corporate Governance influences how the objectives of the Company are set and achieved, risks identified and managed and organisational performance optimised. The Board of Directors ensures that all activities of the Board are conducted upholding the highest standards of transparency, accountability and ethics.

The Company is primarily guided by the Code of best practices on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka and the Listing Rules of the Colombo Stock Exchange on Corporate Governance. This report sets out the Company's Corporate Governance practices.

The Board of Directors

The Board of Directors comprise of nine Directors including the Chairman and Managing Director / CEO. The Company believes that the present composition of the Board has at its disposal, a vast reservoir of knowledge and experience in all areas of the Company's operations and the names of the Directors are given in the Directors report.

The Board meets at least nine times each year and in addition a regular update takes place in the months when no formal meeting is scheduled. The agenda for each Board Meeting is set by the Company Secretary in consultation with the Chairman. Board members receive a monthly report of the Company's activities which incorporate updates on progress against objectives and the management of business risks.

The Board of Directors are responsible for;

- Providing direction and guidance to the Company in the formulation of its strategies, with emphasis on the medium and long term in the pursuance of its operational and financial goals
- Implementing and monitoring of such strategies.
- Reviewing and ratifying systems in operation relating to risk management, internal control, codes of conduct and compliance with the laws, statutes and regulations.
- Reviewing monitoring and ratifying all capital expenditure, acquisitions and divestitures.
- Monitoring senior management performance

- Overseeing Systems of Internal Control and Risk Management
- Ensuring that due attention is given to annual and interim financial statements prior to Publication
- Determining the quantum of the final dividend for approval by the shareholders.
- Approving and monitoring Financial and other Reporting
- Monitoring Systems of Governance and Compliance

The Board in discharging its duties seeks independent professional advice from external parties when necessary at the Company's expense.

The Company Secretaries advise the Board on matters relating to the Companies Act, Colombo Stock Exchange regulations and other applicable rules and regulations and ensures appropriate, timely and accurate information is submitted to the Board and its committees.

All company directors bring independent judgment to bear on issues of strategy, performance, resources, key appointments and standards.

New directors receive a full introduction to the Company. This consists of information covering the operations of the Board as well as meetings with the Board, Chief Executive and other Executive Directors. All Non-Executives have direct contact with the Company's senior executives between Board meetings and also visit the Company's operations in order to familiarise themselves with its activities and to meet and engage with staff.

Board Composition

The Board currently comprises of the Chairman four Executive Directors including MD/CEO and four Independent Non-Executive Directors. The Board functions effectively and efficiently and is considered to be of an appropriate size. The directors provide the Company with the knowledge, mix of skills, experience and networks of contacts required. The Board Committees comprise of directors with a variety of relevant skills and experience so that no undue reliance is placed on any individual.

The Non-Executive Directors combine broad business and commercial experience with independent and objective judgement. The balance between Non-Executive and Executive Directors enables the Board to provide clear and effective

CORPORATE GOVERNANCE

leadership and maintain the highest standards of integrity across the Company's business activities.

Company Information

The Board recognizes that the decision making process is highly dependent on the quality of information furnished. As such, all Directors have full and unrestricted access to any information pertaining to Malwatte Valley Plantations PLC.

The Managing Director/CEO plays a key role in ensuring that all Directors have full and timely access to information relevant to matters that will be deliberated at the Board meeting. The agenda and set of Board papers are circulated in advance of the Board meetings. A comprehensive balance of financial and nonfinancial information is encapsulated in the papers covering strategic, operational, financial, regulatory and marketing issues.

All Directors have access to the advice and services of the Company Secretary, who ensures that the Board receives appropriate and timely information for its decision-making, that Board procedures are followed and the statutory and regulatory requirements are met. The Secretary also assists the Chairman in ensuring that all Directors are properly briefed on issues arising at Board meetings. The Board believes that the current Company Secretary is capable of carrying out the appropriate duties to ensure the effective functioning of the Board while the terms of appointment permit the removal and appointment by the Board as a whole.

Appointment of Directors

There is a clear and transparent procedure for the appointment of Directors to the Board. The Articles of Association of the Company empower the Board of Directors to either fill a casual vacancy in the directorate or appoint additional directors. In terms of the Articles of Association any Director appointed by the Board holds office until the next Annual General Meeting at which he seeks election by the shareholders.

Management Committee

The Board of Directors devotes adequate time to the fulfillment of their duties as Directors of the Company. The Board has delegated the day to day operations of the Company and the group to the Management Committee. The Management Committee is chaired by the Managing Director who is also the Chief Executive Officer, and meets once a month. The committee comprises of Heads of Divisions such as Plantation, Finance, Marketing and Legal.

The functions of the Management Committee are to innovate, develop, implement and review the strategies in order to achieve the corporate objectives and discuss matters in relation to the operational activities of the Company.

Directors Remuneration

The total remuneration of the Directors is disclosed in Note 9 to the Financial Statements.

Accountability and Audit

The Statement of Director 's Responsibilities are presented on Page 20 of the Annual Report.

The Board has implemented a sound system of internal control and Risk Management to safeguard the shareholders investment and the Company's assets. The details of the Company's Risk Management system are provided on Page 13 and 14 of this Annual Report.

In order to strengthen the finance controls separate finance committee has been formed chaired by Non-Executive Director Mr. Nilanth De Silva.

Audit Committee

The Audit Committee consists of the following members:
Mr. G. C. de Silva
Mr. K. A. S. Gunasekera

Two of the above Non-Executive Directors of the company have a wide experience in Plantation and Finance enabling them to have a sound control over operations as well as finance.

Objectives of the Internal Audit Committee

Audit Committee was set up with the following objectives while keeping in line with the objectives defined by the Securities and Exchange Commission.

To evaluate internal control procedure with close liaison with internal auditors and ensure smooth operation with a sound control over the operations.

- Continuous implementation of improvements and corrective action on deviations observed by internal auditors and monitoring the success of implementation.
- Analytical review of the business risks towards the Company and making sure sufficient risk management techniques are in operation based on observations.

CORPORATE GOVERNANCE

- To ensure that the Company adheres to all statutory compliance and carries out the operation in accordance with commercially and ethically accepted management practices.
- Enhancing the public confidence in the credibility and objective of financial statements.
- Ensure the greater independence of internal and external auditors and providing autonomous reporting system.
- The Audit Committee also assists the Board of Directors to maintain the stewardship responsibilities towards shareholders.

Activities of the Audit Committee

- Review the compliance with corporate governance requirements.
- Advising and suggesting scope and responsibilities of internal audits.
- Assisting in conducting investigations.
- Liaison with Internal and External Auditors.
- Assessing and commenting on all financial reports internal and external, audit findings.
- Communication with Directors and Managers on further investigations on audit findings before corrective action.
- Implementation of corrective action required and follow-up on success of implementation.

Compliance

The Board is conscious of its responsibility to shareholders, the Government and the Society in which it operates and is unequivocally committed to upholding ethical behavior in conducting its business. The Board strives to ensure that the Company complies with the laws and regulations of the Country.

RISK MANAGEMENT

The Company operates in an evolving environment which exposes it to different types of risks especially being in the Agricultural Sector which is very sensitive to Weather patterns. An effective risk management system is an important area of business management which would attempt to prevent many events which would otherwise have adverse effects on the business.

Risk Management Process

The Risk Management Process is designed to ensure identification of any circumstances that would adversely affect the goals of the Company. Our Risk Management Process ensures that we accept or manage unavoidable risks and uncertainties are minimised. The Company has a systematic process of risk management that is aligned with its strategy. The Main Risk factors falls into three categories namely Strategic Risk, Financial Risk and Operational Risk

1. Strategic Risks

1.1 Wage Structure (Rating HIGH)

Trade Unions Play an active role in determining wages. The wage structure is not aligned to worker productivity. Every two years when wages are revised as per the collective agreement it affects the cost of production and gratuity liability substantially there by the competitiveness and profitability. Risk management strategies in place are as follows;

Increase land and worker productivity

Optimise labour deployment and maximise productivity

Motivate employees through better HR practices

Continuous dialogue with Trade Unions and workers in order to bring wage structure in line with productivity

1.2 Impact of Climate Change (Rating HIGH)

Crops are seasonal and subject to changes in weather. The loss of crop and quality of the harvest affect the market share, earnings and profitability. In order to mitigate this risk, the Company has adopted soil and soil moisture conservation methods, soil improvement, intercropping, crop diversification and establishment and management of shade trees, selection of suitable lands for new planting or replanting, use of drought and heat tolerant cultivars.

1.3 Business Risk (Rating MODERATE)

Non implementation of Revenue enhancing and Cost saving measures, Strategic Plans and Initiatives on profitable investments results in reducing future growth of the Company reducing revenue, cash flow and profitability.

In order to mitigate business risks the Board of Directors and the management committee hold regular meetings to formalise strategies and plans for the future. The use of Best Practices in Agriculture and Company Diversification Policy also contributes in mitigating business risks.

1.4 Political and Environmental Risks (Rating HIGH)

Political and Economic upheaval in key markets and volatility of the world economy causes rapid fluctuations in Tea prices.

The main risk factor is that fluctuating prices affect profitability and reduce profit margins.

In order to mitigate these risks the Company focuses mainly on producing quality Teas and has been very successful in the Uva Regions where Malwatte Valley Plantations obtains the highest averages on a continuous basis and also its factories output is maintained at high volumes with the increased market high prices in the Uva Region.

In order to mitigate risks further the Company converts low yielding Tea lands to cultivate subsidiary crops.

Rubber extents are being increased and rubber Re-planting is given a prominent place with the Company maintaining a very low cost of production when compared with industry norms.

2. Operational Risk

2.1 Product Quality (Rating HIGH)

Non maintenance of product Quality lowers Demand

This results in buyers curtailing purchases and looking for new suppliers. This will drop market prices and erode market share.

In order to mitigate these risks the Company maintains a regular dialogue with buyers and brokers to obtain feedback, and take prompt and corrective action on Broker Reports.

Also the Company on a continuous basis improves its manufacturing processes both in Tea and Rubber to produce quality products.

2.2 Human Resource (Rating MODERATE)

Reduction in resident manpower, low productivity, immobility within estates / between estates and difficulty in retaining management / supervisory staff.

RISK MANAGEMENT

Lack of Human Resources will make it difficult for the Company in achieving the targeted crops. If there are work disruptions to operations and performance it will affect productivity and profitability.

In order to mitigate these risks, the Company maintains a close Dialogue with employees, staff training and development programmed are in place to improve performance, determine remuneration in line with the Industry. Several programs are in place to uplift the living standards of employees and their families. These have resulted in a better relationship with the workforce. The Company has performance oriented reward schemes to motivate staff and labour force. This helps high performers to improve earnings which motivate them further.

2.3 Reputation Risk (Rating MODERATE)

Reputation risk refers to compliance of legal and statutory requirements and ethical practices as well as maintaining loyalty and trust worthiness among stakeholders.

These risks will result in the Company losing of reputation, fines and even litigation.

In order to mitigate these losses, the Company ensures highest standards of business conduct in adopting a code of Corporate Governance by all employees, senior management and Board of Directors. Seek expert legal advice to incorporate risk mitigatory clauses in drafting legal contracts and agreements. Maintain effective Internal Control Systems to minimise fraud and error. Close dialogue with Golden Shareholder. Membership in Employers Federation, Ceylon Chamber of Commerce and Planters Association of Ceylon.

2.4 Risk of Land Acquisitions (Rating LOW)

The Company is exposed to the risk of acquisition of productive land for public purposes. These are as far as possible resolved by discussion and negotiation to minimise losses. Compensation claims are lodged for any lands acquired.

3. Financial Risk

3.1 Liquidity (Rating MODERATE)

Sufficient working capital including readily available funds is crucial for the Industry.

The risk arises in the event of inadequacy of funds that affect sustainability of operations, leading to funding at higher costs or postponement of other important investments.

In order to mitigate these liquidity risks the Company maintains cash flow and budgetary controls system for effective monitoring, priorities capital investments and borrowings are planned within the Company's ability to repay.

3.2 Credit Risk (Rating MODERATE)

The Company sells most of its produce through the auction mechanism. There is satisfactory system to control and maximise the recovery of debts arising from direct sales as there are stipulated settlement dates for auction produce. Direct exports are usually covered by letters of credit or bank drafts.

3.3 Finance Costs (Rating MODERATE)

This mainly refers to high finance costs resulting from fluctuating Interest rates.

Finance costs have a direct impact on profitability and cash flows.

In order to mitigate these losses the Company has resorted to concessionary funding from available sources. The Company fully utilised the ADB credit Line and E-Friends scheme of HNB, at lower interest cost. The Company also obtained multi facilities from various banks so as to ensure maximum advantage from varying terms offered by different financial Institutions.

3.4 Foreign Exchange Risk (Rating HIGH)

This affects Company's profitability with fluctuating exchange rates.

This affects the Companies exports.

In order to mitigate the losses, exchange rate movement are monitored and outlook is closely followed in respect of currencies in which the company carries exposure. Tea Exports have a direct exposure in respect of this risk which the Company closely monitors.

AUDIT COMMITTEE REPORT

1. Composition

The Board appointed Audit Committee of Malwatte Valley Plantations PLC consists of two members, Mr G. C. De Silva and K. A. S. Gunasekara both of whom are Independent Non Executive Directors. Mr. G C de Silva who is the Chairman of the committee is a Fellow member of the Institute of Chartered Accountants of Sri Lanka. The Company secretary functions as the secretary of the Audit Committee.

2. Role of the Committee

The committee operates within the Terms of Reference' formally approved by the Board which defines its objectives and responsibilities. The role and functions of the committee are further regulated by the 'Rules on Corporate Governance' of the listing rules of the Colombo Stock Exchange. The key objective of the committee is to assist the Board of Directors in discharging its responsibilities towards all stakeholders and to ensure that sound corporate governance practices are upheld within the Company. The committee is empowered among other things to examine any matters relating to the financial affairs of the Company, review any activity within the company, review the adequacy of internal controls, adherence to statutory and regulatory requirements, ensuring the objectivity and the independence of external and internal auditors, business risk assessment and adherence to accounting policies.

3. Meetings

During the financial year ended 31 /12/2015, the committee held two meetings. The Managing Director, Director Finance, Deputy Director Finance attended all audit committee meetings by invitation. When required, other senior officers of the Company are invited to attend these meetings.

4. Financial Reporting

The management has the primary responsibility for the financial statements and the reporting process. The Audit Committee oversees the Company's financial reporting process to ensure the reliability of the information provided to the stakeholders. In this context, the committee receives, discusses and reviews with the management and the internal and external auditors the quarterly interim financial statements and the annual report and accounts prior to their issuance. The committee focuses on the responsibility of the key judgments and estimates in the preparation of financial statements, appropriateness of significant accounting policies adopted in preparation of financial statements and the extent of compliance with the Sri Lanka Accounting Standards and applicable disclosure requirements.

5. Statutory and Regulatory Compliance

A procedure has been laid down for reporting on the statutory compliance of the company. Such reported exceptions are followed up to ensure appropriate corrective action. Due compliance with all requirements is monitored through this process.

6. Internal Audit

The Audit Committee exercises oversight over the internal audit function. The committee approved the annual internal audit programme and reviewed the reports by internal auditors concerning operational issues and effectiveness of internal control systems. These reviews examined the management responses for the issues raised as well as the implementation of agreed recommendations. This function will be further strengthened during the next financial year.

7. Corporate Governance

The committee also reviewed the level of compliance with corporate governance rules as per Sec. 7.10 of the Listing Rules of the Colombo Stock Exchange and is satisfied that the Company has complied with all mandatory requirements of this code.

AUDIT COMMITTEE REPORT

8. External Audit

The external auditors were given adequate access by the committee to ensure they had no cause to compromise their independence and objectivity, prior to commencement of the Annual audit.

The Audit Committee also reviewed the external auditor's management letter of the previous year together with the management's responses thereto. The committee has also received a declaration from the external auditors as required by the Companies Act No. 07 of 2007, confirming that they do not have any relationship or interest in the Company which may have a bearing on their independence.

The Audit Committee has recommended to the board that Ernst & Young be re-appointed as statutory auditors for the financial year ending 31 December 2015 subject to the approval by the shareholders at the forthcoming Annual General Meeting.

9. Conclusion

Chamindra de Silva Chairman - Audit Committee
Based on the review of reports submitted by the external and internal auditors and the information received during the deliberations, the committee is satisfied that the internal controls and procedures in place are adequately designed and have been operating effectively to provide reasonable assurance that the Company's assets are safeguarded and that steps are being taken to continuously improve the Internal control environment maintained within the Company. The committee is also satisfied that the financial position of the Company is regularly monitored and that the Company has adopted appropriate accounting policies and that the financial statements of the Company are reliable.



