



Stronger

TALAWAKELLE TEA ESTATES PLC | ANNUAL REPORT 2015/16

Stronger

WE ARE ONLY AS STRONG AS WE BELIEVE
AND THIS YEAR WE BELIEVED THAT WE
WERE EVEN STRONGER. WITH THE HIGHS
AND LOWS THAT WERE THROWN AT US,
WE TOOK IT ALL IN STRIDE, REMAINED
CALM AND CONFIDENT AND CONTINUED TO
DELIVER ON THE QUALITY AND STANDARDS
THAT HAVE BEEN EXPECTED OF US
WITHOUT COMPROMISE. OUR RESULTS
HAVE THEREFORE REFLECTED THIS STATE
OF MIND, THIS BELIEF. WE HAVE ENDURED,
WE ARE STRONGER.





INTRODUCTION TO THIS REPORT

G4-28, 29, 30, 31, 32 & 33

CONTENT AND SCOPE

Talawakelle Tea Estates PLC (TTE) is operating an annual reporting cycle, from 1st April and ending on the 31st March. The integrated Annual Report of TTE discusses the sustainable value creation process together with the related activities and performance in terms of both financial and non-financial facets for the reporting fiscal year. Wherever relevant, data relating to the preceding financial years are used to track trends and benchmark the performance of the year under review.

We published our first Annual Report based on the Global Reporting Initiative (GRI), under the Standard G3 in 2011. Since then, we have made steady progress in our annual reporting initiatives - embracing the current versions of GRI, G3.1 and subsequently G4, and adopting an integrated approach aligned to the Integrated Reporting (IR) Framework. This year, we attempted to further our integrated approach and refine the Annual Report on the guidelines prescribed by the IR Framework. The Report is also aligned to GRI-G4 'in accordance' - comprehensive - moving forward from the 'core' option adopted in the preceding year's annual report, 2014/15. This report is not externally assured. The content index as per the G4 Guidelines is given on pages 247 to 256 of this Annual Report.

The report is also aligned to the Company's Act No. 07 of 2007 and to the relevant regulatory requirements including those stipulated by the Colombo Stock Exchange, the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka.

We seek herein to report impartially on how we engage our key stakeholders and create sustainable value within the businesses at TTE including the operations at the 17 tea estates, the head office and wherever material, drawing references to our subsidiary operations in the hydro power sector. The report attempts to integrate and give a coherent view on the risks and opportunities present in our operating environment, the strategic focus, goals and our performance in three perspectives - economic, environment and social. We bring in an analysis with our management approach, performance and key indicators of the six most important capitals for our value creation process - financial, relationship, social, natural, manufacturing and intellectual. This is coupled with our practices and measures that are in place for effective risk management and good governance. The report content is prioritised based on the materiality assessment of our key stakeholders as set out in the Stakeholder section on page 35 to 41.

METHODOLOGY

The operational and financial data and information on performance has been prepared using the accounts data for the period 1st April 2015 to 31st March 2016, audited by M/s. Ernst & Young, Chartered Accountants. The data and information on the macroeconomic environment and the tea industry are based on the available statistics published by the Central Bank of Sri Lanka, International Monetary Fund and industry sources.

Data and statistics on environmental issues and biodiversity have been compiled using actual operating data maintained by the estates through the

Rainforest Alliance-Sustainable Farm Certification programme and biodiversity surveys conducted by professional bodies on certified estates. All high grown estates and the two low grown estates Kiruwanaganga and Deniyaya have received Rainforest Alliance-Sustainable Farm Certification and Ethical Tea Partnership (ETP) compliance confirmation.

Report on the social aspects has been compiled from data maintained onsite for the 'A Home for Every Plantation Worker' programme whilst the information on employee relations have been sourced from the human resource division.

INQUIRIES

Any questions or inquiries regarding our integrated Annual Report may be directed to the sustainability monitoring unit as follows:

General Manager - Sustainability & Quality Management Development
Talawakelle Tea Estates PLC
400, Deans Road
Colombo 10
Sri Lanka

Tel : +94 11 2627758
Email : tpl.tea@ttel.hayleys.com



ABOUT US

ABOUT US

G4-4, 28, 29, 30, 31, 32,33

Talawakelle Tea Estates PLC produces high quality teas from our 17 tea gardens situated amongst the best tea lands in the country.

Our estates, nestled in the Dimbulla Valley and amongst the verdant plains of the South, brings forth Teas that satisfy tea aficionados all over the world. Our most sought after specialty brands, “Dimbulla Tea” and “Ruhuna Tea” is served in countless homes, offices, restaurants, hotels; from the grandest to the most humble.

Our ‘quality culture’ which is underpinned by internationally acknowledged certifications and accreditations; ISO 22000, Rainforest Alliance, Ethical Tea Partnership and UTZ, are awards for our upgraded and well equipped processing facilities managed by well-trained and motivated teams.

As a member of the Hayleys Group, a multinational conglomerate with a history spanning over 135 years, Talawakelle Tea Estates PLC reaches you with our finest Ceylon teas with a defining characteristic.

VISION, MISSION AND BUSINESS PHILOSOPHY

VISION

To be the most admired plantation company in Sri Lanka.

MISSION

Manage the plantations to enhance Quality of life of all employees.

Produce and market quality teas that delight our customers. Drive sustainable growth. Enhance shareholder value.

BUSINESS PHILOSOPHY

We Believe in...

- Manufacturing Quality Tea that fetch Premium Prices
- Increasing Shareholder Value
- The Spirit of Entrepreneurship
- Making Profit without loss of Honour
- Motivating and Training our people to reach their full potential
- Rewarding Performance
- Being a Learning Organisation and continuously improving
- Building mutually beneficial long term relationships with our Customers and Suppliers
- Positively contributing to the conservation of the environment



GROUP STRUCTURE

T T E L SOMERSET HYDRO POWER (PRIVATE)LIMITED

Principal Activity : Generation of Hydro Power
Holding Percentage : 51%
Incorporated : 25th August 2008
Stated Capital : Rs. 60.0 Mn

DIRECTORS

- Mr A M Pandithage (Chairman)
- Mr Merrill J Fernando
- Mr Malik J Fernando
- Mr A R De Zilva
- Mr W G R Rajadurai
- Dr K I M Ranasoma
- Dr Arul Sivagananathan

Somerset Hydro Power Project | Nanu oya

1.1 MW

T T E L HYDRO POWER COMPANY (PRIVATE) LIMITED

Principal Activity : Generation of Hydro Power
Holding Percentage : 51%
Incorporated : 11th August 2008
Stated Capital : Rs. 69.0 Mn

DIRECTORS

- Mr A M Pandithage (Chairman)
- Mr Merrill J Fernando
- Mr Malik J Fernando
- Mr A R De Zilva
- Mr W G R Rajadurai
- Dr K I M Ranasoma
- Dr Arul Sivagananathan

Radella Hydro power Project | Nanu oya

0.2MW

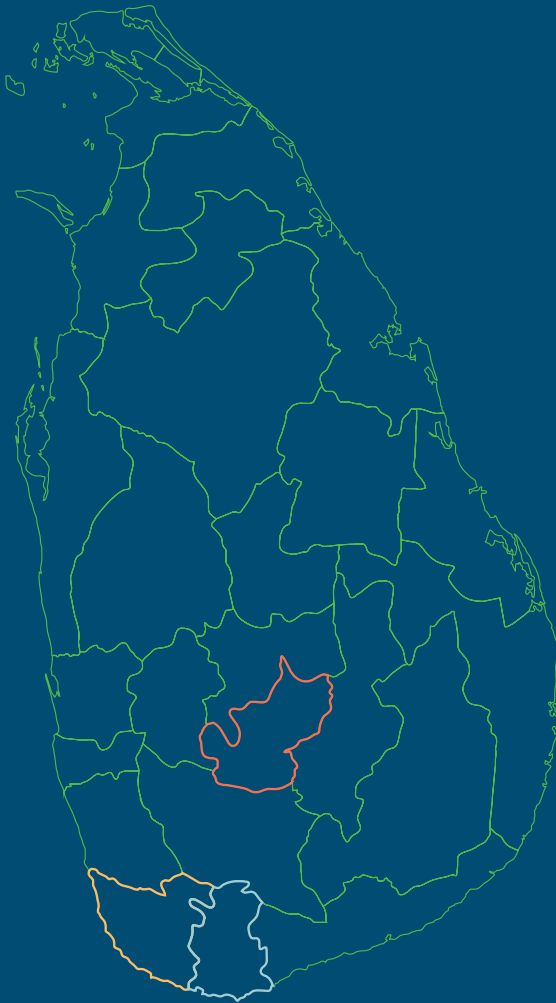
Palmerston Hydro Power Project | Talawakelle

0.8MW



MAP OF ESTATES

G4-6



• Nanu Oya (5)

Calsay Estate
Clarendon Estate
Dessford Estate
Radella Estate
Somerset Estate

• Talawakelle (7)

Bearwell Estate
Logie Estate
Great western Estate
Mattakelle Estate
Palmerston Estate
Wattegoda Estate
Holyrood Estate



• Deniyaya (4)

Deniyaya Estate
Indola Estate
Handford Estate
Kiruwanaganga Estate



• Galle (1)

Moragalla Estate

12

HIGH GROWN

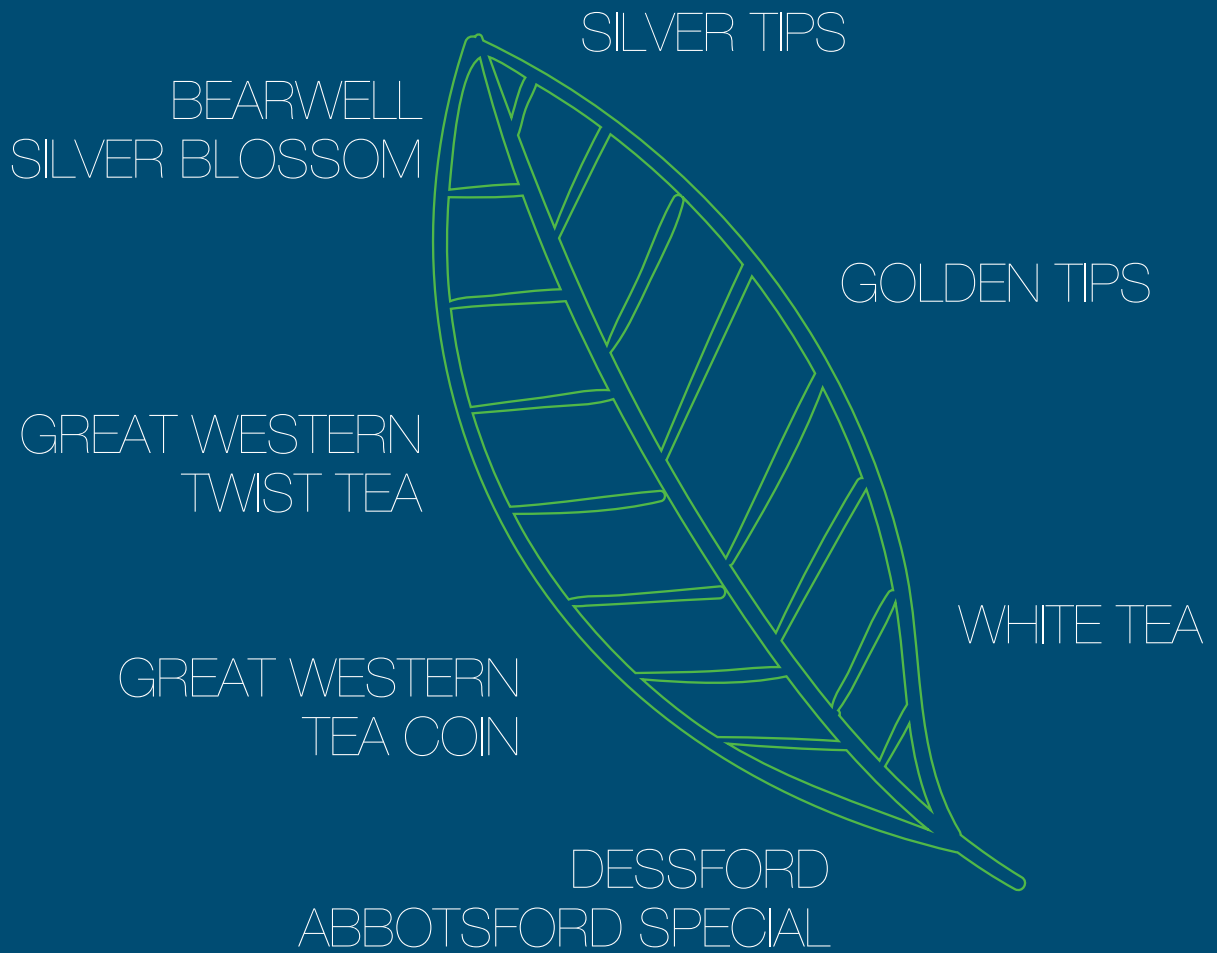
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LOW GROWN



INNOVATIVE AND SPECIALTY GRADES OF ESTATES

G4-PR 3





Great Western - Tea Coin



A coin, preserved to this day, with the name Great Western carved on its surface reveals the workers of the estate were paid with this brass token in the early days when the tea industry was beginning to raise it's head. The coin is said to represent the quarter task value of picking a quarter bag of clean tea.

Dessford - Abbotsford Special

The Abbotsford gourmet-special, is produced exclusively from buds harvested from the tea bushes planted by British planter, M.Ferguson in 1871 on Abbotsford Estate, Ceylon.No longer as young as they once were, these ancient, sturdy plants yet, produce some of the most flavoured buds, rich in anti oxidants and flavouring compounds. Processed in an exquisite, unique manufacturing process, Abbotsford gourmet-special is guaranteed to give you a taste of the rich heritage of the pioneer planters, taking you back to the peace and serenity of beautiful landscapes, horse-drawn carriages, and sun dappled roses.





TEA GRADES

G4-PR 3





VALUE CREATION MODEL

G4-2, DMA

BUSINESS MODEL FOR VALUE CREATION

Vision

Strategy

Mission

INPUTS

ACTIVITIES

FINANCIAL CAPITAL

- ◉ Shareholder equity
- ◉ Revenue generated by operational activities & investments
- ◉ Bank loans

- ◉ Treasury and Risk Management
- ◉ Cash Flow and Debt Management
- ◉ Judicious allocation of financial capital to operations, capital expenditure and diversification
- ◉ Financial & Management Accounting
- ◉ Financial Reporting

MANUFACTURED CAPITAL

- ◉ Rainforest Alliance/SAN, ETP, ISO 22000 certified processing factories
- ◉ Well-equipped plant & machinery
- ◉ Hydropower plants
- ◉ Environmental Protection Licence (EPL)

- ◉ Manufacture of orthodox black tea and green tea
- ◉ Safe, hygienic and conducive working conditions
- ◉ Maintenance of plant & machinery
- ◉ ISO 22000 Food Safety Management Systems (FSMS)
- ◉ Good manufacturing practices (GMPs)
- ◉ Continuous process improvements to enhance product quality
- ◉ Hydropower generation

NATURAL CAPITAL

- ◉ Tea & fuelwood nurseries
- ◉ Mature tea fields
- ◉ Mature fuelwood fields
- ◉ Terrestrial & aquatic ecosystems
- ◉ Water resources
- ◉ Biodiversity and ecosystems

- ◉ Tea replanting
- ◉ Sustainable agriculture practices (SAPs)
- ◉ Planting of fuelwood, green manure, native & other plant species
- ◉ Environmental impact assessment
- ◉ Biodiversity survey
- ◉ Establishing ground cover plants
- ◉ Minimising agrochemical usage
- ◉ Rainwater harvesting
- ◉ Soil conservation measures
- ◉ Water sources protection & testing
- ◉ Wastewater purification systems & testing
- ◉ Integrated waste management & recycling of solid waste
- ◉ Measuring & monitoring GHG emissions and intensity
- ◉ Biodiversity conservation
- ◉ Valuation and inventorisation of biological assets



Strategic Priorities		
<ul style="list-style-type: none"> Produce quality tea to be number one within the RPC ranks Increase worker productivity Incentivise workers on performance Product diversification & value addition Increase agricultural yields & production Reduce the labour cost component in cost of production Conformance and compliance to sustainable agricultural practices Diversification of revenue streams 		
OUTPUTS	OUTCOMES	IMPACTS
<ul style="list-style-type: none"> Revenue generated by operational activities Revenue generated by investments Positive cash flow Financial Reports 	<ul style="list-style-type: none"> Government taxes Shareholder returns/dividends Strong asset base Reduced borrowings Enhanced share price National Business Excellence Award in Corporate Governance CA Annual Report Gold Award 	<ul style="list-style-type: none"> Financial stability Credit worthiness Enhanced reputation
<ul style="list-style-type: none"> Premium quality black high grown orthodox tea Premium quality black low grown orthodox tea Premium quality green tea Enhanced revenue Greenhouse gas emissions Greenhouse gas intensity Wastewater Refuse tea Units of hydropower (kwh) 	<ul style="list-style-type: none"> Premium prices & No.1 GSA ranking among all RPC's at the Colombo Auction ISO 22000 Food Safety Management Systems Certification RA/SAN Certification National Business Excellence Award in Capacity Building 	<ul style="list-style-type: none"> Enhanced recognition & brand reputation Greater demand for company produce
<ul style="list-style-type: none"> Immature tea fields Fuelwood blocks/ Biological assets Protected water resources Protected biodiversity and ecosystems Increase in crop, yields & revenue 	<ul style="list-style-type: none"> Increase in fuelwood & timber production Clean environment & water bodies Healthy community Increase in population of wildlife Reduced carbon footprint and Greenhouse gas intensity National Business Excellence Award in Excellence in Environmental Sustainability National Green Awards 	<ul style="list-style-type: none"> Sustainable plantations Improved micro-climate



VALUE CREATION MODEL CONTD.

