CONTENTS

Vision, Mission & Values (1)

Company Profile (2 - 3)

Milestones (4)

Financial Highlights (5)

Operational Highlights (6 - 8)

Chairman's Review (9)

Segmental Information (10)

Board of Directors (11)

Management Team (12)

Corporate Governance (13)

Statement of Board of Directors' Responsibility (14)

Financial Report

Independent Auditor's Report (15 - 27)

Statement of Financial Position (28)

Statement of Comprehensive Income (29)

Statement of Changes in Equity (30)

Statement of Cash Flow (31)

Accounting Policies (32 - 45)

Notes to the Financial Statement (46 - 57)

Ten Year Summary (58 - 59)

Notice of the Annual General Meeting

Form of Proxy

Corporate Information

VISION

To be the most challenging competitor in the plantation industry, protecting expectation of all stakeholders.

MISSION

Enhance production using resources at optimum level by uplifting the living standards of employees whilst safe guarding the National Interests.

VALUES

Best employer:	Empowering honest, qualified and committed staff focusing on Quality Productivity, Entrepreneurship, Value creation, Profitability, Eco-friendliness and Corporate Social Responsibility
Quality provider:	Superior customer satisfaction and continuous improvement in everything we do.

Productivity: Achieving optimum productivity per unit of resource input, highest yield per hectare, optimal land use on a sustainable basis, minimize wastage.

Entrepreneurship:	Pro-actively innovating new approaches at all times value creation: Continuously responsive to the changing needs of the business environment
Profitability:	Achieving optimal Net Sales Average (NSA) and lowest possible Cost of Production (COP) for primary produce and for value added products
Eco-friendliness:	Exploiting resources with the harmony with the environmental so as to cause minimal or no damage to the environment
Social responsibility:	Caring for people and environment, respecting good governance

Elkaduwa Plantations Limited (EPL) is a limited liability Company incorporated on 23rd July 1993 under the Companies Act No. 17 of 1982 as a Fully Government Owned Company and re-registered under the Companies Act No.7 of 2007. The Company had been established by vesting lands managed by the Sri Lanka State Plantations Corporations in terms of the provisions of the Conversion of Corporations and Government Owned Businesses Undertakings into Public Companies Act No. 23 of 1987 under the State Privatization Policy. The Company operates as a single shareholder Company being the Golden Shareholder to the Secretary to the General Treasury of Sri Lanka. The registered office of the Company is located at "Janawathu Piyasa", No. 320, T. B. Jayah Mawatha, Colombo 10.

The notice in respect of formation of EPL was published in the Extra Ordinary Gazette Notification No.776/13 of July 1993 to take over the following 10 Estates and 02 Divisions in Kelebokka State Plantation managed by the SLSPC.

Original allocation of Land on EPL (Extra Ordinary Gazette Notification No. 776/13 – 23rd July 1993) are as follows:-

Estate / Location	District	Crops	Total Area (Ha) Ref Note 01
1. Bandarapola, Alwatte	Matale	Tea	283.00
2. Elkaduwa, Elkaduwa	Matale	Tea and Cloves	447.78
3. Hunugala, Elkaduwa	Matale	Tea and Cloves	264.73
4. Pitakanda, Matale	Matale	Tea	520.60
5. Ratwatte Ukuwela	Matale	Tea and Cloves	570.58
6. Selagama, Yatawatte	Matale	Tea	255.00
7. Hapugaspitiya, Metihakke	Matale	Rubber, Cocoa and Pepper	269.33
8. Millawana, Melsiripura	Matale	Coconut, Cocoa, Rubber and Pepper	603.60
9. Nalanda, Madawala Ulpotha	Matale	Rubber, Coconut and Pepper	496.27
10. Nella Olla, Pihimbuwa	Kurunegala Sub District	Rubber, Cashew and Mango.	358.00
11. Kabaragala/ Poangala Division (Kelebokke State Plantation)	Matale	Timber (Eucalyptus)	217.00 (Refer Note 02)
Total			**4285.89**

Note 01

The extent of Land leased out to the Company (EPL) in not given in the Extra Ordinary Gazette Notice No. 776/13, hence, details indicated above were extracted from the information available at the "Plantations Reform Unit" operated under the purview of the Ministry of Plantations Industries for the purpose of Company Accounts

Note 02

Kabaragala and Poongala Divisions with an extent of 217 Ha of Kelebokke Estate were diverted and vested with the Sri Lanka State Plantations Corporation, in 1995.

Elkaduwa Plantations Limited had been managed by the Metropolitan Plantations (Pvt) Ltd, a Company 100% owned by Metropolitan Agencies (Pvt) Ltd, from July 1993, on a Management Agreement for a period of 05 years. And, with the expiration of this Agreement, the SLSPC took over the Management of the Company on the 19th January 1999.

Government commenced the privatization of the ownership of Regional Plantation Companies (RPCs) since 1994 by selling 51% of the controlling stake. EPL offered on six occasions for sale through the Public Enterprises Reform Commission (PERC), during the period 1994 – 2004. Neither Metropolitan Agencies (Pvt) Ltd, nor any other investor came forward with an investment plan acceptable to PERC which

MILESTONES

Incorporation - (23rd July 1993):- Managing Agent - Messrs. Metropolitan Agencies (Pvt) Ltd.

The Operational Office was shifted to Colombo in August 1993. A total of 8 Executives and 30 Staff Members consented to be transferred to Managing Agent's office, in Colombo. Others remained in Matale Office, without duties to perform.

Introduced the Group System for Tea Estates in the year 1994.

Four (04) Estates namely, Bandarapola, Elkaduwa, Hunugala and Pitakanda, were consolidated as Pitakanda Group, and, Ratwatte and Selagama Estates were consolidated as Ratwatte Group.

The SLSPC took over the management as the Managing Agent on 19th January 1999. Closure of all 03 Tea Factories, in August 2002, due to disconnection of power supply by the Ceylon Electricity Board (CEB) as a result of the non-settlement of bills. This is considered to be the major reason for the present crisis. Consequent to the closure of Tea Factories,

EPL was compelled to sell its Green Leaf to outside Tea Factories. In 2004, the Management of EPL was taken over by the Plantation Management Monitoring Division (PMMD) of the Ministry of Plantations Industries, with the appointment of a Chief Executive Officer.

From January 2006, the Company is being managed by the General Treasury with the appointment of a full time Chairman and the Board of Directors In 2006, EPL Leased out Bandarapola Tea Factory to a private Investors, namely Messrs. Pride Tea Company (Pvt) Ltd, for a period of 30 years. Accordingly, a major portion of the Green Leaf from EPL Estates is being supplied to this Tea Factory. Two other Tea Factories of EPL which were functioning up to August 2002, were closed down due to disconnection of power supply remain silent to date.

In 2008, EPL leased out the Ratwatte Estate Tea Factory to a private investor namely, Messrs. APN Plantations limited, initially for a period of 10 years. The above private investor though having attended to the repairs and refurbishment of the factory is yet to commence the operations.

In 2013, EPL leased out the Pansalthenna Tea Factory which belongs to Ratwatte Estate to a private investor namely Messrs. EOAS Organics (Pvt) Ltd, for a period of 30 years. The annual lease rental was based as per the valuation undertaken by the Department of Valuation.

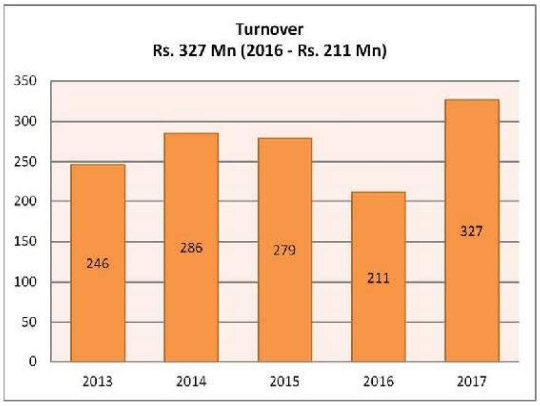
FINANCIAL HIGHLIGHTS

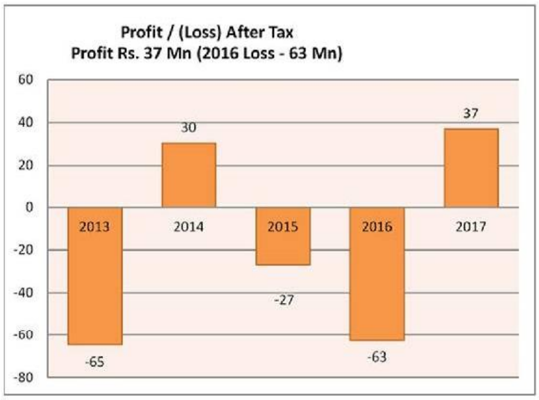
	2017	2016	Change %
Total Revenue (Rs.)	326,621,778	211,395,745	54.5%
Gross Profit / (Loss) (Rs.)	(28,228,103)	(58,355,012)	51.6%
Other Operating Income (Rs.	105,672,496	38,753,932	172.6%
Profit from Operating Activities (Rs.)	39,849,890	(46,082,980)	186.5%
Profit Before Tax (Rs.)	37,088,435	(62,756,178)	159%
Profit for the year (Rs.)	37,088,435	(62,756,178)	159%
Gross Profit Margin (%) Net Profit Margin (%) Earnings Per Share (EPS) (Rs.)	(8.6%) 11.3% 11.69	(27.6%) (29.6%) 0.73	19% 40.9% 1,501%
Total Assets (Rs.)	1,131,187,393	1,033,762,652	9.4%
Total Equity (Rs.)	478,648,482	90,068,526	431%
Number of Shares in Issue	Nil	Nil	Nil
Net Assets Per Share	26.60	15.00	77.3%
Current Ratio (No. of times)	1 : 0.35	1 : 0.20	1.47%

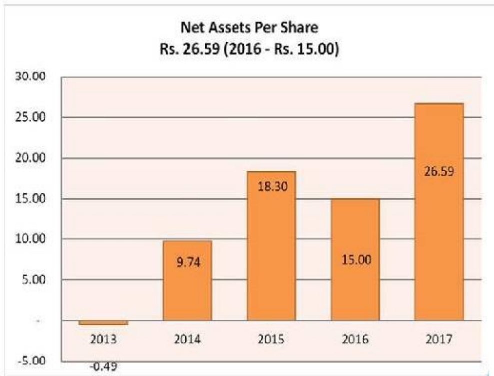
Above figures were extracted from the Audited Financial Statements for the year ended 31st December 2017 and 31st December 2016, thus it should be read in conjunction with the related notes to the said Financial Statements.

OPERATING HIGHLIGHTS

	2017	2016	Change %
Tea (Green Leaf) Production (kg)	2,711,081	2,541,465	6.67%
NSA (Rs.)	91.08	64.58	41.03%
COP (Rs.)	106.87	87.10	(22.69)%
Yield (Rs./kg)	644	613	5.05%
Revenue Extent – Ha.	865.78	862.78	0.34%
Rubber (Latex) Production (kg)	78,348	76,025	3.05%
NSA (Rs.)	302.95	213.95	5.14%
COP (Rs.)	475.17	369.23	(28.69)%
Yield (Rs./kg)	283	350	(19.14)%
Revenue Extent – Ha.	276.36	217.00	27.35%
Coconut Production (Nut)	841,964	1,359,558	(38.07)%
NSA (Rs.)	40.58	20.71	95.94%
COP (Rs.)	29.95	14.05	(113.16)%
Yield (Rs./Nut)	2,672	4,672	(42.80)%
Revenue Extent – Ha.	315.18	291.83	(8)%







PROFIT / (LOSS) POSITION 1993 – 2017 (RS)

Year	Profit/(Loss) Rs.	Treasury Grants	Total Profit/(Loss) Rs.
1993	(16,158,428)	-	(16,158,428)
1994	(44,076,870)	-	(44,076,870)
1995	(32,348,831)	-	(32,348,831)
1996	(43,109,305)	-	(43,109,305)
1997	(43,387,199)	-	(43,387,199)
1998	(41,795,687)	-	(41,795,687)
1999(*)	(5,305,734)	-	(5,305,734)
2000	(16,884,862)	-	(16,884,862)
2001	(32,661,127)	-	(32,661,127)
2002	(72,197,231)	168,072,927	95,875,696
2003	(83,139,468)	105,859,000	22,719,532
2004	(78,472,241)	76,100,000	(2,372,241)
2005	(35,075,378)	70,000,000	34,924,622
2006	(49,489,141)	55,000,000	5,510,859
2007	(39,536,041)	13,000,000	(26,536,041)
2008	29,490,317	-	29,490,317
2009	(62,688,625)	-	(62,688,625)
2010 (**)	(4,965,702)	-	(4,965,702)
2011	(29,733,796)	-	(29,733,796)
2012	(35,168,337)	-	(35,168,337)
2013	(64,949,088)	-	(64,949,088)
2014	30,402,163	-	30,402,163
2015	(26,922,929)	175,000,000	148,077,071
2016	(62,756,178)	75,831,000	13,074,822
2017	37,088,435	173,300,000	210,388,435

- Total value of Treasury Grants charged to Accounts Rs.912,162,927/-

- (*) The Loss was reduced in the year 1999 due to the waiving off Rs.25.9 Mn accumulated interest charges by the former Bankers, Seylan Bank Ltd.

- (**) The todate Loss was reduced as at end December 2010 due to the waiving off the accumulated loss Rs.35.06 Mn. being Default Charges on Accrued Debenture Interest by the Employee's Trust Fund (ETF) Board.