Chamindra de Silva
Chairman - Audit Committee

Colombo
29th May 2016

REMUNERATION COMMITTEE REPORT

The Remuneration Committee consists of two Independent Non- Executive Directors including the Chairman of the committee. Mr. K.A.S. Gunasekara who counts more than 38 years of experience in the Sri Lanka Administrative Services and has worked in many Government Ministries as the Secretary. The Managing Director assists the Committee by providing all relevant information and participating in its analysis and deliberations, except when his own compensation package is reviewed.

The Committee is responsible for determining the compensation packages of the Director/CEO as well of the key management personnel. In addition, they lay down guidelines and parameters for the compensation structure of the management staff of Malwatte Valley Plantations PLC.

The Company Policy on remuneration packages is to attract and retain competent professionals and an experienced workforce, and motivate, encourage and reward high performers. The Company's structured performance evaluation methodology ensures provision of compensation appropriate for the Company and commensurate with each employee's level of expertise and contribution bearing in mind the performance of the business and Shareholder returns.

In carrying out its tasks the committee reviewed data concerning all categories of staff among comparable companies.

The committee will meet from time to time and review the Company's compensation structure to ensure alignment with strategic priorities and with compensation offered by comparable companies.



G. Chamindra de Silva
Member - Remuneration Committee

Colombo
29th May 2016

DIRECTOR'S REPORT

Stated Capital

The total Issued and Paid-up Ordinary Shares capital of the Company as at 31st December 2015 consists of Voting Shares amounting to Rs. 350,000,010/- and Non-Voting Shares amounting to Rs. 23,000,000/-.

Major Shareholders

The names of the 20 largest shareholders of the Company as at 31st December 2015 together with an analysis of shareholders are given in the shareholder and investor information pages of the Report.

Fixed Assets

The Company has invested Rs. 215.6 million on acquisition of fixed assets during the year which includes acquisition of plant and machinery, motor vehicles, land improvements, land and buildings etc. Information relating to the movements of fixed assets is given in the notes to the accounts.

Donations

No Donations have been made during the year under review.

Directors

The following Directors held Office during the period under review:

Mr. Frits Bogtstra	- Appointed as Chairman with effect from 04* December 2015
Mr. Lucas Bogtstra	- Appointed as Managing Director/ CEO with effect from 04th December 2015
Mr. T. R. Gerlach	- Executive Director
Mr. S. N. Dharmaratna	- Executive Director
Ms. C. A. Gerlach	- Non-Executive Director
Mr. G. Chamindra De Silva	- Independent Non-Executive Director
Mr. Nilanth De Silva	- Independent Non-Executive Director

Mr. K. G. M. Piyaratne was appointed as an Executive Director to the Board with effect from 23rd September 2015.

Mr. K. A. S. Gunasekera was appointed to the Board as an Independent Non-Executive Director with effect from 23rd September 2015.

The Late Mr. W. L. Bogtstra, former Chairman of the Company expired on 28th November 2015.

Directors Direct and Indirect Shareholdings

Details pertaining to Directors shareholdings as required under the Colombo Stock Exchange Rules are given in the shareholder and Investor information pages of this report. Interest Register - Particulars of entries made during the year Related Party Disclosures of the Company are disclosed in Note No's 32.1 and 32.2 to the Financial Statements.

Taxation

According to the Inland Revenue Act, the Company needs to pay income tax on its agricultural activities at the rate of 10% (Section 48A - Inland Revenue Act).

Post Balance Sheet Events

The Subsidiary Company Prime Real Estates Australia (Private) Limited has entered into Sales Contract for sale of housing units of which proceeds amounting to Australian Dollars 835,000 will be accounted in 2016.

Contingent Liabilities

During the period under review, except as in the Notes given to the financial statements no known contingent liabilities exist.

Directors Interest in Contracts

During the period under review, except as in the notes given to the financial statements, no Director of the Company has direct or indirect interest in any other contract entered into by the Company.

DIRECTOR'S REPORT

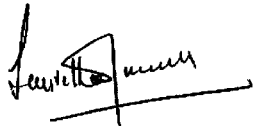
Auditors

The Accounts for the year under review have been audited by M/s. Ernst and Young, who are eligible to offer themselves for re-appointment. The remuneration paid to them for the year 2015 was Rs. 3,807,300/-. A Resolution relating to their re-appointment and authorizing the Directors to determine their remuneration will be proposed at the Annual General Meeting. As far as the Directors are aware, the Auditors do not have any relationship (other than as Auditors) with the Company.

Going Concern

The Board being satisfied that the Company has adequate resources to continue its operation in the foreseeable future has adopted the going concern basis in preparing the financial statements.

By Order of the Board



Management Applications (Private) Limited
Secretaries

Colombo Dated 29th May 2016

DIRECTORS RESPONSIBILITIES

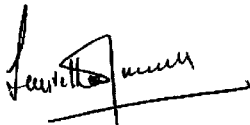
The Companies Act requires the Directors to prepare Financial Statements for each financial year giving a true and fair view of the State of Affairs of the Company as at the end of the financial year and of the Profit and Loss of the Company for the financial year. In preparing the financial statements, appropriate accounting policies have been selected and applied consistently, reasonable and prudent judgment and estimates have been made, and applicable accounting standards have been followed.

The Directors are responsible for ensuring that the Company keeps sufficient accounting records to disclose with reasonable accuracy the financial position of the Company and for ensuring that the Financial Statements have been prepared and presented in accordance with the Sri Lanka Accounting Standards and provide the information required by the Companies Act No.7 of 2007 and the Rules of the Colombo Stock Exchange. They are also responsible for taking reasonable measures to safeguard the assets of the Company, and in that context to have proper to the establishment of appropriate systems of internal control with a view to the prevention and detection of frauds and other irregularities. The Auditors have earned out reviews and sample checks on the system of internal controls as they considered appropriate and necessary for expressing their opinion on the financial statements. The Directors have extended full co-operation to the Auditors and have provided them with every opportunity to carry out their statutory obligation of expressing an opinion on the financial statements.

Compliance Report

The Directors also confirm that to the best of their knowledge all taxes and levies payable by the Company, all contributions, levies and taxes payable on behalf of and in respect of the employees and all other known statutory obligations as were due as at the Balance Sheet date have been either duly paid or appropriately provided for in the financial statements.

By Order of the Board



Management Applications (Private) Limited
Secretaries

Colombo
29th May 2016

INDEPENDENT AUDITOR'S REPORT



Ernst & Young
Chartered Accountants
201 De Saram Place
P.O. Box 101
Colombo 10
Sri Lanka

Tel : + 94 11 2463500
Fax Gen : + 94 11 2697369
Tax : + 94 11 5578180
eysl@lk.ey.com
ey.com

RdeS/GP/SJJC

TO THE SHAREHOLDERS OF MALWATTE VALLEY PLANTATIONS PLC

Report on the Financial Statements

We have audited the accompanying Financial Statements of Malwatte Valley Plantations PLC (“the Company”) and the Consolidated Financial Statements of the Company and its subsidiary, Prime Real Estates Australia (Pvt) Ltd. (Group”) which comprise the Statements of Financial Position as at December 31, 2015 and the Statements of profit or loss, Statements of Comprehensive Income, Statements of Changes in Equity and Statements of Cash Flows for the year then ended, and a summary of significant Accounting Policies and other explanatory information.

Board's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion

on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2015, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

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

- a) The basis of opinion and scope and limitations of the audit are as stated above.
- b) In our opinion:
 - we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company,
 - the financial statements of the Company give a true and fair view of its financial position as at December 31, 2015, and of its financial performance and cash flows for the year ended in accordance with Sri Lanka Accounting Standards, and
 - the financial statements of the Company and the Group comply with the requirements of sections 151 and 153 of the Companies Act No.07 of 2007.

20 May 2016
Colombo

Partners: W R H Fernando FCA FCMA M P D Cooray FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva FCA Ms. Y A De Silva FCA W K B S P Fernando FCA FCMA
Ms. L K H L Fonseka FCA A P A Gunasekara FCA FCMA A Hearth FCA D K Hulangamuwa FCA FCMA LLB (Lond) H M A Jayasinghe FCA FCMA
Ms. A A Ludowyke FCA FCMA Ms. G G S Manatunga FCA N M Sulaiman ACA ACMA B E Wijesuriya FCA ACMA

A member firm of Ernst & Young Global Limited

STATEMENTS OF PROFIT OR LOSS

For the year ended 31 December 2015

As at 31 December 2015	Notes	Group		Company	
		2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
Revenue	6	2,919,284,479	3,581,342,330	2,881,044,544	3,581,342,330
Cost of sales		(3,032,953,730)	(3,447,399,565)	(2,995,967,182)	(3,447,399,565)
Gross profit /(loss)		(113,669,252)	133,942,765	(114,922,638)	133,942,765
Gain on change in fair value of biological assets	14.2	62,500,529	60,240,979	62,500,529	60,240,979
Other income	7	63,995,226	106,346,843	63,995,226	106,346,843
Administrative expenses		(253,320,378)	(235,677,930)	(253,247,543)	(234,272,201)
Results from operating activities		-240,493,874	64,852,657	-241,674,426	66,258,384
Finance Income	8.1	71,942,965	86,686,753	71,942,965	86,661,968
Finance expenses	8.2	(72,620,252)	(74,135,659)	(72,620,252)	(74,135,659)
Interest paid to Government on finance lease	8.3	(27,085,414)	(25,538,381)	(27,085,414)	(25,538,381)
Net finance cost		-27,762,701	(12,987,287)	-27,762,701	-13,012,072
Profit/ (Loss) before tax	9	-268,256,575	51,865,369	-269,437,127	53,246,312
Tax (expense) /Reversal	10	(8,524,650)	(29,186,334)	(8,524,650)	(29,186,334)
Profit / (Loss) for the year		(276,781,225)	22,679,035	(277,961,777)	24,059,978
Basic earnings/ (loss) per share (Rs.)	11.1	-1.24	0.10	-1.25	0.11
Dividend per Share (Rs.)	11.2	-	0.0	-	0.03

The accounting policies and notes on pages 29 through 79 form an integral part of the financial statements.

STATEMENTS OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

As at 31 December 2015	Notes	Group		Company	
		2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
Profit for the year		(276,781,225)	22,679,035	(277,961,777)	24,059,978
Other comprehensive income for the year, net of tax					
Net other comprehensive income/(Loss) to be reclassified to profit or Loss in subsequent period					
Net (loss) / gain on available for sale financial assets	15.3	(7,125)	10,920	(7,125)	10,920
Tax effect	10.2	-	-	-	-
Exchange Differences on translation of foreign operations		(1,587,186)	(6,667,149)	-	-
Tax effect		-	-	-	-
Total Net other comprehensive income/(Loss) to be reclassified to profit or Loss in subsequent period		(1,594,311)	(6,656,229)	(7,125)	10,920
Net other comprehensive income/(Loss) not be reclassified to profit or Loss in subsequent period					
Actuarial gains/ (losses) on defined benefit plans	25	26,072,408	89,136,383	26,072,408	89,136,383
Tax effect	10.2	(4,109,012)	(14,047,894)	(4,109,012)	(14,047,894)
Total Net other comprehensive income/(Loss) not be reclassified to profit or Loss in subsequent period		21,963,396	75,088,489	21,963,396	75,088,489
Total Other comprehensive income for the year, net of tax		20,369,085	68,432,260	21,956,271	75,099,409
Total comprehensive income for the year, net of tax		(256,412,140)	91,111,295	(256,005,505)	99,159,387

The accounting policies and notes on pages 29 through 79 form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION

For the year ended 31 December 2015

As at 31 December 2015	Notes	Group		Company	
		2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
ASSETS					
Non-current assets					
Lease hold property, plant & equipment	12	304,002,295	326,083,900	304,002,295	326,083,900
Freehold Property, plant & equipment	13	1,555,628,718	1,573,518,915	1,555,628,718	1,573,518,915
Bearer biological assets	14.1	952,647,588	886,909,235	952,647,588	886,909,235
Consumable biological assets	14.2	902,600,826	848,054,492	902,600,826	848,054,492
Other non current financial assets	15	7,086,105	7,093,230	7,086,105	7,093,230
Investment in Subsidiary	16	-	-	28,041,431	28,041,431
Total non-current assets		3,721,965,532	3,641,659,772	3,750,006,963	3,669,701,203
Current assets					
Inventories	17	423,538,074	438,236,163	353,352,574	339,376,451
Trade and other receivables	18	197,895,741	218,467,729	193,126,819	213,530,707
Income Tax Recoverable		10,069,385	1,771,110	10,069,385	1,771,110
Amounts due from related companies	19	54,959,868	55,657,459	76,686,281	77,189,173
Short - term investments	20.1	753,691,909	804,632,359	753,691,909	804,632,359
Cash and cash equivalents	20.2	134,943,020	116,005,508	133,915,154	116,003,289
Total current assets		1,575,097,996	1,634,770,328	1,520,842,122	1,552,503,088
Total assets		5,297,063,529	5,276,430,100	5,270,849,085	5,222,204,291
EQUITY AND LIABILITIES					
Equity					
Stated capital	21	373,000,010	373,000,010	373,000,010	373,000,010
Timber reserve		802,877,637	750,533,138	802,877,637	750,533,138
Available for sale reserve		50,315	57,440	50,315	57,440
Revaluation reserve		545,301,567	545,301,567	545,301,567	545,301,567
Retained earnings		867,612,842	1,180,351,247	867,813,233	1,181,732,189
Foreign Currency Translation Reserve		(8,254,335)	(6,667,149)	-	-
Total equity		2,580,588,036	2,842,576,253	2,589,042,762	2,850,624,344
Non-current liabilities					
Interest-bearing borrowings	22	502,086,958	567,520,946	502,086,958	567,520,946
Deferred income	23	124,137,417	121,825,475	124,137,417	121,825,475
Deferred tax liability	24	62,549,157	54,564,168	62,549,157	54,564,168
Retirement benefit obligations	25	922,140,536	878,779,346	922,140,536	878,779,346
Liability to make lease payment after one year	26	144,364,043	147,070,234	144,364,043	147,070,234
Total non-current liabilities		1,755,278,111	1,769,760,169	1,755,278,111	1,769,760,169

STATEMENTS OF FINANCIAL POSITION

For the year ended 31 December 2015

As at 31 December 2015	Notes	Group		Company	
		2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
Current liabilities					
Trade and other payables	27	301,463,368	302,115,276	301,333,290	301,980,407
Liability to make lease payment within one year	26	2,706,191	2,602,106	2,706,191	2,602,106
Interest-bearing borrowings payable within one year	22	246,573,385	144,602,780	212,034,295	82,463,748
Dividend payables		5,716,630	5,324,702	5,716,630	5,324,702
NBT payables		330,003	305,190	330,003	305,190
VAT Payable		177,060		177,060	-
Bank overdraft	20.3	404,230,743	209,143,625	404,230,743	209,143,625
Total current liabilities		961,197,380	664,093,678	926,528,212	601,819,778
Total liabilities		2,716,475,491	2,433,853,847	2,681,806,323	2,371,579,947
Total equity and liabilities		5,297,063,529	5,276,430,100	5,270,849,085	5,222,204,291

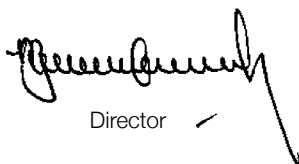
These Financial Statements are in compliance with the requirements of the Companies Act No. 07 of 2007.



Chief Financial Officer

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.

Approved and signed for and on behalf of the Board of Directors of Malwatte Valley Plantations PLC



Director



Director

The accounting policies and notes on pages 29 through 79 form an integral part of the financial statements.