	INPUTS	ACTIVITIES
HUMAN CAPITAL	<ul style="list-style-type: none"> Management expertise and experience Skilled workers and staff members Investment on employee training In-house training centres 	<ul style="list-style-type: none"> Recruitment & selection Training development Performance management systems Rewards & recognition Career advancements Competitive remuneration & incentives Occupational health & safety procedures & programmes Grievance handling procedure Protecting human rights & compliance with labour laws
SOCIAL AND RELATIONSHIP CAPITAL	<ul style="list-style-type: none"> Estate Worker Housing Co-operative Society (EWHCS) "Home for Every Plantation Worker" Programme Health & Safety Committees Trade Unions 	<ul style="list-style-type: none"> New housing Water & sanitation facilities Medical & welfare facilities Child development centres Health & nutrition programmes Community capacity development Road rehabilitation Worker rest rooms Empowerment of youth programmes
Estate Community Relations		
Customer Relations	<ul style="list-style-type: none"> Premium Black & Green Tea Local customer base International customer base Consistent service quality 	<ul style="list-style-type: none"> Customer communication Customer engagement Obtaining customer feedback & assessing satisfaction levels Managing customer complaints Fulfilling customer requirements and aspirations Acquiring new customers Expanding the customer base & market segments Ethical marketing of estate produce Brand management & enhancing brand value Providing feedback to estates on market requirements, product quality & future trends Adhering to Colombo Tea Traders Association, Sri Lanka Tea Board & other regulatory requirements
INTELLECTUAL CAPITAL	<ul style="list-style-type: none"> Good corporate governance system Best tea manufacturing technologies Robust, ethical and sustainable management systems Strong brand for quality teas Market intelligence Performance monitoring system 	<ul style="list-style-type: none"> Ethical & sustainable management practices ISO 22000 Food Safety Management Systems RA/SAN Sustainable Agriculture Network standard programmes Integrated risk assessment & management Effective Estate performance monitoring system Responsible GRI reporting



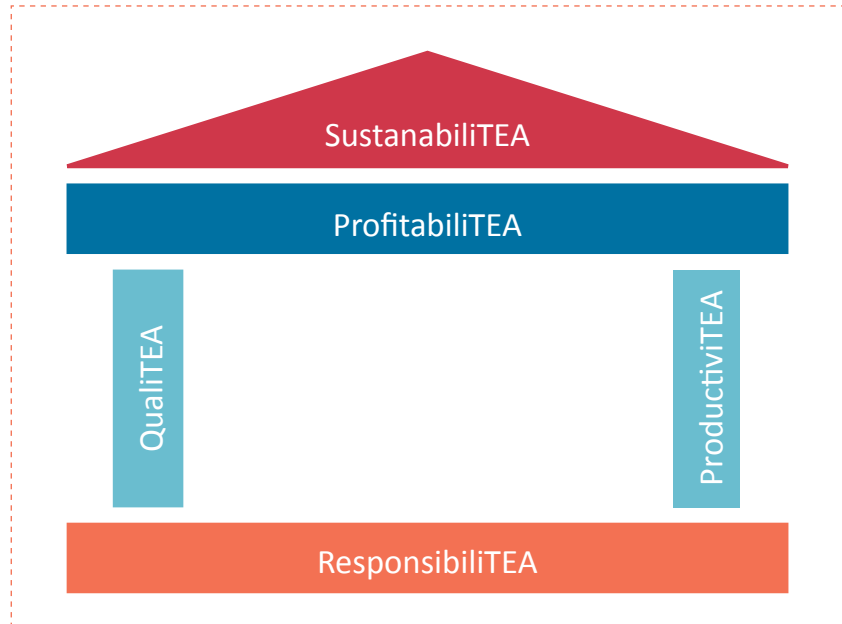
OUTPUTS	OUTCOMES	IMPACTS
<ul style="list-style-type: none"> Skilled, competent & motivated employees Performance excellence Conducive & safe working environment 	<ul style="list-style-type: none"> Committed & empowered employees High performance culture Reduced turnover 	<ul style="list-style-type: none"> Industrial harmony Enhanced company reputation
<ul style="list-style-type: none"> Improved/upgraded housing facilities Improved water & sanitation facilities Improved health facilities 	<ul style="list-style-type: none"> Healthy community & children Good Community relations Good trade union relations 	<ul style="list-style-type: none"> Socio-economic development Enhanced quality of Life
<ul style="list-style-type: none"> Customer response & feedback Enhanced gross sale average (GSA) Enhanced revenue 	<ul style="list-style-type: none"> Reduced customer complaints Enhanced customer satisfaction No.1 GSA ranking amongst all RPC's at the Colombo Auction 	<ul style="list-style-type: none"> Enhanced brand value Enhanced company reputation Enhanced shareholder returns
<ul style="list-style-type: none"> Consistency in superior product quality Consistency in ethical management practices Consistency in performance excellence 	<ul style="list-style-type: none"> High brand value Sustainable business operation Competitive advantage ISO 22000 Food Safety Management Systems Certification Rainforest Alliance Sustainable Agriculture Network Certification National Business Excellence Award for Overall Excellence Annual Report Gold Awards 	<ul style="list-style-type: none"> Enhanced shareholder value Enhanced company reputation



OUR PATH TO VALUE CREATION

Talawakelle Tea Estates PLC embraces an integrated approach to value creation—which stands significant for a regional plantation company and warrants our full commitment. Our agriculture based operations and our reliance on people, set the case to bring in a balance between economic, environment and social aspects of value creation. This is embodied in our business model driving towards our corporate mission. The Six capitals—financial, manufactured, intellectual, human, social and relationship and natural—bring in the resources we need to create value within the business. We have created separate sustainability objectives and goals under each capital for effective and robust monitoring of the value creation process, which are measured by annual achievements.

Our value creation process is all-inclusive. We have 17 tea estates spreading out on 6,490.55 hectares of land in the high grown elevations in Talawakelle and Nanu Oya and the low grown elevations in Deniyaya and Galle regions; coupled with fully-equipped and modern processing facilities in 13 factories. We employ a diverse workforce of 8,287 who stands as the core of our estate



operations. Aside, we have a significant bought-leaf operation in the low grown region, engaging over 2,184 tea smallholders, accounting for 14% of our total tea production. The three hydro-power plants operated as a subsidiary entity further complement the value we generate. The resident communities, reaching over 40,000, together with the neighbouring communities are intrinsic to our estate operations whilst our proactive engagement gives them their livelihood and nurtures their quality of life. Our responsible initiatives support to protect our biodiversity and reduce green-house gas emissions. Spurring this entire process, we have with us the strong support of our valued shareholders.

The value we create within our estates, we share with our stakeholders—a full circle of enrichment and progress, with multiplier benefits, permeating to the entire society.



INTEGRATED SUSTAINABILITY OBJECTIVES, GOALS AND ACHIEVEMENTS

ASPECT	OBJECTIVE	UNIT	GOAL 2015/2016	ACHIEVEMENT		
				2015/2016	2014/2015	2013
FINANCIAL CAPITAL	1. Revenue	Rs.Mn	3,800	3,323	4,643	3,528
	2. Gross Profit	Rs.Mn	290	247	437	337
	3. Return on Equity (ROE)	%	6.5	6.7	13.9	10.8
	4. Debt to Equity	%	34.1	30.2	36.4	48.9
MANUFACTURED CAPITAL	1. New Machinery acquisitions	Rs.Mn	20	7.66	46.51	22.74
	2. Production	Mn.kg	7.7	6.8	8.8	7.3
	3. Made tea out tern	%	22.20	22.21	22.31	22.05
INTELLECTUAL CAPITAL	1. Recognitions & Awards	Number of main awards	20	15	15	16
	2. Certifications					
	⊗ ISO 22000 –FSMS	Number of estates	14	13	13	13
	⊗ Rainforest Alliance	Number of estates	14	14	13	13
	⊗ Etical Tea Partnership	Number of estates	14	14	13	13
	⊗ UTZ	Number of estates	14	01	01	01
	3. Reputation and brand value	RPC GSA Ranking	01	01	02	02
HUMAN CAPITAL	1. Total Worker Productivity	kg/Worker	2.75	2.7	2.7	2.6
	2. Worker Attendance	%	80	65	68	70
	3. Investment on Employee Training	Rs.Mn	1.5	1.3	1.6	1.5
	4. Worker Turnover	%	10	06	22	09
SOCIAL & RELATIONSHIP CAPITAL	1. New Housing	Units	20	32	11	10
	2. New Sanitary Facilities	Units	100	242	30	22
	3. Investment on Social	Rs.Mn	50	54.8	30.5	24
	4. Infrastructure Development	Rs.Mn	18	17.3	15.4	13.1
COMMUNITY DEVELOPMENT	Investment on Social Activities and community development					
CUSTOMER & SUPPLIER RELATIONSHIP	1. Customer Complaints	Nos	0	22	10	13
	2. Customer Satisfaction Index	%	100	70	71	65
	3. Total Local supplier percentage	%	95	99.7	96	94
	4. Tea Small holder supplies	kg	1,333,000	938,751	1,585,725	1,252,095
NATURAL CAPITAL FIELD DEVELOPMENT & PERFORMANCE	1. Yield per Hectare	kg/hec/annum	1,679	1,547	1,887	1,570
	2. Replanting-Tea	hec/annum	35.94	29.41	46.25	27.47
	3. Planting of Fuelwood & Timber Species	hec/annum	52.5	52.72	54	11.04
	4. Investment on Field Development	Rs.Mn	140	105	79.2	71.5
ENVIRONMENTAL STEWARDSHIP	1. Generation of Hydropower	kWh-mn	10	8.2	6.9	9.0
	2. GHG Emissions-Carbon Footprint	tCO ₂ e	5,000	5,660	5,495	5,696
	3. GHG Emissions Intensity	tCO ₂ e/ton of Made Tea	0.70	0.73	0.74	0.74
	4. Investment on Environmental Initiatives	Rs.Mn	45	43.2	26.4	49.5



FINANCIAL HIGHLIGHTS

RS. 3.4 BN

GROUP TURNOVER
DECREASED BY 27.8%

RS. 177 MN

**FREE CASH FLOW POSITIVE FOR THE 4TH
CONSECUTIVE YEAR**

RS. 38.2 MN

FINANCE EXPENSES
DECREASED BY 47.5%

29.7%

GROUP DEBT EQUITY
REDUCED FROM 37.3%

RS. 189.3 MN

GROUP NET PROFIT BEFORE TAX
DECREASED BY RS. 97.1 MN

RS. 3.92 BN

TOTAL ASSETS
INCREASED BY RS. 140.0 MN

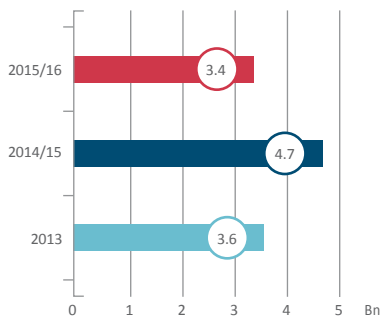
RS. 771.8 MN

MARKET CAPITALISATION
DECREASED BY RS. 61.8 MN

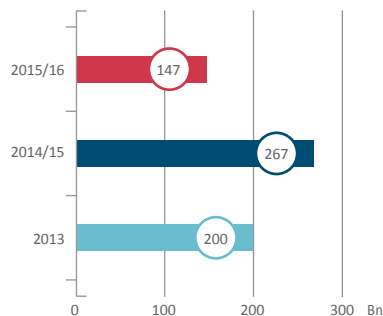
RS. 552.6 MN

TOTAL DEBTS
REDUCED BY RS. 137.9 MN

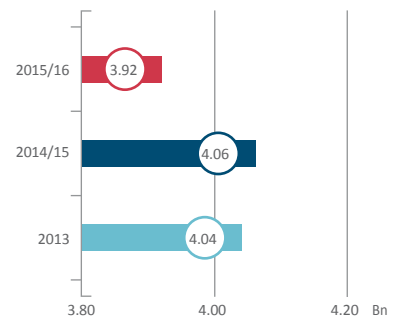
Turnover



NPAT



Total Assets





NON FINANCIAL HIGHLIGHTS

RANK NUMBER 1

OVERALL IN TEA PRICES AMONGST REGIONAL PLANTATION COMPANIES

MATTAKELLE ESTATE

RANK NUMBER 01 IN TEA PRICES FOR SEVENTH CONSECUTIVE YEAR IN WESTERN HIGH GROWNS

156 TOP PRICE RANKINGS

IN COLOMBO TEA AUCTIONS

103.13 HECTARES

TEA REPLANTING AND FIELD DEVELOPMENT

RS. 54.8 MN

COMMUNITY INFRASTRUCTURE DEVELOPMENT, INCREASED BY 80%

RS. 43.2 MN

ENVIRONMENTAL INITIATIVES

6%

AVERAGE EMPLOYEE TURNOVER DECREASED BY 73%

5,660 tCO₂e

GHG EMISSIONS INCREASED BY 165 tCO₂e

0.73 tCO₂e/TON OF TEA

GHG EMISSIONS INTENSITY REDUCED BY 0.01 tCO₂e/TON OF TEA

8,207,558 kWh

HYDROPOWER GENERATION INCREASED BY 18%

52.72 HECTARES

FUELWOOD & TIMBER PLANTED

100% COVERAGE

HIGH GROWN TEA ESTATE PLUCKERS USE TEA RESEARCH INSTITUTE PLUCKING BASKETS



AWARDS AND CERTIFICATIONS RECEIVED FOR THE YEAR 2015/16

OUR AWARDS FOR THE YEAR 2015/16



The following Awards were presented to TTE at the National Business Excellence Awards Ceremony, at Colombo Hilton on 24th November 2015

- Agriculture & Plantations Sector - 'Gold Award'
- Excellence in Corporate Governance - 'Silver Award'
- Excellence in Environmental Sustainability - 'Silver Award'
- Excellence in Corporate Social Responsibility - 'Silver Award'
- Extra Large Category- 'Merit Award'



- TTE Team proudly displaying the Five Awards



- Gold Award presented at the CA 51st Annual Report Award - 2014, ICASL, at the Water's Edge, Battaramulla on 3rd December 2015



- Best Presented Annual Report Award & SAARC Anniversary Awards-CGD 2014 'Winner Agricultural Sector'



OUR AWARDS FOR THE YEAR 2015/16

Please refer the intellectual capital section for Awards List on page 136



🎯 National Green Award 2015 - 'Gold Award' - Kiruwanaganga Estate



🎯 Ralston Tissera Memorial Award
Mattakelle Estate



🎯 National Green Award 2015
'Silver Award' - Mattakelle Estate



🎯 National Social Dialogue & Workplace
Cooperation Award 2015- 'Silver Award' -
Holyrood Estate



🎯 Chairman's Awards - Plantation Sector (Joint Winner) - Radella Estate



CHAIRMAN'S MESSAGE



RS. 3.4 BN GROUP TURNOVER

Group Revenue and PBT was Rs. 3.4 Bn and Rs. 189.3 Mn respectively amidst industry wide losses.

We retained our industry leadership in producing a Quality tea by being ranked number one for tea prices at the Colombo Tea Auctions amongst all RPCs for the eleventh consecutive year for both high and low grown teas.

The two hydro power companies contributed a PBT of Rs. 38.9 Mn towards group PBT.



G4-1

**WE ESTABLISHED MULTIPLE
INDUSTRY BENCHMARKS
DESPITE A TURBULENT
YEAR.**

Dear Shareholder,

I am pleased to present the Annual Report and Audited Financial Statements of Talawakelle Tea Estates PLC for the year ended 31st March 2016. Consequent to the change in the financial year in 2014/15, from December to March, results this year are presented for twelve months compared to a fifteen-month period ending last financial year. I have the pleasure to announce in a year of much adversity and challenge faced by the tea industry; both locally and globally, your company has posted a noteworthy performance.

OPERATING LANDSCAPE

Amidst the dynamics that prevailed within the socio-political backdrop, the Sri Lankan economy posted a shade below last year's GDP growth at 4.8 percent as against 4.9 percent. The agriculture sector posted a lower growth to last year. The tea sub-sector was affected with lower national output and prices. A high fiscal deficit, rising trends in interest rates and the depreciation of the rupee against the US dollar were some of the adverse macroeconomic features witnessed in the second half of the year. Decline in growth and stability in Sri Lanka's key tea export markets, further compounded the economic landscape and that of the industry during the year under review.

The tea sector continued to make a significant contribution to the overall economic and social development in the country; despite posting a lower rate of growth and export earnings. Tea production at 328.9 Mn kg during the year was marginally below than last year's 338 Mn kg. Tea export earnings recorded a negative growth of Rs. 30.5 Bn vis-à-vis export earnings Rs. 212.5 Bn in 2014, with export earnings reaching to US \$ 1.29 Bn vis-à-vis US \$ 1.63 Bn in 2014. The Colombo Tea Auctions continued its downward trend of lower tea prices since mid-2014 in to 2015. This exerted considerable pressure on revenue and margins on the corporate tea sector. It should be noted that the industry would have been in serious crisis at this point of time, if the wage increase demand of Rs. 1,000/- per day was granted with effect from April 2015, particularly, in the context of falling tea prices. Adding on another challenge, adverse weather took a toll on national tea production along with continued unfavourable market conditions in Russia, CIS and Middle East. The market lost its attractive price levels of last year and nosed-dived to unremunerative levels, more so for low grown teas. However, in terms of global tea prices, the Colombo Tea Auctions were marginally above other auction centers. The average price per kilogram was US\$ 2.96 as against US \$ 3.54 in the preceding year. The depreciation of the rupee as against the US dollar somewhat mitigated the impact on rupee tea prices at the Colombo auctions.

CORPORATE PERFORMANCE

The Company's turnover for the year under review was Rs 3.3 Bn a decrease from Rs. 4.6 Bn, with a net profit after tax of Rs 110.3 Mn compared to Rs. 228.3 Mn for a fifteen months period in the previous year. On a consolidated basis, the turnover of the Group was Rs. 3.4 Bn, a decrease of 28.5 percent over the previous year. The Group's net profit after tax amounted to Rs. 146.6 Mn. Our two subsidiary companies in the hydropower sector recorded a profit after tax of Rs. 36.2 Mn compared to Rs. 39.2 Mn in the previous year.



CHAIRMAN'S MESSAGE CONTD.

This performance was achieved amidst industry wide large losses posted by almost all regional plantation companies (RPCs) in their tea segment; impacted by a challenging environment including a ten-day strike in July 2015. Positive net earnings in such a backdrop and being ranked number one for overall tea prices amongst all RPCs are indeed creditable and noteworthy.

The results of the year were underpinned by our strategic imperatives—upholding quality and consistency of the tea we produce, sustainable agriculture practices, financial discipline coupled with ethical business practices as the corner-stone of our strategy. The conducive weather in the high grown region and relatively stable interest rates in the first half also supported the year's results.

DIVIDENDS

The Board does not recommend a dividend payment due to the present challenges faced by the Company.

RANKINGS & AWARDS

Recognised for our committed efforts to uphold sustainable business practices, essentially underscoring our operational success, we continued to be honored and clinch coveted awards in the industry and at the national level. For the Eleventh successive year, we secured our leadership position for both high grown and low grown prices at the Colombo Tea Auctions amongst the RPCs. Our brand strength for quality teas reinforced our positioning as a 'preferred supplier' and complemented our price performance to exceed the national elevation averages. We retained our title as the 'Best Performing (Highest GSA) Regional Plantation Company' for

2015 in both the high and low grown categories, at the Annual Awards Night organised by Forbes and Walker Tea Brokers (Pvt) Ltd, in March 2016.

Endorsing our initiatives to raise the bar in corporate reporting, we received the Gold Award for our Annual Report 2014/15 in the plantation sector category at the 51st Annual Report Awards organised by the Institute of Chartered Accountants of Sri Lanka in December 2015.

We were also privileged to be commended for our overall business performance in the plantation and agriculture sector with a 'Gold Award' at the National Business Excellence Awards, organised by the National Chamber of Commerce of Sri Lanka in December 2015. We were further inspired with the three silver awards we received for Excellence in Environmental Sustainability, Excellence in Corporate Governance, Excellence in Corporate Social Responsibility and an overall merit award in Extra Large Category from twenty six industry categories. We also value the Presidential Award we received for our commitment to work towards a sustainable environment at the National Green Awards organised by the Ministry of Environment in October 2015.

REPORTING INITIATIVES

Seeking to harmonise our 'integrated thinking' in our value creation and sharing process, we continued to be more focused in our efforts to bring in an integrated approach to corporate reporting. In this year's Annual Report, we looked at refining our presentation of information—reporting on the capitals that matter for the sustainability of our operations and thereby, address the

interests of key stakeholders for greater engagement. The report attempts to present our strategy along with performance milestones, governance and future outlook and plans—embracing both the financial and non-financial facets, beyond the conventional line.

CHANGES TO THE BOARD

I wish to place my sincere appreciation of late Professor Uditha Liyanage for his valuable contribution during his tenure as a Board member, whom we sadly miss and have fond memories.

STRATEGIC DIRECTION & OUTLOOK 2016

We approached the year with cautious optimism, well aware of the formidable challenges. We are happy to note that we have stood up to the adversities thus far and achieved a number of firsts in a difficult industry landscape; with professionalism and strategic focus. This supported us to record a relatively good year for 2015/16. We firmly believe that if we follow a similar approach with greater dynamism in the coming year, we will be able to balance the short to medium term impacts; arising from volatile commodity markets, instability in key export markets, climate change and demand for non-productivity linked wage increases.