- Recognized the changes in fair value of Biological Assets (fair value less cost to sell), true profit or loss for the respective years are as follows,

2014 – Rs. 84,630,003/-	2016 – Rs. 5,982,775/-
2015 – Rs. 680,621/-	2017 – Rs. 51,235,672/-

RELEASE OF FUNDS BY TREASURY TO EPL 1999-2017

Year	Description	Amount (Rs.)
1993 - 2002	Accumulated Balance	168,072,927
2003	Funds received - recurrent	105,859,000
2004	Funds received - recurrent	76,100,000
2005	Funds received - recurrent	70,000,000
2006	Funds received - recurrent	55,000,000
2007	Funds received - recurrent	13,000,000
2008	-	-
2009	-	-
2010	-	-
2011	-	-
2012	-	-
2013	-	-
2014	-	-
2015	Funds received - recurrent	175,000,000
2016	Funds received - recurrent	75,831,000
2017	Funds received - recurrent	173,300,000
Total		**912,162,927**

The Annual Report for the year ended 31st December 2017 of Elkaduwa Plantations Limited (EPL) is being submitted by me to the Stakeholders as the Chairman of the Company, having assumed duties in August 2018.

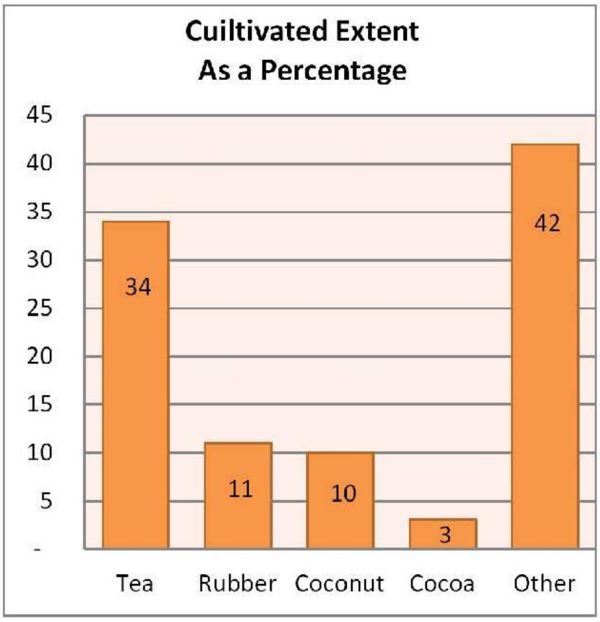
Under the previous managements of EPL, there had been undue delays in the conducting of the Annual General Meetings (AGMs) and in the submission of the Annual Report to the Parliament of Sri Lanka. However, on my assuming duties as the Chairman of this Company, I have taken the **initiatives for the completion and timely submission of the Annual Report to the Parliament of Sri Lanka, based on the provisions in Articles of Association of Elkaduwa Plantations Limited (PB5) as well as the Company's Act No.07 of 2007.**

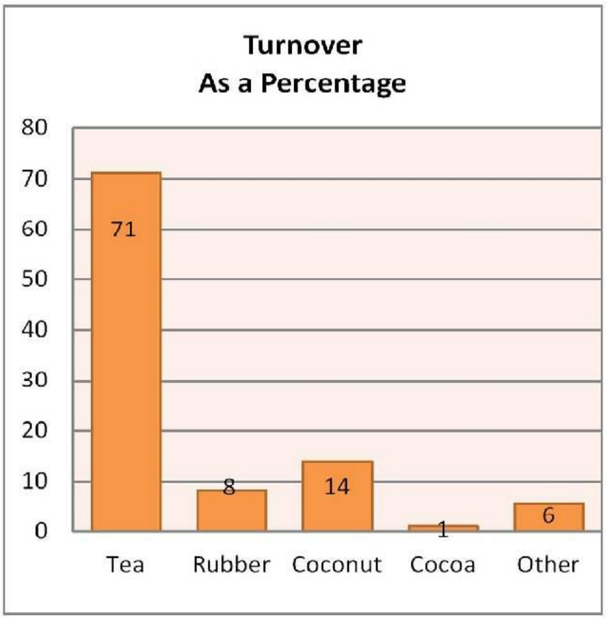
Acknowledgement

As Chairman of the Company and on behalf of the Board of Directors of EPL., I wish to acknowledge the dedicated contribution of the Executives in Head Office and Plantations, Staff and Workers of the Company towards the fulfilment of their responsibilities despite the hardships they had to face during the period under review.

....

Nalaka Devinda Madawala,
Chairman,
Elkaduwa Plantations Limited.





TEA - GREEN LEAF

	2017	2016	2015	2014	2013
Production – kg'	78,348	76,025	82,085	94	117
NSA - Rs./kg	302.95	213.95	239.73	249.34	353.88
COP - Rs./kg	(475.17)	(369.23)	(335.15)	(413.54)	(372.19)
Profit/(Loss) per kg – Rs.	(172.22)	(22.52)	11.68	(27.05)	(27.15)
Revenue Extent - ha	276.36	217.00	282.19	287.47	287.47

RUBBER - LATEX

	2017	2016	2015	2014	2013
Production - kg'000	2,711	2,541	4,007	3,254	3,054
NSA - Rs./kg	91.08	64.58	56.63	62.37	58.58
COP - Rs./kg	(106.87)	(87.10)	(68.31)	(89.42)	(85.73)
Profit/(Loss) per kg – Rs.	(15.79)	(22.52)	11.68	(27.05)	(27.15)
Revenue Extent - ha	865.78	862.78	883.18	1,278.39	1,278.39

COCONUT

	2017	2016	2015	2014	2013
Production - Nut '000	842	1,360	970	1,386	519
NSA - Rs./kg	40.58	20.71	27.90	28.72	18.12
COP - Rs./kg	(29.95)	(14.05)	(9.53)	(10.17)	(37.12)
Profit/(Loss) per kg – Rs.	10.63	(22.52)	11.68	(27.05)	(27.15)
Revenue Extent - ha	315.18	291.83	287.66	263.64	263.64

BOARD OF DIRECTORS

Board of Directors of the company for the year 2017

1. Mr. Nilu Dilhara Wijedasa	- Chairman/Director
2. Mrs. Ramanayakage Mallika Jayanthi	- Director/Treasury Representative
3. Mr. John Martinstine Alponsu Douglas	- Director/ Ministry Representative
4. Mr. Aswedage Gedara Wijethunga	- Director
5. Mr. Sena Gangodathenna	- Director
6. Mr. Mohamed Mohamed Fouz	- Director

Members of the Board of Directors who are appointed by the Ministry of Finance on 24th July 2018 are as follows,

1. Mr. Nalaka Devinda Madawala	- Chairman/Director
2. Mrs. Rmanayakage Malika Jayanthi	- Director/Treasury Representative
3. Mrs. Wickramasingha Mudiyanselage Dhammika Tharangani Wickramasinghe	- Director/ Ministry Representative
4. Mr. Wannakuwatta Waduge Ruchira Nishantha Fernando	- Director
5. Mr. Sena Gangodathenna	- Director
6. Mrs. Nilusha Manori Tnathrige	- Director
7. Mr. Ranjith Asoka Herath	- Director

According to the Articles of Association of the Company, the numbers of Board Members are not less than two or nor more than seven. All Members the Board of Directors are appointed by Secretary to the General Treasury of Sri Lanka.

Appointment of Directors

As all Members of the Board of Directors are "Appointed Directors", they are not required to retire at the Annual General Meeting of the Company.

Directors Share Holding

No Members of the Board of Directors of the Company or his spouse holds any shares of the Company.

Directors Interest in Contracts

The Members of the Board of Directors have no direct or indirect in any contracts or proposed contracts entered into by the Company.

MANAGEMENT TEAM

Senior Management

Mr. Nilu Dilhara Wijedasa - **Chairman/Director**

Mr. K.B.R. Perera - **General Manager (Covering)**

Mr. K.H.Wickramasinghe - **Deputy General Manager (Tea)**

Middle Management

Mr. R.M.C. Wijerathne - **Manager Finance**

Mrs. M. M. Maddage - **Manager - HR & Administration**

Mr. D. A. Daniel - Manager - **Manager - MIS & Special Projects**

Mr. E. M. A. B. Ekanayake - **Internal Auditor**

Estates Management & Others

Bandarapola Estate

Mr. R. A. C. P. Kumara
Estate Superintendent

Elkaduwa Estate

Mr. R. Dissage
Estate Superintendent

Mr. D.M.S.R. Dissanayake
Assistant Superintendent

Hunugalla Estate

Mr. C. B. Nugawela
Estate Superintendent

Hapugaspitiya Estate

Mr. K. B. R. Perera
Estate Superintendent

Mr. N. H. A. B. Yapa
Assistant Superintendent

Millawana Estate

Mr. D. S. N. Perera
Estate Superintendent

Mr. K. R. S. P. Dharmasena
Assistant Superintendent

Mr. D. A. T. S. Athukorala
Assistant Superintendent

Nalande Estate

Mr. H. A. B. S. N. Udugama
Estate Superintendent

Pitakande Estate

Mr. K.H.Wickramasinghe
Estate Superintendent

Mr. K.P.N.P. Karunarathne
Assistant Superintendent

Mr. Sahan Rathnayke
Assistant Superintendent

Ratwatte Estate

Mr. M.L.K.R. Senarathne
Estate Superintendent

Mr. Hashan Auretiyage
Assistant Superintendent

Selagama Estate

Mr. S. K. D. C. Navaratnam
Estate Superintendent

Corporate governance is meant to be the system of rules, practice and process which a Company is directed and controlled. The Company is primarily guided by the code of the Board of Directors of Elkaduwa Plantations Limited which operates on the principles of integrity, corporate fairness, transparency and accountability, and those governing principles would be the foundation on which it will endeavour to build strong relationship with all stakeholders and nature the environment within which the Company operates. The Company's activities are conducted with the ethical standards and in the best interest of stakeholders. This commitment is supported with the right roles, structures and information which are embodied with policies, procedures and processes that are designed not only to ensure regulatory compliance and sustainability of business but also to enhance business value.

Board of Directors

The Board of Directors are ultimately accountable and responsible for the performance of the Companyand is the focal point of the corporate governance process. Best practices on corporate governance was issued by the Institute of Chartered Accountants of Sri Lanka

Composition

The Board of Directors comprises of six Non-Executive Directors including the Chairman.

Responsibility

It sets key policies and strategic objectives and ensures the implementation. The Board of Directors also bears the ultimate responsibility for the integrity of the financial information and the effectiveness of the Company's systems of the internal control

.

Board Meeting

The Board Meetings are scheduled on a monthly basis. At these meetings the Board sets out the strategic direction of the Company, reviews the annual budgets, the progress of all activities and the current and the capital expenditure programs. The Board members are given appropriate documentation in advance of each Meeting. The Board met the 06 times during the year 2017.

Audit and Management Committee

In accordance the Corporate Governance Guidance, the Board of Directors appoints the Audit and Management Committee. The Audit Committee is empowered by the Board of Directors to review the Financial Reporting, Legal and Regulatory compliances, Internal Controls and Risk Management and the Assessment of External Auditors. The Audit Committee is comprised of Three Non-Executive Directors. The Chairman of the Audit Committee is the Board of Director who represents the General Treasury of Sri Lanka. The Audit Committee meetings are scheduled on a quarterly basis. Audit Committee meetings are held regulatory under the Chairmanship of the Board Member representing the General Treasury of Sri Lanka.

The General Manager, Senior Managers and the other Managers participate in these meetings by Invitation. The Chief Internal Auditor coordinates the invitations and the meetings. The Audit and Management Committee met the 04 Times during the year 2017.

Compliance with the Legal Requirement

The Board of Directors makes every endeavour to ensure that the Company complies with the memorandum and articles of association of the Company, and other rules and regulations as applicable to state owned business undertaking of country. Board ensures that the Financial Statements of the Company are prepared in accordance of with the Sri Lanka Accounting standards and comply with the requirements of the Companies Act No. 07 of 2007.

STATEMENT OF DIRECTORS' RESPONSIBILITY

In keeping with the provisions under the Companies Act No.7 of 2007, the Board of Directors of Elkaduwa Plantations Limited, acknowledge their responsibility in relation to financial reporting of the Company. These responsibilities differ from those of its Auditors, Auditor Generals Department, which are set out in their report and appear on page 15-27 of the report.

The Financial Statements of the Company for the year ended 31 December 2017 included in this report have been prepared and presented in accordance with the Sri Lanka Financial Reporting Standards. They provide the information as required by the Companies Act No. 7 of 2007, Sri Lanka Accounting Standards and the Listing Rules of the Colombo Stock Exchange. The Board of Directors confirm that suitable accounting policies have been used and applied consistently and that all applicable accounting standards have been followed in the preparation of the Financial Statements given on pages from 15 to 57, both inclusive. All material deviations from these standards, if any, have been disclosed and explained. The judgments and estimates made in the preparation of these Financial Statements are reasonable and prudent.

The Board of Directors confirm their responsibility for Company to maintain adequate accounting records, which are sufficient enough to prepare Financial Statements that disclose with reasonable accuracy, the financial position of the Company. They also confirm their responsibility towards ensuring that the Financial Statements presented in the Annual Report give a true and fair view of the state of affairs of the Company as at 31 December 2017 and that of the profit for the year then ended.

The overall responsibility for the Company's internal control systems lies with the Board of Directors. Whilst recognizing the fact that there is no single system of internal control that could provide absolute assurance against material misstatements and frauds, the Board of Directors confirms that the prevalent internal control systems instituted by them which comprise internal checks, internal audit, financial and other controls are so designed that, there is reasonable assurance that all assets are safeguarded and transactions properly authorized and recorded, so that material misstatements and irregularities are either prevented or detected within a reasonable period of time.