20 May 2016
Colombo

STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2015

For the year ended 31 December 2015	Group						
	Stated Capital Rs.	Timber Reserve Rs.	Available for Sale Reserve Rs.	Revaluation Reserve Rs.	Foreign Currency Translation Reserve Rs.	Retained Earnings Rs.	Total Equity Rs.
Balance as at 01 January 2014	373,000,010	703,570,424	46,520	545,301,567	-	1,151,850,735	2,773,769,256
Profit for the period	-	-	-	-	-	22,679,035	22,679,035
Total Other comprehensive income for the year, net of tax	-	-	10,920	-	(6,667,149)	75,088,489	68,432,260
Transferred to the Timber Reserve	-	60,240,979	-	-	-	(60,240,979)	-
Realised gain on harvested timber trees	-	(13,278,265)	-	-	-	13,278,265	-
Dividends	-	-	-	-	-	(22,304,299)	(22,304,299)
Balance as at 31 December 2014	373,000,010	750,533,138	57,440	545,301,567	(6,667,149)	1,180,351,247	2,842,576,253
Loss for the period	-	-	-	-	-	(276,781,225)	(276,781,225)
Total Other comprehensive income for the year, net of tax	-	-	(7,125)	-	(1,587,186)	21,963,396	20,369,085
Transferred to the Timber Reserve	-	62,500,529	-	-	-	(62,500,529)	-
Realised gain on harvested timber trees	-	(10,156,030)	-	-	-	10,156,030	-
Dividends	-	-	-	-	-	(5,576,077)	(5,576,077)
Balance as at 31 December 2015	373,000,010	802,877,637	50,315	545,301,567	(8,254,335)	867,612,842	2,580,588,036

For the year ended 31 December 2015	Company						
	Stated Capital Rs.	Timber Reserve Rs.	Available for Sale Reserve Rs.	Revaluation Reserve Rs.	Retained Earnings Rs.	Total Equity Rs.	
Balance as at 01 January 2014	373,000,010	703,570,424	46,520	545,301,567	1,151,850,735	2,773,769,256	
Profit for the period	-	-	-	-	24,059,978	24,059,978	
Total Other comprehensive income for the year, net of tax	-	-	10,920	-	75,088,489	75,099,409	
Transferred to the Timber Reserve	-	60,240,979	-	-	(60,240,979)	-	
Realised gain on harvested timber trees	-	(13,278,265)	-	-	13,278,265	-	
Dividends	-	-	-	-	(22,304,299)	(22,304,299)	
Balance as at 31 December 2014	373,000,010	750,533,138	57,440	545,301,567	1,181,732,189	2,850,624,344	
Loss for the period	-	-	-	-	(277,961,777)	(277,961,777)	
Total Other comprehensive income for the year, net of tax	-	-	(7,125)	-	21,963,396	21,956,271	
Transferred to the Timber Reserve	-	62,500,529	-	-	(62,500,529)	-	
Realised gain on harvested timber trees	-	(10,156,030)	-	-	10,156,030	-	
Dividends	-	-	-	-	(5,576,077)	(5,576,077)	
Balance as at 31 December 2015	373,000,010	802,877,637	50,315	545,301,567	792,641,216	2,513,870,745	

The accounting policies and notes on pages 29 through 79 form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

For the year ended 31 December 2015

As at 31 December 2015	Notes	Group		Company	
		2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
CASH FLOWS FROM OPERATING ACTIVITIES					
Net Profit / (Loss) before Taxation		(268,256,575)	51,865,369	(269,437,127)	53,246,312
ADJUSTMENTS FOR					
Dividend Income	7	(5,103)	(2,538)	(5,103)	(2,538)
Interest Income	8.1	(71,942,965)	(86,686,753)	(71,942,965)	(86,661,968)
Depreciation/Amortisation	12/13/14	114,097,741	119,514,134	114,097,741	119,514,134
Provision for Defined Benefit Plan	25	133,136,550	133,943,966	133,136,550	133,943,966
Amortisation of Grants	23	(10,430,005)	(10,059,716)	(10,430,005)	(10,059,716)
Finance Costs	8.2/8.3	99,705,666	99,674,040	99,705,666	99,674,040
Profit on disposal of Property, Plant & Equipments	7	(18,751,202)	(14,658,400)	(18,751,202)	(14,658,400)
Change in fair value of Timber Stock	14.2	(62,500,529)	(60,240,979)	(62,500,529)	(60,240,979)
Operating Profit before Working Capital Changes		(84,946,423)	233,349,122	(86,126,975)	234,754,850
((Increase)/Decrease in Trade and other receivables		12,273,713	(37,769,377)	12,105,613	(32,832,355)
(Increase)/Decrease in Inventories		14,698,089	(7,051,969)	(13,976,123)	91,807,743
Increase/(Decrease) in Trade and other payables		(55,914)	(50,958,104)	(53,315)	(51,092,973)
(Increase)/Decrease in amounts due from Related Parties		697,590	30,454,221	502,892	8,922,507
Cash Generated from Operations		(57,332,944)	168,023,894	(87,547,908)	251,559,772
Finance Costs Paid		(72,620,252)	(74,135,659)	(72,620,252)	(74,135,659)
Tax Paid		(7,276,652)	(28,533,169)	(7,276,652)	(28,533,169)
Defined Benefit Plan Costs paid	25	(63,702,952)	(68,877,096)	(63,702,952)	(68,877,096)
Net Cash from Operating Activities		(200,932,800)	(3,522,030)	(231,147,764)	80,013,848
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES					
Investment in Short - term Investments		50,940,450	66,555,540	50,940,450	66,555,540
Dividend Income Received	7	5,103	2,538	5,103	2,538
Grants Received	23	12,741,947	10,782,206	12,741,947	10,782,206
Proceeds from Sale of Property, Plant & Equipments		44,271,932	25,196,866	44,271,932	25,196,866
Field Development Expenditure		(96,656,245)	(101,883,421)	(96,656,245)	(101,883,421)
Expenditure on Timber Cultivation		(2,201,835)	(18,499,282)	(2,201,835)	(18,499,282)
Cash received on harvested timber		10,156,030	13,278,265	10,156,030	13,278,265
Purchase of Property, Plant & Equipment		(68,702,873)	(117,801,750)	(68,702,873)	(117,801,750)
Interest Income	8.1	71,942,965	86,686,753	71,942,965	86,661,968
Investment in subsidiaries		-	-	-	(28,041,431)
Net Cash used in Investing Activities		22,497,473	(35,682,286)	22,497,474	(63,748,501)

STATEMENTS OF CASH FLOWS

For the year ended 31 December 2015

As at 31 December 2015	Notes	Group		Company	
		2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES					
Dividends Paid		(5,576,077)	(22,304,299)	(5,576,077)	(22,304,299)
Payment of Government lease rentals		(27,085,414)	(25,538,381)	(27,085,414)	(25,538,381)
Proceeds from loans		855,444,123	1,034,636,144	855,444,123	972,497,114
Payment of loans		(818,907,506)	(960,614,261)	(791,307,595)	(960,614,261)
Net Cash from (used in) Financing Activities		3,875,126	26,179,203	31,475,037	(35,959,828)
Net Increase/(Decrease) in Cash & Cash Equivalents		(174,560,201)	(13,025,113)	(177,175,253)	(19,694,481)
Effect of Exchange Rate differences		(1,587,186)	(6,667,149)	-	-
A. Cash & Cash Equivalents at the beginning of the year		(93,140,336)	(73,445,855)	(93,140,336)	(73,445,855)
B. Cash & Cash Equivalents at the end of the year		(269,287,723)	(93,138,117)	(270,315,589)	(93,140,336)

NOTE A

Cash & Bank Balances		116,003,289	61,014,641	116,003,289	61,014,641
Bank Overdrafts		(209,143,625)	(134,460,496)	(209,143,625)	(134,460,496)
	(93,140,336)	(73,445,855)	(93,140,336)	(73,445,855)	
		(93,140,336)	(73,445,855)	(93,140,336)	(73,445,855)

NOTE B

Cash & Cash Equivalents at the end of the year					
Cash & Bank Balances		134,943,020	116,005,508	133,915,154	116,003,289
Bank Overdrafts		(404,230,743)	(209,143,625)	(404,230,743)	(209,143,625)
		(269,287,723)	(93,138,117)	(270,315,589)	(93,140,336)

The accounting policies and notes on pages 29 through 79 form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

1. REPORTING ENTITY

1.1 Domicile and legal form

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

The registered office of the Company is located at No. 280, Dam Street, Colombo 12, and Plantations are situated in the planting districts of Bandarawela, Badulla and Awissawella.

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

The Consolidated Financial Statements of Malwatte Valley Plantations PLC as at and for the year ended 31 December 2015 comprise the Company and its Subsidiary namely Prime Real Estate Australia (Pvt) Ltd which incorporated and domiciled in Australia (together referred to as the 'Group').

The Financial Statements of the Company and the Group comprise the Statement of Profit or Loss, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows together with Accounting Policies and Notes to the Financial Statements.

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

1.2 Principal activities and nature of operations

During the year, the principal activities of the Company were cultivation, manufacture and sale of Black Tea, Rubber and other crops.

The subsidiary of the group engaged in the business of real estate and construction.

1.3 Parent enterprise

The Company's parent undertaking is Wayamba Plantation Managements (Pvt) Ltd.

1.4 Date of authorization for issues

The Financial Statements of Malwatte Valley Plantations PLC for the year ended 31 December 2015 were authorized for issue in accordance with a resolution of the Board of Directors on 20 May 2016.

1.5 Responsibility for Financial Statements

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

2 BASIS OF PREPARATION

2.1 Statement of compliance

The Financial Statements of the Company and the Group have been prepared in accordance with Sri Lanka Accounting and Auditing Standards Act. No. 15 of 1995 which requires compliance with Sri Lanka Accounting Standards promulgated by The Institute of Chartered Accountants of Sri Lanka (CASL), and with the requirements of the Companies Act. No. 07 of 2007.

2.2 Basis of measurement

These Financial Statements have been prepared in accordance with the historical cost convention other than consumable biological assets, Land & buildings and financial instruments that have been measured at fair value and where appropriate specific policies are explained in the succeeding notes.

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

2.3 Functional and presentation currency

The Financial Statements are presented in Sri Lankan Rupees (Rs.) which is the Group's presentation currency. Functional Currency of the subsidiary is Australian Dollars. All financial information presented in Sri Lankan Rupees has been given to the nearest rupee, unless stated otherwise.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

2.4 Materiality and aggregation

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Comparative information

The presentation and classification of the financial statements of the current year are comparable with those of the previous year.

3.2 Going concern

The financial statements have been prepared on the assumption that the company is a going concern. The Directors have made an assessment of the Group's ability to continue as a going concern in the foreseeable future, and they do not foresee a need for liquidation or cessation of trading, to justify adopting the going concern basis in preparing these financial statements.

3.3 Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2015. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

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

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

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

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

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

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

3.3.1 Business Combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any Non-Controlling Interest in the acquiree. For each business combination, the Group

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

elects whether it measures the Non-Controlling Interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

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

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

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

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

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are

expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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

3.4 Current versus non-current classification

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

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

Or

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period

Or

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

The Group classifies all other liabilities as non-current.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

3.5 Fair Value Measurement

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

- Consumable biological assets Note 14.2
- Financial Instrument (including those carried at amortized cost)

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

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

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

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

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

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

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

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

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

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

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

3.6 Foreign currency transactions

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

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

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

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

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

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

3.8 Property, plant and equipment

3.8.1 Recognition and measurement

Property, Plant and Equipment is recognised if it is probable that future economic benefit associated with

the assets will flow to the Group and cost of the asset can be reliably measured.

Items of property, plant and equipment are measured at cost (or at fair value in the case of consumable biological asset and land & building), less accumulated depreciation and accumulated impairment losses, if any.

3.8.2 Owned assets

The cost of property, plant and equipment includes expenditures that are directly attributable to the acquisition of the asset. Such costs includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. The cost of self-constructed assets includes the cost of materials and direct labor, any other cost directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalized as a part of that equipment.

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

Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment charged subsequent to the date of the revaluation. Valuations are performed with sufficient frequency to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. The company's policy is to revalue Land and Buildings once in every four years.

Capital work in progress is transferred to the respective asset accounts at the time, the asset is ready for utilization or at the time the asset is commissioned.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

3.8.3 Leased assets

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

Group as a lessee

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

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

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

3.8.4 De-recognition

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

3.8.5 Land improvement cost

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

These costs have been capitalized and amortised over the remaining lease period. Permanent impairments to land development costs are charged to the Statement of Profit or Loss in full or reduced to the net carrying amounts of such assets in the year of occurrence after ascertaining the loss.

3.8.6 Biological Assets

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

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

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

3.8.6.1 Bearer Biological Asset

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

3.8.6.2 Infilling Cost on Bearer Biological Assets

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

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

3.8.6.3 Borrowing Cost

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

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

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

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

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

3.8.6.4 Consumable Biological Asset

Consumable biological assets includes managed timber trees those that are to be harvested as agricultural produce or sold as biological assets. Expenditure incurred on consumable biological assets (managed timber trees) is measured on initial recognition and at the end of each reporting period at its fair value less cost to sell in terms of LKAS 41. The cost is treated as approximation to fair value of young plants as the

impact on biological transformation of such plants to price during this period is immaterial. The fair value of timber trees are measured using DCF method taking in to consideration the current market prices of timber, applied to expected timber content of a tree at the maturity by an independent professional valuer. All other assumptions and sensitivity analysis are given in Note 14.2

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

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

3.8.6.5 Nursery Plants

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

3.8.7 Depreciation and amortisation

(a) Depreciation

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

	No. of years	Rate (%)
Building & Roads	40	2.50
Plant and other machinery	20/13.33	5.00/7.50
Motor vehicles – Supervisory	5	20.00
Motor vehicles – Utility	10	10.00
Equipment	8	12.50
Land Improvements	10	10.00
Furniture and fittings	10	10.00
Sanitation water supply & Electricity	20	5.00

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

Mature plantations (Replanting and new planting)	No. of years	Rate (%)
Tea	33 1/3	3.00
Rubber & Other	20	5.00

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

No depreciation is provided for immature plantations.

(b) Amortisation

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

	No. of years	Rate (%)
Right to use of land	53	1.89
Improvements to land	30	3.33
Buildings	25	4.00
Machinery	15	6.67
Mature plantations (Tea & Rubber)	30	3.33

3.9 Financial instruments

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

3.9.1. Financial assets

3.9.1.1 Initial Recognition and Measurement

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

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

The Group's financial assets include cash and short term deposits, investments, trade and other receivables, available for sale financial assets.

3.9.1.2 Subsequent Measurement

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

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

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

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

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

(b) Loans and receivables

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

(c) Held-to-maturity investments

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

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

The Held to maturity investments comprise of investment in rated secured redeemable debentures.

(d) Available for sale financial investments

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

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

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

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

3.9.1.3 Derecognition

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

3.9.1.4 Impairment of financial assets

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

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

3.9.1.4.1 Financial assets carried at amortised cost

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

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

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income (recorded as finance income in the statement of profit or loss) continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written off when there is

no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the statement of profit or loss.

3.9.1.4.2 Available for sale financial Assets

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

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

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

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

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment

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For the year ended 31 December 2015

loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss, the impairment loss is reversed through the statement of profit or loss.

3.9.2 Financial liabilities

3.9.2.1 Initial recognition and measurement

Financial liabilities within the scope of LKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

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

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

3.9.2.2 Subsequent measurement

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

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

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by LKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in LKAS 39 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

(b) Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognised in the Profit or Loss Statement when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortization process.

Other financial liabilities comprise interest bearing loans and borrowings, trade payables, other payables, income tax payables and amounts due to related parties.

3.9.2.3 Derecognition

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

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

3.9.3 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Consolidated Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Financial risk management objectives and policies have been disclosed under Note 33.

3.10 Inventories

Finish goods manufactured from agricultural produce of biological assets

These are valued at the lower of cost and estimated net realizable value. Net realizable value is the estimated

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

selling price at which stocks can be sold in the ordinary course of business after allowing for cost of realization and/or cost of conversion from their existing state to saleable condition.

Input materials, Spares and consumables

At actual cost on weighted average basis.

Agricultural produce harvested from biological assets

Agricultural produce harvested from its biological assets are measured at their fair value less cost to sell at the point of harvest. The finished and semi-finished inventories from agriculture produce are valued by adding the cost of conversion to the fair value of the agricultural produce.

3.11 Cash and cash equivalents

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

3.12 Impairment of Non-Financial Assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use.

The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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

prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually as at 31 March and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

Intangible assets with indefinite useful lives are tested for impairment annually as at 31 March at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

3.13 Liabilities and provisions

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

3.14 Employees' benefits

(a) Defined contribution plans – Employees' Provident Fund and Employees' Trust Fund

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

The Company contributes 12% on consolidated salary of the employees to Ceylon Planters' Provident Society (CPPS) / Estate Staff Provident Society (ESPS) / Employees' Provident Fund (EPF)

All the employees of the Company are members of the Employees Trust Fund to which the Company contributes 3% on the consolidated salary of such employees.