Our direction will be guided by our strategic imperatives; improving resource productivity, cost efficiency, product quality and diversity, and revenue diversification, in an overall context of sustainable agricultural practices and financial prudence governed by ethical corporate behavior. We are confident with our committed team; along with our performance



management system at the core, which will be the lynch pin to deliver on our strategic imperatives, navigating an unpredictable year ahead.

The current level of national tea prices are much to be desired. At these levels, we will be unable to sustain another year especially in the context of low grown tea plantations with a bleak outlook for prices. Hence, price stability and cost of production are critical in the high grown region in the coming year.

We are concerned of the lack of understanding of some of the stakeholders of the need to ensure cost competitiveness within the industry. Whilst thanking the authorities for paying heed to the industry issues, we look forward to working closely with the Trade Unions to improve productivity and quality of life of our people in a difficult year ahead. We are strongly of the view to change the present wage model for a better future for all engaged in the industry. We have taken the initiative to engage the Trade Unions and the authorities in this regard.

Upholding a strong brand presence for 'Pure Ceylon Teas', strengthened and relevant research into new tea product derivatives and adequate funding for research and development are vital, if Sri Lanka is to remain globally competitive. Policy consistency with regard to diversification including an enabling environment to develop forestry and energy plantation, will have a significant impact on the future sustainability of the industry. We urge the authorities to take these in to consideration when formulating a national policy for the industry.

We are thankful to the authorities for making available a concessionary line of credit recommended by the Sri Lanka Tea Board to the commercial banks to tide over the drop in tea prices. We urge further enhancement of the replanting subsidy to improve national yields and await for a speedy roll out of the tea promotion campaign with funds in 'The Sri Lanka Tea Board Export Cess Fund' to promote Ceylon teas. This would enable to regain and expand market share vis-à-vis the global brands of other origin teas. Whilst we are adversely impacted with the withdrawal of the fertilizer subsidy—a cost increase of approximately Rs. 75 Mn in the coming year for the company—we earnestly request the authorities to give some concession to the RPCs as well; as we have always upheld environmental responsibility in our fertilizer applications.

Whilst being proud of establishing more than one industry benchmark in an extremely difficult year in 2015/16, we are mindful of the necessity to endure further adversities in the year ahead. In the backdrop of an operating environment with a multitude of challenges including a wage structure revision, we see 2016/17 to be an arduous financial year. Yet, the opportunities within this backdrop are distinctive and should not be unheeded.

IN APPRECIATION

I wish to thank all our employees for their tireless work during the year. I also extend my appreciation to our buyers, brokers, financiers and all other stakeholders for their continued support. My sincere appreciation is with my fellow Directors on the Board for their wisdom and guidance.

Mohan Pandithage
Chairman
Talawakelle Tea Estates PLC

10th May 2016



MANAGING DIRECTOR'S REVIEW



RS. 189.3 MN
**GROUP NET
PROFIT BEFORE TAX**

Our hands-on performance monitoring mechanism was amongst the focal measures we braced on and relied upon this year to support us deliver on our corporate targets.

The sound business results we were able to record this year, even against intensifying odds were indeed an expression of this performance culture, which is now instilled within our organisation.



G4-1

TALAWAKELLE TEA ESTATES PLC CONTINUED TO STAND IN GOOD STEAD AND DELIVERED A CREDITABLE PERFORMANCE IN THE FINANCIAL YEAR 2015/16. WITH A CLEAR AND CONSISTENT STRATEGY COMBINED WITH 'HANDS-ON' AND PRINCIPLED MANAGEMENT, WE WERE ABLE TO REINFORCE OUR POSITIONING AS ONE OF THE MOST SUCCESSFUL AND TOP-TIER REGIONAL PLANTATION COMPANIES (RPCS) IN THE INDUSTRY.

Navigating through the complexities that were integral within the crisis-hit plantation sector, Talawakelle Tea Estates PLC continued to stand in good stead and deliver a creditable performance in the financial year 2015/16. With a clear and consistent strategy combined with 'hands-on' and principled management, we were able to reinforce our positioning as one of the most successful and top-tier regional plantation companies (RPCs) in the industry. My review herein, sets out our focused efforts to sustain our status-quo in value creation amidst dismal operating conditions along with our strategic plans for the ensuing years, leading our organisation towards long-term sustainability.

UNDERLINING STRATEGY

We witnessed one of the most challenging years in almost five decades of the plantation sector history. On the external front, the worsening geopolitical scenario, the plummeting commodity markets and the lacklustre economic activity within our key export markets in the Middle East, Russia and the CIS countries, reflected negativity on the sector prospects. In the domestic scenario, the changing political backdrop, particularly fuelling hype and unrealistic expectations from a socio-economic standpoint, downturn macroeconomic undertones and lower levels of productivity underpinned our operating settings. The extremities of weather were definitely not on our side either—further intensifying the plantation sector woes.

It is against these sector and macro adversities that we had to stand firm, be more cautious, disciplined and perceptive in meeting our strategic imperatives. We were thorough in our planning and steadfast in rolling out our action plans—seeking in effect

to be financially viable, whilst at the same time ensuring that we meet our environmental and social sustainability goals.

Our focus this year was to consolidate and bolt on our core competencies and seek for cost efficiencies. In line with our key drivers underscoring our value creation process, we pursued on raising worker productivity; reinforcing our sustainable practices in agriculture to better our yields; to develop our factories with streamlined systems and processes and due investments in infrastructure. We maintained our top-down approach to management, closely monitoring our estates based on our selected key performance indicators and concentrating on bringing a leaner cost structure, which were evidently critical in accomplishing our operational targets in a year of challenges. But more importantly, we stayed true to our corporate values—nurturing an enabling workplace culture; intensifying our social engagement to ensure community wellbeing; and managing our environment to protect the biodiversity within our estates and reduce our carbon footprint.

SOUND CORPORATE RESULTS

As reflected across the tea plantation sector, the year 2015/16 stood amidst adverse headwinds from almost all directions. Extremities in weather, particularly in the low grown elevation, along with the ten-day all-island strike impacted our crop production to moderate to 6.8 Mn kg five percent below the levels achieved in the corresponding period of the preceding year. The production in the low grown estate crop fell by a notable 17 percent whilst the high grown crops maintained last year's levels. The bought leaf operations were also affected and

**MANAGING DIRECTOR'S REVIEW CONTD.**

registered a drop in production levels to 0.938 Mn kg down by 26 percent below the levels achieved in the previous year.

The bearish trends that prevailed at the Colombo Tea Auctions reversed the trends of remunerative prices witnessed in the previous year. Yet, we were able to leverage on our quality and fetch higher prices compared to most other RPCs. This supported us to curtail a steep fall in our top-line; the year recorded a revenue of Rs. 3.3 Bn representing a 28 percent decrease as against the previous year which entailed fifteen months.

With focused cost controls, we were able to manage our cost of production on par with the previous year. The proposed wage increase which was due to be affected from 1st April 2015 did not materialise, which in turn, reflected well on keeping our costs from reaching to excessive levels. The lower interest rates that prevailed in the first half of the year coupled with the treasury management supported to keep our finance costs at bay. This enabled the bottom-line to be in-tact—profit before tax in the reporting year stood at Rs. 150.2 Mn, corresponding to 42.9 percent decrease over the preceding year. This is indeed creditable, albeit, a negative growth, considering the industry conditions. Our return on equity for the year stood at 6.7 percent.

We sustained a robust financial position as at the year-end 31st March 2016. Our net assets registered a decrease of 0.71 percent to Rs. 1.63 Bn compared to Rs. 1.64 Bn over the position in the preceding year-end. The asset position combined with the shareholders' funds were well above to cover the liability obligations of the organisation.

On a consolidated note, the revenue generated from our subsidiary operations in hydro power, touched Rs. 111.4 Mn whilst the net profits before tax generated reached Rs. 38.9 Mn. The hydro power operations contributed 20 percent to our consolidated profit before tax.

SUSTAINING QUALITY AND PRICES

Well respected and renowned for upholding best practices, we concentrated on sustaining our standards of producing the finest quality tea in both elevations. Our quality management process—fully integrated at the field level and in the factories—was recognised under the ISO 22000 certification. The sustainable measures and practices we have adopted in our operations were also endorsed by the Rainforest Alliance, with re-certification received for the third consecutive year.

In a declining market backdrop, we still managed to fetch premium pricing for our teas at the Colombo Tea Auctions, surpassing the national elevational averages. This year too, we sustained our ranking at the top for low grown elevation teas amongst the RPCs, for the eleventh consecutive year. High grown teas sustained the number one ranking for the past twelve years—except in 2012. The Mattakelle estate, our flagship, topped the Western high grown catalogue for the seventh successive year as the highest GSA whilst five of our high grown estate marks were amongst the top ten price earners. The Kiruwanaganga estate, in the low grown elevation, ranked first whilst three of our estate marks were within the first five amongst the RPCs.

DRIVING FOR PRODUCTIVITY IMPROVEMENTS

From a long-term standpoint and especially given the weakening conditions of the plantation sector, it is imperative that we stand committed and invest well on enhancing our productivity levels. We sustained our good practices in the field—replanting, soil management, water management, responsible fertiliser application and pest control—to improve our land productivity and maximise the yield potential. We also remained thorough in our efforts to maintain the manufacturing capital with due upgrades to the machinery and equipment in our factories; and meeting quality and safety standards in line with our certification obligations. The capital expenditure in the year was not compromised for short-term gains. We continued to invest, standing at Rs. 140.5 Mn, although corresponding to a 46.6 percent decrease over the previous year. We also made timely investments in the year under review to maintain the hydro power plants in Radella, Somerset and Palmerston which remained fully operational and viable throughout the year.

FOCUSED ON PERFORMANCE

Our hands-on performance monitoring mechanism was amongst the focal measures we braced on and relied upon this year to support us deliver on our corporate targets. We were diligent in our efforts to internalise this mechanism through all seventeen of our estates and the corporate office. The necessary systems in place enabled real-time data and information exchange across the organisation. We brought in young talent—well qualified in statistical



analysis—to form a dedicated team for data analytics on the most critical functions of our operations, finance and management. The KPI dash-boards and other detailed and refined management information reports generated from this process gave key insights to problem areas and heads-up on the necessary action to be taken for timely checks and balances. The performance rating derived from this analysis, in turn, formed the basis for recognition, rewards and even promotions for the operational level staff.

The sound business results we were able to record this year, even against intensifying odds were indeed an expression of this performance culture, which is now instilled within our organisation. In effect, we recorded marked improvements in employee productivity levels, pricing and cost controls.

POSITIVE LABOUR RELATIONS

Making positive in-roads in labour relations, we sought to heighten our engagement with the estate worker, and collectively at the trade union level. With labour productivity levels at the lowest—compared to other tea competitor countries—we recognise the criticality of mustering the support of the worker and changing their mind-set towards better quality work. This stands at the very core of our corporate strategy. We continued to be focused in our awareness building initiatives; reaching out to the workers, educating them on the necessity to stand together with the estate management to prevent the sector from moving into doldrums in the long-term. Our key value drivers set for the estate seek to ensure the wellbeing of our workers, whilst harnessing their productivity potential.

With these focused efforts, in effect, we have been able to address issues of worker absenteeism—curtailing the ratio to 15.9 percent in the year; and even out-migration which stands at 6.1 percent on average, relatively lower compared to the industry norms.

WORKER AND COMMUNITY WELLBEING

With the industry at its lowest ebb, it is crucial that we remain focused and committed to uphold the quality of life of our workers and the communities resident in our estates. We did not compromise on our social initiatives—housing, health, safety, sanitation and other welfare measures—despite the difficulties faced in the year. Our dedicated community development programme, ‘Home for Every Plantation Worker’ this year reached out to our workforce totaling to over 8,000 and to a resident estate population of over 40,000. The total worker welfare expenditure stood at Rs. 115 Mn, compared to Rs. 154 Mn in the previous year. The cumulative social infrastructure capital expenditure since inception stood at Rs. 380 Mn.

THE PATH AHEAD

The plantation sector is clearly at cross-roads. The outlook for the year ahead is still bleak and the sector may go into a protracted slump well into the medium term. The onus is on the stakeholders—be it the estate management, trade unions, workforce or the authorities—to stand in partnership and work towards the long term viability of the sector. It is encouraging to see the steps already taken towards greater collaboration and willingness to move away from the conventional labour-wage model to embrace a revenue-share model, best suited to the emerging socio-cultural trends. The proposal is on board and

currently being deliberated by the key stakeholders on the adoption of this new paradigm—where worker productivity will be tied up with their compensation package. We strongly believe and sincerely hope that all stakeholders will accept this as the way forward, which will essentially support the sector to be resilient against the impending challenges and be viable in the future years.

As a front-runner RPC, we are well aware of our role within the wider context of the tea industry. We have our fundamentals in place and long-term thinking and determination at all levels of management to steer through the adversities in our operating backdrop, and create significant shared value within the business.

As part of our routine operational plans, we will continue to invest and step up our efforts to bring in further productivity improvements whilst being conscientious in maintaining our standards and quality in both field and factory operations. Disciplined efforts to lower cost of production with leaner overheads will continue to be at the core of our strategy. We will adopt best practices in risk management and governance; meet certification standards; sustain sound worker and community relations; and be proactive in managing the environmental impacts for greater sustainability.

We also intend to bring in a better market focus into our operations, seeking for opportunities to engage in more aggressive marketing and promotional initiatives. We look forward to collaborate with the industry stakeholders in this regard. We will also seek to intensify our efforts to position our individual marks and build on and



MANAGING DIRECTOR'S REVIEW CONTD.

promote our own brand—essentially underlined by ‘trusted quality’—in conjunction with the brand ‘Ceylon’.

From a medium term perspective, we will pursue to add value to our teas and diversify into new products. We are keen to take up other crops like cinnamon, oil palm and fuel wood targeting both the export and the domestic markets.

From a long term perspective, we are looking at exploring our opportunities within the emerging tourism and leisure sector. We are currently looking at the feasibility of establishing a hotel property in Nuwara Eliya which could complement and even link our core business through ‘tea tourism’.

IN CONCLUDING

Against the uncertainties that shrouded the industry over the year, our stakeholders worked in concert to support our organisation to stand firm and steer resiliently to mark a creditable year. I am truly grateful to my Chairman and the Board of Directors for their insightful leadership and direction in taking our organisation forward in these trying times in the industry. My corporate management and operational teams across the estates were agile and proactive in their commitment to follow through with our plans and work towards our corporate targets. I wish to pay a tribute for their unstinted efforts and dedication and sincerely hope to see this continue in the ensuing years.

To our valued shareholders, buyers, suppliers and all other stakeholders, my sincere appreciation is extended for the trust and confidence placed in our corporate mission.

Roshan Rajadurai
Managing Director
Talawakelle Tea Estates PLC

10th May 2016



BOARD OF DIRECTORS



**MR A M
PANDITHAGE**
Chairman*



**MR W G ROSHAN
RAJADURAI**
Managing Director*



**MR MERRILL J
FERNANDO****



**MR MALIK J
FERNANDO****



**PROF UDITHA
LIYANAGE *****



**DR S S S B D G
JAYAWARDENA *****



**MR L N DE S
WIJEYERATNE *****



**DR K I M
RANASOMA ****



**MR W D N H
PERERA ****



**MS MINETTE D A
PERERA ****



**DR N T
BOGAHALANE *****



**MR D S
SENEVIRATNE ***



**MR D C
FERNANDO ****



**MR J M
KARIAPPERUMA ****



BOARD OF DIRECTORS

MR A M PANDITHAGE

Chairman*

Chairman and Chief Executive of Hayleys PLC. Appointed to the Board of Talawakelle Tea Estates PLC in July 2009.

Fellow of the Chartered Institute of Logistics & Transport (UK). Honorary Consul of United Mexican States (Mexico) to Sri Lanka. Committee Member of the Ceylon Chamber of Commerce. Council Member of the Employers' Federation of Ceylon. Member of the Maritime Advisory Council of the Ministry of Ports & Shipping. Member of the Advisory Council of the Ceylon Association of Ships' Agents. Member of the National Steering Committee on Skills Sector Development of the Department of National Planning. Corporate Excellence Leadership Recognition by the Institute of Chartered Accountants of Sri Lanka in 2015.

MR W G ROSHAN RAJADURAI

Managing Director*

Managing Director of Talawakelle Tea Estates PLC and Kelani Valley Plantations PLC from January 2013 and a member of the Hayleys Group Management Committee.

Prior to rejoining, served as Director/ CEO of Kahawatta Plantations PLC and held Senior Plantation Management positions in Kelani Valley Plantations PLC from 1993 to 2001.

Holds a BSc. in Plantation Management and holds an MBA from Post Graduate Institute of Agriculture, Peradeniya. Fellow Member of National Institute

of Plantation Management. Currently serves as the Chairman of the Planters' Association of Ceylon. Member of the Sri Lanka Tea Board, Rubber Research Board, Tea Council of Sri Lanka and Director of Tea Small Holdings Development Authority. He was appointed to the Tea Advisory Board and also the Manufacturing and Cultivation & Production Committees of the Sri Lanka Quality Charter for Tea.

MR MERRILL J FERNANDO **

Appointed to the Board in 1998.

He is the Chairman of MJF Holdings Limited and one of Sri Lanka's first tea tasters in the then British-dominated trade. He is the Founder of "DILMAH TEA" brand name which re-launched, redefined and re-established the quality of Ceylon tea. DILMAH is a much respected global name, renowned for its quality, and its philosophy of caring and sharing with the community.

He was the pioneer in adding value to tea at origin, branding and marketing Ceylon tea quite successfully. Value addition at origin created significant services industries in printing, packaging, graphics and introducing packaging technology to Sri Lanka.

Mr. Fernando incorporated the MJF Charitable Foundation, to fulfill his pledge to make his business a matter of human service. His Foundation and Dilmah Conservation use a significant share of the earning from the sale of Dilmah tea and other companies in the Dilmah Group, towards creating better conditions for the underprivileged and the wider community, whilst

implementing positive and sustainable environmental interventions.

MR MALIK J FERNANDO **

Appointed to the Board in 1998.

He is the Director Operations of the MJF Group, which comprises several tea growing and tea packing/exporting companies, supplying the "Dilmah Tea" brand around the world.

Mr Fernando holds a Bachelor of Science Degree in Management from Babson College, USA.

PROF UDITHA LIYANAGE ***

(Deceased on 10.08.2015)

Appointed to the Board in 2008.

Held the position of Professor of Management of the Postgraduate Institute of Management (PIM), University of Sri Jayewardenepura and Adjunct Professor of Management of University of Canberra, Australia. He read for the doctoral program at the PIM of the University of Sri Jayewardenepura and was a senior faculty member for Marketing over the past 20 years. He was a Director of PIM and the Chairman of the Institute's Board of Management. He has published many articles on Branding and Strategic Marketing in leading journals, both here and abroad, and addressed numerous local and international conferences.

He held an MBA and was a Chartered Marketer, a Fellow of the Chartered Institute of Marketing (CIM), and the first Sri Lankan Honorary Fellow of the



Sri Lanka Institute of Marketing (SLIM). The first Sri Lankan Honorary Fellow of the Asia Marketing Federation (AMF). He was the Chairman of the CIM Sri Lanka region, and a member of the international Board of CIM (U.K.).

Having held positions of senior marketing management and Marketing Consultant to a number of leading local and international organizations with over 15 years experience in industry, and a developer of senior managers. Served on the Boards of Directors of a number of leading companies in Sri Lanka.

DR S S S B D G JAYAWARDENA ***

Appointed to the Board in 2008.

He serves as the Advisor to the Hon. Minister of Agriculture and the Chairman of Sri Lanka Council for Agricultural Research Policy. He is also a member of the Presidential Commission on National Salaries and Cadre Commission.