The Board of Directors is of the view that the Company have adequate resources to continue operations in the foreseeable future, as a going concern. Accordingly, the Board of Directors have continued to use the going-concern basis in the preparation of these Financial Statements.

The Board of Directors have provided the Auditors Auditor Generals Department, with every opportunity to carry out reviews and tests that they consider appropriate and necessary for the performance of their responsibilities. The Government Auditors, Auditor Generals Department, have examined the Financial Statements together with all financial records and related data and express their opinion which appears as reported by them on page 18 of this report. In arriving at their opinion, they have carried out reviews and sample checks on the system of internal controls.

On behalf of the Board,

Secretaries
Ekladuwa Plantations Limited

මගේ අංකය
எனது இல.
My No. PLA/A/EPL/01/2017/21 ඔබේ අංකය
உமது இல.
Your No. දිනය
திகதி
Date 2019 පෙබරවාරි 25 දින

Report of the Auditor General on the Financial Statements of the Elkaduwa Plantations Limited for the year ended 31 December 2017

The audit of financial statements of the Elkaduwa Plantations Limited for the year ended 31 December 2017 comprising the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. My observations relating to the operation of the Company in the year under review which I consider should be furnished to the Parliament in terms of Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka appear in this Report.

1.2 Board of Directors' Responsibility for the Financial Statements

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Board of Directors' is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards.

1.4 Basis for Disclaimer of Opinion

(a) Even though the interest income amounting to Rs.4,410,836 relating to the year under review had been noted under the adjustments in the cash flow statements as per the Sri Lanka Accounting Standard 07, the cash flow in investment activities had been understated by that value on not noting the interest income amounting to Rs.3,357,912 received in cash as a cash inflow under investment activities.

(b) The cash flow in operating activities had been overstated by a sum of Rs.1,833,956 due to deducting from the profit as a Non- Cash Item instead of adding to the profit in preparing the cash flow statement, the value amounting to Rs.916,978 written- off from the Differed Income in the year under review as per the Sri Lanka Accounting Standard 7.

(c) Even though a Differed Tax Liability should be identified for the temporary changes in all taxes as per the Paragraph 15 of the Sri Lanka Accounting Standard 12, the Differed Tax Liability amounting to Rs.34,339,662 relating to the year under review had not been identified and had not been stated in financial statements, as per the calculations of the Auditor.

(d) The interest expenditure amounting to Rs.12,600,000 payable from 15 June 2000 to 31 December of the year under review to the Employee Provident Fund by the Company relating to the Debentures valued at Rs.5,000,000 issued in the year 1995 had not been brought to account.

(e) Even though the period of maturity of Tea, Coconut, Rubber and other plantations remaining between a period ranging from 02 years to 06 years as per the Standards of the Industry, the cost amounting to Rs.149,745,255 which had been capitalized for the plantations initiated from the year 2002 to the year 2015 had not been identified and the amortization adjustments had not been made relating thereto, on the Company not having a specific policy to identify the period of maturity of the plantations relating to the Company.

(f) Even though the value of Jackfruit Plant had not been identified as Consumable Biological Assets by the Professional Valuers in valuing the consumable biological assets due to fulfilling the legal requirements being difficult for converting the Jackfruit Plant into Timber, a sum of Rs.115,109,263 had been stated as the value of the Jackfruit Plant by the Company and a sum of Rs.311,900,488 had been stated as the Consumable Biological Assets Value in the financial statements in the year under review.

(g) The Holder Biological Assets not being matured amounting to Rs.87,740,383 had not been identified under matured plantations even by the end of the year under review due to the Company not being acquired with the information relating to the value of the Holder Biological Assets not being matured amounting to Rs.87,740,383 included in the assets entrusted by the State Plantations Corporation in establishing the Company in the year 1993.

(h) Even though only a sum of Rs.2,954,419 should be stated as Related Parties' Transactions stated under Current Liabilities in the statements prepared as at 31 December of the year under review by the Company, a Debit Balance amounting to Rs.11,737,219 had been stated as Related Parties' Transactions due to a Credit Balance amounting to Rs.14,691,639 which remained not being settled in accounting the transactions which occur between the Head Office of the Company and the Estates, being included into it.

(i) Even though the Tea Plant Nurseries initiated in the period from the year 2001 to the year 2008 by 5 Estates of the Company were not in existence by the end of the year under review, the cost amounting to Rs.2,062,559 incurred in this connection had been included into the stock remained as at the last date of the year under review and had been brought to account.

(j) Even though the values that had been brought to account as receivables from the Janatha Estate Development Board and from the Sri Lanka State Plantations Corporation to the Company as per the statement of financial position prepared by the Company as at 31 December of the year under review had been sums of Rs.1,185,670 and Rs.8,723,922 respectively, a difference of Rs.7,538,252 and Rs.24,794 was indicated between the relevant differences due to those values of being Rs.8,723,922 and Rs.1,743,955 respectively as per the financial statements of the relevant Institutions.

(k) A difference of Rs.2,750,674 was observed due to stating the initial loan amounting to Rs.20,000,000 obtained in the year 2010 from the Chilaw Plantation Company Limited by the Company, being stated as a sum of Rs.22,750,674 in the financial statements by the end of the year under review.

(l) Documents such as the Register of Fixed Assets necessary for the confirmation if the value of property, plant and equipment costing Rs.96,476,872 and the Motor Vehicle Registration Certificates relating to the motor vehicles had not been maintained by the Company.

(m) Letters of Confirmation of Balance relating to the confirmation of debtors and creditors balances valued at Rs.72,586,179 and Rs.1,831,975 respectively had not been furnished to audit.

(n) Even though the Doubtful Loan Provisions Balance remained in the year under review had been a sum of Rs.4,186,615, the Debtors Register used to calculate that value had not been furnished to audit.

(o) Information relating to the confirmation of 10 Account Balances valued at Rs.3,777,650 noted under the Trade and Other Receivable Accounts and Payable Balances had not been furnished to audit.

2. Financial Statements

2.1 Disclaimer of Opinion

Because of the significance of the matters described in paragraph Basis for Disclaimer of Opinion of this report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on these financial statements.

2.1.1 Report on other Legal and Regulatory Requirements

I state the following matters as ordered by Section 163(2) of the Companies Act, No.07 of 2007.

(a) The basis for opinion and the scope and limitations are as stated above.

(b) - that I have obtained all the information and explanations necessary for audit, and that the Company had not maintained proper Accounting Reports by the Company indicated by my examination,

- Accordingly, my opinion is that the financial statements of the Company complies with the requirements of Section 151 of the Companies Act, No.07 of 2007.

2.2 Non- compliances with Laws, Rules, Regulations and Management Decisions

The following non- compliances with laws, rules and regulations was observed.

Reference to laws, rules and regulations	Non- compliance
(a) Sections 15 and 16 of the Employee Provident Fund Act, No.15 of 1958.	Even though the contribution money should be paid by the employer to the Employee Provident Fund before the last date of the next month, the contribution money relating to the Employee, a sum of Rs.4,331,277 had to be paid as surcharges for the years 2016 and 2017 due to not paying contribution money before the scheduled date by the Company.

(b) Paragraph (i) of Part II of the Remuneration Act, No.12 of 1983.	Even though remunerations should be paid within a month after either an Employee had resigned or after being retired, remuneration liabilities amounting to Rs.103,300,180, that is, the fees unpaid for 1,093 employees who had vacated from service from 01 April 1995 to 31 October 2017 had not been paid even by the end of the year under review.
(c) Public Finance Circular No.03/2015 of 14 July 2015.	(i) Even though ad- hoc sub imprest should be settled as soon as the function is completed and even though the Advances valued at Rs.1,283,048 obtained in 14 instances in the year under review had lapsed over one year after the completion of the relevant function, action had not been taken to settle that money. (ii) Even though ad- hoc sub imprest up to the maximum of Rs.100.000 at a time could be provided to Staff-Grade Officers, Advances ranging from a sum of Rs.152,000 to a sum of Rs.304,000 had been provided by the Company in 4 instances exceeding that limit for two Staff-Grade Officers.

(d) Management Services Circular No.39 of 26 May 2009.	Even though the recommendation of the Salaries and Cadre Commission and the approval of the Department of Management Services should be obtained before making the payment of the salaries and allowances not included in the approved salaries and allowances, a sum of Rs.1,045,930 had been paid to the Chairman of the Company and to the Acting General Manager as "labour allowances" without the relevant approval.
(e) Public Enterprises Circular No.PED 01/2015 of 25 May 2015	The fuel allowance entitled monthly to the Chairman of the Company had been 170 litres and even though the approval of the relevant Secretary to the Ministry should be obtained in exceeding that limit, the Company had incurred a sum of Rs.519,090 for 4,719 litres, exceeding the approved fuel limit, without such an approval, in the year under review.
(f) National Budget Circular No.01/2016 of 17 March 2016.	Even though a Motor Vehicle should be obtained under the operational lease basis in obtaining a Motor vehicle on lease basis and a Motor Vehicle should be obtained under the lease basis from an Institution which rent Motor Vehicles, a private Motor Vehicle had been obtained for the year from 20 October 2016 to 19 October 2017 without the approval of the Treasury for the use of the Chairman of the Company.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the financial result for the year under review had resulted in a surplus of Rs.37,088,435 as against the corresponding deficit of Rs.62,756,178 for the preceding year, thus indicating an improvement of Rs.99,844,613 in the year under review as compared with the preceding year. The increase of the Other Operating Expenditure by a sum of Rs.66,918,564 and the loss incurred from the plantations of the Main Crops being decreased by a sum of Rs.30,126,909 as compared with the preceding year had been the main reasons for this improvement in the financial result.

4. Operating Review

4.1 Performance

The following observations are made.

(a) Even though the Standard Annual Finished Tea Yield per hectare n Sri Lanka in the year 2017 had been 1595 kilograms according to the data of the Ministry of Plantation Industries, the Annual Tea Yield of 6 estates administered by the Company ranged from 390 kilograms to 876 kilograms. Maintaining a Seed tea Plantation of 447 hectares in extent, which is older than 50 years in this connection by the Company and not continuously focusing for the Twig Tea Plantation that has a higher yield had been the reason for receiving a minimal yield.

(b) The contribution of one kilogram of tea in 6 Estates where tea plantations remain, which belongs to the Company had remained in a minus value from a period of over 5 years. As such, the minus contribution relating to the year under review remained ranging from a sum of Rs.13 to a sum of Rs.70.

(c) Even though the Standard Finished Tea Yield per hectare in the year 2017 had been 1,595 kilograms according to the data of the Ministry of Plantation Industries, the Finished Tea Yield per hectare in the 334 hectares in extent administered by the External Parties of the Company remained ranging from 06- 89 kilograms. As such, a action had not been taken by the Company to obtain the standard yield by the extent of land with tea plantations administered by external parties.

(d) Even though the Average Price of one kilogram of Rubber of RSS 1 type relating to the year under review had been a sum of Rs.337 according to the data of the Ministry of Plantation Industries, the price received from private institutions for one kilogram of rubber sold by the Company ranged from a sum of Rs.304 to a sum of Rs.278.

(e) The coconut yield received in the year under review from the coconut plantation of 292 hectares in extent remaining in 4 estates of the Company had been 841,964 coconuts and that quantity had been decreased by 38 per cent as compared with the preceding year. Not implementing the Irrigation Systems sufficiently, sixty- four per cent of the total coconut plantations that had exceeded its useful lifetime and the delay in the initiation of replantation had affected towards the decrease of the yield.

(f) Even though the estimated yield intended to obtain in the year under review from the 45.77 hectares in extent located in the Millawana Estate and from the cocoa plantation of the Hapuspitiya Estate had been 17,000 kilograms, the yield of the year under review had been 2,305 kilograms or, only 14 per cent of the estimated quantity. Even though the useful lifetime of a cocoa tree being 25- 30 years, the yield had bee decreased by 30 per cent as compared with the preceding year due to most of these plantations being plantations which had exceeded the useful lifetime, not continuously carrying out pruning, applying water and fertilizer.

4.2 Operating Activities

The following observations are made.

(a) Lands 4704 hectares in extent had been received to the Company by Gazette Notifications in establishing the Company in the year 1993 and it was observed that only 4054 hectares in extent of land is being administered by the Company as per the Reports on Lands of the Company as at 31 December 2017. Information relating to the remaining 650 hectares in extent had not been furnished to audit.

(b) Plantation activities are being carried out in 2624 hectares in extent of the 4054 hectares in extent administered at present by the Estates of the Company and action had not been taken to use the remaining 1429 hectares in extent of land for plantation activities.

4.3 Management Activities

The following observations are made.

(a) The recommendation made by the Committee on Public Enterprises to relocate the Head Office of the Company located in Colombo to the Building constructed in the year 2003 in the area of the Estates remaining in Matale belonging to the Company had not been implemented even by the last date of the year under review and the relevant Building remained idle.

(b) Even though an Estate Superintendent had been reinstated in service without the outstanding salaries and allowances relating to the period of being suspended from service as per the written agreement made with the Company and with the relevant Officer in the presence of the Commissioner of Labour relating to an Estate Superintendent whose service had been suspended on financial irregularities, a sum of Rs.1,600,000 had been paid in the year under review by deciding to pay a sum of Rs.2,694,669 as salaries and allowances relating to the period of being suspended from service under the payment of compensation for political revenge.

(c) Even though an Estate Superintendent who had proven guilty for 14 accusations out of the 15 accusations made in the year 2010 as per a Disciplinary Inquiry carried out by the Company had been suspended from service in the year 2013, he had been reinstated in service on 27 September 2013 without outstanding salaries and allowances without taking any action whatsoever by the Disciplinary Authority. A sum of Rs.785,000 had been paid in the year under review by deciding to pay a sum of Rs.1,304,119 as salaries and allowances relating to the period of being suspended under the payment of compensation for political revenge.