(b) Defined benefit plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The liability recognised in the Financial Statements in respect of defined benefit plan is the present value of the defined benefit obligation at the Reporting date. The defined

benefit obligation is calculated annually using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using the interest rates that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in Other Comprehensive Income in the period in which they arise. Actuarial gains & losses recognised in other comprehensive income are recognised immediately in retained earnings and are not reclassified to profit or loss. Past service costs are recognised immediately in the Statement of Profit or Loss.

The provision has been made for retirement gratuities from the first year of service for all employees, in conformity with LKAS 19, "Employee Benefits". However, under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service.

The Liability is not externally funded.

The key assumptions used in determining the retirement benefit obligations are given in Note 26.

3.15 Capital commitments and contingencies

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

3.16 Events occurring after the reporting period

All material events after the Statement of Financial Position date have been considered where appropriate; either adjustments have been made or adequately disclosed in the Financial Statements.

3.17 Earnings per share

The Group presents basic earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Parent by the weighted average number of ordinary shares outstanding during the period.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

3.18 Deferred income - Grants and subsidies

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

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

3.19 Statement of Profit or Loss

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

3.19.1 Revenue

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

- (a) Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Revenue is recorded at invoice value net of brokerage, sale expenses and other levies related to revenue.
- (b) Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the net sales proceeds with the carrying amounts of property, plant and equipment and are recognized

within other operating income in the Statement of Profit or Loss.

- (c) Interest income is recognized on accrual basis.
- (d) Revenue is recognised when the Group's right to receive the payment is established, which is generally when shareholders approve the dividend.
- (e) Rental income arising from operating leases on investment properties is accounted for on a straight line basis over the lease terms

3.19.2 Expenses

All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency is charged to revenue in arriving at the profit for the year.

3.19.3 Financing income and expenses

Finance income comprises interest income on funds invested. Interest income is recognized in the Statement of Profit or Loss as it accrues.

Finance expenses comprise interest payable on borrowing. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

The interest expense component of finance lease payment is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Foreign currency gains and losses are reported on a net basis.

3.19.4 Taxes

3.19.4.1 Current Income Tax

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

3.19.4.2 Deferred Tax

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

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

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

3.20 Statement of cash flow

The Statement of Cash Flow has been prepared using the "Indirect Method". Interest paid is classified as operating cash flows, interest and dividends received are classified as investing cash flows while dividends paid and Government grants received are classified as financing cash flows, for the purpose of presenting the Cash Flow Statement.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

3.21 Segment reporting

Segmental information is provided for the different business segments of the Group. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components.

Since the individual segments are located close to each other and operate in the same industrial environment, the need for geographical segmentation has no material impact.

The activities of the segments are described on Note 6 in the Notes to the Financial Statements. The group transfers products from one industry segment for use in another. Inter-segment transfers are based on fair market prices.

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

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

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one accounting period.

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

4. USE OF ESTIMATES AND JUDGMENTS

The preparation of Financial Statements in conformity with SLFRS requires management to make judgments, estimates and assumptions that influence the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

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

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

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

4.1 Taxation

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. Unused tax losses as of 31 December 2015 are given in Note 24.

4.2 Retirement benefit obligations

The present value of the retirement benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Key assumptions used in determining the retirement benefit obligations are given in Note 25. Any changes in these assumptions will impact the carrying amount of retirement benefit obligations.

4.3 Fair Valuation of Consumable Biological Assets

The fair value of managed timber depends on number of factors that are determined on a discounted cash flow method using various different financial and non-financial assumptions. The growth of the trees is determined by various biological factors that are highly unpredictable. Any change to the assumptions will impact the fair value of biological assets. Key assumptions and sensitivity analysis of the biological assets are given in Note 14.2.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

4.4 Impairment of non-financial assets.

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognised by the Group.

5 SRI LANKA ACCOUNTING STANDARDS (SLFRS / LKAS) ISSUED BUT NOT YET EFFECTIVE

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

SLFRS 9 -Financial Instruments:

SLFRS 9 replaces the existing guidance in LKAS 39 Financial Instruments: Recognition and Measurement. SLFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment

on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from LKAS 39.

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

SLFRS 15 -Revenue from Contracts with Customers

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including LKAS 18 Revenue, LKAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. This standard is effective for the annual periods beginning on or after 01 January 2018.

Amendment to LKAS 41 – Agriculture & LKAS 16 - Property, Plant & Equipment

This amendment define a bearer plant and accordingly, require bearer plants to be accounted for as Property, Plant and Equipment and include within the scope of LKAS 16, instead of LKAS 41. Entities are required to apply the amendments for annual periods beginning on or after 1 January 2016. However, this amendment has no impact on group's current accounting treatment on recognition and measurement. Since, currently the group continued to recognise and measure bearer plant in accordance with LKAS 16. Further, the above amendment requires entity to recognise agricultural produce at fair value separately from its bearer plants prior to harvest. Determining the point at which to recognise agricultural produce separately, will require judgment.

Pending the detailed review of such standards and interpretations, the extent of the impact has not been determined by the management.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

6 REVENUE

As at 31 December 2015	Group		Company	
	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.

6.1 Industry Segment Revenue

Tea	1,709,560,272	2,160,941,647	1,709,560,272	2,160,941,647
Rubber	263,123,849	345,750,428	263,123,849	345,750,428
Coconut	3,010,238	2,901,532	3,010,238	2,901,532
Others	943,590,121	1,071,748,724	905,350,185	1,071,748,724
Total	2,919,284,479	3,581,342,330	2,881,044,544	3,581,342,330

6.2 Segment Information

a) Segment Revenue

Tea

Revenue	1,709,560,272	2,160,941,647	1,709,560,272	2,160,941,647
Revenue Expenditure	-1,702,919,189	(1,932,144,218)	(1,702,919,189)	(1,932,144,218)
Depreciation	-56,386,070	(58,543,008)	(56,386,070)	(58,543,008)
Other Non Cash Expenditure	-118,591,702	(111,410,746)	(118,591,702)	(111,410,746)
Segment Results	(168,336,688)	58,843,675	(168,336,689)	58,843,674

Rubber

Revenue	263,123,849	345,750,428	263,123,849	345,750,428
Revenue Expenditure	-225,129,907	(298,774,302)	(225,129,907)	(298,774,302)
Depreciation	-33,500,096	(30,746,297)	(33,500,096)	(30,746,297)
Other Non Cash Expenditure	-10,290,271	(9,151,668)	(10,290,271)	(9,151,668)
Segment Results	(5,796,425)	7,078,161	(5,796,425)	7,078,161

Coconut

Revenue	3,010,238	2,901,532	3,010,238	2,901,532
Revenue Expenditure	(1,427,308)	(1,489,550)	(1,427,308)	(1,489,550)
Depreciation	-	-	-	-
Other Non Cash Expenditure	-	-	-	-
Segment Results	1,582,931	1,411,982	1,582,931	1,411,982

Others

Revenue	943,590,120	1,071,748,724	905,350,185	1,071,748,724
Revenue Expenditure	-884,709,189	(1,005,139,776)	(847,722,640)	(1,005,139,776)
Depreciation	-	-	-	-
Other Non Cash Expenditure	-	-	-	-
Segment Results	58,880,931	66,608,948	57,627,545	66,608,948

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

6 REVENUE (Contd.)

As at 31 December 2015	Group		Company	
	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
Total				
Revenue	2,919,284,479	3,581,342,331	2,881,044,544	3,581,342,331
Revenue Expenditure	(2,814,185,592)	(3,237,547,846)	(2,777,199,044)	(3,237,547,846)
Depreciation	(89,886,166)	(89,289,305)	(89,886,166)	(89,289,305)
Other Non Cash Expenditure	(128,881,973)	(120,562,414)	(128,881,973)	(120,562,414)
Segment Results	(113,669,251)	133,942,765	(114,922,638)	133,942,765
Gains on fair value of biological assets	62,500,529	60,240,979	62,500,529	60,240,979
Other Income and Gains	63,995,226	106,346,843	63,995,226	106,346,843
Finance Income	71,942,965	86,686,753	71,942,965	86,661,968
Administrative Expenses	(253,320,378)	(235,677,932)	(253,247,543)	(234,272,203)
Government Lease Interest	(27,085,414)	(25,538,381)	(27,085,414)	(25,538,381)
Finance Cost	(72,620,252)	(74,135,659)	(72,620,252)	(74,135,659)
Operating Profit / (Loss) of the Company	(268,256,575)	51,865,369	(269,437,127)	53,246,312

6.2 Segment Information (Contd..)

b) Segment Assets

Non Current Assets

Tea	2,100,003,900	2,055,032,674	2,100,003,900	2,055,032,674
Rubber	825,001,532	807,334,265	825,001,532	807,334,265
Coconut	-	-	-	-
Unallocated	796,960,101	779,292,834	825,001,532	807,334,265
	3,721,965,532	3,641,659,772	3,750,006,963	3,669,701,204

Current Assets

TTea	462,183,921	471,805,689	462,183,921	471,805,689
Rubber	76,346,275	77,935,655	76,346,275	77,935,655
Coconut	304,168	310,501	304,168	310,501
Unallocated	1,036,263,633	1,084,718,483	982,007,758	1,002,451,246
	1,575,097,996	1,634,770,328	1,520,842,122	1,552,503,091
Total Assets	5,297,063,529	5,276,430,100	5,270,849,085	5,222,204,294

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

6 REVENUE (Contd.)

As at 31 December 2015	Group		Company	
	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.

c) Segment Liabilities

Non Current Liabilities and Deferred Income

Tea	1,386,669,708	1,398,110,534	1,386,669,708	1,398,110,534
Rubber	105,316,687	106,185,610	105,316,687	106,185,610
Unallocated	263,291,717	265,464,025	263,291,717	265,464,025
	1,755,278,111	1,769,760,169	1,755,278,111	1,769,760,168

Current Liabilities

Tea	426,202,978	276,837,097	426,202,978	276,837,097
Rubber	64,856,975	42,127,384	64,856,975	42,127,384
Unallocated	435,468,260	345,129,197	435,468,260	282,855,295
	961,197,380	664,093,678	926,528,212	601,819,776
Total Liabilities	2,716,475,491	2,433,853,847	2,681,806,323	2,371,579,944

d) Segment Capital Expenditure

Field Development

Tea	9,666,364	9,570,138	9,666,364	9,570,138
Rubber	49,537,131	59,544,013	49,537,131	59,544,013
	59,203,495	69,114,151	59,203,495	69,114,151

Property, Plant & Equipment

Tea	44,703,662	82,816,406	44,703,662	82,816,406
Rubber	24,071,203	44,593,450	24,071,203	44,593,450
	68,774,865	127,409,856	68,774,865	127,409,856
Unallocated	37,452,748	32,769,269	37,452,748	32,769,269
	37,452,748	32,769,269	37,452,748	32,769,269
Total Capital Expenditure	165,431,108	229,293,276	165,431,108	229,293,276

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

As at 31 December 2015	Group		Company	
	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
7 OTHER INCOME				
Profit on disposal of property, plant & equipment	18,751,202	14,658,400	18,751,202	14,658,400
Dividend income	5,103	2,538	5,103	2,538
Sale of trees	10,668,708	35,531,505	10,668,708	35,531,505
Amortisation of Government grants	10,430,005	10,059,716	10,430,005	10,059,716
Foreign exchange gain	-	12,304,061	-	12,304,061
Sundry income	22,781,158	29,054,764	22,781,158	29,054,764
Revenue Grant	1,359,050	4,735,859	1,359,050	4,735,859
Total	63,995,226	106,346,843	63,995,226	106,346,843
8 FINANCE EXPENSES				
8.1 Finance Income				
Interest income	71,942,965	86,686,753	71,942,965	86,661,968
Total	71,942,965	86,686,753	71,942,965	86,661,968
8.2 Finance Expenses				
Interest on Overdraft	26,046,688	15,283,437	26,046,688	15,283,437
Interest on Finance Lease	3,440,228	2,523,448	3,440,228	2,523,448
Interest on Term Loan	38,867,825	41,205,095	38,867,825	41,205,095
VAT on Finance Lease Interest	558,144	2,016,620	558,144	2,016,620
Bank Charges & Others	1,010,415	9,832,508	1,010,415	9,832,508
Interest on Packing Credit	2,696,952	3,274,551	2,696,952	3,274,551
Total	72,620,252	74,135,659	72,620,252	74,135,659
8.3 Interest paid to Government on finance lease	27,085,414	25,538,381	27,085,414	25,538,381
Total	27,085,414	25,538,381	27,085,414	25,538,381

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

As at 31 December 2015	Group		Company	
	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.

9 PROFIT / (LOSS) BEFORE TAXATION

Profit/ (Loss) before tax is stated after charging all expenses including the following:

Directors' emoluments	15,384,000	19,671,684	15,384,000	19,671,684
Auditors' fees	4,150,300	3,773,000	4,150,300	3,430,000

Depreciation /Amortisation

Leasehold Property	6,775,383	6,775,383	6,775,383	6,775,383
Immovable Estate Assets On Finance Lease	15,306,222	15,306,222	15,306,222	15,306,222
Tangible Assets	61,098,243	61,098,242	61,098,243	68,917,491
Immature/Mature Plantations	30,917,892	30,917,892	30,917,892	28,515,035

Personnel Cost

Defined Benefit Plan Costs - Gratuity	133,136,550	137,857,766	133,136,550	133,943,966
Salaries and Wages	1,081,742,891	1,299,613,976	1,081,742,891	1,299,613,976
Defined Contribution Plan Costs - EPF & ETF	145,545,439	147,266,242	145,545,439	147,266,242

10 INCOME TAX EXPENSE

10.1 Statement of Profit or Loss

(I) Current Tax Expense

Income taxes on current year's profit (10.3)	7,911,052	10,012,635	7,911,052	10,012,635
Under / (Over)provision in respect of previous years	(3,262,380)	19,224,521	(3,262,380)	19,224,521
	4,648,672	29,237,156	4,648,672	29,237,156

(II) Deferred Tax Expense

Deferred Tax Charge or (Reversal) (23)	3,875,978	(50,823)	3,875,978	(50,823)
	3,875,978	(50,823)	3,875,978	(50,823)

Net Tax Charge or (Reversal) reported in Statement of Profit or Loss

	8,524,650	29,186,333	8,524,650	29,186,334
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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

10 INCOME TAX EXPENSE (Contd)

	Group		Company	
	2015	2014	2015	2014
As at 31 December 2015	Rs.	Rs.	Rs.	Rs.

10.2 Statement of Other Comprehensive Income

Tax effect on Net (loss) / gain on available for sale financial assets	-	-	-	-
Tax Effect on Actuarial gains/ (losses) on defined benefit plans	4,109,012	14,047,894	4,109,012	14,047,894
Net Tax Charge directly to Other Comprehensive Income	4,109,012	140,478,495	4,109,012	14,047,894

The Company is liable to income tax at the rate of 10% on its agriculture profits and 28% on manufacturing profits and other income earned during the year.

According to the Section 13 (t) of the Inland Revenue Act No.10 of 2006, any profits and income derived from the sale of any share, a right to any share, a bonus share or a share warrant in respect of which the share transaction levy under section 7 of the Finance Act No 05 of 2005, has been charged, are exempt from income tax. Hence there's no deferred tax liability with regard to investment in quoted public shares.

	Group		Company	
	2015	2014	2015	2014
As at 31 December 2015	Rs.	Rs.	Rs.	Rs.

10.3 Reconciliation of Accounting Profit to Income Tax Expense

Profit/ (Loss) before tax	(268,256,575)	53,246,312	(269,437,127)	53,246,312
Effective tax rate %	28%	28%	28%	28%
Tax effect on profit before tax	(75,111,841)	14,908,966	(75,442,395)	14,908,966
Tax effect on deductible expenses for tax purposes	(117,360,691)	(69,387,154)	(117,360,691)	(69,387,154)
Tax effect on non-deductible expenses for tax purposes	76,867,776	75,253,066	76,867,776	75,253,066
Tax effect on Total statutory income	(115,604,756)	20,774,878	(115,935,310)	20,774,878
Tax effect on other sources of income	22,788,955	32,355,384	22,788,955	32,355,384
Tax effect on Tax exempt Income	115,604,756	(20,774,878)	115,935,310	(20,774,878)
Tax effect on Qualifying relief	(6,901,769)	(11,018,365)	(6,901,769)	(11,018,365)
Tax effect on Utilisation of tax losses	(7,976,134)	(11,324,384)	(7,976,134)	(11,324,384)
Income Tax on current year profits	7,911,052	10,012,636	7,911,052	10,012,636
Under / (Over)provision in respect of previous years	(3,262,380)	19,224,521	(3,262,380)	19,224,521
Income Tax charge for the year	4,648,672	29,237,157	4,648,672	29,237,157
Deferred tax charge/ (reversal)	3,875,978	(50,823)	3,875,978	(50,823)
Total income tax expense	8,524,650	29,186,334	8,524,650	29,186,334

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

11 EARNINGS / (LOSS) PER SHARE AND DIVIDEND PER SHARE

11.1 Earnings / (Loss) per Share

Basic earnings/ (loss) per Share

The calculation of the basic earnings /(loss) per share is based on after tax profit for the year divided by the weighted average number of ordinary shares outstanding during the period and calculated as follows.