Former Chairman of the Tea Research Institute (2006 – 2015). Former Board Member of Sri Lanka Tea Board. Former Member of Tea Small Holdings Development Authority (TSHDA), Tea Shakthi and Research & Development Committee of National Science Foundation. Also, a former Member of the Advisory Committee on Tea of the Ministry of Plantation Industries.

He held positions as the Chairman of Coconut Research Institute (CRI), Chairman of National Institute of Plantation Management (NIPM) and a former Director General of Department of Agriculture. He has been a member of

the Consultative Group on International Agriculture Research representing Asia. Served as FAO Consultant on Biodiversity and JICA Consultant on Horticulture Development to the Government of Ghana.

MR L N D E S WIJEYERATNE ***

Appointed to the Board in 2008.

Fellow of The Institute of Chartered Accountants in Sri Lanka and counts over thirty-five years of experience in Finance and General Management both in Sri Lanka and overseas.

Group Finance Director of Richard Pieris PLC from January 1997 to June 2008 and also held senior management positions at Aitken Spence & Company, Brooke Bonds Ceylon and Zambia Consolidated Copper Mines Limited. Serves as a member of the Quality Assurance Board of the Institute of Chartered Accountants and was a former member of the Sri Lanka Accounting Standards Monitoring Board. Presently, an Independent Director of several listed and unlisted Companies.

DR K I M RANASOMA **

Appointed to the Board in 2011.

Joined DPL in August 2010 as an Executive Director and took over as Managing Director from April 2011. Appointed to the Hayleys Group Management Committee in January 2011 and to the Board of Hayleys in April 2011. Former Country Chairman/ Managing Director of Shell Gas Lanka Ltd. and Shell Terminal Lanka Ltd.

He holds First Class Honours Degree in Engineering from the University of Peradeniya, Sri Lanka, a Doctorate from Cambridge University, UK and an MBA with Distinction from Wales University, UK.

MR W D N H PERERA **

Appointed to the Board in 2011.

Mr Nimal Perera serves on the Boards of Pan Asia Banking Corporation PLC, Lanka Tiles PLC, Lanka Walltiles PLC, Lanka Ceramics PLC, Horana Plantations PLC, Swisstek Ceylon PLC, Swisstek Aluminum Limited, Vallibel Plantations Limited, Uni Dil Packaging Limited, N P Capital Ltd & N Capital (Pvt) Ltd as The Chairman, Royal Ceramics Lanka PLC as The Managing Director, Vallibel One PLC as The Deputy Chairman, L B Finance PLC as an Executive Director, Vallibel Power Erathna PLC and The Fortress Resorts PLC as an Alternate Director.

He is a Director of Hayleys PLC, Haycarb PLC, Kingsbury PLC, Amaya Leisure PLC & Tangalle Bay Hotels (Pvt) Ltd.

He is a renowned business magnate, stock trader and shareholder of many companies in the country.

MS MINETTE D A PERERA **

Appointed to the Board in 2012.

Fellow member of the Institute of Chartered Accountants of Sri Lanka, the Chartered Institute of Management Accountants of UK and the Association of Chartered Certified Accountants of UK.



BOARD OF DIRECTORS CONTD.

Was the Group Finance Director of the MJF Group, which comprises several tea growing and tea packing/exporting companies, supplying the 'Dilmah Tea' brand around the world.

DR N T BOGAHALANDE ***

Appointed to the Board in 2013.

Dr Bogahalande counts over 25 years of Managerial experience in Plantation, Manufacturing, Trading and Financial sectors.

Member of the Institute of Certified Management Accountants Australia, Associate Member of the Institute of Personnel Management (Inc) Sri Lanka and received his PhD from Management and Science University, Malaysia and published articles in international refereed journals and conference proceedings. In 2010, he was conferred with the most prestigious 'Pride of HR Profession' award by the World HRD Congress.

Group Head of Human Resources of Vallibel One PLC /Royal Ceramics Lanka PLC. Serves as an Alternate Director of Horana Plantations PLC, Vallibel Plantation Management Ltd., LB Management Services (Pvt) Ltd., Delmege Coir (Pvt) Ltd and Uni Dil Packaging Ltd.

MR D S SENEVIRATNE *

Appointed to the Board in 2013.

Director of Hayleys Plantation Services (Pvt) Ltd. and Chief Executive Officer of Talawakelle Tea Estates PLC. Counts 18 years of experience in the Plantation Sector.

Fellow of the Institute of Chartered Accountants of Sri Lanka (FCA) and a Fellow of the Institute of Certified Management Accountants (FCMA) with over 25 years of post-qualifying experience in Finance, General Management & Commercial operations in the corporate sector.

Director of Plantation Human Development Trust. Served as a member of the Steering Committee on IAS 41 – Agriculture of the Institute of Chartered Accountants of Sri Lanka, Chairman of the CSR Steering Committee of Ceylon Chamber of Commerce and a Trustee of the Plantation Trust Fund.

MR D C FERNANDO **

(Alternate to Mr Malik J Fernando)

Appointed as Alternate Director to Mr Malik J Fernando in January 1998.

He is the Director Marketing of the MJF Group, which comprises several tea growing and tea packing/exporting companies, supplying the 'Dilmah Tea' brand around the world.

He holds a B.Sc. Economics (Hon) Degree from the London School of Economics.

MR J M KARIAPPERUMA **

(Alternate to Mr W D N H Perera)

Appointed as Alternate Director to Mr W D N H Perera in February 2015.

Director/Chief Executive Officer of Horana Plantations PLC since December 2013 and also serves on the Boards of Directors of Valibell Plantation Management Ltd and UniDil Packaging Ltd.

Counts over 30 years of experience in plantation management as a planter of which he had served 24 years as a Senior Manager. Successfully completed a course in General Management Program conducted by the Business School of National University of Singapore.

He had functioned as the Head of Produce/Marketing at Hapugastenne Plantations PLC and Udupussalawa Plantations PLC and as the Manufacturing Advisor of Balangoda Plantations PLC.

* Executive

** Non-Executive

*** Independent Non-Executive



CORPORATE MANAGEMENT PROFILE

BOARD OF DIRECTORS

○ Mr A M Pandithage	- Chairman
○ Mr W G R Rajadurai	- Managing Director
○ Mr Merrill J Fernando	
○ Mr Malik J Fernando	- (Alternate - Mr D C Fernando)
○ Prof U Liyanage	- (Deceased on 10.08.2015)
○ Dr S S S B D G Jayawardena	
○ Mr L N De S Wijeyaratne	
○ Dr K I M Ranasoma	
○ Mr W D N H Perera	- (Alternate - Mr J M Kariapperuma)
○ Ms M D A Perera	
○ Dr N T Bogahalande	
○ Mr D S Seneviratne	- Chief Executive Officer

MANAGEMENT TEAM

DIRECTORS

○ Mr A M Pandithage	- Chairman
○ Mr W G R Rajadurai	- Managing Director
○ Mr D S Seneviratne	- Director/Chief Executive Officer

HEAD OFFICE MANAGEMENT TEAM

○ Mr L H Munasinghe	- Director/Deputy Chief Executive Officer
○ Mr G D T Dharmaratne	- General Manager- Sustainability & Quality Management Development
○ Mr M T D Rodrigo	- Deputy General Manager-Estates
○ Mr D M Wickramaratne	- Senior Manager-Marketing
○ Mrs V A Perera	- Senior Manager-Finance
○ Mr H H Jayasundera	- Manager-Resource Development
○ Dr K H G M P Dharmasena	- Manager-Agro Forestry & Sustainability
○ Mr M E Suraweera	- Manager- Information Technology
○ Mr H R L S Bandara	- Finance Manager

ESTATE MANAGEMENT TEAM

○ Mr S B Alawattegama	- Senior Regional General Manager - Bearwell Estate
○ Mr N P Abeysinghe	- Regional General Manager - Dessford Estate
○ Mr D M H U Mahadivulwewa	- Senior Deputy General Manager - Kiruwanaganga Estate
○ Mr P G G Jayathilake	- Senior Deputy General Manager - Mattakelle Estate
○ Mr G K Wijesekera	- Deputy General Manager - Great Western Estate
○ Mr A C M Bandaranayake	- Deputy General Manager - Somerset Estate
○ Mr H P W Vithanage	- Group Manager - Moragalla Estate/Pitiyagoda Factory
○ Mr D M G B Dassanayake	- Senior Manager - Holyrood Estate
○ Mr E S B A Egodawela	- Senior Manager - Radella Estate
○ Mr D M A S Dissanayake	- Senior Manager - Wattegoda Estate
○ Mr W D Jayasinghe	- Manager - Indola Estate
○ Mr U B Udawatte	- Manager - Palmerston Estate
○ Mr K G M N Gamage	- Manager - Deniyaya Estate/Handford Factory
○ Mr A G R M S Ranaweera	- Manager - Logie Estate
○ Mr S G N N Kumara	- Manager - Calsay Estate
○ Mr Y D Kumarasiri	- Manager - Clarendon Estate
○ Mr D W A Jayathilake	- Manager - Bearwell Estate



MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The global economy in the year 2015 continued to witness inconsistencies across the nations and fell short of achieving the higher level of output as expected. The persistent slump in oil and other commodity markets, monetary policy normalisation and the stronger currency in the United States and volatilities in the financial markets had widespread implications on the world economies. The geopolitical complexities, particularly in the Middle East and Russia, also played a decisive role in heightening the economic issues. Our nation's macroeconomic scenario too was volatile and imbalanced and we saw our growth level settling just below the level achieved in the previous year.

The tea industry continued to plummet, in effect, witnessing a 'worst-hit' year ever—affected by the extremities in weather impacting the production levels, downward pricing trends on the Colombo Auctions and higher cost of production.

Our organisation in the year 2015/16 held ground and followed through with its focused and well-integrated strategy and planned actions, despite the dismal operating environment. We were steadfast in our endeavours to boost the productivity levels, maintain best practices in field and non-field activities and uphold our reputation for the best quality teas under the brand 'Ceylon'.

We also stood committed and invested well to develop our people, support the resident and neighbouring communities and ensure our responsibility to the environment.

These measures combined with focused and disciplined financial management practices, enabled us to be resilient against the headwinds and record a commendable year. We managed—which was not the case amongst most of our peers in the industry—to sustain sound operational results, profitability and positive cash flows. We maintained a stable financial position throughout the year.



Plucking



Soil Conservation



Forking



STAKEHOLDER ENGAGEMENT

OUR STAKEHOLDERS

GRI-G4-24

External Stakeholders
<ul style="list-style-type: none"> Public Shareholders Suppliers & Service Providers Financial Institutions Buyers/ Customers/ Brokers Neighbouring Communities Government, Industry & Regulatory Bodies Planters Association/Societies/ PHDT Certification Bodies Non-government Organisations Neighbouring Communities Media
Internal Stakeholders
<ul style="list-style-type: none"> Parent Company Employees/Trade Unions Resident Communities

Stakeholder Mapping		
Influence of Stakeholder	High influence - Low Interest	High influence - High Interest
	Keep satisfied and meet their needs	Closely engage and manage
	<ul style="list-style-type: none"> Suppliers & Service Providers 	<ul style="list-style-type: none"> Parent Company Shareholders Employees/Trade Unions Resident Communities Buyers/ Customers/ Brokers
	Low Influence - Low Interest	High Interest - Low Influence
	Monitor and address needs, when required	Keep informed
	<ul style="list-style-type: none"> Neighbouring Communities Non-government Organisations 	<ul style="list-style-type: none"> Government, Industry & Regulatory Bodies Financial Institutions Planters Association/ Societies/ PHDT Certification Bodies Media
Interest of Stakeholder		

STAKEHOLDER MAPPING

In developing our report content this year, in line with the materiality principle as will be discussed under the ensuing section, we attempted to prioritise and ascertain key stakeholders for focused engagement. For this purpose, we used a common stakeholder mapping tool that considers the level of influence of stakeholders and the level of interest they have on the sustainability of operations. The findings enabled us in our reporting purposes to be more

focused in our content development - giving priority to key stakeholders identified as 'high influence -high interest'.

As per the stakeholder mapping, we recognise five key stakeholder groups—parent company, shareholders, employees/trade unions, resident communities and buyers/ customers/ brokers, for close engagement and management. This is followed by other significant stakeholder segments

including suppliers and government, regulatory bodies, industry associations, non-government organisations and the media to be engaged in their areas of interest and as and when required.

**MANAGEMENT DISCUSSION AND ANALYSIS CONTD.**

Memberships in Associations
Maintained by Talawakelle Tea Estates
PLC – 2015/16

- ⊙ Ceylon Chamber of Commerce
- ⊙ Planters' Association of Ceylon
- ⊙ Employers' Federation of Ceylon
- ⊙ Tea Research Institution
- ⊙ Plantation Human Development Trust
- ⊙ Biodiversity Sri Lanka

STAKEHOLDER ENGAGEMENT & PROCESS

GRI-G4-26

We pride ourselves on our effective and decent engagement with these groups based on their relevance to the business, the nature of interest and finding the most practical and meaningful ways to identify and meet their needs and expectations. Our decision making process takes into account the material issues of our stakeholders and we seek to build relationships based on trust vital for our longer term sustenance.

Mapping of Stakeholder	Evaluate/ Review of Engagement Output	Identification of Business and Sustainable Priorities	Set out	Identifying TTE Material Issues
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Stakeholder	⊙ Parent Company/Shareholders
Materiality Issue	<ul style="list-style-type: none"> ⊙ Profit and Growth ⊙ Sustainability of Company ⊙ Responsible Corporate Management ⊙ Climate Change and Crop Production
Process of Engagement	<ul style="list-style-type: none"> ⊙ Annual General Meeting ⊙ Published Accounts and Annual Report ⊙ Open Door Policy ⊙ Board Meetings
Frequency of Engagement	⊙ Weekly, Monthly, Quarterly

Stakeholder	⊙ Employees/Trade Unions
Materiality Issue	<ul style="list-style-type: none"> ⊙ Collective Agreements ⊙ Collective Bargaining ⊙ Regular Dialogues and Interactions with the Management ⊙ Home for Every Plantation Worker-Sustainable Social Development Programme ⊙ Health & Safety Committees ⊙ HR Cluster Meetings & Initiatives ⊙ Rainforest Alliance-Sustainable Farm Certification Programme ⊙ Ethical Tea Partnership (ETP) Programme ⊙ UTZ-Sustainable Tea Programme ⊙ Annual Report
Process of Engagement	<ul style="list-style-type: none"> ⊙ Annual General Meeting ⊙ Published Accounts and Annual Report ⊙ Open Door Policy ⊙ Board Meetings
Frequency of Engagement	⊙ Regularly



Stakeholder	⊙ Suppliers
Materiality Issue	⊙ Profitability and Price ⊙ Credit Period ⊙ Sustainability of Company ⊙ Availability of Raw Material ⊙ Climate Change & Crop Production
Process of Engagement	⊙ Visits to Ensure Standards of Raw Material and Compliance Levels ⊙ Regular Dialogue and Interactions ⊙ Annual Reports
Frequency of Engagement	⊙ Weekly, Monthly

Stakeholder	⊙ Resident Communities
Materiality Issue	⊙ Housing & Estate Infrastructure ⊙ Water & Sanitation Facilities ⊙ Health & Nutrition ⊙ Capacity Building & Education ⊙ Employment Opportunities
Process of Engagement	⊙ Community Meetings ⊙ Estate Audits ⊙ Estate Events & Festivals ⊙ Training & Awareness Building Programmes ⊙ Sports and Recreational Activities
Frequency of Engagement	⊙ Weekly, Monthly

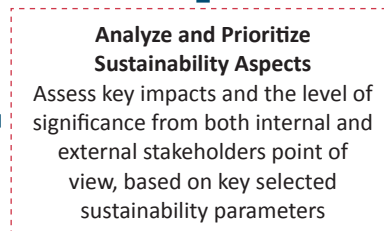
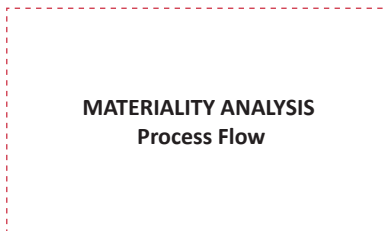
Stakeholder	⊙ Government
Materiality Issue	⊙ Materiality Issue ⊙ Profitability and Growth ⊙ Sustainability of Company ⊙ Regulatory and Legal Compliance ⊙ Responsible Corporate Management
Process of Engagement	⊙ Published Accounts and Annual Report ⊙ Golden Shareholder Meetings ⊙ Annual General Meeting
Frequency of Engagement	⊙ Monthly, Quarterly, Annual

Stakeholder	⊙ Financial Institutions
Materiality Issue	⊙ Meeting Repayment Schedule ⊙ Climate Change and Crop Production ⊙ Responsible Corporate Management
Process of Engagement	⊙ Regular Meetings, Dialogues and Interactions ⊙ Published Accounts and Annual Report
Frequency of Engagement	⊙ Daily

Stakeholder	⊙ Buyers/Customers/Brokers
Materiality Issue	⊙ Product Quality and Food Safety ⊙ Compliance with Local & International Norms and Regulations ⊙ Green and Ethical Products ⊙ Price ⊙ Climate Change and Crop Production
Process of Engagement	⊙ Regular Meetings and Interactions ⊙ International Trade Fairs ⊙ Conforming to the by-laws of Ceylon Tea Traders Association (CTTA) ⊙ Annual Report
Frequency of Engagement	⊙ Weekly



MATERIALITY ASSESSMENT, ASPECTS & BOUNDARIES



- 'high', 'medium' and low'. The assessment considered the impact on four key parameters - strategic, operational and financial; social and industry; environment; and statutory and regulatory framework, which aspects we have comprehensively covered in our previous report.

For this analysis, the team relied on the information and findings ascertained through close and structured engagement with stakeholders including periodic progress meetings with employees, estate workers and trade unions. The findings from internal audits held every year and certification audits in terms of ISO 22000 and Rainforest Alliance were taken into consideration. Discussions with industry leaders, active participation at policy advocacy level within the plantation industry associations further complemented this process. Desk research was relied upon to ascertain plantations sector issues, trends and performance.

At the validation stage, a materiality matrix was set out, segregating material aspects which have been identified with highest level of significance along with medium and low in terms of the impact on the organisation and on the external stakeholder. Report content was thus developed based on the materiality matrix - high to medium in significance.

Following this segregation set out in the matrix most material aspects are given extensive coverage within the report whilst moderately covering aspects that are categorised as medium in significance. Aspects that are considered low in significance are not covered in the report, although a brief discussion may prevail for completeness. The matrix was validated by the senior management including the Managing Director.

MATERIALITY ANALYSIS

G4:17, G4:18, G4:19, G4:20, G4:21

Reporting in line with the guidelines set by the GRI-G4, TTE PLC this year sought to develop and define the report content considering the materiality of sustainability aspects from an economic, environment and social standpoint. The principles prescribed by the standard - 'materiality', 'sustainability context', 'stakeholder inclusiveness' and 'completeness' were given carefully thought and incorporated in developing the content.

The scope of the analysis covers the operations of the organisation including the 17 tea estates in both low grown and high grown areas. The analysis also covers the subsidiary operations of the hydropower plants and the strategic ties with its parent, Hayleys PLC, wherever deemed applicable.

PROCESS FOLLOWED

The report content was developed on a three-tier basis - identifying and

establishing the sustainability aspects; prioritisation on the basis of materiality from both external and internal stakeholder perspective and validation of prioritised materiality aspects by the senior management.