(d) Even though it had been agreed to purchase the Quartz Deposit in the Ratwatte Estate belonging to the ELkaduwa Estate as one cube of Quartz for a sum of Rs.13,650 inclusive of the Value Added Tax and of the Nation Building Tax for mining for a period of 05 years, a sum of Rs.13,650 had been paid only for 59.85 cubes out of 164.47 cubes removed from the site from January to 14 June 2018 and, the remaining 104.62 cubes of Quartz had been removed from the site by the lessee by paying a sum of Rs.1,000 instead of purchasing for a sum of Rs.13,650 each per cube, by identifying the remaining cubes of Quartz as Waste Quartz.

(e) A land, 233 hectares in extent of the Nelawulla Estate, 358 hectares in extent of land belonging to the Company had been acquired by 255 unauthorized residents and action had not been taken either to relocate these unauthorized residents or to give those portions of lands to them on lease basis.

(f) The Bandarapola Tea Factory belonging to the Company had been rented for a period of 30 years to a private company in the year 2006 and, action had not been taken by the Company to recover the outstanding lease amounting to Rs.27,028,579 remained as at the last date of the year under review due to not paying the lease rent money by the lessee.

4.4 Idle and Underutilized Assets

Two factories out of 05 factories belonging to the Company remains inoperative and action had not been taken either to carry out the manufacturing activities by the relevant factories or to give those factories on lease basis.

4.5 Personnel Administration

The following observations are made.

(a) One Officer remain vacant under one name of posy as at the end of the year under review under the Approved Cadre and, one Officer remain as surplus under one name of post. Moreover, two Officer not included in the Approved Cadre had been recruited under contract basis.

(b) A General Manager had not been permanently appointed from the year 2012 in compliance with the Scheme of Recruitment for the General Manager including in the Approved Cadre and, Officers had been appointed on contract basis and on cover- up basis.

(c) Even though 01 post of an Assistant General Manager remained as per the Approved Cadre, 03 Officers had been appointed for that post from September 2017.

5. Systems and Controls

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Chairman of the Company from time to time and special attention is needed in respect of the following areas of control

Areas of Systems and Controls	**Observations**
(a) Control of Fixed Assets	Acquisition of lands by external parties, vehicle maintenance and insurance activities, maintenance of Tea Factories remaining at a weak level.
(b) Control of Budget	Even though targets had been set by the Budget, weaknesses being remained in the procedure of fulfilling those targets and in the minoring process.
(c) Debtors' and Creditors' Control	Weaknesses remaining in settling long- terms loan balances and in the process of recovering those loan balances.
(d) Personnel Administration	Recruitments had been made deviating from the approved Scheme of Recruitment.

A.M.Sadakathulla
Depeuty Auditor General

ELKADUWA PLANTATIONS LIMITED
STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2017

	Note	DECEMBER 31, 2017 Rs.	2016 Rs.
Assets			
Non current assets			
Leasehold property, plant and equipment	01	153,511,897	157,833,041
Freehold property plant equipment	02	51,661,316	50,112,678
Bearer biological assets	03	401,461,611	383,698,868
Consumable biological assets	04	311,900,488	278,565,316
Financial investments	05	45,361,958	44,372,810
Total non current assets		963,897,270	914,582,712
Current assets			
Inventories	06	7,161,241	5,896,023
Trade and other receivables	07	105,996,003	105,897,087
Cash and cash equivalents	08	54,132,879	7,386,830
Total current assets		167,290,123	119,179,940
Total assets		1,131,187,393	1,033,762,652
	FINANCED BY:		
Equity & liabilities			
Equity			
Stated capital	09	180,000,010	180,000,010
Retained earnings		298,648,472	90,068,526
Total equity		478,648,482	270,068,536
Non current liabilities			
Obligations under lease agreements - Current maturity	10	37,425	37,425
Differed income	11	27,261,212	28,178,190
Retirement benefit obligations	12	159,052,619	150,101,630
Total non current liabilities		186,351,256	178,317,245
Current liabilities			
Trade and other payables	13	302,444,877	426,206,070
Amounts due to related parties	14	(11,737,219)	3,033,727
Redeemable debentures	15	5,000,000	5,000,000
Short term borrowings	16	67,178,460	64,132,331
Obligations under lease agreements - Net of current maturity	10	1,357	1,357
Gratuity payable	12	103,300,180	87,003,386
Total current liabilities		466,187,655	585,376,871
Total equity and liabilities		1,131,187,393	1,033,762,651

These Financial Statements are in Compliance with the requirements of the Companies Act No.7 of 2007.

FINANCE MANAGER

The Board of Directors is responsible for the preparation and presentation of these financial statements.
Signed for and on behalf of the Board of Directors of Elkaduwa Plantations Limited

CHAIRMAN/MANAGING DIRECTOR

DIRECTOR

The accounting policies and notes on pages 04 through 30 form an integral part of the financial statements.

Colombo.
May 15, 2018

ELKADUWA PLANTATIONS LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2017

	Note	YEAR ENDED DECEMBER 31, 2017 Rs.	2016 Rs.
Revenue	17	326,621,778	211,395,745
Cost of sales		(354,849,881)	(269,750,756)
Gross profit/(loss)		(28,228,103)	(58,355,012)
Other operating income	18	105,672,496	38,753,932
Administrative expenses	19	(37,594,503)	(26,481,901)
Profit/(loss) from operations		39,849,890	(46,082,980)
Other expenses	20	(217,004)	(10,329,290)
Profit/(loss) before finance charges		39,632,886	(56,412,270)
Finance income	21	4,410,836	2,340,664
Finance costs	22	(6,955,287)	(8,684,572)
Net finance income		(2,544,450)	(6,343,908)
Profit/(loss) before taxation		37,088,435	(62,756,178)
Income tax expenses	23	-	-
Profit/(loss) after taxation		37,088,435	(62,756,178)
Government grants - recurrent	24	173,300,000	75,831,000
Profit/(loss) for the year		210,388,435	13,074,822
Other comprehensive income		-	-
Total other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		210,388,435	13,074,822
Earnings/(loss) per share - Basic and diluted	25	11.69	0.73

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2017

	Stated Capital	Retained Earnings	Total
Balance as at January 01, 2016	**180,000,010**	**149,369,123**	**175,337,128**
Add: Prior year adjustment	-	(72,375,419)	(72,375,419)
Profit/(loss) for the year	-	13,074,822	13,074,822
Balance as at December 31, 2016	**180,000,010**	**90,068,526**	**270,068,536**
Add: Prior year adjustment		(1,808,489)	**(1,808,489)**
Total comprehensive income for the year		210,388,435	**210,388,435**
Balance as at December 31, 2017	**180,000,010**	**298,648,472**	**478,648,482**

The accounting policies and notes on pages 04 through 30 form an integral part of the financial statements.

STATEMENT OF CASH FLOW
FOR THE YEAR ENDED DECEMBER 31, 2016

		As at December	
		2017 Rs.	2016 Rs.
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES			
Net loss before taxation from continuning operations		37,088,435	(62,755,178)
Net loss before taxation from discontinuning operations		-	-
AJDUSTMENT FOR			
Interest Income		(4,410,836)	(2,340,664)
Depriciation and amortisation		8,433,660	9,002,867
Provisions for defined benefit plan cost		29,428,905	(3,235,003)
Amortization of grants			916,978
Finance cost		6,955,287	8,684,572
Gain/(loss) on fairvalue of biological assets		(33,335,172)	-
Differed income		916,978	1,553,182
Prior year adjustment		(1,808,489)	(72,375,419)
Operating profit before working capital changes		43,268,768	(120,549,665)
(Increase)/Decrease in inventories		(1,265,218)	(689,924)
(Increase)/Decrease in trade & other receivables		(98,916)	(10,593,706)
Increase/(Decrease) in trade & other payables		(123,764,755)	119,390,743
(Increase)/Decrease in amounts due to related companies		(14,770,946)	(2,428,928)
Cash generated from/(used in) operarions		(96,631,069)	(14,871,480)
Defined benefit plan cost paid		(4,181,122)	(2,850,508)
Finance cost paid		(5,355,287)	(7,084,572)
Net cash from/(used in) operarions		**(106,167,478)**	**(24,806,560)**
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Purchase of property plant & equipment		(23,423,897)	(24,750,272)
Net cash from/(used in) investing activities		**(23,423,897)**	**(24,750,272)**
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Payments of finance leases			-
Treasury Grants Received		173,300,000	75,831,000
Net cash from/(used in) investing activities		**173,300,000**	**75,831,000**
Net increse/(decrease) in cash & cash equivalants		43,708,625	26,274,168
Cash & cash equivalants at the beginning of the year		(34,003,533)	(60,277,701)
Cash & cash equivalanta at the end of the year	**A**	**9,705,092**	**(34,003,533)**

Note A

Cash & Cash Equivalants	**2017**	**2016**
Favourable Balances		
Cash at Bank - Head Office	52,686,916	6,654,729
Cash at Bank - Estate	994,931	710,472
Cash/Stamp in hand	451,032	21,629
	54,132,879	7,386,830
Bank overdraft	44,427,786	41,390,363
Ending balance	**9,705,093**	**(34,003,533)**

The accounting policies and notes on pages 04 through 30 form an integral part of the financial statements.

ELKADUWA PLANTATIONS LIMITED
ACCOUNTING POLICIES

1. CORPORATE INFORMATION

1.1 Domicile and Legal Form

Elkaduwa Plantations Limited (EPL) is a limited liability company incorporated and domiciled in Sri Lanka, under the Companies Act. No.17 of 1982 in terms of the provisions of the Conversion of Corporations and Government owned Business Undertaking into Public Companies Act No. 02 of 1987. The registered office of the company is located at 320, "Janawathupiyasa", T.B. Jayah Mawatha, Colombo 10, and plantations are situated in the planting regions of Matale and Kurunegala.

1.2 Principal Activities and Nature of Operations

Company is engaged in the business of cultivation, manufacture and sale of Tea, Rubber, Coconut, Cocoa and other agricultural produce.

1.3 Parent Enterprises

The Company's parent undertaking and controlling party is the Government of Sri Lanka.

2. BASIS OF PREPARATION

2.1 Statements of Compliance

The Financial Statements of Elkaduwa Plantations Ltd has been prepared in accordance with Sri Lanka Accounting Standards which requires compliance with Sri Lanka Financial reporting Standards (SLFRS/ LKAS) by the Institute of Chartered Accounts of Sri Lanka (ICASL) and also compliance with the requirement of the Companies Act No. 07 of 2007.

2.2 Basis of Measurement

These Financial Statements are prepared in accordance with historical cost basis, except where otherwise stated in the accounting policies below.

2.3 Functional & Presentation Currency

The Financial Statements are presented in Sri Lankan Rupees (Rs.) and has been given to the nearest rupees, unless stated otherwise.

3. USE OF JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are 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 recognized in the financial statements is included in the following notes.

3.1 Income Taxes

The company recognize liabilities for anticipated tax based on estimates of taxable income. Where the final tax outcome of these matters is different from the amount that were initially recorded, such difference will impact the current and differed income tax assets & liabilities in the period in which such determination is made.

3.2 Retirement Benefit Obligations

The present value of the retirement benefit obligations depends on the number of factors that are determined on actuarial basis using no of assumptions. Key assumptions used in determining the retirement benefit obligations are given in Note 12. Any changes in these assumptions will impact the carrying amount of retirement benefit obligations.

3.3 Biological Assets

The fair value of managed timber trees depends on a number of factors that are determined on a discounted method using various financial and non-financial assumptions. The growth of the trees is determined by various biological factors that are highly unpredictable. Any changes to the assumptions will impact the fair value of biological assets.

3.4 Impairment of Goodwill

The Company determines whether good will is impaired at least on an annual basis. This requires an estimation of the 'value in use' of the cash generating units to which the goodwill is allocated. Estimating value of those cash generating units and also to choose a suitable discount rate in order to calculate present value of those cash flows. However, at present company does not have any recorded goodwill balance as at the statement of financial position date.

3.5 Differed Tax Assets

Differed tax assets are recognized for all unused tax losses to the extent that is probable that taxable profit will be available against which are losses can be utilized. Significant management judgment is required to determine the amount of differed tax assets that can be recognized, based upon the likely timing and level of future taxable profit together with future tax planning strategies.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies are consistent with those used in the previous year, except where otherwise stated in the accounting policies below.

Comparative information has been reclassified to conform to the current year's presentation whenever necessary. The directors have made as assessment of the company's ability to continue as going concern in the foreseeable future, and they do not foresee need for liquidation or cessation of trading.

4.1 Assets and Bases of their Valuation

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

4.1.1 Property, Plant and Equipment

a) Recognition and Measurement

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

b) Owned Assets

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

When significant parts of property, plant and equipment required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates respectively. Likewise, when a major inspection is performed, 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 recognized in the financial statement as incurred. The present value of expected cost for the decommissioning of the assets after its use is included in the cost of respective assets if the recognition criteria for a provision are met.

Capital work in progress is transferred to the respective assets accounts at the time of first utilization or at the time the assets is commissioned.

c) Leased Assets

Assets obtained under the finance leases, all of the risks and benefits incidental to ownership of the lease assets, are treated as if they have been purchased outright and are capitalized at their cash price. Assets acquired by the way of finance lease are measured at the amount equal to the lower of their fair value and the present value of minimum lease payments at the inception, less accumulated depreciation and accumulated impairment losses.