	Group		Company	
	2015	2014	2015	2014
	Rs.	Rs.	Rs.	Rs.
Amount used as the Numerator				
Profit / (Loss) attributable to ordinary shareholders (Rs.)	-276,781,225	22,679,035	-277,961,777	24,059,978
Amount used as the Denominator				
Weighted average number of ordinary shares	223,042,992	223,042,992	223,042,992	223,042,992
Basic earnings / (loss) per share (Rs.)	(1.24)	0.10	(1.25)	0.11

	Note	Group		Company	
		2015	2014	2015	2014
		Rs.	Rs.	Rs.	Rs.

11.2 Dividend per Share

First & final proposed dividend Rs. Nil per share

(2014 - 0.025 per share) (Rs.)		-	5,576,077	-	5,576,077
Number of ordinary shares	21	223,042,992	223,042,992	223,042,992	223,042,992
Dividend per share (Rs.)		-	0.025	-	0.025

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

12 LEASEHOLD PROPERTY, PLANT & EQUIPMENT

Right-to-use of Land	199,679,054	206,454,437	199,679,054	206,454,437
Immovable Leased Bearer Biological Assets	93,501,658	103,655,753	93,501,658	103,655,753
Immovable Leased assets (other than leasehold right to bear land and bearer biological assets)	10,821,583	15,973,710	10,821,583	15,973,710
	304,002,295	326,083,900	304,002,295	326,083,900

12.1 Right-to-use of Land

"Right-To-Use of Land on Lease" as above was previously titled "Leasehold Right to Bare Land". The change is in order to comply with Statement of Recommended Practice (SoRP) issued by the Institute of Chartered Accountants of Sri Lanka dated 19 December 2012. Such leases have been executed for all estates for a period of 53 years.

This right-to-use land is amortized over the remaining lease term or useful life of the right whichever is shorter and is disclosed under non-current assets. The Statement of Recommended Practice (SoRP) for right-to-use of land does not permit further revaluation of right-to-use land. The values taken into the Statement of Financial Position as at 22 June 1992 and amortization of the right to use of land up to 31 December 2015 are as follows.

	Group					
	Revaluation as at 22.06.92 Rs.	Accumulated Amortization as at 01.01.15 Rs.	Amortization for the year Rs.	Amortization 31.12.15 Rs	2015 Rs.	2014 Rs.
Right-to-use of Land	359,095,312	152,640,875	6,775,383	159,416,258	199,679,054	206,454,437

	Company					
	Revaluation as at 22.06.92 Rs.	Accumulated Amortization as at 01.01.15 Rs.	Amortization for the year Rs.	Amortization 31.12.15 Rs	2015 Rs.	2014 Rs.
Right-to-use of Land	359,095,312	152,640,875	6,775,383	159,416,258	199,679,054	206,454,437

The leasehold property is being amortised by equal amounts over a 53 year period and the unexpired period of the lease as at the Statement of Financial Position date is 30 years.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

12 LEASEHOLD PROPERTY, PLANT & EQUIPMENT (Contd)

12.2 Immovable Leased Assets

In terms of the ruling of the UITF of the Institute of Chartered Accountants of Sri Lanka prevailed at the time of privatisation of plantation estates, all immovable assets in these estates under finance leases have been taken into the books of the Company retroactive to 22nd June 1992. For this purpose the Board decided at its meeting on March 8, 1995 that these assets would be taken at their book values as they appear in the books of the JEDB/SLSPC, on the day immediately preceding the date of formation of the Company. These assets are taken into the 22nd June 1992 balance sheet and amortised as follows:

12.2.1. Immovable Leased Bearer Biological Assets

	Group				Company			
	Mature Plantations		2015	2014	Mature Plantations		2015	2014
	Tea	Rubber			Tea	Rubber		
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Capitalised Value (18th June, 1992)	176,688,366	127,934,487	304,622,853	304,622,853	176,688,366	127,934,487	304,622,853	304,622,853
Amortisation								
As at 1st January	116,565,609	84,401,491	200,967,100	190,813,005	116,565,609	84,401,491	200,967,100	190,813,005
Amortisation for the year	5,889,612	4,264,483	10,154,095	10,154,095	5,889,612	4,264,483	10,154,095	10,154,095
As at 31st December	122,455,221	88,665,974	211,121,195	200,967,100	122,455,221	88,665,974	211,121,195	200,967,100
Carrying amount	54,233,145	39,268,513.10	93,501,658	103,655,753	54,233,145	39,268,513	93,501,658	103,655,753

Investment in plantation assets which were immature at the time of handing over to the company by way of estate leases are shown under immature plantation (revalued as at 22nd June 1992), all of which have been transferred to mature Plantations as at Statement of Financial Position date.

However, since then all such investments in Immature Plantations attributable to JEDB/SLSPC period have been transferred to Mature Plantations. These mature tea and rubber were classified as bearer biological assets in terms of LKAS 41 - Agriculture. The carrying value of the bearer biological assets leased from JEDB/SLSPC is recognised at cost less amortisation. Further investments in such plantations to bring them to maturity are shown in Note 14

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

12 LEASEHOLD PROPERTY, PLANT & EQUIPMENT (Contd)

12.2.2. Immovable Leased assets (other than leasehold right to bear land and bearer biological assets)

	Group					Company				
	Land Development	Buildings	Machinery	2015	2014	Land Development	Buildings	Machinery	2015	2014
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Capitalised Value										
(18 June, 1992)	18,757,900	113,171,583	16,503,578	148,433,061	148,433,061	18,757,900	113,171,583	16,503,578	148,433,061	148,433,061
Amortisation										
As at 1 January	14,086,408	101,869,365	16,503,578	132,459,351	127,307,225	14,086,408	101,869,365	16,503,578	132,459,351	127,307,225
Amortisation for the year	625,263	4,526,863	-	5,152,127	5,152,126	625,263	4,526,863	-	5,152,127	5,152,126
As at 31 December	14,711,671	106,396,228	16,503,578	137,611,478	132,459,351	14,711,671	106,396,228	16,503,578	137,611,478	132,459,351
Carrying amount	4,046,229	6,775,355	-	10,821,583	15,973,710	4,046,229	6,775,355	-	10,821,583	15,973,710

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

13 FREEHOLD PROPERTY, PLANT & EQUIPMENT

Group	Land At Valuation Rs.	Buildings At Valuation Rs.	Motor Vehicles Rs.	Plant & Machinery Rs.	Furniture & Fittings Rs.
Cost or valuation					
Balance as at 01 January	821,011,758	595,773,933	168,101,106	158,284,334	30,371,757
Additions	-	4,224,454	10,573,579	7,986,637	26,006
Revaluation recognised in OCI	-	-	-	-	-
Disposals	-	-	(67,345,464)	-	-
Transfers In / (Out)	-	-	-	-	-
Balance as at 31 December	821,011,758	599,998,386	111,329,220	166,270,971	30,397,763
Accumulated Depreciation					
Balance as at 01 January	-	66,958,610	111,372,290	112,089,585	20,342,943
Charge for the year	-	15,197,965	10,264,644	8,971,080	1,944,488
On Disposals	-	-	(41,964,698)	-	-
Transfers In / (Out)	-	-	-	-	-
Balance as at 31 December	-	82,156,575	79,672,236	121,060,665	22,287,431
Carrying Value					
As at 31 December 2015	821,011,758	517,841,811	31,656,984	45,210,306	8,110,332
As at 31 December 2014	821,011,758	528,815,323	56,728,816	46,194,749	10,028,814

Group	Land At Valuation Rs.	Buildings At Valuation Rs.	Motor Vehicles Rs.	Plant & Machinery Rs.	Furniture & Fittings Rs.
Cost or valuation					
Balance as at 01 January	821,011,758	595,773,933	168,101,106	158,284,334	30,371,757
Additions	-	4,224,454	10,573,579	7,986,637	26,006
Revaluation recognised in OCI	-	-	-	-	-
Disposals	-	-	(67,345,464)	-	-
Transfers In / (Out)	-	-	-	-	-
Balance as at 31 December	821,011,758	599,998,386	111,329,220	166,270,971	30,397,763
Accumulated Depreciation					
Balance as at 01 January	-	66,958,610	111,372,290	112,089,585	20,342,943
Charge for the year	-	15,197,965	10,264,644	8,971,080	1,944,488
On Disposals	-	-	(41,964,698)	-	-
Transfers In / (Out)	-	-	-	-	-
Balance as at 31 December	-	82,156,575	79,672,236	121,060,665	22,287,431
Carrying Value					
As at 31 December 2015	821,011,758	517,841,811	31,656,984	45,210,306	8,110,332
As at 31 December 2014	821,011,758	528,815,323	56,728,816	46,194,749	10,028,814

Equipments	Assets acquired on finance Lease						Total 2015 Rs.	Total 2014 Rs.
	Land	Water &	Capital	Motor	Machinery	Total		
	Improvement	Sanitation and Others	Work in Progress	Vehicles				
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
113,160,161	34,912,578	67,550,817	3,142,379	52,255,668	92,513,416	2,137,077,908	2,054,976,379	
2,895,350	4,750,000	182,121	436,718	37,700,000	-	68,774,865	127,409,856	
-	-	-	-	-	-	-	-	
-	-	(114,061)	-	(2,250,000)	-	(69,709,525)	(35,700,221)	
-	-	-	(71,992)	-	-	(71,992)	(9,608,106)	
116,055,511	39,662,578	67,618,877	3,507,105	87,705,668	92,513,416	2,136,071,256	2,137,077,908	
83,937,885	25,067,917	41,507,537	-	46,168,525	56,113,701	563,558,991	520,883,314	
5,859,723	3,255,849	3,191,440	-	7,037,142	5,375,912	61,098,243	68,917,491	
-	-	-	-	(2,250,000)	-	(44,214,698)	(26,241,814)	
-	-	-	-	-	-	-	-	
89,797,608	28,323,766	44,698,977	-	50,955,667	61,489,613	580,442,538	563,558,991	
26,257,903	11,338,812	22,919,900	3,507,105	36,750,001	31,023,803	1,555,628,718	1,573,518,915	
29,222,276	9,844,661	26,043,280	3,142,379	6,087,143	36,399,715	1,573,518,917		

Equipments	Assets acquired on finance Lease						Total 2015 Rs.	Total 2014 Rs.
	Land	Water &	Capital	Motor	Machinery	Total		
	Improvement	Sanitation and Others	Work in Progress	Vehicles				
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
113,160,161	34,912,578	67,550,817	3,142,379	52,255,668	92,513,416	2,137,077,908	2,054,976,379	
2,895,350	4,750,000	182,121	436,718	37,700,000	-	68,774,865	127,409,856	
-	-	-	-	-	-	-	-	
-	-	(114,061)	-	(2,250,000)	-	(69,709,525)	(35,700,221)	
-	-	-	(71,992)	-	-	(71,992)	(9,608,106)	
116,055,511	39,662,578	67,618,877	3,507,105	87,705,668	92,513,416	2,136,071,256	2,137,077,908	
83,937,885	25,067,917	41,507,537	-	46,168,525	56,113,701	563,558,991	520,883,314	
5,859,723	3,255,849	3,191,440	-	7,037,142	5,375,912	61,098,243	68,917,491	
-	-	-	-	(2,250,000)	-	(44,214,698)	(26,241,814)	
-	-	-	-	-	-	-	-	
89,797,608	28,323,766	44,698,977	-	50,955,667	61,489,613	580,442,538	563,558,991	
26,257,903	11,338,812	22,919,900	3,507,105	36,750,001	31,023,803	1,555,628,718	1,573,518,915	
29,222,276	9,844,661	26,043,280	3,142,379	6,087,143	36,399,715	1,573,518,917		

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

13.1 The assets shown above are those movable assets vested in the Company by gazette notification at the date of formation of the company (22nd June 1992) and all investments in tangible assets by the company since its formation. The assets taken over by way of estate leases are set out in notes 12.1 & 12.2.

13.2 Details on assets pledged under facilities are given under the Note 27 of the financial statements.

13.3 Revaluation of land and buildings

From 1 January 2013, the Company has changed its accounting policy for the measurement of Freehold land and buildings to the revaluation model, since the Company believes that revaluation model more effectively demonstrates the financial position of land and buildings.. The Freehold Land and Building on freehold land were revalued by Mr. G.J. Sumanasena, Incorporated Valuer as of 31 December 2013 and the results of such valuation were incorporated in the financial statements as at that date. Such assets were valued on the basis of Contractor's Test Method - Land and Building. Fair value is determined by reference to market-based evidence. Valuations are based on active market prices, adjusted for any difference in the nature, location or condition of the specific property. The surplus arising from the revaluation was transferred to a revaluation reserve.

13.4 If land and buildings were measured using the cost model, the carrying amounts would be as follows:

	Rs.	Rs.
Cost	854,208,572	849,964,118
Accumulated depreciation	(86,652,947)	(76,896,662)
Carrying value	767,555,625	773,067,456

13.5 The cost of fully depreciated and still in use assets of the company amounts to Rs. 278 Mn as of 31 December 2015 (2014 - 219 Mn).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

14 BIOLOGICAL ASSETS

14.1 Bearer Biological Assets

Group	Immature Plantations				Mature Plantations				2015	2014
	Tea	Rubber	Other	Total	Tea	Rubber	Other	Total		
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cost										
As at 1 January	34,318,923	315,068,173	75,429,268	424,816,364	427,453,089	309,207,922	22,266,216	758,927,227	1,183,743,591	1,081,860,170
Additions during the year	9,666,364	49,537,131	37,452,748	96,656,243	-	48,057,170	-	48,057,170	144,713,413	144,195,311
Transfers (from)/to	-	(48,057,168)	-	(48,057,168)	-	-	-	-	(48,057,168)	(42,311,890)
As at 31 December	43,985,287	316,548,136	112,882,017	473,415,440	427,453,089	357,265,092	22,266,216	806,984,397	1,280,399,836	1,183,743,591
Depreciation										
As at 1 January	-	-	-	-	149,389,835	127,779,262	19,665,259	296,834,356	296,834,356	268,319,321
Charge for the year	-	-	-	-	12,823,592	17,863,274	231,026	30,917,892	30,917,892	28,515,035
As at 31 December	-	-	-	-	162,213,427	145,642,536	19,896,284	327,752,248	327,752,248	296,834,356
Carrying amount	43,985,287	316,548,136	112,882,017	473,415,440	265,239,663	211,622,556	2,369,932	479,232,150	952,647,588	886,909,235
Company										
Company	Immature Plantations				Mature Plantations				2015	2014
	Tea	Rubber	Other	Total	Tea	Rubber	Other	Total		
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cost										
As at 1 January	34,318,923	315,068,173	75,429,268	424,816,364	427,453,089	309,207,922	22,266,216	758,927,227	1,183,743,591	1,081,860,170
Additions during the year	9,666,364	49,537,131	37,452,748	96,656,243	-	48,057,170	-	48,057,170	144,713,413	144,195,311
Transfers (from)/to	-	(48,057,168)	-	(48,057,168)	-	-	-	-	(48,057,168)	(42,311,890)
As at 31 December	43,985,287	316,548,136	112,882,017	473,415,440	427,453,089	357,265,092	22,266,216	806,984,397	1,280,399,836	1,183,743,591
Depreciation										
As at 1 January	-	-	-	-	149,389,835	127,779,262	19,665,259	296,834,356	296,834,356	268,319,321
Charge for the year	-	-	-	-	12,823,592	17,863,274	231,026	30,917,892	30,917,892	28,515,035
As at 31 December	-	-	-	-	162,213,427	145,642,536	19,896,284	327,752,248	327,752,248	296,834,356
Carrying amount	43,985,287	316,548,136	112,882,017	473,415,440	265,239,663	211,622,556	2,369,932	479,232,150	952,647,588	886,909,235

These are investments in immature/mature plantations since the formation of the Company. The assets (including plantation assets) taken over by way of estate leases are set out in Notes 12.2.1 and 12.2.2. Further investment in immature plantations taken over by way of these leases are shown in the above note. When such plantations become mature, the additional investments since take over to bring them to maturity, will be moved from immature to mature under this note.