The first-tier analysis was taken up by a team of executives and managers at the corporate office, responsible for overlooking and managing strategic operations, finance, social and environmental aspects of the organisation. During this stage, potential sustainability aspects were identified as guided by GRI-G4 and the sustainability context of each category and aspects therein was deliberated and broadly established.

The second stage analysis looked at prioritising potential sustainability aspects, on the basis of its relevance on the success of the organisation along with internal stakeholders and from an external stakeholder perspective. Prioritisation was carried out on a qualitative analysis- setting out a weightage for the level of significance



SUSTAINABILITY CONTEXT



**MANAGEMENT DISCUSSION AND ANALYSIS CONTD.**

MATERIALITY MATRIX				
Level of Significance - External Stakeholder Standpoint	HIGH		<ul style="list-style-type: none"> Transport Product & Service Labeling 	<ul style="list-style-type: none"> Economic Performance Product & Services Energy Environment - Compliance Environment - Overall Biodiversity Emissions Effluents & Waste Freedom of Association & Collective Bargaining Child Labour Forced Or Compulsory Labour Society - Compliance Customer Health & Safety
	MEDIUM	<ul style="list-style-type: none"> Human Rights - Assessments Supplier Human Rights Assessments Supplier Assessments for Impacts on Society Grievance Mechanism for Impacts on Society Anti- Competitive Behaviour 	<ul style="list-style-type: none"> Indirect Economic Impact Procurement Materials Supplier Environment Assessment Environmental Grievance Mechanism Diversity & equality Equal Remuneration For Men & Women Supplier Assessment For Labour Practices Human Rights - Investment Public Policy Marketing Communication 	<ul style="list-style-type: none"> Market Presence Employment Labour Management Relations Occupational Health & Safety Training & Education Labour Practices Grievance Mechanism Non-Discrimination Local Communities Water
	LOW	<ul style="list-style-type: none"> Security Practices Indigenous Rights Anti-Corruption Customer Privacy 		
	Colour Code: ● Economic ● Environment ● Social	LOW	MEDIUM	HIGH
Level of Significance - Internal Stakeholder Standpoint				

Note:

- Human rights investment aspect was repeated under medium-medium materiality criteria in 2014/15. This year we have categorized under low-low materiality criteria.
- Products and services aspect was repeated under low-low criteria in 2014/2015. This year we have categorized it under high-high materiality criteria.



REPORTING FOCUS

BASIS - MATERIALITY MATRIX - HIGH TO MEDIUM SIGNIFICANCE

ECONOMIC

- ⊙ Economic Performance
- ⊙ Indirect Economic Impact
- ⊙ Market Presence

ENVIRONMENT

- ⊙ Materials
- ⊙ Energy
- ⊙ Emissions
- ⊙ Effluents & Waste
- ⊙ Biodiversity
- ⊙ Products & Services
- ⊙ Water
- ⊙ Transport
- ⊙ Compliance
- ⊙ Overall
- ⊙ Supplier Environment Assessment

SOCIAL - DECENT WORK & LABOUR PRACTICES

- ⊙ Employment
- ⊙ Labour Management Relations
- ⊙ Occupational Health & Safety
- ⊙ Diversity & equality
- ⊙ Equal Remuneration For Men & Women
- ⊙ Training & Education
- ⊙ Supplier Assessment For Labour Practices
- ⊙ Labour Practices Grievance Mechanism

SOCIAL - HUMAN RIGHTS

- ⊙ Non Discrimination
- ⊙ Freedom of Association & Collective Bargaining
- ⊙ Child Labour
- ⊙ Forced Or Compulsory Labour

SOCIAL - SOCIETY

- ⊙ Local Communities
- ⊙ Public Policy
- ⊙ Compliance

SOCIAL - PRODUCT RESPONSIBILITY

- ⊙ Customer Health & Safety
- ⊙ Marketing Communication



BUSINESS REVIEW

G4:2

Overall Business SWOT			
Strengths	Weaknesses	Opportunities	Threats
<ul style="list-style-type: none"> Strength of the brand for quality teas Good governance & risk management practices Hands-on operational management practices Financial discipline Sustainable agriculture practices Parent and Group synergies Retention of people Geographical locations where estates are situated Competitive Advantage 	<ul style="list-style-type: none"> Ageing tea fields affecting crop production & productivity Low labour productivity Long gestation periods for returns Wage component accounting for a sizeable portion of cost of production Rising cost of production 	<ul style="list-style-type: none"> Diversification into other crop and new business ventures Higher global demand and prices for green, ethical and food safety management certified quality teas Self-sufficiency in fuel wood production and commercially viable timber projects Availability of cultivable land Agro climatic regions Accessible road network (Developed Infrastructure) Automation of Operations 	<ul style="list-style-type: none"> Global economic and geo political uncertainties in key export markets Domestic macroeconomic uncertainties and policy changes impacting industry and business growth Global competition from low cost producers and substitutes Climate change and its impact on crop production
Triple-Bottom-Line Strategy			
Economic <ul style="list-style-type: none"> Produce quality teas Increase land and worker productivity Increase value addition Invest on sustainable agriculture, manufacture practices and processes Focus on effective risk management and be disciplined in maintaining a lean cost structure Uphold best practices in governance Speciality Teas-Producing high values speciality Teas New product development Investing in new technology Operational efficiency 	Environment <ul style="list-style-type: none"> Resort to environmental friendly and sustainable practices in field and non-field operations Implement conservation projects and initiatives to protect biodiversity, ecosystems and water sources Drive initiatives to reduce corporate carbon foot print Implement the '3R' concept – reduce, reuse and recycle for solid waste management 	Social <ul style="list-style-type: none"> Create an inclusive workplace Invest on employee training and development Reinforce performance based evaluations and benefits Consolidate social development of the resident communities through 'Home for every Plantation Worker' project Extend support and maintain good relations with the neighbouring communities 	



Strategic Priorities

- ⊙ Produce quality tea to be number one within the RPC ranks
- ⊙ Increase worker productivity
- ⊙ Incentivise workers on performance
- ⊙ Product diversification & value addition
- ⊙ Increase agricultural yields & production
- ⊙ Reduce the labour cost component in cost of production
- ⊙ Conformance and compliance to sustainable agricultural practices
- ⊙ Diversification of revenue streams

Key Indicators, Targets vs. Actuals - 2015/16

Key Indicators	Target	Actuals	% of Target
RPC tea price ranking	1	1	100%
High grown yield (kg/ha)	1,718	1,609	93.6%
Low grown yield (kg/ha)	1,503	1,267	84.3%
Tea production (Mn.kg)	7.7 Mn	7 Mn	90.9%
Worker productivity (kg/worker)	2.75	2.7	98.2%
Tea planting (hectare)	43.75	29.41	67.2%
Capital Expenditure (Rs.Mn)	230	141	61.3%
Employees trained (number)	11,000	11,594	105.4%
Training hours (number)	18,000	19,654	109.2%
Training investment (Rs.Mn)	1.5 Mn	1.3 Mn	86.2%
Expenditure on social development (Rs.Mn)	50 Mn	78.6 Mn	157.2%



ECONOMIC REVIEW

Economic Growth

Sri Lanka's GDP continued a trend of modest growth recording 4.8 percent in 2015, marginally below 4.9 percent growth in 2014. Given the fact that two major elections were held in 2015, political uncertainty characterised the year which resulted in a slowdown in investment and related economic activity. The low interest rate environment, favourable credit availability, expansionary fiscal policy leading to public sector wage increases, and lower administered prices of utilities and other commodities, contributed towards greater consumer spending power. Imports of vehicles and other durable goods expanded significantly during the year, whilst the private sector credit growth stood strong at 25.1 percent.

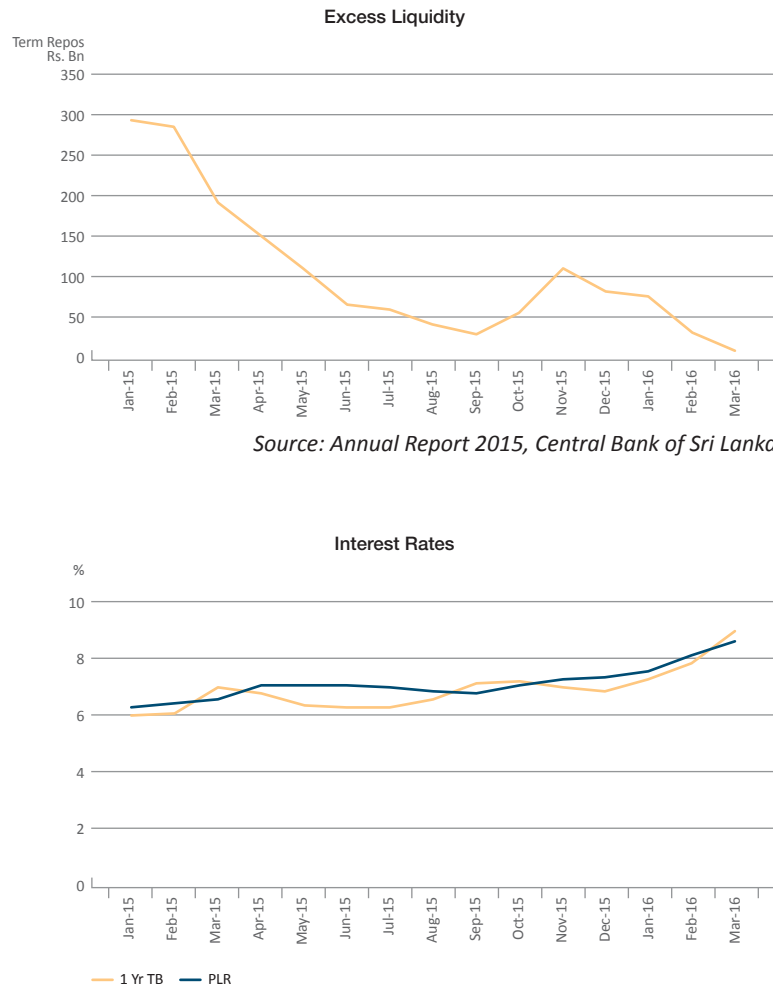
The service sector grew by 5.3 percent in 2015, compared to 5.2 percent in 2014. Key drivers of economic activity in the sector included trading and transportation, finance and real estate. The industry sector grew at just 3.0 percent compared to 3.5 percent in 2014. The negative growth in the construction sector by 0.9 percent, reflecting the uncertain investment climate, was a prime contributor to the slower growth in the sector. The manufacturing sub-sector grew at moderate pace of 4.7 percent and contributed 15.5 percent to the overall growth of the economy in 2015. Food and beverage, furniture, and machinery manufacturing were amongst the fast growing sub-sectors in manufacturing.

The agriculture sector grew at 5.5 percent during the year, compared to 4.9 percent in 2014. The rice and vegetables sub-sectors supported the sector growth, whilst tea and rubber contracted for the second consecutive year. The total tea production declined by 2.7 percent to 329 Mn kg in 2015 compared to 338 Mn kg in 2014. Both supply side and demand side factors affected this decline, with adverse weather conditions and labour unrest affecting supply, whilst weak demand in Russia and the Middle East influenced by lower oil prices,

adversely affected the demand for Sri Lankan tea.

INTEREST RATES

The year 2015 began with high levels of excess liquidity in the market and low interest rates. However, as demand for credit began to increase, driven by consumption oriented borrowing, coupled with higher levels of public sector borrowing from the domestic market, liquidity began to decline and interest rates began to edge up towards the latter part of the year.





An important factor that contributed to the rise in local interest rates was the rise in government borrowing from the domestic market which grew by 56 percent in 2015 compared to 3.5 percent growth in 2014, as there were delays in government borrowings from global capital markets. The government was scheduled to obtain a sovereign bond in January 2015, however this was delayed till May, and even then the volume was lower than expected at US\$ 650 Mn at yield of 6.125 percent. With global capital markets beginning to price in a tightening of US monetary policy, rates and available volumes were less favourable than in the past. A second sovereign bond of US\$ 1.5 Bn in October 2015 priced at 6.875 percent. Subsequently, secondary market yields on the 10 year sovereign breached the 7% mark and increased further in the first quarter of 2016. All of these factors contributed to driving up domestic interest rates further as the government was compelled to borrow more from the domestic market. Furthermore, between January 2015 and March 2016, foreign investments in rupee denominated government securities declined by Rs. 236 Bn (to Rs. 220 Bn from Rs. 456 Bn). This too contributed to driving up domestic treasury securities yields, which act as a benchmark interest rate for the rest of the market.

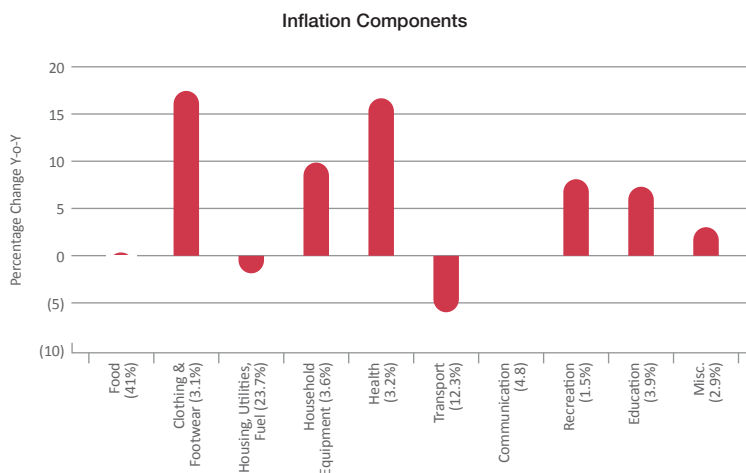
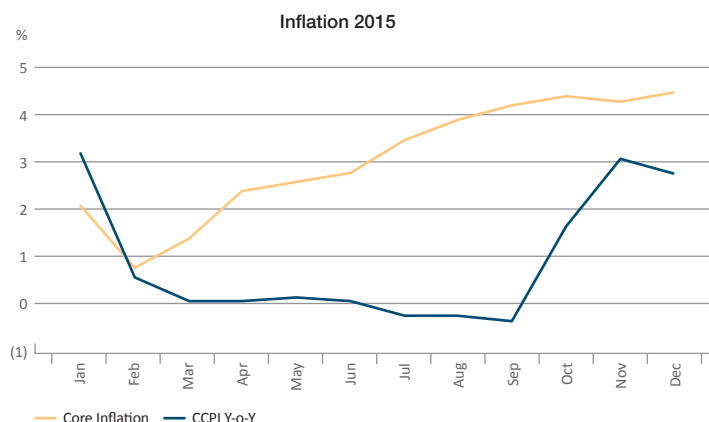
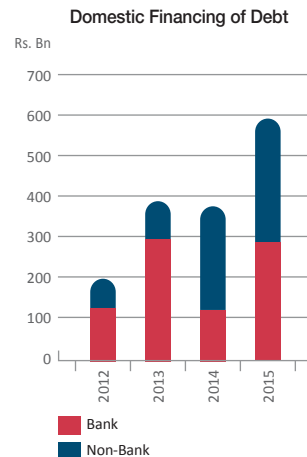
INFLATION

Prices remained low in 2015 as administered prices of utilities, particularly energy related prices, were reduced during the course of the year. As a result, Sri Lanka went through deflation in the months of July to September. Underlying demand driven inflation remained at higher levels as indicated by core inflation which steadily increased through the course of the year to reach 4.5 percent by December 2015. The differential between core inflation

and headline inflation (CCPI year-on-year inflation) illustrates the fact that the low headline inflation was due to the more volatile items of fuel, electricity and related components such as transport.

EXTERNAL SECTOR

Sri Lanka's external sector weakened in 2015 as exports declined by 5.6 percent compared to the previous year to US\$ 10,505 Mn. The biggest contribution to the decline was from the drop in tea export earnings. The average export price of tea declined by 12.2 percent to US\$ 4.37 per kilogram in 2015. Export volume of tea also declined by 6.2 percent year-on-year.



Source: Department of Census & Statistics

**MANAGEMENT DISCUSSION AND ANALYSIS CONTD.**

Most industrial exports also declined including apparel, rubber products, and gems & jewelry.

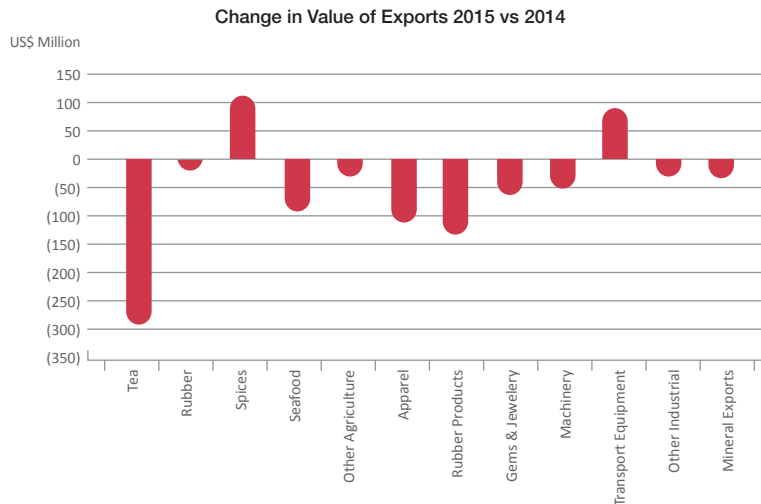
Imports also declined but by a smaller magnitude than the decline in exports. Despite of a 41 percent reduction in import expenditure on fuel, imports declined by only 2.5 percent, given the increase of consumer goods imports, particularly, motor vehicle imports which grew by 51.6 percent.

The trade deficit expanded by 1.7 percent during the year as import contraction was lower than the export decline. Earnings from service exports continued to expand, led by tourism where arrivals increased by 17.8 percent and earnings reached US\$ 2.9 Bn. Remittances also declined by 0.5 percent to US\$ 6.98 Bn, as lower oil prices affected purchasing power in key remittance markets for Sri Lanka. On balance, the current account deficit narrowed to 2.4 percent of GDP in 2015, compared to 2.5 percent of GDP in the previous year.

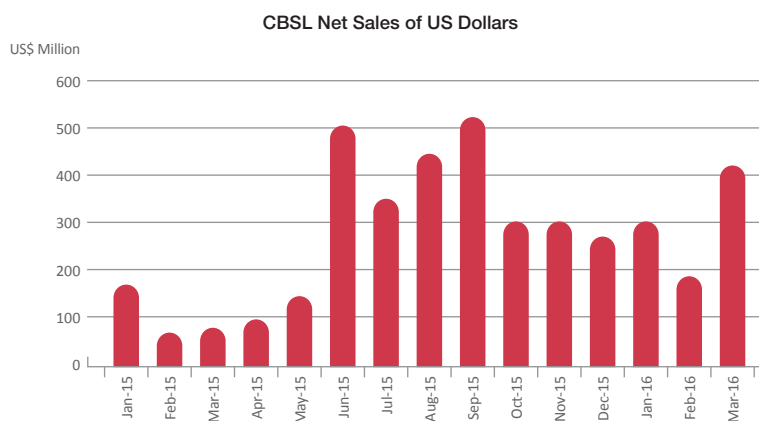
The external sector was adversely affected by the capital account, with lower inflows of external investment in terms of FDI, representing a 24 percent contraction, and outflows of portfolio investment from local debt and equity markets. The overall balance of payments accordingly recorded a deficit of US\$ 1,489 Mn compared to a surplus of US\$ 1,369 Mn in 2014.

EXCHANGE RATE

The Sri Lankan rupee faced significant depreciation pressure through the year due to net outflows on the capital account. The Central Bank defended the rupee as indicated by a spike in net sales of dollars by mid-year. However, in September 2015, the Central Bank decided to allow the rupee to float,



Source: Central Bank of Sri Lanka



Source: CBSL Data

resulting in a sharp depreciation of the currency. Accordingly, the full year depreciation of the Sri Lankan Rupee against the US Dollar was 9 percent, against the Japanese Yen 8.2 percent, against the Sterling Pound 4.5 percent, whilst appreciating 1.3 percent against the Euro.