Assets held under finance leases are amortized over the shorter of the lease period or the useful lives of equivalent-owned assets, unless ownership is not transferred at the end of the lease period. The principle/capital elements payable to the lessor are shown as liability/ obligation. The lease rentals are treated as consisting of the capital and interest elements. The capital element in the rental that is applied to reduce the outstanding obligation and interest element is charged against profit, in proportion to the reducing capital element outstanding.

The cost of improvements to or on leased property is classified, disclosed as improvement to or on lease property is capitalized, disclosed as improvements to lease hold property and depreciated over the unexpired period of the lease, or the estimated useful lives of the improvements, whichever is shorter.

d) Subsequent Cost

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item, if it is probable that the future economic benefit embodied within the part will flow to the company and its cost can be measured reliably. The carrying amount of those parts that are replaced is derecognized in accordance with the de-recognition policy given below. The cost of day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

e) Derecognition

The carrying value of an item of property, plant and equipment is derecognized on disposal; or when no future economic benefits are expected from its use or disposal. Gains or losses on recognition are recognized in profit or loss and gains are not classified in revenue.

f) Depreciation

Depreciation is recognized in the income statement on a straight-line basis over the estimated useful economic lives of each part of an item of property, plant and equipment. Assets held under the finance lease are depreciated over the shorter of the lease term and the useful lives of equivalent owned assets unless it is reasonably certain that the Company will have ownership by the end of the lease term. Lease period of land acquired from SLSPC/JEDB will be expired in year 2036. The estimated useful lives of current and comprehensive periods are as follows.

Category	No. of years	Rate (%)
Improvements to land buildings	40 years	2.5%
Plant and machinery	13 1/3 years	7.5%
Water sanitation & electricity supply	20 years	5%
Motor vehicles	05 years	20%
Equipment	08 years	12.5%
Furniture & fittings	10 years	10%

Mature Plantations – Replanting and New Planting

Category	No. of years	Rate (%)
Tea	33 1/3 years	3%
Rubber	20 years	5%
Coconut	50 years	2%
Cocoa	50 years	2%

Depreciation of an assets begins when it is available for use and ceases at the earlier of the date on which assets is 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 less. No depreciation is provided for immature plantations.

g) Amortizations

The leasehold right to assets taken over from SLSPC/JEDB are amortized in equal amounts over the shorter of the remaining lease period and useful lives as follows,

Category	No. of years	Rate (%)
Leasehold property	53 years	1.89%
Land development cost	30 years	3.33%
Buildings	25 years	4%
Plant and machinery	05 years	20%
Water projects and sanitation	35 years	2.85%
Road development	30 years	3.33%
Mature plantations - Tea and rubber	30 years	3.33%
Mature plantations - Other	25 years	4%

4.1.2 Land Development Cost

Permanent land development costs are those costs incurred in making infrastructure development and building new access roads on leasehold lands. These costs have been capitalized and amortized over the remaining lease period.

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

4.1.3 Biological Assets

Mature and Immature Plantations

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

Biological assets are further classified as bearer biological assets and consumable biological assets. Barer biological assets includes rubber and tea plants and coconut plumps, those that are not intendant to be sold or harvested, however used to grow for harvesting agricultural produce from biological assets or sold as biological assets.

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

The barer biological assets are measured at cost less accumulated depreciation and accumulated impairment losses, if any, in terms of LKAS 16, Property, Plant and Equipment as per the ruling issued by the Institute of Chartered Accountants of Sri Lanka.

The managed timbers are measured on initial recognition and at the end of each reporting period at its fair value less cost to sell in terms of LKAS 41. The cost is treated as approximation in 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 current market prices of timber, applied to expected timber content of tree at the maturity by an independent professional valuer.

The Main Variable in DCF Model Concerns

Variable	Comment
Currency valuation	
Timber content	Estimated based on physical verification of girth, hight and considering the growth of each spices in different geographical regions. Factor all the prevailing statutory regulations enforced against harvesting of timber coupled with forestry plan of the company.
Economic useful lives	Estimated based on the normal life span of each species by factoring the forestry plan of the company.
Selling price	Estimated based on the prevailing Sri Lankan market prices. Factor all the conditions to be fulfilled in baring the trees into saleable condition.

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

The gain or loss arisen on initial recognition on biological assets at fair value less cost to sell of biological assets is included in profit or loss for the period in which it arises.

4.1.4 Infilling Cost on Bearer Biological Assets

The land development costs incurred in the form of infilling have been capitalized to the relevant mature field, only where that increases the expected future benefits from that field, beyond its pre-infilling performance assessment. Infilling cost so capitalized are depreciated over the newly assessed remaining useful economic life of the relevant mature plantation, or the expected lease period, whichever is lower.

Infilling cost that are not capitalized have been charged to the Income Statement the year in which they are incurred.

4.1.5 Borrowing Cost

Borrowing cost that are not capitalized are recognized as expenses in the period in which they are incurred and charged to the income statement.

4.1.6 Intangible Assets

An intangible asset is an identifiable non monitory asset without physical substance held for use in the production or supply of goods or service, for rental or administrative purpose.

An intangible asset is recognized if it is probable that future economic benefits that are attributable to the assets will flow to the enterprise and the cost of the assets can be measured reliably in accordance with LKAS 38, Intangible Assets.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of the acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortization and impairment losses, if any. Internally generated intangible assets, excluding capitalized development cost, are not capitalized and expenditure is reflected in the income statement in the year in which the expenditure is incurred.

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

Intangible assets with finite lives are amortized over their useful economics lives and assess for impairment whenever there is an indication that the intangible assets may be impaired. Intangible assets with indefinite economics lives are not amortized, but are tested for impairment annually, either individually or at the cash generating unit level. The amortization period and method of intangible assets with the finite and indefinite useful lives are reviewed annually.

Research and Development Cost

Expenditure on research activities, undertaking with the prospect of gaining new specific or technical knowledge and understanding, is recognized in profit or loss when incurred.

Development activities involve a plan or design for the production of new or substantially improved product and process. Development expenditure is capitalized only if development cost can be measured reliably, the product and process is technically and commercially feasible, future economic benefits are probable, and the company intends it has sufficient resources to complete development and to use or sell the assets. The expenditure capitalized includes the cost of materials, direct labour and overheads cost that are directly attributable to preparing the assets for its intended use. Other development expenditure is recognized in profit or loss when incurred.

Capitalized development expenditure is measured at cost, less accumulated amortization and accumulated impairment losses.

4.1.7 Financial Instruments
4.1.7.1 Financial Assets

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held –to- maturity investments, available - for - sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognized initially at fair value plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs. The company's financial assets include cash and short-term deposits, short- term investments, trade and other receivables, loans and other receivables.

4.1.7.2 Financial Assets at fair Value through Profit or Loss

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

Financial Assets at fair value through profit and loss are carried in the Statements of Financial Position at fair value with changes in fair value recognized in finance income or finance expense in the income Statement.

The company has not designated any financial assets upon initial recognition at fair value through profit or loss.

4.1.7.3 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 financial income in the Income Statement. The losses arising from impairment are recognized in the Income Statement in finance costs.

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

4.1.7.4 Held-to-Maturity Investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Company has the positive intention and ability to hold them to maturity. After initial measurements, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. The EIR amortization is included in finance income in the Income Statement. The losses arising from impairment are recognized in the Income Statement in finance costs.

4.1.7.5 Available-for-Sale Financial Investments

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the above categories of the financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses are recognized in other comprehensive income and presented in the fair value reserve in equity. Interest income on available-for-sale debt securities is calculated using the effective interest rate method and is recognized in profit or loss. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss.

Available-for-sale comprise of investment in quoted and unquoted shares.

4.1.7.6 Impairment of Financial Assets

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

4.1.7.7 Financial Liabilities

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 Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and in the case of loans and borrowings, carried at amortized cost. This includes directly attributable transaction costs.

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

4.1.7.8 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 at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on liabilities held for trading are recognized in the Income Statement.

The company has not designated any financial liabilities upon initial recognition at fair value through profit or loss.

4.1.7.9 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 recognized in the Income Statement when the liabilities are derecognized 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.

4.1.7.10 Financial Guarantee Contracts

Financial guarantee contracts are recognized initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognized less cumulative amortization.

4.1.7.11 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

The fair value of the financial instruments is determined in terms of LKAS 39. The Company derecognized a financial liability when its contractual obligations are discharged cancelled or expired.

4.1.7.12 Financial Risk Management Objectives and Policies

The Company's principal financial liabilities, comprise with loans and borrowings and trade and other payables, the main purpose of these financial liabilities is to finance the company's operations and to provide guarantee to support its operations. Further the company has loans and other receivables, trade and other receivables and cash and short term deposits that derive directly from its operations. Accordingly, the company has exposure to namely credit risk, liquidity risk, interest risk from its use of financial instruments.

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

Credit Risk

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

Trade and Other Receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristic of each customer. However, management also consider the demographics of the Company's customer base, including the default risk of the industry and the country in which the customers operate, as these factors may have an influence on credit risk.

The Company reviews external rating and bank reference of the customer when available. Purchase limits are established for each customer, which are reviewed quarterly. In monitoring credit risk, customers are categorized according to their credit characteristic, including whether they are wholesale or retail customer, geographical location, industry, aging profile, maturity and existence of difficulties.

Liquidity Risk

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

Interest Rate Risk

The company's exposure to the risk of changes in market interest rates relates primarily to the company long term debt obligations with floating interest rates. The company manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. The company has not engaged in any interest rate swap agreements.

4.1.8 Inventories

Finished Goods Manufactured from Agricultural Produce of Biological Assets

These are valued at the lower of cost and estimated net realizable value, after making due allowance for obsolete and slow moving items. Net realizable value is the estimated selling price at which stock can be sold in the ordinary course of business after allowing for cost realization and or cost of conversation from their existing state to saleable condition.

Input material, spares & consumables: At actual cost on weighted average basis.

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

4.1.9 Trade and Other Receivable

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

4.1.10 Cash and Cash Equivalents

Cash and Cash equivalents are defined as cash in hand, call deposits and short-term highly liquid investments readily convertible to known amounts of cash and cash subject to insignificant risk of changes in value. For the purpose of Cash Flow Statement Cash and Cash Equivalents consist of cash in hand and deposits in banks net of outstanding bank overdrafts. Investments with short term maturities i.e. three months or less from the date of acquisitions are also treated as Cash Equivalents.

4.2 Liabilities and Provisions

Liabilities classified as current liabilities on the statements of Financial Position are those which fall due for payment on demand or within one year from the Statement of Financial Position date. Non-current liabilities are those balances that fall due for payment after one year from the Statement of Financial position date. All known liabilities have been accounted for in preparing these financial statements. Provisions and liabilities are recognized when the Company has a legal or contractive obligation as a result of past events and it is probable that an outflow of economic benefits will be required to settle the obligation.

4.2.1 Employees Benefits

a) Defined Benefit Plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The liability recognized 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 the discounting the estimated future cash flows using the interest rates that are denominated in the in the currency in which the benefit will be paid, and that have terms to maturity approximating to the terms of the related liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to statement of income in the period in which they arise. Past service costs are recognized immediately in the statement of Income.

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 assumption used in determining the retirement benefit obligations include the following.

Key Assumptions

Rate of discount	: 10%
Rate of salary increase -	
Workers	: 20 once in two years.
Staff	: 8% annual
Retirement age -	
Estate Workers	60 years
Estate Staff	58 years
ead Office Staff	55 years

will continue as a going concern

b) Defined Contribution Plans – Employees Provident and Trust Fund

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay future amounts. Obligation for contributions to provident and trust funds covering all employees are recognized as an expenses 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).

The company contributes 3% of consolidated salary of the employees to the Employees Trust Fund (ETF).

4.2.2 Deferred Income – Grants & Subsidies

Government grant are recognized where there is a reasonable assurance that the grant will be received and all attached conditions will be completed with. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on the systematic basis to the cost 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 amount over the expected useful life of the related asset.

Where the Company receives non-monitory grants, the assets and the grants are recorded gross of nominal amounts and released to the income over the expected useful life and pattern of consumption of the benefit of the underlying asset by equal annual installments. Where loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as additional government grant.

4.2.3 Trade and Other Payables

Trade and other payables are stated at their cost.

4.3 Capital Commitments and Contingencies

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

4.4 Events Occurring after the Statements of Financial Position Date

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

4.5 Earnings per Share

The company 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 Company by the weighted average number of ordinary shares outstanding during the period.

4.6 Impairment of Non-Financial Assets

The company assess at each reporting date whether there is an indication that an assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the company makes an estimate of the assets recoverable amount. An assets recoverable amount is a higher of an asset's or cash generating unit's fair value less cost to sell and its value in use and 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. Where the carrying amount of an asset exceeds its recoverable amounts, the asset is considered impaired and is written down to recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rate that reflects current market assessment of the time value of money and risk specific to the assets. In determining fair vale less cost to sell, an appropriate valuation model in use. These calculations are collaborated by valuation multiples, quoted share price or other available fair value indicators.

Impairment losses of continuing operations are recognized in the Statement of Comprehensive income in those expense categories consist with the function of the impaired assets, expect for property previously revalued where the revaluation was taken to equity. In this case the impairment is also recognized in equity up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that the previously recognized impairment losses may no longer exist or may have decreased. If such indications exist, the company makes an estimate of recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the assets recoverable since the last impairment was recognized. If that is the case the carrying amount of the assets increase it recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had not impairment loss been recognized for the assets in prior year. Such reversal is recognized in the income statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment losses recognized in relation to goodwill are not reversed for subsequent increases in the recoverable amount.

The following criteria are also applied in assessing impairment of specific assets.