The requirement of recognition of bearer biological assets at its fair value less cost to sell under LKAS 41 was superseded by the ruling issued on 02 March 2012, by The Institute of Chartered Accountants of Sri Lanka. Accordingly, the Company has elected to measure the bearer biological assets at cost using LKAS 16 – Property Plant & Equipment.

Specific borrowings have not been obtained to finance the planting expenditure. Hence, borrowing costs were not capitalised during the year under Immature Plantations.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

14.2 CONSUMABLE BIOLOGICAL ASSETS

	Group		Company	
	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
As at 1 January	848,054,492	782,592,496	848,054,492	782,592,496
Increase due to development	2,201,835	18,499,282	2,201,835	18,499,282
Gain/(loss) arising from changes in fair value less cost to sell	62,500,529	60,240,979	62,500,529	60,240,979
Cost of Harvested Timber trees	(10,156,030)	(13,278,265)	(10,156,030)	(13,278,265)
As at 31 December	902,600,826	848,054,492	902,600,826	848,054,492

Managed trees include commercial timber plantations cultivated on estates. The cost of immature trees is treated as approximate fair value particularly on the ground of little biological transformation has taken place and impact of the biological transformation on price is not material. When such Plantations become mature, the additional investments since taken over to bring them to maturity are transferred from Immature to Mature.

The fair value of managed trees was ascertained since the LKAS 41 is only applicable for managed agricultural activities in terms of the ruling issued by The Institute of Chartered Accountants of Sri Lanka. The valuation was carried by Messers Perera Sivaskantha & Company, incorporated valuers, using Discounted Cash Flow (DCF) methods. In ascertaining the fair value of timber, physical verification was carried out covering all the estates which have Commercial timber trees.

INFORMATION ABOUT FAIR VALUE MEASUREMENTS USING SIGNIFICANT UNOBSERVABLE INPUT (LEVEL3)

Non Financial Assets	Valuation Technique	Unobservable Inputs	Range of Unobservable Inputs (Probability weighted average)	Relation of Unobservable Inputs to Fair Value
Consumable Biological Assets	Discounted Cash Flow Method	Discounted Rate Optimum rotation (Maturity) Volume at rotation Price per cu. Meter	12.50% 25 years 0.01- 21.23 cu' Meter Rs. 1,450/= to Rs.6,250/=	The higher the discount rate, the lesser the fair value Lower the rotation period, the higher the fair value The higher the volume, the higher the fair value The higher the price per cu. Ft. the higher the fair value

The valuations, as presented in the external valuation models based on net present values, take into account the long term exploitation of the timber plantations. The market rates applied has been arrived at after discounting. The commodity markets are inherently volatile and that long term price projection are highly unpredictable. The sensitivity analysis regarding selling price and discount rate variations every investor to reasonably challenge the financial impact of the assumptions used in the LKAS 41 against his own assumptions.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

14.2 CONSUMABLE BIOLOGICAL ASSETS (Contd)

14.2.1 Sensitivity Analysis

Sensitivity variation sales price

Values as appearing in the Statement of Financial Position are very sensitive to price changes with regard to the average sales prices applied. Simulations made for timber show that a rise or decrease by 10% of the estimated future selling price has the following effect on the net present value of biological assets:

	Impact on Consumable Biological Assets	
	Rs. -10%	Rs. +10%
As At 31 December 2015	90,260,083)	90,260,083
As At 31 December 2014	(84,805,450)	84,805,450

Sensitivity variation discount rate

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

	Impact on Consumable Biological Assets	
	Rs. -1%	Rs. +1%
As At 31 December 2015	2,247,221	(2,142,721)
	Rs. -1%	Rs. +1%
As At 31 December 2014	2,516,162	(2,341,898)

The carrying amount of biological assets pledged as securities for liabilities are nil for year 2015 (2014 - nil).

There are no commitments for the development or acquisition of biological assets

15 OTHER NON CURRENT FINANCIAL ASSETS

	Group		No. of Debentures	Company	
	2015 Rs.	2014 Rs.		2015 Rs.	2014 Rs.
Long Term Investments					
15.1 Held to Maturity Investments					
Investment in Debentures					
Central Finance Company PLC	7,020,000	7,020,000	70,200	7,020,000	7,020,000
	7,020,000	7,020,000	70,200	7,020,000	7,020,000

The above investments in Debentures have maturity within 3 years.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

15 OTHER NON CURRENT FINANCIAL ASSETS (Contd)

Long Term Investments	Group		No. of Shares	Company	
	2015 Rs.	2014 Rs.		2015 Rs.	2014 Rs.
15.2 Available for sale financial Instruments					
Agalawatte Plantation PLC	2,050	2,710	100	2,050	2,710
Balangoda Plantation PLC	1,760	2,650	100	1,760	2,650
Bogawantalawa Plantation PLC	1,635	1,800	150	1,635	1,800
Hapugasthenne Plantation PLC	2,270	3,740	100	2,270	3,740
Horana Plantation PLC 2,140	2,410	100	2,140	2,410	
Kahawatte Plantation PLC	3,720	3,550	100	3,720	3,550
Kegalle Plantation PLC 6,650	9,400	100	6,650	9,400	
Kotagala Plantation PLC 1,780	3,160	100	1,780	3,160	
Kelani Valley Plantation, PLC	7,000	7,400	100	7,000	7,400
Madulsima Plantation PLC	800	1,410	100	800	1,410
Namunukula Plantation PLC	6,050	8,940	100	6,050	8,940
Talawakelle Plantation PLC	3,160	3,300	100	3,160	3,300
Udapussellawa Plantation PLC	2,790	3,960	100	2,790	3,960
Watawala Plantation PLC 24,300	18,800	1,000	24,300	18,800	
Total Available for sale instruments	66,105	73,230	2,350	66,105	73,230
Total Other financial assets	7,086,105	7,093,230		7,086,105	7,093,230
15.3 Net (loss) / gain on available for sale financial assets					
	(7,125)	10,920		(7,125)	10,920

15.4 Fair Value Hierarchy for Financial Assets as at 31 December 2015

Financial Asset Type	Date of Valuation	Total (Rs.)	Level 1	Level 2	Level 3
			(Quoted prices in active markets) Rs.	(Significant observable inputs) Rs.	(Significant unobservable inputs) Rs.
Investment in debentures	31-Dec-13	7,020,000	7,020,000	-	-
Investment in quoted equity shares	31-Dec-15	66,105	66,105	-	-
Total		7,086,105	7,086,105	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

16 INVESTMENT IN SUBSIDIARY

	Group		Company	
	2015 Rs.	2014 Rs.	2,015 Rs.	2014 Rs.
Prime Real Estate Australia (Pvt) Ltd	-	-	28,041,431	28,041,431
	-	-	28,041,431	28,041,431

The Group has invested in Prime Real Estate Australia (Pvt) Ltd, which involved in the business of construction & real estate in Australia. With effect from 27 February 2014, Prime Real Estate Australia Pty Ltd became a fully owned foreign subsidiary of Malwatte Valley Plantations PLC. The subsidiaries functional currency is Australian Dollars. The summarized financial information of the Group's investment in Prime Real Estate Australia (Pvt) Ltd is as follows;

	2015	2014
Number of Shares Invested	242,510	242,510
Holding % by the MVPL	100%	100%
	2015 Rs.	2014 Rs.
Current Assets, including Inventory of Rs. 70,834,144 (2014 -Rs. 98,859,712)	75,982,288	103,798,952
Current liabilities	(51,138,924)	(83,805,614)
Revenue	38,239,936	-
Cost of Sales	(36,986,549)	-
Administrative Expenses	(72,835)	(1,405,729)
Finance Income	-	24,785
Finance Costs	-	-
Profit/(Loss) Before tax	1,180,551	(1,380,944)
Income Tax Expense	-	-
Profit/(loss) for the year	1,180,551	(1,380,944)
Total Comprehensive income/(loss) for the year	1,180,551	(1,380,944)

17 INVENTORIES

Input Materials	49,516,894	45,934,573	49,516,894	45,934,573
Nurseries	6,150,544	8,358,520	6,150,544	8,358,520
Consumables & Spares	17,908,547	14,361,462	17,908,547	14,361,462
Harvested Crops	284,687,913	275,573,370	284,687,913	275,573,370
Construction Inventory	70,185,500	98,859,712	-	-
	428,449,398	443,087,637	358,263,898	344,227,925
Less: Provision for Obsolete Stocks	(4,911,324)	(4,851,474)	(4,911,324)	(4,851,474)
	423,538,074	438,236,163	353,352,574	339,376,451

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

As at 31 December 2015	Group		Company	
	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
18 TRADE AND OTHER RECEIVABLES				
Produce debtors	48,258,859	96,619,808	48,258,859	96,550,752
Advances & Prepayments	19,229,961	12,826,732	19,229,961	12,826,732
Other debtors	70,430,091	71,235,263	65,661,168	66,367,297
Staff Debtors	64,615,754	42,424,850	64,615,754	42,424,850
	202,534,664	223,106,653	197,765,742	218,169,631
Less: Provision for Impairment	(4,638,923)	(4,638,923)	(4,638,923)	(4,638,923)
	197,895,741	218,467,729	193,126,819	213,530,707

18.1 Movement In The Provision For Impairment

	Individually Impaired Rs.	Collectively Impaired Rs.	Total Rs.
As At 01 January 2014	-	4,638,923	4,638,923
Charge for the year	-	-	-
As At 31 December 2014	-	4,638,923	4,638,923
Charge for the year	-	-	-
As At 31 December 2015	-	4,638,923	4,638,923

	Group		Company	
	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.

19 AMOUNTS DUE FROM RELATED PARTIES

Uva Resorts & Residencies (Pvt)Ltd	9,355,851	3,333,253	9,355,851	3,333,253
Bloemendal Flower Company (Pvt) Ltd	21,577,273	21,111,303	21,577,273	21,111,303
Oreocromis Dynamics (Pvt) Ltd	8,952,880	11,937,173	8,952,880	11,937,173
Bogtstra & Gerlach (Pvt) Ltd	2,468,269	2,468,269	2,468,269	2,468,269
Malwatte Hotel & Resort (Pvt) Ltd.	12,605,596	16,807,461	12,605,596	16,807,461
Prime Real Estate Australia Pty Ltd	-	-	21,726,412	21,531,714
	54,959,868	55,657,459	76,686,280	77,189,173

No interest is charged on these current account balances since those are not included under Intercompany Loans.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

As at 31 December 2015	Group		Company	
	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
20 CASH AND CASH EQUIVALENTS				
20.1 Short term deposits				
Short term fixed deposits	753,691,909	804,632,359	753,691,909	804,632,359
Total	753,691,909	804,632,359	753,691,909	804,632,359
20.2 Favorable balances				
Cash at bank	130,338,520	114,913,080	130,338,520	114,913,080
Cash in hand	1,149,775	146,228	121,909	144,009
Cash in transits	3,445,339	936,332	3,445,339	936,332
Stamps	9,386	9,868	9,386	9,868
Total	134,943,020	116,005,508	133,915,154	116,003,289
20.3 Unfavorable balances				
Bank overdraft	404,230,743	209,143,625	404,230,743	209,143,625
Total	404,230,743	209,143,625	404,230,743	209,143,625

Short-term deposits are made for varying periods between one day and three months, depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates.

The securities pledged have been disclosed in Note 28 to the financial statements.

21 STATED CAPITAL

	Group		Company	
	2015 Number	2014 Number	2015 Number	2014 Number
Issued and Fully Paid Number of Shares				
No. of Voting Ordinary Shares including one Golden Share held by the Treasury which has special rights	202,792,332	202,792,332	202,792,332	202,792,332
No. of Non- Voting Ordinary Shares	20,250,660	20,250,660	20,250,660	20,250,660
	223,042,992	223,042,992	223,042,992	223,042,992
	Group		Company	
	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
Stated Capital including one Golden Share held by the Treasury which has special rights	350,000,010	350,000,010	350,000,010	350,000,010
Issue of Non - Voting Ordinary Shares	23,000,000	23,000,000	23,000,000	23,000,000
	373,000,010	373,000,010	373,000,010	373,000,010

Stated capital represents the amount paid to the company in respect of issuing 202,792,332 Ordinary Shares including one Golden Share which has special rights and 20,250,660 Non-Voting Ordinary Shares.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

22 INTEREST BEARING LOANS AND BORROWINGS

	Repayable within 1 year Rs.	Repayable After 1 year less than 5 years Rs.	Group Repayable After 5 years Rs.	Repayable After 1 year Rs.
22.1 Long-term Loans (ADB)				
Hatton National Bank PLC	378,479	-	-	-
22.2 Long term Loans				
Lanka Mount Castle (Pvt) Ltd	331,811	-	-	-
Hatton National Bank PLC	29,230,000	-	-	-
National Development Bank PLC	86,220,000	344,880,000	-	344,880,000
Indian Overseas Bank PLC	19,160,004	124,540,025	-	124,540,025
Westpac Loan -73-1702	34,539,091	-	-	-
22.3 Short term Loans				
HNB - Packing Credit Loan	66,799,830	-	-	-
Union Bank - Packing Credit Loan	-	-	-	-
Short Term Loan - HNB	-	-	-	-
22.4 Lease Creditors	9,914,172	32,666,933		32,666,933
Total	246,573,385	502,086,958	-	502,086,958

Total as at 31.12.2015	Total as at 31.12.2014	Company		Repayable After 5 years	Repayable After 1 year	Total as at 31.12.2015	Total as at 31.12.2014
		Repayable within 1 year	Repayable After 1 year less than 5 years				
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
378,479	5,704,079	378,479	-	-	-	378,479	5,704,079
331,811	4,315,139	331,811	-	-	-	331,811	4,315,139
29,230,000	70,630,000	29,230,000	-	-	-	29,230,000	70,630,000
431,100,000	395,850,000	86,220,000.00	344,880,000	-	344,880,000	431,100,000	395,850,000
143,700,029	132,685,753	19,160,003.83	124,540,025	-	124,540,025	143,700,029	132,685,753
34,539,091	62,139,032						
66,799,830	-	66,799,830	-	-	-	66,799,830	-
-	24,611,580	-	-	-	-	-	24,611,580
-	1,066,929	-	-	-	-	-	1,066,929
42,581,105	15,121,213	9,914,172	32,666,933	-	32,666,933	42,581,105	15,121,213
748,660,343	712,123,726	212,034,295	502,086,958	-	502,086,958	714,121,253	649,984,694

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

22 INTEREST BEARING LOANS AND BORROWINGS (Contd)

22.1	LONG TERM LOANS	Repayable within 1 year	Repayable After 1 year less than	Repayable After 5 years	Repayable After 1 year	Total as at 31.12.2015	Total as at 31.12.2014
	ASIAN DEVELOPMENT BANK LOAN	Rs.	Rs.	5 years Rs.	Rs.	Rs.	
22.1.1	Through Hatton National Bank						
	2000/2001 Sub Loan 1	362,262	-	-	-	362,262	5,354,262
	Sub Loan 2	16,217	-	-	-	16,217	349,817
		378,479	-	-	-	378,479	5,704,079
22.2	Other Long Term Loans						
22.2.1	Lanka Mount Castle (Pvt) Ltd						
	Loan -02	331,811	-	-	-	331,811	4,315,139
		331,811	-	-	-	331,811	4,315,139
22.2.2	Hatton National Bank	29,230,000	-	-	-	29,230,000	70,630,000
		29,230,000	-	-	-	29,230,000	70,630,000
22.2.3	National Development Bank						
	NDB Dollar Loan	86,220,000	344,880,000	-	344,880,000	431,100,000	395,850,000
		86,220,000	344,880,000	-	344,880,000	431,100,000	395,850,000
22.2.4	Indian Oversea Bank						
	Indian Overseas Bank PLC	19,160,004	124,540,025	-	124,540,025	143,700,029	132,685,753
		19,160,004	124,540,025	-	124,540,025	143,700,029	132,685,753
22.2.5	Westpac Loan -73-1702	34,539,091	-	-	-	34,539,091	62,139,032
22.3	Short Term Interest Bearing Borrowings						
22.3.1	HNB - Packing Credit Loan	66,799,830	-	-	-	-	-
22.3.2	Union Bank - Packing Credit Loan	-	-	-	-	-	24,611,580
22.3.3	Short Term Loan - HNB	-	-	-	-	-	1,066,929

Repayable within 1 year	Repayable After 1 year less than 5 years	Repayable After 5 years	Repayable After 1 year	Total as at 31.12.2015	Total as at 31.12.2014	Rate of interest	Terms of Re payments
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
362,262	-	-	-	362,262	5,354,262	15.63%	1st Installment of Rs.362,262& 119 Monthly Installments of Rs.416,000 payable commenced from 01.02.2006
16,217	-	-	-	16,217	349,817	15.63%	1st Installment of Rs.16,217& 119 Monthly Installments of Rs.27,800 payable commenced from 01.02.2006
378,479	-	-	-	378,479	5,704,079		
331,811	-	-	-	331,811	4,315,139		72 equal monthly installments
331,811	-	-	-	331,811	4,315,139		
29,230,000	-	-	-	29,230,000	70,630,000		Capital to be paid after an initial grace period of 10 months by 48 installments commenced from September 2012
29,230,000	-	-	-	29,230,000	70,630,000		
86,220,000	344,880,000	-	344,880,000	431,100,000	395,850,000	6.10%	Capital to be paid after an initial grace period of 24 months by 60 installments commenced from January 2016
86,220,000	344,880,000	-	344,880,000	431,100,000	395,850,000		
19,160,004	124,540,025	-	124,540,025	143,700,029	132,685,753	6.10%	Capital to be paid after an initial grace period of 25 months by 85 equal monthly installments commencing from 1 May 2016
19,160,004	124,540,025	-	124,540,025	143,700,029	132,685,753		
-	-	-	-	-	-		
66,799,830	-	-	-	66,799,830	-		This loan has been provide for 3 months. After completion of 3 months that will be renewed again
-	-	-	-	-	24,611,580		This loan has been provide for 3 months. After completion of 3 months that will be renewed again
-	-	-	-	-	1,066,929		Payable after 60 Days

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

22 INTEREST BEARING LOANS AND BORROWINGS (Contd)

	Group				Company			
	Repayable within 01 Year Rs.	Repayable after 01 Year Less than 05 Years Rs.	Total As At 31.12.2015 Rs.	Total As At 31.12.2014 Rs.	Repayable within 01 Year Rs.	Repayable after 01 Year Less than 05 Years Rs.	Total As At 31.12.2015 Rs.	Total As At 31.12.2014 Rs.