GLOBAL ECONOMY

Global economic activity remained weak in 2015 as a slowdown in emerging economies compounded continued

modest growth in advanced economies. The US economy grew by 2.4 percent in 2015, matching the growth performance of 2014. Europe demonstrated some signs of recovery as growth reached 1.6 percent in the Euro zone, but remains weak as the financial sector continues to deleverage and prospects for external sector growth weakens. Growth in China has weakened as the economy continues to shift from an investment and export dominated economy to one with more of a balance between



consumption and investment. Supply overcapacity continues to unwind as stresses in the financial sector also act as a drag on economic activity. The slower demand growth and change in nature of economic growth towards more services had a profound impact on global commodity prices.

Lower oil prices in particular have had a major impact on the tea sector in Sri Lanka since the bulk of demand for Sri Lanka's tea is from countries which depend on oil as a major source of income—that is the Middle East and former Soviet Union Nations. A large increase in oil supply due to the emergence of shale and fracking technology in the US, coupled with soft demand from China and other key economies, has led to a sharp decline in oil prices globally. Weak commodity prices across the board has resulted in softer economic growth in many developing economies from Africa to Latin America and Asia.

OUTLOOK

Whilst 2015 was a year where consumption expanded and investment slowed down, it is likely that this trend will reverse in 2016. Higher interest rates, higher taxes, a weaker rupee, legislative changes on vehicle imports, and an expected moderation in credit growth will likely combine to curtail the continued growth of consumption in the economy. Investment however, is likely to gradually pick up as the political uncertainty from 2015 eases and a number of pending projects are likely to kick off or resume, including the Port City project. Aggregate GDP growth is likely to remain moderate overall, around similar levels to that of 2015.

Interest rates continued to increase in early 2016 as the outlook for external capital flows remained uncertain.

However, with the announcement of a IMF package, it is likely that interest rates will plateau from mid-year. The outlook for interest rates is contingent on the credibility of the fiscal reform programme agreed between the government and the IMF and the ability to adhere to the agreed programme milestones and conditionalities. If the government fails to adhere to the reform programme and the IMF holds back any of the tranches, it is likely that interest rates would resume an upward trend.

In 2015 the burden of macroeconomic adjustment was more on the exchange rate than interest rates. This is also likely to reverse in 2016 as the burden of adjustment shifts to the interest rate. Accordingly, the rupee is likely to remain largely steady in 2016, with only a mild depreciation of 2-4 percent during the course of the year, assuming the IMF programme remains on track.

Inflation is likely to increase in 2016 compared to 2015 as a number of factors such as the base effect, higher taxes and a weaker rupee will combine to result in higher inflation. Overall, inflation should remain in mid to high single digits rather than the mid to low single digits that have been experienced in the last three years.

The external sector will likely continue to remain weak as the global economy has failed to regain much dynamism. The bright spot will be tourism with arrivals continuing to grow. Global oil prices will likely remain around the US\$ 40-US\$ 45 per barrel range. This would not provide a strong boost to demand for Sri Lankan tea and in general commodity prices will remain modest through the year.

**MANAGEMENT DISCUSSION AND ANALYSIS CONTD.****TEA INDUSTRY****Global Tea Outlook****Black Tea Production**

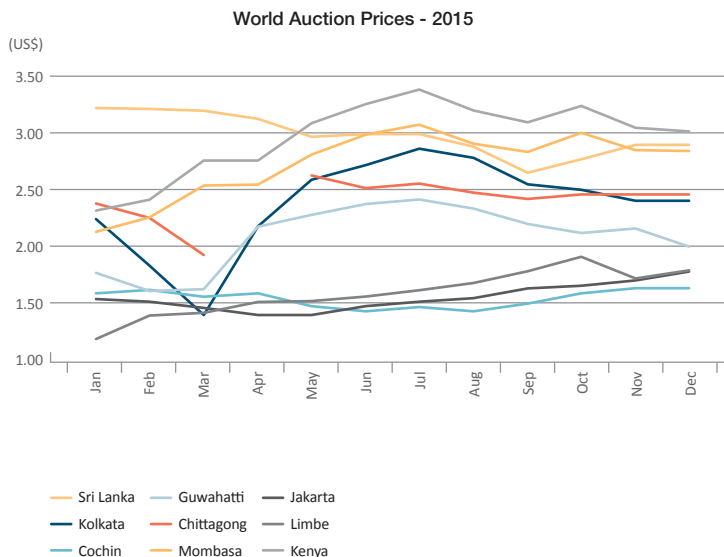
In the year 2015, the global black tea industry recorded a shortfall in production as compared to the preceding year. As per the available statistics, most of the leading black tea producing countries reported a decline in their production levels. The largest producer, India, reported a decline in production of 1.33 percent along with significant declines from Malawi. Bangladesh posted an increase in production, Sri Lanka however, registered a two percent decline from the record levels of 338 Mn kg achieved in the previous year. Kenya decreased, contributing only 399.2 Mn kg corresponding to a decrease of 10.3 percent over the previous year.

Top Global Black Tea Producers 2014 & 2015(Mn.kg)

Country	2014	2015
Sri Lanka	338.03	328.9
Malawi	45.9	39.4
Bangladesh	63.88	66.35
North India	965.2	963.7
South India	242.1	227.5
Kenya	445.1	399.2

GLOBAL AUCTION PERFORMANCE

The world's black tea auctions broadly remained buoyant in the first half of the year, but most auction centers showed an increase throughout the end of the year. Colombo auctions sustained its ranking at the number one position as against the competitor auctions; however, moved on to a declining trend, particularly, from the month of May up



until the year-end. Kolkata and Guwahatti auctions in India registered high prices in the mid-year, but trended downwards in the last quarter of the year. The African auction centers remained below US\$ 3.00 throughout the first quarter, but, showed a significant increase till end of the year, overtaking Colombo Auction center; the lowest recorded in Limbe auctions in Malawi also increased significantly recording above US\$ 1.50.

National Tea Industry

Sri Lankan tea industry in 2015 was not as resilient as the same period in 2014 due to geopolitical issues and continuing economic downturns. The national tea production registered a decline of 9.07 Mn kg recording a total production of 328.96 Mn kg. In terms of elevation, high grown registered a decrease of 7 percent and low grown registered a 14 percent decrease.

Major importers of 'Ceylon' tea declined due to economic uncertainties spurred by the plummeting of world oil prices. The adverse weather patterns affected the quality season in the beginning of 2015 and also in the mid-year Uva season, impacting on the overall Sri Lankan tea production. The first quarter production was maintained at a higher level to corresponding period of 2014. Second and third quarter production registered a decline to the same period of 2014. The auction averages too were lower than the cost of production per made tea kilogram. The fourth quarter posted a similar trend.

The total exports in 2015 of 306.9 Mn kg recorded a decrease of 20.4 Mn kg representing 6.2 percent when compared to 327.3 Mn kg in 2014. The tea exports value dropped by Rs. 30.5 Bn, representing 14.4 percent, to Rs.182 Bn in 2015 compared to Rs. 212.5 Bn in 2014.



Historical Overview				
National Production and GSA				
Year	Tea Production (Mn.kg)	GSA High Grown (Rs./kg)	GSA Low Grown (Rs./kg)	
2000	305.8	128.46	144.79	
2001	295.1	135.56	154.50	
2002	310.0	141.73	160.55	
2003	303.2	138.31	160.86	
2004	308.1	171.78	189.86	
2005	317.2	172.24	199.01	
2006	310.8	204.58	204.50	
2007	304.6	252.46	298.66	
2008	318.4	273.83	336.38	
2009	289.7	319.73	387.07	
2010	331.4	338.33	392.48	
2011	327.5	329.95	381.27	
2012	326.2	375.53	407.14	
2013	340.0	402.98	469.91	
2014	338.0	420.36	488.06	
2015	328.9	388.38	416.32	

National Tea Production Quarterly - 2015, 2014 & 2013 (In kg)			
Quarters	2015	2014	2013
1st Quarter	79,088,833	73,551,601	81,670,236
2nd Quarter	93,526,942	98,959,622	92,390,794
3rd Quarter	80,081,879	83,235,314	74,420,084
4th Quarter	76,262,918	82,285,044	91,545,372
Total	328,960,572	338,031,581	340,028,499

Tea Production - Elevation & Type (Mn.kg)			
Elevation	2015	2014	2013
High Grown	76.3	78.2	74.6
Medium Grown	47.5	46.9	54.0
Low Grown	202.2	209.7	207.9
Green Tea	2.9	3.2	3.7
Total Production	328.9	338.0	340.2

COLOMBO TEA AUCTION PRICES

The declining price trends witnessed during the last quarter of 2014 extended into 2015, following the weak demand from our key markets. The prices in 2015 were below those in 2014 in all three elevations. The average price fetched for low grown teas reported a slump given the lower demand trends from the CIS and the Middle Eastern markets. Low quality tea that came to the auction during the peak period also underlined the lower price trends.

The Ceylon tea exporters awaited with much anticipation for United States to relax the sanctions on Iran, one of the major buyers of 'Ceylon' tea. However, the sanctions continued with adverse implications on the tea market performance. At the end of the year, the Colombo Auction prices rebounded given the positive demand spurred by the sharp increase in prices for African teas at the Mombasa Auction. By early October, low grown prices strengthened and by mid-November prices for most grades gained significantly. The total auction average price decreased by Rs 59.72/- when compared to 2014.

TEA EXPORTS

Product Performance

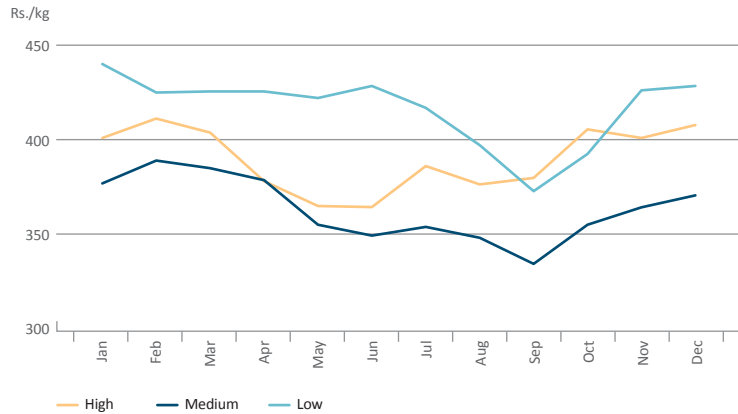
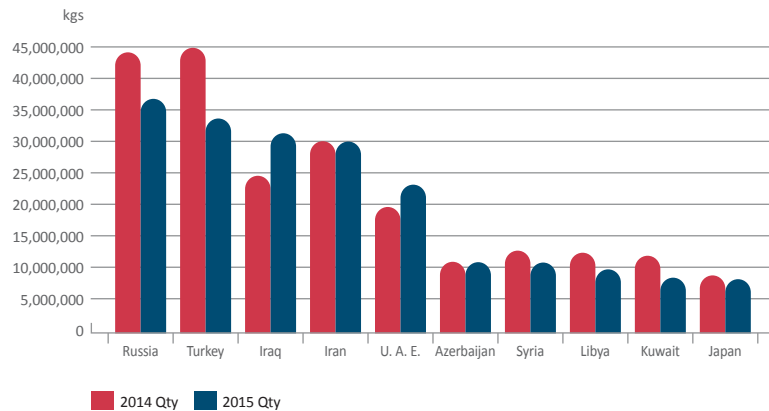
Reversing the trend in the preceding year, bulk tea posted an increase of 5.6 Mn kg to reach 132.7 Mn kg. Packed tea, however, registered a notable decline of 18.7 Mn kg to reach 145.4 Mn kg. Tea bags as well as green tea recorded a decrease over the previous year.

**MANAGEMENT DISCUSSION AND ANALYSIS CONTD.****Tea Export Earnings**

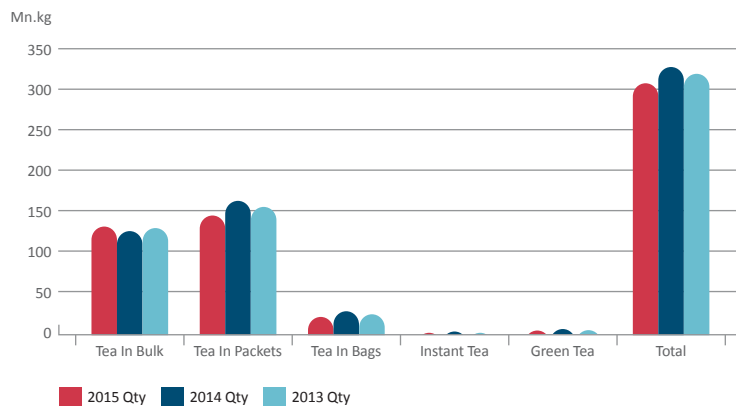
Moderating from the outstanding performance recorded in the preceding year, the tea exports generated Rs. 182 Bn as earnings in the year 2015 which reflected a 14.5 percent drop compared to the level achieved in 2014. The sluggish demand from the key export markets underlined the drop in export earnings.

Year	2013	2014	2015
	Rs.Bn		
Export Earnings	199.4	212.9	182.0

Note: The information and data for the global and Sri Lankan economic review including the industry performance was sourced from the Census & Statistics Department, Central Bank of Sri Lanka and the World Economic Outlook April 2015, International Monetary Fund and Forbes & Walker (International Tea Committee) & Sri Lanka Tea Board

Monthly Elevation Tea Prices**Tea Exports - Top Ten Countries 2014/2015****Tea Product Performance**

Product Category (Mn. Kg)			
	2015 Qty	2014 Qty	2013 Qty
Tea In Bulk	132.7	127.1	129.8
Tea In Packets	145.4	164.1	156.9
Tea In Bags	22.1	28.6	25.7
Instant Tea	2.1	2.2	1.9
Green Tea	4.4	5.2	5.2
Total	306.9	327.3	319.6

Tea Product Performance



GRI - G4 - EC8

ECONOMIC VALUE CREATION**GRI - Materiality Aspects
Report Coverage - Comprehensive**

- Economic Performance

**GRI - Materiality Aspects
Report Coverage - Moderate**

- Market Presence
- Indirect Economic Impacts

OVERVIEW

As a top tier regional plantation company, we are well placed to significantly add value to the economy. The brand well renowned for consistent product quality, support of Hayleys group and the synergies therein have set a solid platform for the Company to reach out with sustainable value to meet stakeholder expectations. Economic impact of the entire business both direct and indirect is significant which has far-reaching benefits with ripple-effect to support the country's growth trajectory.

ECONOMIC VALUE GENERATION

GRI - G4 - EC1

We operate in 17 tea estates in both low grown and high grown regions, with a workforce of over 8,287. Our scale of operations paves the way to generate significant value and in turn, share with our stakeholders, with ripple-effect benefits cascading across the economy.

Our estates in the year produced 6.8 Mn kg of tea whilst the total production inclusive of bought leaf in the low grown reached 0.9 Mn kg; contributing over 2% to the national tea production. Our quality teas also attracted relatively higher prices at the Colombo Auctions compared to the elevation averages.

In this setting, the total economic value generated during the year was Rs. 2.5 Bn, representing an increase of 21.9 percent as compared to the 15 months of 2014/15. Over 84.1 percent of the value generated was distributed amongst our employees whilst the lenders of capital 2.6 percent. The value retained within the Company to nurture future growth was Rs. 297 Mn, representing 11.8 percent of the total.

Economic Engagement -2015/16	
<ul style="list-style-type: none"> ○ Overall Value Generation ○ Tea production from 17 estates: Rs. 3.03 Bn ○ Share of national tea production: over 2% ○ Hydropower generation: 8.2 Mn kWh ○ Employment generation: 8,287 employees ○ Value Addition: Rs. 2.5 Bn 	
<i>Parent Company/ Shareholder</i>	Dividends- paid Rs. 3/- per share (Rs.71.25 Mn) Return on equity: 6.76%
<i>Employees</i>	Remuneration and incentives: Rs. 2.1 Bn Defined benefits: Rs. 121.2 Mn Training expenditure: Rs. 1.3 Mn
<i>Buyer/Broker/Customer</i>	High grown & low grown premium teas
<i>Resident Communities</i>	Empowerment: over 40,000 residents Housing & other estate infrastructure: Rs. 54.8 Mn Health & nutrition: Rs. 9.2 Mn Capacity building: Rs. 7.06 Mn
<i>Suppliers</i>	Bought leaf operations: Rs. 407 Mn to tea smallholders Local suppliers: 99% of total supplies
<i>Financial Institutions</i>	Debt and Interest repayments: Rs. 420.4 Mn Deposit base: Rs. 80.4 Mn
<i>Government</i>	Corporate taxes: Rs. 29.4 Mn VAT & NBT: Rs. 4.5 Mn Payee tax: Rs. 5.19 Mn
<i>Environment</i>	Sustainable agriculture and carbon neutral measures: Rs. 43.2 Mn

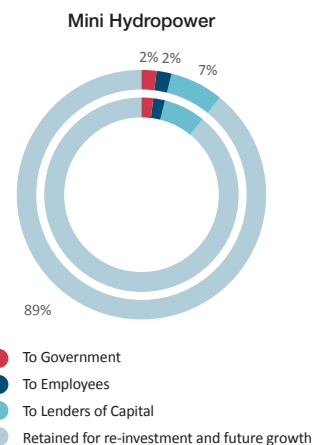
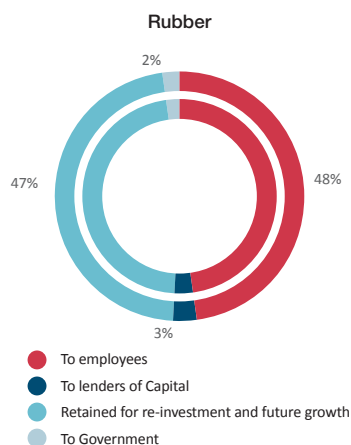
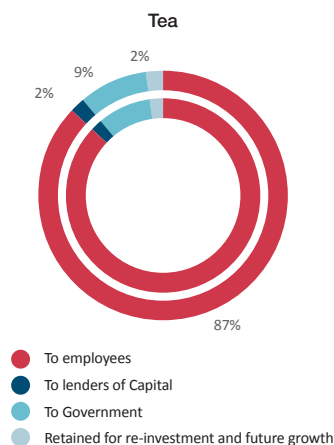
**MANAGEMENT DISCUSSION AND ANALYSIS CONTD.****CONSOLIDATED VALUE ADDED STATEMENT**

GRI - G4 - EC1

Our consolidated value added statement representing the TTE Group's value creation—which includes hydropower generation—and the direct distribution amongst key stakeholders are set out below:

STATEMENT OF VALUE ADDED					
Rs.000 ¹	2015/16	2014/15	2013	2012	2011
Total Revenue	3,434,579	4,761,101	3,646,837	3,318,149	2,744,505
Purchase of goods and services	(990,565)	(1,601,525)	(1,242,122)	(1,156,618)	(876,683)
	2,444,014	3,159,576	2,404,715	2,161,531	1,867,822
Other Income	70,645	56,744	41,419	43,177	35,982
Total Value Added	2,514,659	3,216,320	2,446,134	2,204,708	1,903,804
Distributed as follows					
To Government (Income Tax and Other Taxes)	38,531	47,838	36,747	42,543	25,650
To employees (Salaries and other staff costs)	2,113,024	2,646,172	1,970,221	1,725,556	1,703,013
To lenders of Capital (Interest on Loan Outstanding and Minority Interest)	66,342	101,074	106,603	122,214	108,548
To Shareholders (Dividends)	-	71,250	71,250	59,375	-
Retained for re-investment and future growth	296,762	349,986	261,313	255,020	66,593
Total value distributed	2,514,659	3,216,320	2,446,134	2,204,708	1,903,804

* We have also incurred a sum of Rs. 91.02 Mn for Social and Environmental initiatives during the year.