Goodwill

Goodwill is reviewed for impairment, annually or more frequently if events or charges in circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the cash generating unit (or group of cash generating units) to which goodwill relates. Where the recoverable amount of the cash generating unit (or group of cash generating units) to which goodwill has been allocated, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods. The company perform its annual impairment test of goodwill as at 31st December. However, at present the company does not have any recorded Goodwill as at the year end.

Intangible Assets

Intangible assets with indefinite useful lives are tested for impairment annually as of 31st December either individually or at the cash generating unit level, as appropriate. However, at present company does not have any recorded intangible assets at the year end.

4.7 Income Statement

For the purpose of presentation of the Statement of Comprehensive Income, the function of expenses method is adopted, as its presents fairly the elements of the Company's performance.

4.8 Revenue Recognition

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

(a) Sale of Goods

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 recognized at invoice value net of brokerage, sale expenses and other levies related to revenue.

(b) Interest

Interest income recognized as the interest accrues (taking in to account the effective yield on the asset) unless collectability is in doubt.

(c) Dividends

Dividend income is recognized in the Statement of Comprehensive income on the date the entity's right to receive payment is established, which the case of quoted securities is the ex-dividend date.

(d) Rental income

Rental income is recognized on an accrual basis.

(e) Royalties

Royalties are recognized on an accrual basis in accordance with the substance of the relevant agreement.

(f) Others

Other income is recognized on an accrual basis.

Net gains and losses of a revenue nature of disposal of property, plant and equipment and other non-current assets including investments have been accounted for in the Statement of Comprehensive Income, having deducted from proceeds on disposal, the carrying amount of assets and related selling expenses. On disposals of revalued property, plant and equipment, amount remaining in revaluation reserve relating to that asset is transferred directly to retained profit/(loss).

Gains and losses arising from incidental activities to main revenue generating activities and those and those arising from a company or similar transactions which are not material, are aggregated, reported and presented on a net basis.

4.9 Expenditure Recognition

Expenses are recognized in the Income Statement on the basis of the direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and maintaining the property, plant and equipment in a state of efficiency has been charged to income in arriving at the profit / (loss) for the year.

For the purpose of presentation of the Income Statement the directors are of the opinion that function of expenses method presents fairly the elements of the Company's performance, and hence such presentation method is adopted.

a) Financing Income and Expenses

Finance income comprises interest income on funds invested, and gains on translation of currency. Interest income recognized in the Income Statement as it accrues.

Finance expenses comprise interest payable on loans and borrowings. The interest expenses component of finance lease payments is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

b) Income Tax Expenses

Income tax expenses comprise current tax. Income tax expense is recognized in profit or loss except to the extent that it relates to item recognized directly in equity, when it is recognized in equity.

Income tax

Current tax is expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date and any adjustments to tax payable in respect of previous year and computed in accordance with the provisions of the Inland Revenue Act.

c) Deferred Expenditure

Expenditure which is deemed to have a benefit or relationship to more than one financial year is classified as deferred expenditure. Such expenditure is written off over the period of which it relates, on a straight line basis.

4.10 Statement of Cash Flow

The Cash Flow Statement has been prepared using the 'indirect method'. Interest paid is classified under operating cash flows, interest and dividend 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 Flows Statement.

4.11 Segment Reporting

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

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

The activities of the segments are described on pages 27 in the notes to the Financial Statements.

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

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

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

Note - 01 - Lease hold property, plant and equipment

	Notes	2017 Rs.	2016 Rs.
Right-to-use land	01:01	56,906,297	58,880,796
Leased bearer biological assets	01:02	94,008,012	95,109,539
Leased assets - (other than right-to-use land and bearer biological assets)	01:03	2,597,588	3,842,706
Total		153,511,897	157,833,041

Note - 01:01 - Right-to-use land

"Right-to-Use Land on Lease" is accounted in accordance with the Statement of Alternative Treatment (SoAT), the amendments to the Statement of Recommended Practice (SoRP) issued by the Institute of Chartered Accountants of Sri Lanka, dated 21, August 2013.

Right-to-use land is amortized over the remaining lease term or useful life of the right whichever is shorter and is disclosed under non-current assets. The Statement of Alternative Treatment (SoAT) for Right-to-use land does not permit further revaluation of Right-to-use land. The value taken in to the statement of financial position as at July 23, 1993 and cost/ revalued amount and amortization of the Right-to-use land up to December 31, 2014 are as follows.

	Cost/ Revalued Amount			
	As at 01.01.2017 Rs.	Additions for the year Rs.	(Disposals and acquisitions) Rs.	As at 31.12.2017 Rs.
Right-to-use-land	104,262,376	-	-	104,262,376

	Amortizations			
	As at 01/01/2017 Rs.	Charge for the year Rs.	(On Disposals and acquisitions) Rs.	As at 31/12/2017 Rs.
	45,381,580	1,974,499	-	47,356,079
Carrying value	58,880,796			56,906,297

	Life of the Asset	Cost/ Revalued Amount As at 23.07.1993 Rs.	Disposals and acquisitions Rs.	As at 31.12.2017 Rs.
Right-to-use-land	*53 years*	113,710,417	(9,448,041)	104,262,376

Date	Location	Party to the transaction	Cost/ Revalued Amount (Rs.)	Extent of land (Hect)	Nature of transaction	Remarks
Adjusted in the financial statements -						
13.11.1996	Kabaragala & Ponegala divisions	JEDB	(6,641,731)	217	Not handed over to company as agreed	
23.07.1997	Nalanda Estate	Ministry of Plantation Industries	(873,854)	39.502	Handing over	
07.10.1998	Nalanda Estate		(248,064)	9.912	Release for an industrial zone	Rs. 6,750,000 was received as compensation on 26.02.2001.
	Estates		(94,239)		Release of land	
2002	Hapugaspitiya Estate		(852,163)		Release of land	
2008	Ratwatte Estate		(111,520)		Release of land	
2014	Nalanda Estate	Ministry of Land and Land Development	(626,470)	28.318	Release of land	Lot A (Hect. 5.1095) and Lot B (Hect. 23.2085) of Nalanda Estate was accuired by the Ministry of Land and Land Development based on the Gazette Notification No. 1806/5, dated 18.04.2013
			(9,448,041)			
Not adjusted in the financial statements -						
07.06.1995	Ukuwela Office	Sri Lanka Army	-	1.8	Release for Gajaba Regiment	The board of directors approved the release on 25.07.1996. Ministry of Defence has agreed a compensation of Rs. 1,756,912 though the same was not accounted.
23.02.2000	Nalanda Estate	Land Reform Commission	-	4.26	Release of land	In line with the Gazette Notification No. 1120/9, dated 23.02.2000
03.03.1995	Hapugaspitiya Estate	Divisional Secretariat	-	3.38	Release of land	No compensation was received.
2003	Pansaltenna Estate	E O A S Organics (Pvt) Ltd	-		Tea factory lease	Pansaltenna Tea Factory was leased out to E O A S Organics (Pvt) Ltd since 2013.
25.11.2010	Nalanda Estate	Secretariat of Pallepola Divisional	-	4.2483	Release	A compensation of Rs. 4,700,000 has been agreed, though the same was not accounted.
			-			
			(9,448,041)			

Note - 01:01 - Release of land for public purposes

A. An extent of approximately 26 Hect. of Nalanda Estate has been released for village expansion. The valuation of released land has not been done by the Company and hence no adjustment has been made in the accounts.

B. An extent of approximately 01 Hect. of Bandarapola Estate has been released for Central Provincial Council. The valuation of released land has not been done by the Company and hence no adjustment has been made in the accounts.

C. An extent of approximately 17.22 Hect of Ratwatte Estate has been released for the purposes of Town development, Tea planting development and the Dehideniya Government School development, without the approval of the Board of Directors and the Golden Shareholder. The valuation of the released land has not been done by the Company and hence no adjustment has been made in the accounts.

Elkaduwa Plantations Limited has not received compensation in respect of the above lands released as described.

Note - 01:02 - Leased bearer bilogical assets

Although all SLSPC estate leases have not yet been executed in terms of the ruling of the UITF, all immovable assets in these estates under finance leases have been taken into the books of the Company retroactive to July 23, 1993. The Board decided at its meeting on March 08, 1995 that these assets would be taken into the books at their book values as they appear in the books of the SLSPC on the day immediately preceding the date of formation of the Company. These assets have been taken into the books as at July 23, 1993 and the written down values are as follows;

Leased bearer biological assets

	As at December 31,	
	2017	**2016**
	Rs.	**Rs.**
Capitalized Value as at July 23, 1993	33,080,567	33,080,567
Cost as at January 01,	33,080,567	33,080,567
Accumulated Amortization		
As at January 01	25,711,411	24,609,872
Amortization for the year	1,101,527	1,101,539
As at December 31,	26,812,938	25,711,411
Carrying value as at December 31,	6,267,629	7,369,156
Immature plantations	87,740,383	87,740,383
Total carrying value	**94,008,012**	**95,109,539**

Investment in plantation assets which were categorized as immature at the time of handing over to the Company by way of estate leases, are shown under immature plantation (revalued as at 23.07.1993). Further, investment in such immature plantations to bring them to bearing are shown. When these plantations came in to bearing the additional investments to bring them to such stage was transferred from immature plantations to mature plantations.

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 plantations were classified as bearer biological assets in terms of LKAS 41 - Agriculture. The carrying value of the bearer biological assets leased from SLSPC/JEDB is recognized at cost less amortization. Future investments in such plantations to bring them to maturity are shown in Note 03.

The Company has received a compensation of Rs. 1,887,100/- from Ceylon Electricity Board (CEB) for the removed trees of Nalanda Estate in 1999 for the purpose of installation of transmission lines of CEB. This has been recognized as income in the Income Statement in 1999. The Company has not adjusted for cost of these trees from the mature/immature plantations in the Financial Statements. As the useful life span of the Rubber Trees that were removed has already been expired at the time of felling same.

Note - 01:03 - Leased assets (other then right-to-use land and bearer bilogical assets)

	Improvements to Land	Buildings	Plant and Machinery	Total 2017	Total 2016
	Rs.	Rs.	Rs.	Rs.	Rs.
Capitalized Value as at July 23, 1993	736,725	32,271,545	9,079,004	42,087,274	42,087,274
Cost as at January 01,	736,725	32,271,545	9,079,004	42,087,274	42,087,274
Accumulated Amortization					
as at January 01,	574,479	28,591,094	9,078,995	38,244,568	37,002,451
Amortization for the year	24,533	1,220,585	-	1,245,118	1,242,117
	599,012	29,811,680	9,078,995	39,489,686	38,244,568
Carrying value as at December 31,	**137,713**	**2,459,865**	**9**	**2,597,588**	**3,842,706**

Rates of amortization -

Mature plantations/improvements to land	30 Years
Buildings	25 Years
Plant and machinery	15 Years

Note - 02 - Freehold property, plant & equipment

	Balance as at 01.01.2017 Rs.	Additions for the year Rs.	(Disposals during the year) Rs.	Balance as at 31.12.2017 Rs.
Cost				
Estate roads	14,789,262	-	-	14,789,262
Improvements to land and buildings	36,423,315	1,286,479	-	37,709,794
Motor vehicles	22,493,057	-	-	22,493,057
Furniture and fittings	1,667,935	572,830	-	2,240,765
Equipment	7,784,198	1,766,874	-	9,551,072
Water sanitation and electricity supply	3,401,371	-	-	3,401,371
Plant and machinery	4,165,938	-	-	4,165,938
Dairy farm - Millawana	2,125,614	-	-	2,125,614
	92,850,690	3,626,182	-	96,476,872

	Balance as at 01.01.2017 Rs.	Charged for the year Rs.	(On disposals) Rs.	Balance as at 31.12.2017 Rs.
Depreciation				
Estate roads	2,873,208	409,893	-	3,283,101
Improvements to land and buildings	6,995,426	828,184	-	7,823,610
Motor vehicles	22,360,789	76,627	-	22,437,416
Furniture and fittings	1,678,299	3,695	-	1,681,995
Equipments	5,447,625	1,127,635	-	6,575,260
Water sanitation and electricity supply	2,547,440	(45,257)	-	2,502,182
Plant and machinery	4,057,925	24,300	-	4,082,225
Dairy farm - Millawana	357,057	53,141	-	410,198
	46,317,769	2,478,217	-	48,795,986
Written down value	**46,532,921**			**47,680,886**

	Balance as at 01.01.2017 Rs.	Additions for the year Rs.	Capitalized during the year Rs.	Balance as at 31.12.2017 Rs.
Capital work-in-progress	3,579,757	400,673		3,980,430
Total written down value	**50,112,678**			**51,661,316**

The assets shown above are the movable assets vested in the Company under Gazette notification on the date of formation of the Company (23.07.1993) and all investments in tangible assets of the Company since its formation.

Further, the valuation of immovable JEDB/SLSPC estate assets on finance lease (other than leasehold property) and tangible assets other than immature/mature plantations taken over as at 23 July 1993 is based on the net book value as at such date. These values were not available to us by individual asset.