22.4 LEASE CREDITORS

22.4.1 Hatton National Bank PLC

Motor Vehicles								
Gross Liability	13,742,310	37,903,304	51,645,614	17,712,711	13,742,310	37,903,304	51,645,614	17,712,711
Finance Charge	(3,828,138)	(5,236,371)	(9,064,510)	(2,591,498)	(3,828,138)	(5,236,371)	(9,064,510)	(2,591,498)
Net Liability	9,914,172	32,666,933	42,581,104	15,121,213	9,914,172	32,666,933	42,581,104	15,121,213

23 DEFERRED INCOME

Deferred Grants and Subsidies	2015	Group	2015	Company
	Rs.	2014	Rs.	2014
As at 1 January	121,825,475	121,102,985	121,825,475	121,102,985
Add : Grants received / (refunded) during the year	12,741,947	10,782,206	12,741,947	10,782,206
Less : Amortisation for the year	(10,430,005)	(10,059,716)	(10,430,005)	(10,059,716)
As at 31 December	124,137,417	121,825,475	124,137,417	121,825,475

The Company has received funding from the Plantation Housing and Social Welfare Trust and Asian Development Bank for the development of workers facilities such as re-roofing of line rooms, latrines, water supply and sanitation etc. The amounts spent are included under the relevant classification of property, plant & equipment and the grant component is reflected under Deferred Grants and Subsidies.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

24 DEFERRED TAX LIABILITY

	Group				Company			
	2015		2014		2015		2014	
	Temporary Difference Rs.	Tax Effect Rs.	Temporary Difference Rs.	Tax Effect Rs.	Temporary Difference Rs.	Tax Effect Rs.	Temporary Difference Rs.	Tax Effect Rs.
As at 1 January	656,168,191	54,564,168	543,429,093	40,567,097	656,168,191	54,564,168	543,429,093	40,567,097
Amount originating during the year	418,777,660	7,984,989	112,739,098	13,997,071	418,777,660	7,984,989	112,739,098	13,997,071
As at 31 December	1,074,945,851	62,549,157	656,168,191	54,564,168	1,074,945,851	62,549,157	656,168,191	54,564,168
Temporary difference of Property, Plant and Equipment (including mature and immature plantation)	1,476,089,921	177,759,270	1,394,761,230	219,814,370	1,476,089,921	177,759,270	1,394,761,230	219,814,370
Temporary difference of consumable biological asset	902,600,826	90,260,083	848,054,492	84,805,449	902,600,826	90,260,083	848,054,492	84,805,449
Temporary difference of retirement benefit obligation	(922,140,536)	(145,329,348)	(878,779,346)	(138,495,625)	(922,140,536)	(145,329,348)	(878,779,346)	(138,495,625)
Carried forward tax losses	(381,604,360)	(60,140,847)	(707,868,185)	(111,560,026)	(381,604,360)	(60,140,847)	(707,868,185)	(111,560,026)
As at 31 December	1,074,945,851	62,549,157	656,168,191	54,564,168	1,074,945,851	62,549,157	656,168,191	54,564,168

The effective tax rate used to calculate deferred tax liability for all the Temporary Differences other than Biological Asset as at 31 December, 2015 is 15.76% (2014-15.76%) for the company.

The effective tax rate used to calculate deferred tax liability for Consumable Biological Asset as at 31 December, 2015 is 10% (2014-10%) for the company.

25 RETIREMENT BENEFIT OBLIGATIONS

	Group		Company	
	2015	2014	2015	2014
	Rs.	Rs.	Rs.	Rs.
As at 1 January	878,779,346	902,848,859	878,779,346	902,848,859
Interest Cost	87,877,935	90,284,886	87,877,935	90,284,886
Current Service Cost	45,258,615	43,659,080	45,258,615	43,659,080
Actuarial (Gain) / Loss	(26,072,408)	(89,136,383)	(26,072,408)	(89,136,383)
Payments for the year	(63,702,952)	(68,877,096)	(63,702,952)	(68,877,096)
As at 31 December	922,140,536	878,779,346	922,140,536	878,779,346

LKAS 19 requires the use of actuarial techniques to make a reliable estimate of the amount of retirement benefit that employees have earned in return for their service in the current and prior periods using the Projected Unit Credit Method and discount that benefit in order to determine the present value of the retirement benefit obligation and the current service cost. This requires an entity to determine how much benefit is attributable to the current and prior periods and to make estimates about demographic variables and financial variables that will influence the cost of the benefit. The following key assumptions were made in arriving at the above figure.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

25 RETIREMENT BENEFIT OBLIGATIONS (Contd)

Actuarial gain on defined benefit plan has been recognized in Statement of Other Comprehensive Income in terms of provisions in LKAS 19. Where necessary, comparative figures have been reclassified to conform with the current period's presentation.

According to the actuarial valuation report issued by Actuarial & Management Consultants (Pvt) Limited, a firm of professional actuaries as at 31 December 2015 the actuarial present value of promised retirement benefits amounted to Rs. 922,140,536/=. If the company had provided for gratuity on the basis of 14 days wages & half months salary for each completed year of service, the liability would have been Rs. 1,251,597,452/=. Hence, there is a contingent liability of Rs. 329,456,916/=. , which would crystallise only if the company ceases to be a going concern.

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

	Monthly Paid Staff Rs.	Daily paid Staff Rs.	2015 Rs.	2014 Rs.
Within the next 12 months	25,635,400	126,282,451	151,917,851	133,767,010
Between 2 and 5 years	17,567,241	237,936,351	255,503,592	217,716,401
Beyond 5 years	12,907,681	501,811,413	514,719,094	527,295,935
	56,110,321	866,030,215	922,140,536	878,779,346

The weighted average duration of the Defined Benefit plan obligation at the end of the reporting period is 3.31 years and 7.80 Years for staff and workers respectively.

The key assumptions used by Actuarial & Management Consultants (Pvt) Limited include the following;

	2015	2014
(i) Rate of Interest	10%	10%
(ii) Rate of Salary Increase		
Workers	15% (every two years)	15% (every two years)
Staff - Executives	5% (per annum)	5% (per annum)
Staff - Estate Staff and Non Executives	15% (every three years)	15% (every three years)
(iii) Retirement Age		
Workers	60 years	60 years
Staff	58 years	58 years
(iv) Daily Wage Rate	Rs. 450/-	Rs. 450/-

The Plantation Workers wage collective Agreement 2013 effective from 01 April 2013 to 31 March 2015, has not been renewed as of 01st April 2015. Although negotiations are ongoing between the plantation trade unions and the Employers 'Federation of Ceylon for of a revision of the current wage rate. No agreement has been reached due to the current decline in Tea & Rubber prices. due to the prevailing depressed global economic condition. Regional Plantation companies have expressed their inability to afford a further increase at the present juncture due to the prevailing net sale average being below cost of production.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

25 RETIREMENT BENEFIT OBLIGATIONS (Contd)

25.1 Sensitivity Analysis

Values appearing in the financial statements are very sensitive to the changes in financial and non-financial assumptions used.

A sensitivity was carried out as follows:

	Impact on Retirement Benefit Obligation	
	Rs.	Rs.
A one percentage point change in the discount rate.	+1%	-%
As at 31 December 2015	(61,016,339)	69,744,829
As at 31 December 2014	(61,810,856)	71,028,774
A one percentage point change in the salary / wage increment rate.	+1%	-1%
As at 31 December 2015	35,468,963	(33,651,085)
As at 31 December 2014	35,221,140	(33,322,626)

	Group		Company	
	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
26 LIABILITY TO MAKE LEASE PAYMENT				
Gross Liability				
As at 31 December	252,963,699	261,552,699.00	252,963,699	261,552,699
Finance cost allocated to future periods	-105,893,465	(111,880,359.00)	-105,893,465	-111,880,359
Net Liability	147,070,234	149,672,340	147,070,234	149,672,340
Payable within one year				
Gross liability	8,589,000	8,589,000	8,589,000	8,589,000
Finance cost allocated to future periods	(5,882,809)	(5,986,894)	(5,882,809)	(5,986,894)
Net liability transferred to current liabilities	2,706,191	2,602,106	2,706,191	2,602,106
Payable within two to five years				
Gross liability	34,356,000	34,356,000	34,356,000	34,356,000
Finance cost allocated to future periods	(22,404,590)	(22,864,259)	(22,404,590)	(22,864,259)
Net liability	11,951,410	11,491,741	11,951,410	11,491,741
Payable after five years				
Gross liability	210,018,699	218,607,699	210,018,699	218,607,699
Finance cost allocated to future periods	(77,606,066)	(83,029,206)	(77,606,066)	(83,029,206)
Net liability	132,412,633	135,578,493	132,412,633	135,578,493
Net liability payable after one year	144,364,043	147,070,234	144,364,043	147,070,234

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

26 LIABILITY TO MAKE LEASE PAYMENT (Contd)

The lease of the estates have been amended, with effect from 22nd June 1996 to an amount substantially higher than the previous lease rental of Rs. 500/= per estate per annum. The first rental payable under the revised basis is Rs. 8.59 million from 22nd June 1996. This amount is to be inflated annually by the Gross Domestic Product (GDP) deflator, and is in the form of a contingent rental.

The Statement of Recommended Practice (SoRP) for Right-to-use of Land on Lease was approved by the Council of the Institute of Chartered Accountants of Sri Lanka on 19th December 2012. Subsequently, the amendments to the SoRP along with the modification to the title as Statement of Alternative Treatment (SoAT) were approved by the Council on 21st August 2013. The Company has not reassessed the Right-to-use of Land because this is not a mandatory requirement. However, if the liability is reassessed according to the alternative treatment (SoAT) on the assumption that the lease rent is increased constantly by GDP deflator of 4% and discounted at a rate of 13% ,liability would be as follows.

		Rs.
Gross Liability	=	1,665,022,711
Finance Charges	=	<u>(1,119,763,205)</u>
Net Liability	=	<u><u>545,259,506</u></u>

The above reassessed liability is not reflected in these Financial Statements.

27 TRADE AND OTHER PAYABLES

	Group		Company	
	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
Trade Creditors	120,760,894	126,584,321	120,760,894	126,584,321
Employee Related Creditors	137,648,443	155,991,092	137,648,443	155,991,092
Accrued Expenses	11,678,140	12,832,670	11,548,062	12,697,801
Others	31,375,891	6,707,193	31,375,891	6,707,193
	301,463,368	302,115,276	301,333,290	301,980,407

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

28 SECURITIES PLEDGED

Following assets have been pledged as security for liabilities.

Nature of Liability	Loan/Facility Rs.	Security	Carrying amount of assets pledged	
			2015 Rs.	2014 Rs.
A.D.B. Loan through HNB	92,153,096	Primary mortgage over leasehold rights of Warwick, Unugalla, Ledgerwatte, Hakgalla, Ellawela Estates.	378,479	5,704,079
Overdraft - HNB	254,000,000	Primary mortgage over leasehold rights of Warwick, Hakgalla, Ledgerwatte, Unugalla, Keenakelle, Downside & Queentown Estates.	251,832,319	139,027,325
Overdraft - Union Bank	160,000,000	Primary mortgage over leasehold rights of Dyraba & Aislaby Estates.	152,367,106	70,108,825
HNB - Long Term Loan	122,830,000	Primary mortgage over leasehold rights of Land, Buildings and immovable Machinery of Chelsea, Attempitiya and Uva Ketawela.	29,230,000	70,630,000
National Developemnt Bank PLC -Long term Loan	USD 3,000,000	Primary mortgage over leasehold rights of Land, Buildings and immovable Machinery of Neluwa & Uva Highlands	431,100,000	395,850,000
Indian Overseas Bank PLC -Long term Loan	USD 1,000,000	Primary mortgage over leasehold rights of Land, Buildings and immovable Machinery of St James Estate	143,700,029	132,685,753

29 CAPITAL COMMITMENTS

Followings are the capital commitments as at the Statement of Financial Position date.

Contracted , but not provided for
Total

	2015 Rs.	2014 Rs.
Contracted , but not provided for	Nil	Nil
Total	Nil	Nil

30 CONTINGENCIES

There are no known contingent liabilities exist as at the Statement of Financial Position date.

31 EVENTS AFTER THE REPORTING PERIOD

There have been no material events occurring after the Statement of Financial Position date that require adjustments or disclosures in the Financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

32 RELATED PARTY DISCLOSURES

32.1 Details of Significant Related Party Disclosures are as follows.

Transactions with the parent and related entities

Nature of the Company	Relationship	Name of Director	Nature of Transaction	Amount Charged/ (Credited)	
				2015 Rs.	2014 Rs.
Oreocromis Dynamics (Pvt) Ltd.	Related Company	Mr. Lucas Bogtstra Mr.T.R.Gerlach	Advances	2,984,293	2,976,627
Bloemendal Flower Company (Pvt) Ltd.	Related Company	Mr. Lucas Bogtstra Mr.T.R.Gerlach	Advances	(465,970)	(532,456)
Malwatte Hotel and Resort (Private) Ltd.	Related Company	Mr. Lucas Bogtstra Mr.T.R.Gerlach	Advances	4,201,865	3,287,105
Uva Resorts & Residencies (Pvt)Ltd	Related Company	Mr. Lucas Bogtstra Mr.S.N. Dharmaratna	Advances	(6,022,598)	(3,333,253)
Prime Real Estate Australia Pty Ltd	Subsidiary	Mr. Lucas Bogtstra Mr. S.N. Dharmaratna Mr.T.R.Gerlach Ms.S.D.T. Dharmaratna	Advances	(194,698)	6,524,485

32.2 Transactions with the key management personnel of the company or parent

There were no material transactions with the Key Management Personnel of the Company and its parent other than those disclosed in Notes 19 & 32.1 to the Financial Statements.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities comprise loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group has loan and other receivables, trade and other receivables, and cash and short-term deposits that arrive directly from its operations. Accordingly the Group has exposure to namely Credit Risk, Liquidity Risk, Currency Risk and Interest Rate Risk from its use of financial instruments. This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk.

Credit risk

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

Liquidity risk

Liquidity risk arises when the Group is unable to meet its financial obligations due to insufficient cash flow situations. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

Currency risk

The Group is exposed to currency risk on sales and purchases and long term loan obligations that are denominated in a currency other than the respective functional currency of the Group. The currency in which these transactions primarily denominated is in USD.