VALUE SHARED

Shareholder Returns

Refer: Financial Capital, Page 69 to 75.

Upholding our commitment, we continued to extend solid returns to our shareholders. Although our operating backdrop was challenged—as was the case across the tea industry—we succeed to record a strong performance. This was further complemented by the results achieved by our hydropower subsidiary. Return on equity in the year was at 6.76 Percent, commendable given the crisis situation, earnings per share reached Rs. 4.65.

Employment & Compensation

GRI - G4-EC3, EC5 & EC6

Refer: Human Capital Management, Page 107 to 118.

As a labour intensive operation, our contribution to employment generation stands significant. Our workforce in the year stood at 8,287 inclusive of 339 new recruitments. Almost 99% of the workforce—mostly comprising manual and staff grades—are from the resident and neighboring communities. Some of our executives too, are recruited from the local communities. In the reporting year, 44 members of the executive cadre lived within or in the environs of the estates in which they worked.

Workforce – Region Wise						
	High Grown		Low Grown		Head Office	
Employee Category/ Region	Talawakelle	Nanu Oya	Deniyaya	Galle	Colombo	Total
Executive	24	10	8	3	30	75
Staff	215	96	83	20	15	429
Manual	4,560	1,961	984	278	-	7783
Total	4,799	2,067	1,075	301	45	8287

Our compensation is well in line with the wage guidelines stipulated and followed within tea plantation industry with the engagement of trade unions; and the requisite revisions are made in a timely manner. Entry level wages are determined through this collective process. There is no distinction made on gender. We also stand firm in our commitment to meet our defined benefit and contribution obligations as stipulated by the labour legislature. In the reporting year, we provided Rs. 175.5 Mn as EPF and ETF and the gratuity provision stood at Rs. 980.7 Mn.

Defined Benefit & Contribution Obligations			
	Basis of Contribution	2015/16 Rs.Mn	2014/15 Rs.Mn
<i>Defined Contribution Plan Obligations</i>			
Employees' Provident Fund (EPF)	12%*	140.4	180.8
Employees' Trust Fund (ETF)	3%	35.1	45.2
<i>Defined Benefit Plan Obligations</i>			
Gratuity Provision		121.0	148.7
Gratuity Payments		92.3	121.7

*Note: In addition 8% is contributed by employees.

Resident Communities

GRI - G4 - EC7 & EC8

Refer: Social Capital Development, Pages 119 to 125.

Reaching out to a resident estate community of over 40,000, our operations has paved a platform for regional development, supporting the nation's aspirations. Whilst providing the communities with employment, we facilitate basic amenities through our structured social responsibility programme—'Home for Every Plantation Worker'. Our initiatives within this programme seek to empower communities and support to uplift their standard of living and their quality of life. In the reporting year,



MANAGEMENT DISCUSSION AND ANALYSIS CONTD.

we invested a sum Rs. 72.1 Mn under this programme, which included Rs. 54.8 Mn as infrastructure development; accounting for a significant share of 76 percent. This reflected an increase of 80 percent over the 12-months of 2015/16.

Supplier Payments

GRI - G4 – EC9

Refer: Relationship Capital Management – Suppliers, pages 130 to 133.

We extend extensive opportunities for our suppliers to grow and develop within our supplier chain. As discussed at length under the dedicated ‘Suppliers’ section of this report, we spent a sum of Rs. 894 Mn on our supplier chain. Out of the total payment, Rs. 407 Mn, taking up 45.5 percent share, was for bought leaf suppliers within the tea smallholder sector of the economy.

Climate Change – Financial Implications

GRI - G4 - EC2

Refer: Natural Capital, Page 78 to 106. Operations Review, Page 55 to 65.

As discussed extensively under the Natural Capital and Operational Review sections of this report, climate change is closely linked to our operations with direct and significant impacts on crop performance, producing quality teas and environmental hazards. These impacts have serious financial implications, not just in the near term, but extending well into the future years. Our proactive measures to follow responsible environmental practices within the operations support us to weather and mitigate the adverse impacts of climate change. In the year, we invested a sum Rs. 43.2 Mn for environmental management initiatives.

Tax Payments

GRI - G4 – EC4

Meeting our tax obligations, this reporting year 2015/16, we settled a sum of Rs. 29.4 Mn to the Department of Inland Revenue as corporate taxes whilst VAT and NBT amounted to Rs. 4.5 Mn. Our payee tax contribution was Rs. 5.19 Mn. We have not received any financial assistance from the government in the year under review.

Financial Institutions

Sustaining sound relations within the financial services sector, we were prompt with debt payment obligations in the year, including interest and capital’ amounting to Rs. 420.4 Mn. We also maintained a substantial deposit base of Rs.80.4Mn within the financial sector.



OPERATIONAL REVIEW

G4:8, 9

KEY PERFORMANCE INDICATORS 2015/16

29.00 Hectares Tea Replanted	13.5 Hectares Tea Replanted Lands Came into Revenue	52.72 Hectares Fuel Wood Replanted
Rs. 104.8 Mn Expenditure Field Development	6.8 Mn kg Tea Production	86% Estate Leaf - % of Total Production
14% Bought Leaf - % of Total Production	7 Numbers Profitable Estates	

Approach to Agricultural and Field Development



With the tea industry in crisis and the impacts of climate change becoming more intense, we are fully aware of the need to be focused and committed to ensure best practices in agriculture for our present and future viability. Across all 17 of our estates in both elevations, we stand conscientious in our efforts and make due investments to bring greater sustainability to our field operations—including weeding, pruning, adaptations to climate change, soil conservation, responsible use of fertiliser and chemicals.

The certifications we have adopted including the Rainforest Alliance (RA) – Sustainable Agriculture, ISO 22000 Food Safety Management System, Ethical Tea Partnership and UTZ Sustainable Tea guide and affirm our commitment to uphold best practices and standards in our fields and also in the factories. We also collaborate and follow the agriculture guidelines set by the Tea Research Institute and the International Plant Nutrition Institute (IPNI). We follow a well-structured monitoring process including documentation and close supervision on our field operations. This supports us to identify and address any gaps in our practices with corrective and timely measures.

Tea Fields - Key Drivers

- Encourage out-grower model
- Zero vacancies
- 2500 kg Vegetatively Propagated Tea (VP) yield per hectare
- Clean, tidy and safe work places

**MANAGEMENT DISCUSSION AND ANALYSIS CONTD.****Harvesting****Key Productivity Measures**

- Plucking baskets specially designed with considerations on ergonomic factors as recommended by the TRI
- Electronic green leaf weighing scales for accurate and transparent measurement
- Mobile weighing places in the estates
- The system of 'first come first weighed' to minimise waiting time
- Reduce time involved in non-plucking activities
- ICT facilities for estate level managers for monitoring field operations
- Automation of Field & Factory weighment operations.

Harvesting Monitoring Reports

- Field performance analysis
- Plucker performance analysis
- Percentage of workers utilised on plucking
- Plucking programme vs. actual achieved
- Review of low productivity pluckers

Being consistent in leaf quality—in effect, underscoring our reputation for quality teas—remain at the core of our field strategy. The timing of operations with best-fit plucking intervals and standards together with good agriculture practices are essential to maximise the efficiency in harvesting. In this light, man power planning, improving worker attendance and their level of productivity along with close monitoring of plucker performance and their harvested volumes, warrant greater attention, particularly, given the industry dynamics. Our estate management has the necessary expertise, nurtured for more than twenty years, to ensure timely harvesting and to supply our factories with best quality leaves. They continued in the year to be 'hands-on' in this regard, with daily monitoring and management.

Nursery Management**High Grown - Tea Nurseries**

- Dessford
- Bearwell
- Radella
- Great Western
- Wattegodda
- Calsay
- Holyrood
- Mattekelle

Low Grown - Tea Nurseries

- Deniyaya
- Kiruwanaganga
- Indola
- Moragalla

Committed to best practices, tea nursery management is advocated across our estate operations. We take pride in growing our plant requirements, which is a strategic-fit to sustain our competitive advantage. We have well-equipped tea nurseries—eight in the high grown estates and four in the low grown estates—with cultivars that has a best-fit to product quality, high yields adaptability to climate change and agro climatic locations, resistance to pest and diseases. Apart from tea, we have two separate nurseries in Wattegoda and Calsay estates for fuel wood, timber and native plants, significant to enrich the biodiversity within our estates

FIVE ESTATES ON ELECTRONIC WEIGHING SYSTEM



Soil Management

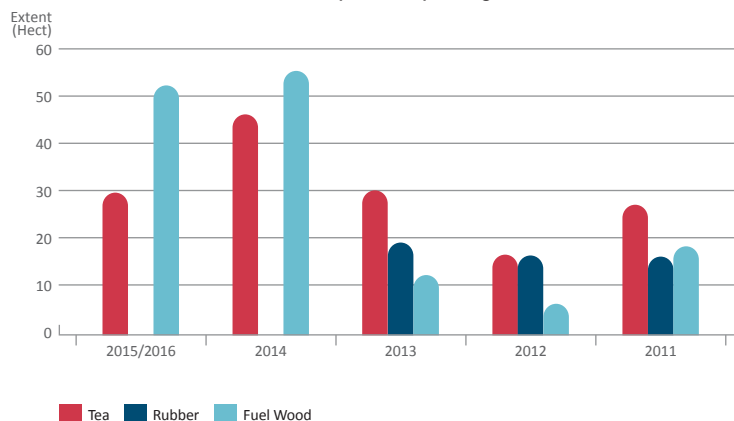
Soil Management Techniques

- Periodic testing of soil samples for carbon, pH and nutrient levels
- Dolomiting to correct the P.H imbalances
- Planting of vettiver in bank edges and upper banks of drains
- Forking in pruned fields and burying of weeds
- Planting of grass in vacant patches
- De-silting of drains, terracing, thatching and mulching
- Distilling lateral drains and leader drains
- Replacing with special fertiliser mixtures including site specific fertiliser application to remedy nutrition deficiency levels
- Checking fertiliser products in the laboratory and using chemicals complying with the TRI guidelines and with the minimum residue level adopted by the European Union and Japan
- Planting of shady trees to give protection and enrich soil

Soil conservation is an intrinsic part of our sustainable agriculture practices. We give precedence with time and due investments to obtain higher yields whilst minimising soil degradation and erosion and enrich its nutrients, acidity and carbon levels. We have adopted and taken proactive measures including training programs to align our soil management practices with the '4R Nutrient Stewardship' initiative. This approach as advocated by IPNI looks into the economic, social and environmental dimensions of nutrient management. Our initiatives are also in line with the prescribed guidelines—RA Sustainable Agriculture and the TRI.

Field Development Programme

Field Development Replanting



Field Development Programme			
	New Clearings Planted 2015/16	Came into Revenue 2015/16	Coming into Revenue 2016/17
	(Hectares)		
Tea	29.00	24.22	24.97
Rubber	-	-	11.35
Fuel Wood	52.72	-	-

Our field development programme is part of our efforts to increase the VP cover of our estates and optimise the agricultural potential of our lands. Under this programme, we planted a total of 29.00 hectares of tea in the reporting year, corresponding to a 37 percent decrease as compared to the preceding year. The high grown areas accounted for 21 percent of the total extent replanted, whilst the low grown areas took up the balance 42 percent. On a cumulative basis since privatisation in 1992, the total extent replanted reached 1,010 hectares.

We maintained 104 hectares as capital clearings and adopted best practices to sustain them and ensure future yields. The total extent brought into revenue in the reporting year was 24.22 hectares. The extent expected to be brought into revenue in the ensuing year 2016/17 is 24.97 hectares. The VP cover increased from 51 percent in the year 2000 to 66 percent in 2015/16. Our estates in the year did not replant rubber.

As discussed under the Natural Capital section of this report, we also continued with our efforts to plant fuel wood—



pursuing our goal to make each estate self-sufficient in fuel wood for energy. We planted an extent of 52.72 hectares of fuel wood in the year 2015/16, an Decrease of 5 percent as compared to 55.25 hectares planted in the previous year. Our field development expenditure stood at Rs 104.8 Mn representing a Decrease of 20 percent over 2014/15.

Adapting to Climate Change

Being a plantation company, the impact of climate change is closely inter-linked and has a significant bearing on the operational sustainability. It is imperative that we take due measures to offset or mitigate the impact on our tea cropping patterns and the quality of the produce. We are concerned and closely monitor the temperature and rainfall in different agro climatic regions and assess the impacts on the performance of our tea plantations. The mean ambient thermometric temperature meters in Deniyaya and Galle in the low grown and Lindula, Talawakelle and Nanu Oya in the high grown serve us in this regard. We have also taken due adaptation measures in our field operations to buffer against climate change—adopting drought pest and diseases tolerant cultivars, ensuring soil moisture and conservation, resorting to compost and organic manure, planting shady trees and irrigation during dry months. Our '4R' Nutrient Stewardship programme

which we have adopted seeks to ensure the "Right source, at the Right rate, and Right place to minimise greenhouse gas emissions resulting from their nitrogen fertilizer applications." (source: <http://www.ipni.net/4R>)

Research and Development

Key Research Areas

- Production of speciality teas
- Bio fertilizer
- Technology in manufacture of tea
- Energy

Our research and development unit which was launched in the year 2014 at the Dessford estate continued to engage in new product development. Already samples of different teas to cater to diverse market needs are being researched; and some of them have been already sent for buyer feedback. We spent a sum of Rs 1.6 Mn in the year under review for tea research.

"Our focused sustainable agriculture practices supported us to sustain healthy crop volumes amidst erratic weather patterns."

CROP PATTERNS

With greater adversity faced from extremities in weather, our crop production in both elevations—particularly, within the low grown estates—witnessed a significant decline, the lowest recorded in the recent years. This was the case across the tea plantation industry in the country. With the exception of the first two quarters in the high grown elevation, all other quarters in both elevations recorded depressed volumes, below the potential level. In this setting, our management across the estates had to brace on its 'hands-on' approach and give more precedence to disciplined management in daily operations. We were conscientious in following through with the best practices in agriculture and manufacturing and kept our operational expenses at bay—keeping our estate top-line and profitability buoyant and in-tact.



Plucking



Soil Conservation



Forking



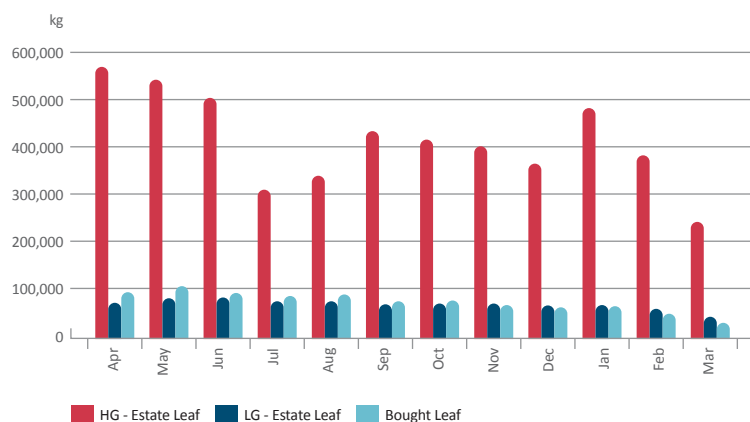
Quarterly Crop Patterns																																				
High Grown																																				
<div>Crop Volumes - Q1 (Apr - Jun)</div> <table><tr><th>Category</th><th>Volume</th></tr><tr><td>Budget 2015/16</td><td>~1,400,000</td></tr><tr><td>Actual 2015/16</td><td>~1,600,000</td></tr><tr><td>Actual 2014/15</td><td>~1,350,000</td></tr></table>	Category	Volume	Budget 2015/16	~1,400,000	Actual 2015/16	~1,600,000	Actual 2014/15	~1,350,000	<div>Crop Volumes - Q2 (Jul - Sep)</div> <table><tr><th>Category</th><th>Volume</th></tr><tr><td>Budget 2015/16</td><td>~1,700,000</td></tr><tr><td>Actual 2015/16</td><td>~1,050,000</td></tr><tr><td>Actual 2014/15</td><td>~1,000,000</td></tr></table>	Category	Volume	Budget 2015/16	~1,700,000	Actual 2015/16	~1,050,000	Actual 2014/15	~1,000,000	<div>Crop Volumes - Q3 (Oct - Dec)</div> <table><tr><th>Category</th><th>Volume</th></tr><tr><td>Budget 2015/16</td><td>~1,500,000</td></tr><tr><td>Actual 2015/16</td><td>~1,100,000</td></tr><tr><td>Actual 2014/15</td><td>~1,200,000</td></tr></table>	Category	Volume	Budget 2015/16	~1,500,000	Actual 2015/16	~1,100,000	Actual 2014/15	~1,200,000	<div>Crop Volumes - Q4 (Jan - Mar)</div> <table><tr><th>Category</th><th>Volume</th></tr><tr><td>Budget 2015/16</td><td>~1,250,000</td></tr><tr><td>Actual 2015/16</td><td>~1,100,000</td></tr><tr><td>Actual 2014/15</td><td>~1,300,000</td></tr></table>	Category	Volume	Budget 2015/16	~1,250,000	Actual 2015/16	~1,100,000	Actual 2014/15	~1,300,000	<div>Following conducive weather, high grown in the first quarter registered the most noteworthy crop performance in the year, ahead of the budgeted level and the corresponding quarter of the previous year.</div>
Category	Volume																																			
Budget 2015/16	~1,400,000																																			
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Actual 2014/15	~1,300,000																																			
<div>With continuing favourable weather, crop volumes were marginally higher than the corresponding quarter in the previous year, but, below the target.</div>	<div>With heavy rains experienced, production volumes fell short of expectations, both below the corresponding quarter of the previous year and the budgeted.</div>	<div>Dry weather conditions did not support crop volumes to match up to the corresponding quarter in the previous year and to the budgeted level. A steep decline was recorded.</div>																																		
Low Grown																																				
<div>Crop Volumes - Q1 (Apr-Jun)</div> <table><tr><th>Category</th><th>Volume</th></tr><tr><td>Budget 2015/16</td><td>~285,000</td></tr><tr><td>Actual 2015/16</td><td>~245,000</td></tr><tr><td>Actual 2014/15</td><td>~235,000</td></tr></table>	Category	Volume	Budget 2015/16	~285,000	Actual 2015/16	~245,000	Actual 2014/15	~235,000	<div>Crop Volumes - Q2 (Jul - Sep)</div> <table><tr><th>Category</th><th>Volume</th></tr><tr><td>Budget 2015/16</td><td>~235,000</td></tr><tr><td>Actual 2015/16</td><td>~228,000</td></tr><tr><td>Actual 2014/15</td><td>~235,000</td></tr></table>	Category	Volume	Budget 2015/16	~235,000	Actual 2015/16	~228,000	Actual 2014/15	~235,000	<div>Crop Volumes - Q3 (Oct - Dec)</div> <table><tr><th>Category</th><th>Volume</th></tr><tr><td>Budget 2015/16</td><td>~260,000</td></tr><tr><td>Actual 2015/16</td><td>~215,000</td></tr><tr><td>Actual 2014/15</td><td>~225,000</td></tr></table>	Category	Volume	Budget 2015/16	~260,000	Actual 2015/16	~215,000	Actual 2014/15	~225,000	<div>Crop Volumes - Q4 (Jan - Mar)</div> <table><tr><th>Category</th><th>Volume</th></tr><tr><td>Budget 2015/16</td><td>~220,000</td></tr><tr><td>Actual 2015/16</td><td>~175,000</td></tr><tr><td>Actual 2014/15</td><td>~215,000</td></tr></table>	Category	Volume	Budget 2015/16	~220,000	Actual 2015/16	~175,000	Actual 2014/15	~215,000	<div>With inconsistent weather conditions, the crop volumes moderated compared to the corresponding quarter in the previous year.</div>
Category	Volume																																			
Budget 2015/16	~285,000																																			
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<div>Given the persistent unfavourable weather, crop volumes registered below the level achieved in the corresponding quarter in the previous year and fell short of the targeted level.</div>	<div>Heavy rains hampered harvesting and the volumes achieved were less than the volumes recorded in the corresponding quarter of the previous year and the targeted level.</div>	<div>With drought conditions, crop volumes registered a marked decline as against the corresponding quarter of the previous year and the budgeted level.</div>																																		