03 - Bearer biological assets

	Immature Plantations				Mature Plantations				Total
	Tea	Rubber	Coconut	Others	Tea	Rubber	Coconut	Others	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cost									
As at 01.01.2017	67,061,410	85,624,798	108,348,121	89,823,876	14,841,529	10,253,445	14,178,682	14,676,699	404,808,560
Additions	508,329	8,443,145	6,100,303	4,345,265	-	-	-	-	19,397,042
As at 31.12.2017	67,569,740	94,067,943	114,448,423	94,169,141	14,841,529	10,253,445	14,178,682	14,676,699	424,205,602
Depreciations									
As at 01.01.2017	-	-	-	-	5,319,296	6,450,128	6,100,430	3,239,838	21,109,692
Charged for the year	-	-	-	-	489,770	512,672	283,574	348,283	1,634,299
As at 31.12.2017	-	-	-	-	5,809,066	6,962,800	6,384,004	3,588,121	22,743,991
Written down value as at 31.12.2017	67,569,740	94,067,943	114,448,423	94,169,141	9,032,463	3,290,645	7,794,678	11,088,578	401,461,611
Written down value as at 31.12.2016	67,061,410	85,624,798	108,348,121	89,823,876	9,522,233	3,803,317	8,078,252	11,436,861	383,698,868

These are investments in plantations since the formation of the Company. The assets (including plantation assets) taken over by way of estate leases are set out in Notes 01. Further investment in immature plantation taken over by way of these leases are shown in the above note. When such plantations came in to bearing, the additional investments since taking over to bring them to bearing was transferred from immature to mature plantations.

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 March 02, 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 and equipment.

No borrowing cost capitalized during the year.

	2017 Rs.	2016 Rs.
Note - 04 - Consumable biological assets		
As at January 01,	278,565,316	278,565,316
Add: Gain arising from changes in fair value less cost to sell	41,466,563	-
Decrease due to sale	(8,131,391)	-
As at December 31,	311,900,488	278,565,316

Managed trees include commercial timber plantations in estates. The cost of immature trees is treated as approximate fair value particularly on the ground that a 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 incurred 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 Management has carried out a comprehensive census of timber in June 2015 and valued the timber at Rs.277,884,695 as of December 31, 2014 based on the price list of the State Timber Corporation. A significant number of trees considered for the census had not been included in the valuation performed in 2013 and hence the gain arising from the changes in fair value was accounted retrospectively by restating the opening retained earnings and consumable bearer biological assets as at January 01, 2013. The fair value of trees that should have been accounted as at January 01, 2013 was arrived at by applying a rate of Rs. 3,898 per tree as the value of biological transformation taken place during the year. This rate was obtained by using the charge in fair value for about 3,244 trees for which the values as at December 31, 2013 and 2014 was done. Accordingly, gain arising from changes in fair value was recognized as Rs. 97,083,616 and Rs. 84,630,003 for the years 2013 and 2014 respectively. The balance gain of Rs. 56,618,067 was accounted restating the retained earnings as at January 01, 2013.

	2017		2016	
	Carrying value Rs.	Fair value Rs.	Carrying value Rs.	Fair value Rs.
Note - 05 - Financial investments				
Fixed deposit - Held to maturity	42,722,250	45,361,958	42,722,250	44,372,810

	2017 Rs.	2016 Rs.
Note - 06 - Inventories		
Input materials	-	61,321
Growing crop - Nurseries	2,209,640	2,170,720
Produce stocks	4,725,712	2,835,086
Spares and consumables	225,890	828,896
	7,161,241	5,896,023
Note - 07 - Trade and other receivables		
Trade and other receivables	83,779,409	93,050,604
Advances and prepayments	19,499,826	11,027,832
Economics service charges	752,820	752,820
With-holding tax	1,963,949	1,065,831
	105,996,003	105,897,087
Note - 08 - Cash and cash equivalents		
Cash at bank -		
Head office	52,686,916	6,654,729
Estates	994,931	710,472
Cash and stamps in hand	451,032	21,629
	54,132,879	7,386,830

Note - 09 - Stated capital

		2017	2016
Issued and fully paid number of shares -			
Ordinary shares including one golden shares held by the Treasury which has special rights	Nos.	18,000,001	18,000,001
Value of issued and fully paid number of shares -			
Ordinary shares including one golden shares held by the Treasury which has special rights	Rs.	180,000,010	180,000,010

The holder of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Note - 10 - Obligations under lease agreements

	2017			2016
	Net of current maturity	Current maturity	Total	
	Rs.	Rs.	Rs.	Rs.
Sri Lanka State Plantations Corporation -				
Gross liability	217,500	5,000	222,500	222,500
Less: Finance charges	180,075	3,643	183,718	183,718
Net liability	37,425	1,357	38,782	38,782
Bank of Ceylon -				
Gross liability	-	-	-	-
Less: Finance charges	-	-	-	-
Net liability	-	-	-	-
	37,425	1,357	38,782	38,782

Note - 11 - Deferred income

	2017	2016
Grants and subsidies -		
At the beginning of the year	28,178,190	29,095,166
Add : Grant received for the year	-	-
	28,178,190	29,095,166
Less: Amortization for the year	916,978	916,976
	27,261,212	28,178,190

The company has received funding from the Plantation Human Development Trust and Asian Development Bank for the development for the worker facilities such as re-roofing of the line rooms, latrines, water supply and sanitation etc. The amounts spent are included under the relevant classification of property, plant and equipment and the grant component is reflected under deferred grant and subsidies.

Note - 12 - Retirement benefit obligations

	As at December 2017 Rs.	2016 Rs.
At the beginning of the year	237,105,016	243,190,527
Add: Provisions for the year	29,428,905	(3,235,003)
	266,533,921	239,955,524
Less: Payments made during the year	4,181,122	2,850,508
Balance at the end of the year	**262,352,799**	**237,105,016**
Note:		
Unpaid gratuity to retired/resigned employees	103,300,180	87,003,386
Retirement benefit obligations for current employees	159,052,619	150,101,630
	262,352,799	237,105,016

As at December 31, 2016 the gratuity liability was actuarially valued under the Projected Unit Credit (PUC) method by Actuarial and Management Consultants (Pvt) Ltd.

Principal actuarial assumption used;		
a. Discount rate	10%	10%
b. Salary increase -		
Staff	8% Annual	8% Annual
Workmen	20% Once in two years	20% Once in two year

This liability is not externally funded.

Note - 13 - Trade and other payables

		2017	2016
Trade and other payables		78,907,149	89,923,037
Advances from brokers/others		2,687,758	20,052,719
Interest on debentures and loans		40,079,546	38,479,546
Payroll liabilities	**(Note 13:01)**	180,770,424	277,750,767
		302,444,876	426,206,070

Note - 13:01 - Payroll liabilities

	2017	2016
EPF/ETF / ESPS and CPPS -	189,389,623	241,828,444
Surcharges on overdue EPF, ETF and gratuity - Previous years	95,293,151	111,219,695
	284,682,774	353,048,139
Less: Payments through courts	103,912,350	75,297,372
	180,770,424	277,750,767

Note - 14 - Amount due to related parties

	2017	2016
Sri Lanka State Plantation Corporation	1,768,749	1,768,749
Janatha Estate Development Board	1,185,670	1,185,670
Inter Estate Accounts	(14,691,639)	79,308
	(11,737,219)	3,033,727

Note - 15 - Redeemable debentures

Debenture-holder	Date of issues	Date of maturity	2017 Rs.	2016 Rs.
Employees provident fund	16-06-1995	15-06-2000	5,000,000	5,000,000
			5,000,000	5,000,000
Payable within one year			5,000,000	5,000,000

No interest was charged after the date of maturity on June 15, 2000.

Note - 16 - Short term borrowings

	2017	2016
Temporary loans -		
Bank of Ceylon	-	2,778,246
Chilaw Plantations Ltd.	22,750,674	19,963,722
Bank overdrafts	44,427,786	41,390,363
	67,178,460	64,132,331

Note - 17 - Revenue

Revenue under the Business Segments (Principal crops)

	Tea (Green Leaf)		Rubber		Coconut		Cocoa		Other Crops		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Revenue	246,939,554	164,138,174	23,735,692	16,051,285	34,170,091	28,160,182	1,219,225	1,319,324	20,557,217	1,726,780	326,621,778	211,395,745
Cost of sales	(289,738,711)	(221,379,222)	(37,229,148)	(28,071,120)	(25,212,769)	(19,101,095)	(853,073)	(846,694)	(1,816,180)	(352,626)	(354,849,881)	(269,750,756)
Segment results	**(42,799,158)**	**(57,241,048)**	**(13,493,457)**	**(12,019,834)**	**8,957,322**	**9,059,087**	**366,152**	**472,630**	**18,741,037**	**1,374,154**	**(28,228,103)**	**(58,355,012)**
Other operating income											105,672,496	38,753,932
Administration and general expenses											(37,594,503)	(26,481,901)
Profit/(loss) from operating activities											**39,849,890**	**(46,082,980)**
Other expenses											(217,004)	(10,329,290)
Net finance income (cost)											(2,544,450)	(6,343,908)
Income tax expenses											-	-
Government grants - recurrent											173,300,000	75,831,000
Profit/(loss) for the year											**210,388,435**	**13,074,822**
	-17%	-35%	-57%	-75%	26%	32%	30%	36%	91%	80%	-9%	-28%

	2017	2016
	Rs.	Rs.
Note - 18 - Other operating income		
Gain arrising on value change of biological assets	51,235,672	5,982,775
Amortization of capital grant	916,978	916,978
Sundry income	7,182,374	3,663,138
Elkaduwa - Lake project income	42,161,694	25,584,227
Lease rentals	3,848,825	1,814,925
Grant and subsidies	326,953	791,890
	105,672,496	38,753,932
Note - 19 - Administration expenses		
Profit before taxation is stated after charging followings:		
Auditor's remuneration	365,000	410,493
Depreciation/amortization	10,911,877	7,569,320
Defined benefit plan cost	420,000	726,711
Defined contribution plan cost - Employees Provident & Trust Fund	1,040,391	759,826
Others - Staff cost	12,225,819	10,627,002
Note - 20 - Other expenses		
Suarcharge on non payment of EPF/ETF/ESPS/CPPS & Gratuity	217,004	10,329,290
	217,004	10,329,290
Note - 21 - Finance income		
Interest income	4,410,836	2,340,664
	4,410,836	2,340,664
Note - 22 - Finance costs		
Overdraft interest	5,355,287	5,961,754
Temporary loan interest	1,600,000	2,722,818
	6,955,287	8,684,572

Note - 23 - Income tax expenses

In terms of the Inland Revenue Act No. 10 of 2006, and subsequent amendments thereon, "Specified Profits" from cultivation would be liable for income tax at a concessionary rate of 10%. The Corporate rate of tax applicable to manufacture would be at the rate of 28%.

However, no provision has been made in these financial statements for income tax in view of accumulated and current year tax losses of the Company. The carried forward Tax loss of the Company as at 31st December, 2015 amounts to Rs. 174,311,787/-.

	2017	2016
	Rs.	Rs.
Accounting profit before income tax	37,088,435	(62,756,178)
Add: Disallowed items	(94,753,004)	17,243,501
Less: Allowed items	3,398,471	3,295,728
Adjusted business loss	(54,266,098)	(42,216,949)
Other source of income	-	-
Statutory income	(54,266,098)	(42,216,949)
Tax loss brought forward	(193,441,304)	(212,080,111)
Taxable profit/(loss)	(247,707,402)	(254,297,060)

No provision has been made for deferred taxation in the accounts in the light of available tax losses.

Note - 24 - Government grants - recurrent

Grants received from the government - recurrent	173,300,000	75,831,000
	173,300,000	75,831,000

Note - 24 - Earnings per share

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

	2017	2016
Profit attributable to ordinary shareholders - Rs.	210,388,435	13,074,822
Weighted average number of ordinary shares in issues - Nos.	18,000,001	18,000,001
Earnings per share - Basic and diluted - Rs.	**11.69**	**0.73**

Note - 25- Capital comments

There were no material capital commitments as at the balance sheet date.

Note - 26 - Contingent liabilities

Commissioner of labour

Several legal cases have been instituted by the Commissioner of Labour against the Company to recover overdue EPF/ETF contributions. Also, legal action has been instituted against the Company for non settlement of retiring gratuity due to employees.

There were no material contingent liabilities, outstanding as at the balance sheet dated, other than those disclosed above.