Interest rate risk

Interest Rate Risk is the potential for losses that may arise due to adverse movement of interest rates, mainly on floating interest rates. The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. The Group has not engaged in any interest rate swap agreements.

33.1 Financial Risk Management Framework

The Board of Directors has the overall responsibility for the establishment and oversight of the group's financial risk management framework which includes developing and monitoring the Group's financial risk management policies. The Group financial risk management policies are established to identify, quantify and analyze the financial risks faced by the Group, to set appropriate risk limits and controls and to monitor financial risks and adherence to limits. Financial risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Audit Committee of the Company oversees how management monitors compliance with the Group's financial risk management policies and procedures and reviews the adequacy of the financial risk management framework in relation to the risks faced by the Group.

33.2 Credit Risk

Credit Risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arise principally from the Group's receivable from customers and from its financing activities including deposits with banks and financial institutions foreign exchange transactions and other financial instruments.

33.2.1 Trade and Other Receivables

The Group's exposure to credit risk is influenced by the individual characteristics of each customer. The Group's credit policy is monitored at the Board level. The new customers are analysed individually for credit worthiness before Group's standard payment and delivery terms and conditions are offered. Group review includes external ratings, when available and in some cases, bank references, purchases limit etc. which also subject to under review on quarterly basis. The past experience of the Management is considered when revisions are made to terms and conditions.

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

The maximum exposure to credit risk for trade receivables of the company at the reporting date is Rs.48.3 Mn. The Company has a minimal credit risk of its trade receivables as the repayment is guaranteed within seven days by the Tea and Rubber auction systems.

33.2.2 Investments

Credit risks from invested balance with the financial institutions are managed by the Board of Directors. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to them. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through potential counterparty's failure.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

33.2.3 Cash and Cash Equivalents

The Group held cash and Cash Equivalents of Rs.135 Mn as at 31st December 2015 (2014 – Rs.116.Mn) which represents its maximum credit exposure on these assets

33.3 Liquidity Risk

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

The Group does not concentrate on a single financial institution, thereby minimizing the exposure to liquidity risk through diversification of funding sources. The Group aims to fund investment activities of the individual and Group level by funding the long-term investment with long term financial sources and short term investment with short term financing. Where necessary the Group consults the Treasury Department and Strategic Business Development Unit in Parent Company for scrutinizing the funding decisions.

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

As at 31st Dec 2015	Less than 3 Months (Rs.)	3 to 12 Months (Rs.)	2 to 5 years (Rs.)	>5 years (Rs.)	Total (Rs.)
Interest bearing loans & borrowing	111,743,218	134,830,167	502,086,958	-	748,660,343
Trade payables	120,760,894	-	-	-	120,760,894
	232,504,112	134,830,167	502,086,958	-	869,421,237

33.4 Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, currency risk & other price risk such as equity price risk. Financial instrument affected by market risk include loans & borrowings, deposits & derivative financial instruments.

33.4.1 Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates. The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. The Group has not engaged in any interest rate swap agreements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected. With all other variables held constant, the group's Profit Before Tax is affected through the impact on floating rate borrowings as follows:

	Increase/ decrease in Interest rate	Effect on profit before tax Rs.
2015	+1%	6,864,529
	-1%	(6,864,529)
2014	+1%	401,152
	-1%	(401,152)

33.4.2 Foreign Currency Risk

The Group is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currency of the Group. The Group is exposed to currency risk on sales, purchases and borrowings. These currency primarily is USD.

SHAREHOLDERS & INVESTORS INFORMATION

Distribution of Shares (Voting)

No of Shares Held	No of share Holders	No of share Holders %	Total Holdings	Total Holdings %
1 – 1,000	8,163	42.75%	3,632,745	1.79%
1,001 – 10,000	10,569	55.35%	20,864,442	10.29%
10,001 – 100,000	316	1.65%	10,249,552	5.05%
100,001 – 1,000,000	41	.21%	10,728,664	5.29%
1,000,001 & over	7	.04%	157,316,928	77.58%
Grand Total	19,096	100.00%	202,792,331	100.00%

Analysis Report of Share Holders as at 31/12/2015

No of Shares Held	No of share Holders	No of share Holders %	Total Holdings	Total Holdings %
Individual	19,012	99.56%	45,578,165	22.48%
Institution	84	.44%	157,214,166	77.52%
Grand Total	19,096	100.00%	202,792,331	100.00%

Share Holders Categorized Summary Report as at 31/12/2015 (Non Voting)

No of Shares Held	No of share Holders	No of share Holders %	Total Holdings	Total Holdings %
1,000	273	55.60%	102,487	.51%
1,001 – 10,000	163	33.20%	792,575	3.92%
10,001 – 100,000	47	9.57%	1,381,668	6.82%
100,001 – 1,000,000	7	1.43%	1,545,929	7.63%
1,000,001 & over	1	.20%	16,428,001	81.12%
Grand Total	491	100.00%	20,250,660	100.00%

Analysis Report of Share Holders as at 31/12/2015

No of Shares Held	No of share Holders	No of share Holders %	Total Holdings	Total Holdings %
Individual	469	95.52%	2,394,752	11.83%
Institution	22	.48%	17,855,908	88.17%
Grand Total	491	100.00%	20,250,660	100.00%
Residence	489	99.59%	20,080,008	99.16%
Non Residence	2	.41%	170,652	.84%
Grand Total	491	100.00%	20,250,660	100.00%

SHAREHOLDERS & INVESTORS INFORMATION

Top 20 Voting Shareholder's List As At 31st December 2015

No's	Name/Address	No. of Shares	%
01	Wayamba Plantation (Private) Limited	135,839,160	66.98
02	Phillip Securities (Pvt) Ltd	961,815	.47
03	Peoples Leasing Finance PLC/Carlines Holdings (Pvt) Ltd	9,370,436	4.62
04	EST. Mariapillai Radhakrishnan	3,620,000	1.79
05	Pershing LLC S/A Avernach Grauson & Co.	2,500,000	1.23
06	Carlines Holdings (Pvt) Ltd	836,756	.41
07	Mr. M I Samsudeen	1,773,052	.87
08	Dr. Niranjan Deepal Gunawardena	1,044,834	.52
09	Almas Organisation (Pvt) Ltd.,	2,675,133	1.32
10	Employees Provident Fund	792,000	.39
11	Mr. Hasim Abdul Nasar	500,000	0.25
12	Mr. Panagodage Somadasa	705,966	.35
13	Tranz Dominion, L.L.C.	520,000	.26
14	Mr. Kangasu Chelvadurai Vignarajah	438,000	.22
15	Mr. T L Mohomad Nawash	304,900	.15
16	Mr. M Shiraj Razeen	281,700	.14
17	Mr. Asitha Kumar Seneviratne		
18	Mr. M S R Shamsudeen	238,947	.12
19	Star Lanka Holding (Pvt) Ltd.,	239,233	.12
20	Mr. O W Dharmatilake	315,482	.16
	Public Shareholding % - 33.02		

SHAREHOLDERS & INVESTORS INFORMATION

Top 20 Non-Voting Shareholder's List As At 31st December 2015

No's	Name/Address	No. of Shares	%
01	Commercial Bank Of CeyLanka Mountcastle (Pvt) Ltd	16,428,001	81.13
02	Wadock Mackenzie Limited/Mr. H M S Abdulhussein	225,012	1.11
03	Employees provident Fund	346,000	1.71
04	Mr. Yusuf Husseinally Abdulhussein	164,500	.81
05	Mr. L A P K Liyanwala	191,331	.94
06	Phillip Securities (Pte) Ltd	137,099	.68
07	Lanka Mount Castle (PVT) Ltd	2,000,000	9.88
08	Seylan Bank/JayanthaDewage	112,000	.55
09	Eskimo Fashion Knitwear (Pvt) Ltd	90,000	.44
10	Peoples Leasing Finance PLC/Carlines Holdings (Pvt) Ltd	73,022	.36
11	Mr. W Don Padmasena	71,500	.35
12	Mr. Sujeewa Chandana Hiththatiyage	175,058	0.86
13	Merchant Bank of Sri Lanka PLC/S A C A Samarasinghe	57,000	.28
14	Peoples Leasing Finance PLC/Mr. M. A. U. Gnanathilake	106,926	.53
15	Mr. L A J FiedelisMorais	50,000	.25
16	Mr. Yaddehige Jayatissa	50,000	.25
17	Mr. M H M Fawsan	55,724	.28
18	Mr. Sivapatham Loheswaran	86,510	.43
19	Mr. A. K. Sampath Mendis	66,950	.33
20	Essajee Carimjee Insurance Brokers (PVT) Ltd	50,400	.25
	Public Shareholding % -18.87		

Directors Shareholdings in the Company - VOTING

Name	As at 31.12.2015	As at 31.12.2014
Mr. W L Bogtstra	106,546	106,546
Mr. Lucas Bogtstra	100,000	100,000
Mr. T R Gerlach	Nil	Nil
Mrs. C A Gerlach	Nil	Nil
Mr. S N Dharmaratna	Nil	Nil
Mrs. F L Bogtstra	Nil	Nil
Mr. K A S Gunasekera	Nil	Nil
Mr. G.C.De Silva	Nil	Nil
Mr. Frits Bogtstra	Nil	Nil

SHAREHOLDERS & INVESTORS INFORMATION

Directors Shareholdings in the Company – NON-VOTING

Name	As at 31.12.2015	As at 31.12.2014
Mr. W L Bogtstra	Nil	Nil
Mr. Lucas Bogtstra	Nil	Nil
Mr. T R Gerlach	Nil	Nil
Mrs. C A Gerlach	Nil	Nil
Mr. S N Dharmaratna	Nil	Nil
Mrs. F L Bogtstra	Nil	Nil
Mr. K A S Gunasekera	Nil	Nil
Mr. G C De Silva	Nil	Nil
Mr. Frits Bogtstra	Nil	Nil

Stock Exchange

Interim Financial Statements for the forth quarter 31st December 2015 has been submitted to the Colombo Stock Exchange as required by the listing rules.

Market Value	Voting - 2015	Voting -2014	Non Voting - 2015	Non Voting - 2014
Highest	3.70	5.40	3.60	5.10
Lowest	3.10	3.70	3.10	3.50
Year End	3.40	4.50	3.10	4.50

ESTATE MANAGED BY THE COMPANY

The following Estates are managed by the company, which were formally owned and managed by the Janatha Estate Development Board and Sri Lanka State Plantations Corporation.

Zone	Estate Name
Tea Estates	
Hali Ela Zone	Dickwella Estate Ledgerwatte Estate Unugalla Estate Sarnia Estate (Keenakellie Estate has been amalgamated)
Queenstown Estate Uva Ketawala Estate	
Bandarawela Zone	Uva Highlands Estate (Ellawala Estate has been Amalgamated) Aislaby Estate Chelsea Estate St.James Estate Neluwa Estate Attampitiya Estate
Welimada Zone	Downside Estate Welimada Estate Dyraaba Estate Hugoland Estate
Ambawela Zone	Warwick Estate Hakgala Estate
Rubber Estate	
Avissawella Zone	Chesterford Estate Glensk Estate Moralioya Estate Sunnycroft Estate Talduwa Estate Vincit Estate

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the TWENTY SECOND ANNUAL GENERAL MEETING of MALWATTE VALLEY PLANTATIONS PLC will be held on Friday 24th June 2016 at 2.30 p.m. at the Auditorium of The Institute of Chartered Accountants of Sri Lanka, No. 30A, Malalasekhara Road, Colombo 7, for the following purpose:

AGENDA

- 1 Vote of Condolence on the demise of the Late Mr. W. L. Bogtstra, former Chairman of the Company who passed away on 28th November 2015.
- 2 To receive and consider the Report of the Directors, Statement of Accounts and the Balance Sheet of the Company for the year ended 31st December 2015 and the Report of the Auditors thereon.
- 3 To pass the following Ordinary Resolution pursuant to Section 211 of the Companies Act, No. 7 of 2007:

“Resolved that Mr. K. A. S. Gunasekera who has reached the age of 74 years be and is hereby re-appointed a Director of the Company and it is hereby declared that the age limit of 70 years referred to in Section 210 of the Companies Act, No. 7 of 2007 shall not apply to the said Director”.
- 4 Re-appointment of Director

“Resolved that Mr. Gamachchige Mahinda Ketiyape Piyaratne who was appointed as a Director on 23rd September 2015, be and is hereby reappointed as a Director of the Company”.

- 5 Re-appointment of Auditors

“Resolved to re-appoint M/s. Ernst and Young, Chartered Accountants as Auditors of the Company, and to authorize the Directors to determine their remuneration”.
- 6 To authorize the Directors to determine Donations for the year 2016 and up to the date of the next Annual General Meeting.

BY ORDER OF THE BOARD

Management Applications (Private) Limited
Secretaries

Colombo Dated 24th May 2016

Note:

- 1 A member is entitled to appoint a proxy to attend and vote at the Meeting on his/her behalf. A form of proxy is enclosed for this purpose.
- 2 A proxy need not be a member of the Company.
- 3 To be valid the completed Form of Proxy should be lodged at the Registered Office of the Company at No. 280, Dam Street, Colombo 12, not less than 48 hours before the appointed time for holding the meeting.
- 4 For security reasons Shareholders/Proxy holders attending the Meeting are kindly requested to bring their National Identity Card or Passport.

NOTE

FORM OF PROXY

*I/We
of.....
being * a shareholder(s)/ member (s) of Malwatte Valley Plantations PLC hereby appoint:

(1).....
of.....
or failing him, Mr. Frits Bogtstra, (Chairman of the Company), of Colombo or failing him, one of the Directors of the Company as *my/our Proxy to represent me/us and *to vote on *my/our behalf at the TWENTY SECOND ANNUAL GENERAL MEETING of the company to be held on Friday, 24th June 2016, at 2.30 p.m. and at every poll which may be taken in consequent of the aforesaid meeting and at any adjournment thereof.

*I/we indicate *my/our vote on the resolutions below as follows:

	FOR	AGAINST
1 To receive and consider the Report of the Directors, Statement of Accounts and the Balance Sheet of the Company for the year ended 31st December 2015 and the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2 To pass the following Ordinary Resolution pursuant to Section 211 of the Companies Act, No. 7 of 2007: “Resolved that Mr. K. A. S. Gunasekera who has reached the age of 74 years be and is hereby re-appointed a Director of the Company, and it is hereby declared that the age limit of 70 years referred to in Section 210 of the Companies Act, No. 7 of 2007 shall not apply to the said Director”.	<input type="checkbox"/>	<input type="checkbox"/>
3 Re-appointment of Director “Resolved that Mr. Gamachchige Mahinda Ketiyape Piyaratne who was appointed as a Director on 23rd September 2015, be and is hereby reappointed as a Director of the Company”.	<input type="checkbox"/>	<input type="checkbox"/>
4 Re-appointment of Auditors “Resolved to re-appoint M/s. Ernst and Young, Chartered Accountants as Auditors of the Company, and to authorize the Directors to determine their remuneration”.	<input type="checkbox"/>	<input type="checkbox"/>
5 To authorize the Directors to determine Donations for the year 2016 and up to the date of the next Annual General Meeting.	<input type="checkbox"/>	<input type="checkbox"/>

Signed thisday ofTwo Thousand and Sixteen.

- Note:
1. * Please delete the inappropriate words.
 2. Instructions as to completion appear on the reverse.
 3. If you wish your proxy to speak at the meeting you should interpolate the words “to speak and” at the asterisk immediately before the words “to vote”.

.....
*Signature/s

Instructions as to Completion

1. To be valid this Form of Proxy should be deposited at the Registered Office of the company No. 280, Dam Street, Colombo 12, not less than forty eight (48) hours before the time fixed for the Meeting.
2. In perfecting the Form of Proxy, ensure that all details are eligible.
3. If you wish to appoint a person other than the Chairman (or failing him, one of the Directors) as your Proxy, please insert the relevant details at (1) overleaf and initial against this entry.
4. Please indicate with an "X" in the space provided how your Proxy is to vote on each resolution. If no indication is given, the Proxy in his discretion will vote, as he thinks fit.
5. In the case of a Company/Corporation, the Proxy must be under its Common Seal which should be affixed and attested in the manner prescribed by its Articles of Association.
6. In the case of a proxy signed by an Attorney, the Power of Attorney must be deposited at the Registered Office for Registration, if such power of Attorney has not already been registered with the Company.