Note - 27 - Events occurring after the balance sheet date

There is no any disclosureable transections during the year

Ten Year Summary

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Tea (Green Leaf)										
Production (Kg's)	3,881,835	3,177,777	3,363,647	3,203,887	2,527,183	3,054,375	3,254,254	4,007,397	2,541,465	2,711,081
NSA (per 1 Kg)	42.38	47.27	50.32	48.37	53.23	58.58	62.37	56.64	64.58	91.09
COP (per 1 Kg)	47.73	68.77	59.03	73.22	80.34	85.72	89.41	68.32	87.11	106.87
Rubber (Latex)										
Production (Kg's)	126,597	106,983	122,678	128,039	115,845	116,577	93,867	82,085	75,949	77,348
NSA (per 1 Kg)	257.67	217.68	383.15	497.67	404.01	355.17	249.69	239.74	211.34	306.87
COP (per 1 Kg)	217.59	273.21	240.46	293.77	335.79	373.54	414.12	335.15	369.60	481.32
Coconut										
Production (Nut)	1,360,845	1,492,051	1,039,314	1,405,748	1,219,915	519,293	1,368,257	969,648	1,354,715	811,674
NSA (per 1 nut)	19.59	16.15	18.77	25.12	21.50	18.11	29.09	27.93	20.79	42.10
COP (per 1 nut)	11.00	12.08	17.16	15.97	16.68	37.10	10.31	9.53	14.10	31.06
EARNING HIGHLIGHTS										
Revenue										
Tea	163,717,579	150,197,693	169,246,807	154,962,288	134,509,740	178,917,425	202,967,716	226,973,653	164,138,174	246,939,554
Rubber	32,619,883	23,288,262	47,003,772	63,721,290	46,802,602	41,404,680	23,437,577	19,678,894	16,051,285	23,735,692
Coconut	26,664,428	24,101,567	19,505,766	35,318,147	26,233,746	9,405,529	39,805,702	27,078,934	28,160,182	34,170,091
Cocoa	7,132,551	5,098,915	5,766,131	2,870,475	6,994,626	866,755	3,104,207	2,205,908	1,319,324	1,219,225
Other	9,438,353	4,079,513	10,555,187	6,571,223	24,411,101	15,738,218	16,267,934	3,392,207	1,726,780	20,557,217
	239,572,794	**206,765,950**	**252,077,663**	**263,443,423**	**238,951,815**	**246,332,607**	**285,583,136**	**279,329,596**	**211,395,745**	**326,621,779**
Cost of Sales										
Tea	(185,299,373)	(218,539,933)	(198,567,516)	(234,593,600)	(203,022,387)	(261,830,106)	(290,968,312)	(273,766,102)	(221,379,222)	(289,738,711)
Rubber	(27,546,274)	(29,229,061)	(29,498,603)	(37,613,552)	(38,899,976)	(43,546,143)	(38,871,838)	(27,510,507)	(28,071,120)	(37,229,148)
Coconut	(14,969,777)	(18,023,908)	(17,834,995)	(22,447,307)	(20,354,098)	(19,266,567)	(14,104,993)	(9,242,178)	(19,101,095)	(25,212,769)
Cocoa	(5,947,885)	(2,902,490)	(2,148,596)	(958,749)	(1,862,725)	(2,243,897)	(1,659,943)	(969,355)	(846,694)	(853,073)
Other	(626,286)	(1,375,019)	(2,249,620)	(2,507,337)	(563,035)	(410,354)	(196,289)	(498,044)	(352,626)	(1,816,180)
	(234,389,595)	**(270,070,411)**	**(250,299,330)**	**(298,120,545)**	**(264,702,221)**	**(327,297,067)**	**(345,801,375)**	**(311,986,186)**	**(269,750,757)**	**(354,849,881)**
Gross Profit	5,183,199	(63,304,461)	1,778,333	(34,677,122)	(25,750,406)	(80,964,460)	(60,218,239)	(32,656,590)	(58,355,012)	(28,228,102)
Other Operating Income	55,329,346	33,838,253	24,017,293	44,107,888	18,778,229	39,252,255	118,336,330	38,690,826	38,753,932	105,672,469
Trasuary Grants	-	-	-	-	-	-	-	-		
Admin, and General Expenses	(23,870,907)	(25,289,194)	(23,801,245)	(25,940,298)	(19,443,269)	(18,283,239)	(20,705,368)	(26,215,237)	(26,481,901)	(37,594,503)
Profit from Operating Activities	**36,641,638**	**(54,755,402)**	**1,994,381**	**(16,509,532)**	**(26,415,446)**	**(59,995,444)**	**37,412,723**	**(20,181,001)**	**(46,082,981)**	**39,849,864**
Other Operating Expenses									(10,329,290)	-
Net Finance Income / (Expenses)	(6,380,935)	(7,269,049)	(6,401,381)	(13,224,266)	(8,194,191)	(4,953,644)	(7,010,560)	(6,741,927)	(6,343,908)	(2,761,554)
Profit Before Taxation	**30,260,703**	**(62,024,451)**	**(4,407,000)**	**(29,733,798)**	**(34,609,637)**	**(64,949,088)**	**30,402,163**	**(26,922,928)**	**(62,756,179)**	**37,088,310**
Income Tax	(770,385)	(664,174)	(558,701)	-	(558,701)	-	-	-	-	-
Profit for the year	**29,490,318**	**(62,688,625)**	**(4,965,701)**	**(29,733,798)**	**(35,168,338)**	**(64,949,088)**	**30,402,163**	**(26,922,928)**	**(62,756,179)**	**37,088,310**
Other Comprihensive Income	-	-	-	-	-	-	-	-	-	
Total Comprihensive Income for the Year	**29,490,318**	**(62,688,625)**	**(4,965,701)**	**(29,733,798)**	**(35,168,338)**	**(64,949,088)**	**30,402,163**	**(26,922,928)**	**(62,756,179)**	**37,088,310**

Ten Year Summary

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
BALANCE SHEET DETAILS										
Assets										
Non Current Assets	368,984,758	427,398,109	451,877,451	482,032,236	647,381,241	665,800,410	865,717,941	897,597,079	914,582,712	963,897,270
Current Assets	43,328,024	33,666,472	33,477,134	78,364,891	39,550,126	40,707,446	75,780,080	102,043,243	119,179,940	167,290,123
Total Assets	**412,312,782**	**461,064,581**	**485,354,585**	**560,397,127**	**686,931,367**	**706,507,856**	**941,498,021**	**999,640,322**	**1,033,762,652**	**1,131,187,393**
Equity & Liabilities										
Capital & Reserves										
Stated Capital	180,000,010	180,000,010	180,000,010	180,000,010	180,000,010	180,000,010	180,000,010	180,000,010	180,000,010	180,000,010
Retained Earnings	(116,180,651)	(179,869,276)	(148,597,533)	(204,599,279)	(127,008,503)	(188,766,728)	(4,662,882)	149,369,122	90,068,526	298,648,472
Share holders Fund	**63,819,359**	**130,734**	**31,402,477**	**(24,599,269)**	**52,991,507**	**(8,766,718)**	**175,337,128**	**329,369,132**	**270,068,536**	**478,648,482**
Liability										
Non Current Liability	167,812,427	223,800,099	225,596,659	253,531,341	204,459,762	219,452,526	244,907,880	200,850,985	178,317,245	186,351,256
Current Liability	180,680,997	237,133,748	228,355,448	331,465,055	429,480,096	495,822,048	521,253,013	469,420,205	585,376,871	466,187,655
Total Equity & Liabiliteis	**412,312,783**	**461,064,581**	**485,354,584**	**560,397,127**	**686,931,365**	**706,507,856**	**941,498,021**	**999,640,322**	**1,033,762,652**	**1,131,187,393**
CASH FLOWS DETAILS										
Cash & Cash Equivalants at the beginning of the year	3,690,235	(1,452,558)	(5,695,546)	(10,688,092)	(51,265,048)	(45,139,536)	(49,803,932)	(61,745,546)	(60,277,701)	(34,003,533)
Net Cash Flows / (Used) from Operating Activities	38,398,595	50,084,315	24,979,109	21,177,343	138,916,481	(20,956,744)	49,387,001	(127,850,178)	(24,806,560)	(106,167,478)
Net Cash Flows / (Used) from Investing Activities	(43,099,213)	(60,130,828)	(33,884,008)	(79,972,339)	(130,758,119)	25,050,411	(48,910,016)	(44,112,676)	(24,750,272)	(23,423,897)
Net Cash Flows / (Used) from Financing Activities	(442,175)	5,803,525	3,912,353	18,218,040	(2,032,850)	(8,758,063)	(12,418,599)	173,430,699	75,831,000	173,300,000
Cash & Cash Equivalants at the end of the year	**(1,452,558)**	**(5,695,546)**	**(10,688,092)**	**(51,265,048)**	**(45,139,536)**	**(49,803,932)**	**(61,745,546)**	**(60,277,701)**	**(34,003,533)**	**9,705,092**
RETIO ANALYSIS										
Gross Profit Margin	2%	-31%	1%	-13%	-11%	-33%	-21%	-12%	-28%	-9%
Net Profit Margine	12%	-30%	-2%	-11%	-15%	-26%	11%	-10%	-30%	11%
Current Assets Retio	0.24	0.14	0.15	0.24	0.09	0.08	0.15	0.22	0.20	0.36
Earnings Per Share	1.64	(3.48)	(0.28)	(1.65)	(1.95)	(3.61)	1.69	(1.50)	(3.49)	2.06
Net Assets Per Share	3.55	0.01	1.74	(1.37)	2.94	(0.49)	9.74	18.30	15.00	26.59

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Elkaduwa Plantations Limited - 2017 will be held at Elkaduwa Plantations Limited, Colombo Office, No. 320, T B Jayah Mawatha, Colombo -10 on .... at 4.00 p.m. for the following purposes.

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

2. To appoint Auditor General's Department as Auditors of the Company for the year 2018.

3. Any other business.

BY ORDER OF THE BOARD OF
ELKADUWA PLANTATIONS LTD

Amiyaarachchi
....

SECRETARIES OF ELKADUWA PLANTATIONS LTD

Date: ....

A Shareholder entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend and vote on his/her behalf.

A Proxy need not be a member of the Company. A Form of Proxy is enclosed for this purpose.

FORM OF PROXY

I/We...
the..undersigned
.... of
.... being a
member/ members of Elkaduwa Plantations Limited hereby appoint.

Mr. Nalaka Devinda Madawala or failing him,
Mrs. Rmanayakage Malika Jayanthi or failing her,
Mrs. Wickramasingha Mudiyanselage Dhammika Tharangani Wickramasinghe or failing her,
Mr. Wannakuwatta Waduge Ruchira Nishantha Fernando or failing him,
Mr. Sena Gangodathenna or failing him,
Mrs. Nilusha Manori Tnathrige or failing her,
Mr. Ranjith Asoka Herath or failing him,

Or,

....

as my/our proxy to represent me/us and to vote for me/us and on my /our behalf at the Annual General Meeting - 2017 of the Company to be held at Elkaduwa Plantations Limited, Colombo Office, No. 320, T B Jayah Mawatha, Colombo 10 on .... at 4.00 p.m. and at any adjournment thereof, and at every poll which may be taken in consequence thereof.

Please indicate your preference by placing a 'X' against the Resolution Number

	For	Against
To receive and consider the Financial Statements for the year ended 31st December 2017 with the Report of the Board of Directors and Auditors thereon.		
To appoint Auditor General's Department as Auditors of the Company for the year 2018.		

Signed this .... day of 2019

....
Signature
Shareholders NIC/ PP/ Co. Reg.No.

INSTRUCTIONS AS TO COMPLETION OF THE FORM OF PROXY

1. Kindly perfect the form of Proxy by signing in the space provided and please fill the date of signature.

2. If the Proxy is signed by an Attorney-at-Law, the relative Power of Attorney should also accompany the completed form of Proxy if it has not already been registered with the Company.

3. The completed form of Proxy should be deposited at the

CORPORATE INFORMATION

Name of the Company	:	ELKADUWA PLANTATIONS LIMITED
Legal Form	:	Fully Government Owned Public Company with Limited Liability. Elkaduwa Plantations Limited is a Limited Liability Company incorporated under the Companies Act No. 17 of 1982 in terms of the provisions of the Conversion of Corporations and Government Owned Business Undertaking into Public Companies Act No. 23 of 1987 and re-registered under the Companies Act No. 07 of 2007
Date of Incorporation	:	23rd July 1993
Company registration No	:	PB 5
Registered Office	:	No. 320, "Janawathu Piyasa", T B Jayah Mawatha, Colombo - 10
Principle Business Activities	:	The principle activity of the Company is cultivation and marketing of Tea, Rubber, Coconut and Other Minor Crops

Board of Directors

For the year 2017

Mr. Nilu Dilhara Wijedasa	:	Chairman/Director
Mrs. Ramanayakage Mallika Jayanthi	:	Director/Treasury Representative
Mr. John Martinstine Alponsu Douglas	:	Director/ Ministry Representative
Mr. Aswedage Gedara Wijethunga	:	Director
Mr. Sena Gangodathenna	:	Director
Mr. Mohamed Mohamed Fous	:	Director

Members of the Board of Directors who are appointed by the Ministry of Finance on 24th July 2018

Mr. Nalaka Devinda Madawala	:	Chairman/Director
Mrs. Rmanayakage Malika Jayanthi	:	Director/Treasury Representative
Mrs. Wickramasingha Mudiyanselage Dhammika Tharangani Wickramasinghe	:	Director/ Ministry Representative
Mr. Wannakuwatta Waduge Ruchira Nishantha Fernando	:	Director
Mr. Sena Gangodathenna	:	Director
Mrs. Nilusha Manori Tnathrige	:	Director
Mr. Ranjith Asoka Herath	:	Director

Share Capital	There has been no change in authorised and issued Share Capital through the period Authorized Share Capital 50,000,000 Shares @ Rs. 10/- Rs. 500,000,000/- Issued Share Capital 18,000,000/- Shares @ Rs. 10/- Rs. 180,000,000/- 01 Golden Share @ Rs. 10/- Rs. 10/-

Management	Mr. Nalaka Devinda Madawala	- Chairman/Director
	Mr. S.K.D.C. Navaratnam	- General Manager (Overlooking)
	Mr. C.B.Nugawela	- Deputy General Manager (Tea)
	Mr. K. B. R. Perera	- Deputy General Manager (Mix Crop)
	Mr. R. Dissage	- Deputy General Manager (Project)
	Mr. R.M.C. Wijerathne	- Manager - Finance
	Mr. S. N. Udugama	- Manager - Marketing
	Mr. D. A. Daniel	- MIS & Special Projects
	Mr. E.M.A.B. Ekanayake	- Internal Auditor

Secretary	Mrs. Chandrani Suriyarachchi Attorney-at-Law
Auditors	The Auditor General's Department (National Audit Office) of Sri Lanka
Bankers	Bank of Ceylon – Corporate Branch Peoples Bank – Suduwella Branch
Contact Details	Tele. 011 – 2698058/59 Fax. 011 – 2698057 E Mail. elkaduwacmbepl@sltnet.lk

By Order of the Board,

Suriyarachchi
....

Mrs. Chandrani Suriyarachchi
Attorney at Law – Notary Public &
Company Secretory
Elkaduwa Plantations Limited
"Janawathu Piyasa"
No. 320, T.B. Jayah Mawatha
Colombo – 10