**MANAGEMENT DISCUSSION AND ANALYSIS CONTD.****Tea Production**

7.2 Mn kg Total Production 2014/15		6.8 Mn kg Total Production 2015/2016	
82% Estate Leaf	18% Bought Leaf	86% Estate Leaf	14% Bought Leaf

Quarterly Tea Production 2015/2016 Vs 2014/2015

Tea Production	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter		Total
kg'000	15/16	14/15	15/16	14/15	15/16	14/15	15/16	14/15	15/16
HG & LG Estate Leaf	1,864	1,591	1,317	1,275	1,408	1,527	1,292	1,537	5,881
Bought Leaf	305	365	261	335	218	297	155	269	939
Total	2,169	1,956	1,578	1,610	1,626	1,824	1,447	1,806	6,820



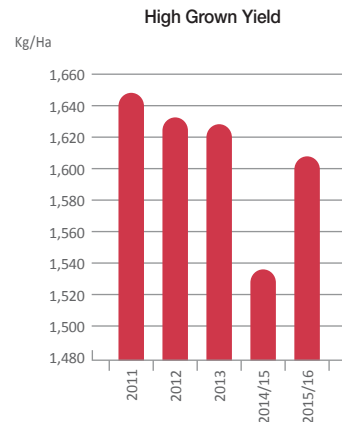
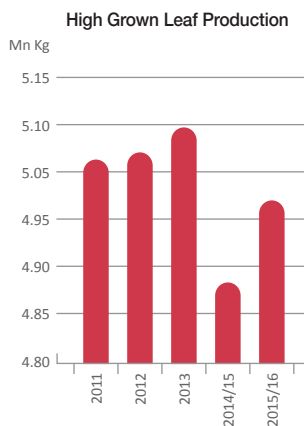
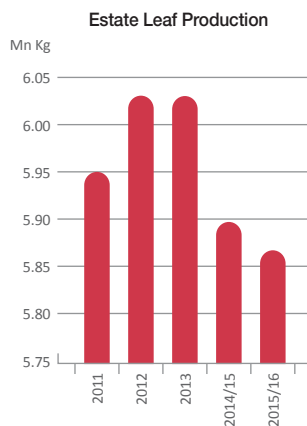
The inconsistent and extremities in weather—both heavy rains and prolonged periods of dry weather—adversely affected the cropping patterns in the year under review, 2015/16. This together with the quality issues we had with our bought leaf operations depressed the overall production levels to 6.8 Mn kg, falling short by 6 percent as against 7.2 Mn kg registered in the corresponding 12 months of 2014/15.

**Estate Leaf Production**

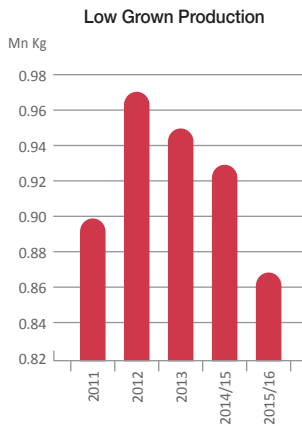
5.87 Mn.kg Estate Leaf Production 2015/16		5.92 Mn.kg Estate Leaf Production 2014/15	
5.00 Mn.kg High Grown	0.87 Mn.kg Low Grown	4.99 Mn.kg High Grown	0.93 Mn.kg Low Grown

Regional Summary				
Regions	2015/2016		2014/2015	
	Production (Mn.kg)	Contribution %	Production (Mn.kg)	Contribution %
Talawakelle	3.00	61%	3.11	62%
Nanu Oya	2.00	39%	1.88	38%
Total High Grown	5.00	100%	4.99	100%
Deniyaya	0.75	85%	0.78	84%
Galle	0.12	15%	0.15	16%
Total Low Grown	0.87	100%	0.93	100%

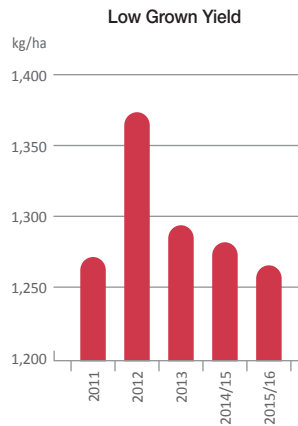
With committed efforts to sustain best practices in agriculture within our estate operations, we managed to curb the full impact of adverse weather on estate leaf production which took up almost 86 percent of the total tea production. The crop volumes within the estates registered 5.87 Mn kg marginally below the levels achieved in the previous year of 5.92 Mn kg; this represented a mere drop of 0.8 percent. The first two quarter results within the high grown elevation complemented the estate leaf production to balance the mediocre results posted in the other two quarters and in the low grown elevation.



Spanning on an extent of 3,103.92 hectares, high grown tea estates contributed over 85 percent to the estate level production and 73 percent to the total production. With favourable weather prevailing in the first quarter and continuing to the second, high grown estates managed to sustain the level of production at 5.0 Mn kg—just above 4.9 Mn reached in the corresponding period of 2014/15. However, the volatilities in weather that prevailed in the third and fourth quarter dampened the prospects of realising the potential harvest. The Talawakelle cluster, taking up around 61 percent of the high grown production, performed marginally below the previous year, whilst Nanu Oya cluster saw a 6.0 percent improvement in crop volumes. Tea yields recorded an improvement of 5.0 percent over the previous year, achieving 1,609 kg per hectare.

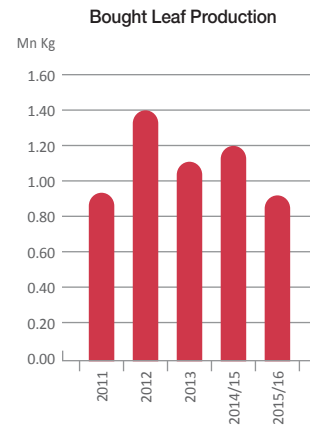
**Low Grown Estate Leaf Production**

With an extent of 691.04 hectares, low grown tea estates accounted for 15 percent of estate leaf production whilst contributing 13 percent to the total production. The inconsistent weather patterns that prevailed in this elevation depressed the low grown performance. The fourth quarter was the worst-hit, whilst the first quarter was relatively buoyant. The crop volumes achieved 0.87 Mn kg which registered a 6.0 percent contraction over 2014/15. Both the Deniyaya estate, which accounts for 85 percent of the low grown leaf production as well as Galle recorded a



short-fall compared to the preceding year. The low grown yields stood at 1,267 kg per hectare, a marginal drop from 1,283 kg per hectare in 2014/15.

In contrast to the preceding year, bought leaf operations did not support the overall operations as expected. Despite our efforts to engage the bought-leaf suppliers, they continued to grapple with quality issues with poor tracing conditions. Besides, with the subsidy scheme introduced by the Government, which came into effect in the year under review, we no longer had a competitive



edge with our preferred suppliers and thus, compromising their role as a strategic option.

The bought leaf volumes recorded a steady decline throughout the four quarters, performing below budget and compared to the previous year. The total bought leaf production in the year declined by 25 percent over the previous year, to reach 0.93 Mn kg. This contributed to 14 percent of the total production as against 4 percent share in the preceding year.



Tea Prices

"Despite the bearish market conditions stifling remunerative prices on the Colombo Auctions, we succeeded to sustain our price rankings—fitting for our top-tier positioning amongst the RPCs."

PRICE RANKINGS ACHIEVEMENTS COLOMBO TEA AUCTIONS 2015/16

TTE ranked number one in the overall category amongst RPCs

Mattakelle - highest GSA amongst all high grown garden marks for 2015 for the Seventh consecutive year

TTE ranked number one in the high grown category amongst RPCs

Seven estate marks were within the first fifteen rankings in the western high grown: Mattakelle, Radella, Logie, Great Western, Holyrood, Dessford & Bearwell

TTE ranked number one in the low grown category amongst RPCs

All nine high grown estates are in the first twenty rankings

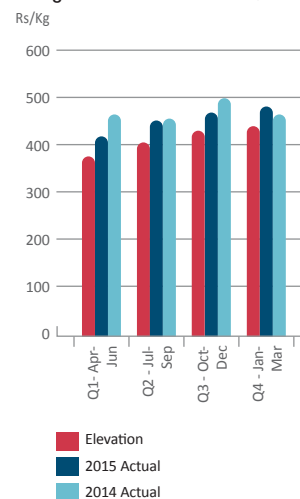
Kiruwanaaganga ranked number one in low grown category amongst RPCs

Continuing the bearish trends from the latter part of the preceding year, the Colombo Tea Auctions recorded a depressive year in 2015/16. With the world commodity markets in doldrums and the geopolitical issues intense in the key export markets, the industry had to reckon with the plummeting prices at the Auctions. In this dismal scenario, it was critical that we were strong in our strategic approach—leveraging our teas on premium quality. This supported us to succeed against the odds with impressive rankings on the market—reinforcing our positioning at the top amongst the regional plantation companies.

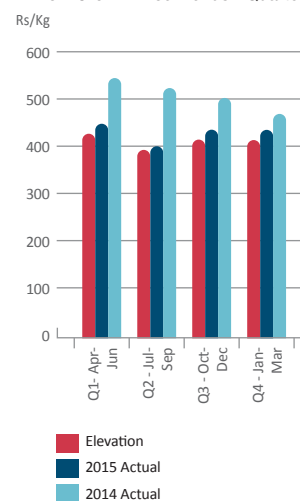
In the first three quarters, our high grown teas did not realise the anticipated prices, falling below the average prices recorded in the corresponding quarters in the preceding year. However, these price averages were well ahead of the elevation averages. In the fourth quarter, we succeeded to attract quality buyers and recorded better pricing, averaging at Rs. 481.64 per kilogram; ahead of both the previous year average by Rs. 16.88 and the elevation average by Rs. 42.77

In terms of low grown prices, all four quarters witnessed waning pricing trends, with the averages standing well below the results achieved in the corresponding quarters of 2014/15. The second quarter recorded the lowest price average, falling by Rs. 123.09 per kilogram. All four quarters, however, were well above the elevation prices averages.

High Grown Price Trends - Quarterly



Low Grown Price Trends - Quarterly



**MANAGEMENT DISCUSSION AND ANALYSIS CONTD.****Gross Sales Average (GSA)**

High Grown Change in GSA 2015/16 vs. 2014/15				Low Grown Change in GSA 2015-16 vs. 2014/15			
Q1 decrease Rs. 44.73 per kg	Q2 decrease Rs. 3.83 per kg	Q3 decrease Rs. 29.53 per kg	Q4 increase Rs. 16.88 per kg	Q1 decrease Rs. 93.79 per kg	Q2 decrease Rs. 123.09 per kg	Q3 decrease Rs. 70.42 per kg	Q4 decrease Rs. 34.49 per kg

GSA 2015/2016 – 2011						
	2015/2016	2014/2015	2014	2013	2012	2011
		(15 months)				
High Grown	453.90	488.63	478.53	456.36	413.38	371.66
Low Grown	429.42	526.96	531.22	496.56	420.49	390.89

With depressive prices at the Colombo Tea Auctions, our GSA in the high grown category slumped in the first three quarters, whilst picking-up to record an increase of Rs. 16.88 per kilogram in the fourth quarter as against the corresponding quarter in 2014/15. For the year under review, GSA for the high grown category ended at Rs. 453.90 per kilogram, compared to Rs. 488.63 posted in the preceding year.

In terms of low grown teas, GSA performed below our expectations, with significant decreases recorded throughout the four quarters. For the reporting year, GSA stood at Rs.429.42, distinctly down as against Rs. 526.96 per kilogram registered in the year 2014/15.

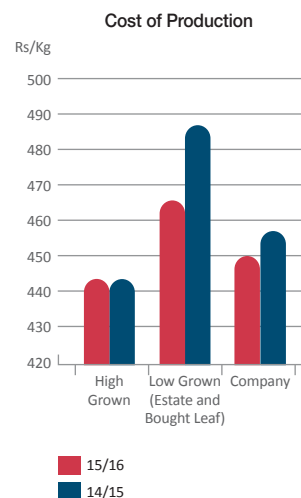
COST OF PRODUCTION

With focused efforts in place to closely monitor and control costs, our estate management was able to effectively cap the unnecessary expenses and leakages. The wage bill typically took up a significant share of the cost of production, accounting for over 70 percent of the total. However,

Cost of Production

“Continuing efforts across the estates to keep the costs in check, coupled with the reduction in prices of electricity and fuel in the year enabled us to keep our cost of production below the levels reported in the preceding year. “

with concerted advocacy across the industry, we did not have to resort to unproductive wage increases which enabled us to keep our wage bill in-tact. This together with lowered prices in electricity and fuel given the budget concessions in the year, supported our overall cost of production to be curtailed by Rs. 7.08 per kilogram as against the previous year, to Rs. 450.37 per kilogram. In terms of elevations, high grown maintained its cost of production at similar levels achieved in the previous year, whilst low grown estates together with bought leaf operations recorded a significant decline of Rs. 20.68 per kilogram.





ESTATE PROFITABILITY

“Our perceptive strategy along with focused actions supported nine of our estates out of 17 to sustain their profitability levels.”

Estate Profitability

Our estate profitability stood challenged in the year under review. The lower production volumes and bearish price trends across the elevations did not reflect well on the estate top-line and profitability, and the results were below the levels achieved in the previous year. Yet, we were focused in our efforts to sustain our top-line with improved productivity, yields and quality teas which in effect, eased the pressures in a difficult operational backdrop. This, complemented with our disciplined management efforts buttressed our profits across nine of our estates. The cumulative profits achieved for the year were Rs. 75.5 Mn. This corresponded to a 73 percent decrease over 15 months of 2014/15.

High grown estates accounted for 166.5 percent of the estate profits with Rs. 125.7 Mn. Talawakelle cluster with Rs. 133.4 Mn profits contributed over 106 percent to elevation profits. Nanu Oya however, continued to report losses of Rs. 7.6 Mn. Profits were strongest in the first two quarters of the year.

The low grown estates were deeply affected by the depressive market conditions. Losses in this elevation slumped by 102 percent and impacted with losses of Rs. 77.3 Mn. Deniyaya and Galle regions in the low grown areas took up a share of 75 percent and 25 percent of the elevation losses respectively.

With regard to the estate level performance, nine of our estates reported profits for the 12 months of 2015/16, with 125.7 Mn from the high grown region. Bearwell estate in the high grown posted the highest profits continuing to be at the top of the estate profitability list followed by Mattakelle Estate and Great Western Estate with second and third rankings respectively.

Rubber

Rubber turnover during the year was Rs. 10.8 Million compared to Rs. 14.5 Million in 2014/2015. Total production in the year decreased to 53,476 Kilograms, a 8% decrease from 57,854 Kilograms in the previous year. Rubber price averaged at Rs. 202.13 per Kilogram in 2015/2016 as against Rs. 252.21 per kilogram in 2014/2015. The total extent was 167.40 hectares.

Hydropower Sector

Our hydropower subsidiary with its three plants in Radella, Palmerstone and Somerset a combined capacity of 2.2 MW posted a robust performance in the year 2015/16. The plants were operational throughout the year at full capacity and generated 8.2 Mn kWh of electricity. The electricity supplied to the national grid increased by 196,714 kWh compared to the previous year's 7.1 Mn kWh. The total revenue in the year 2015/16 stood at Rs. 111.45 Mn, contributing 3.2 percent to the consolidated revenue.

Estates Making Profits						
	Total Estates	2015/16 (12 Months)	2014/15 (15 Months)	2013	2012	2011
High Grown	12	09	08	08	08	03
Low Grown	05	-	01	04	03	-

**MANAGEMENT DISCUSSION AND ANALYSIS CONTD.**

High Grown - Integrated Performance				
Talawakelle Region		Nanu Oya Region		
Estates: Mattakelle, Bearwell, Holyrood, Great Western, Wattegodde, Palmerston & Logie		Estates: Dessford, Somerset, Clarendon, Calsay, Radella		
Total Extent Tea: 1937.25 hectares		Total Extent Tea: 1,186.45 Hectares		
Total Factory Capacity: 4.1 Mn kg		Total Factory Capacity: 3.2 Mn kg		
Factory Type: Orthodox Black Tea		Factory Type: Orthodox Black Tea & Green Tea		
Certification: <ul style="list-style-type: none">⦿ Rainforest Alliance Sustainable Farm Certification: all estates in the Talawakelle region⦿ Ethical Tea Partnership: all estates in the Talawakelle region⦿ ISO 22000 Food Safety Management Systems: Wattegodde, Great Western, Mattakelle, Bearwell, Holyrood		Certification: <ul style="list-style-type: none">⦿ Rainforest Alliance Sustainable Farm Certification - all estates in the Nanu Oya region⦿ Ethical Tea Partnership: all estates in the Nanu Oya region⦿ ISO 22000 Food Safety Management Systems: Sommerset, Dessford⦿ UTZ Sustainable Tea Certification -Radella		
Achievements: Mattakelle, the highest in GSA amongst all high grown garden marks for the 7th consecutive year and 5 estate marks amongst top ten elevation rankings.				
Key Indicators	Talawakelle		Nanu Oya	
	2014/15	2015/16	2015/16	2014/15
Economic				
Tea Production (Mn.kg)	3.0	3.1	1.9	1.8
Contribution to High Grown (%)	61	62	39	38
Profit (Rs. Per Hectare) “000”	335.5	331.5	(98.3)	(19.7)
Capital Expenditure (Rs.Mn)	35.0	36.7	33.3	45.9
Social				
Registered Workers	4,560	4,080	1,961	2,730
Resident Community (People)	22,113	22,990	13,844	13,832
Health & Safety - Training Programmes	48	53	38	60
Environment				
Tea - New Clearing Planted (Hectares)	13	16.2	15.5	16.7
Fuel Wood Planted (Hectares)	38.5	27	14	28.25



Low Grown – Integrated Performance				
Deniyaya Region		Galle Region		
Estates: Deniyaya, Kiruwanaganga, Handford, Indola		Estates: Moragolla		
Total Extent: Tea 637.94 Hectares and Rubber: 59.20 Hectares		Total Extent: Tea: 85.90 Hectares and Rubber:121.14 Hectares		
Total Factory Capacity: 1.9 Mn kg		Total Factory Capacity: 0.6 Mn kilogram		
Factory Type: Orthodox Black Tea		Factory Type: Orthodox Black Tea		
Certification: <div><div></div> Rainforest Alliance Sustainable Farm Certification - Kiruwanaganga, Deniyaya</div> <div><div></div> Ethical Tea Partnership: Kiruwanaganga & Deniyaya</div> <div><div></div> ISO 22000 Food Safety Management Systems: Handford, Deniyaya & Kiruwanaganga</div>		Certification: <div><div></div> ISO 22000 Food Safety Management Systems: Moragolla</div> <div><div></div> Ethical Tea Partnership - Moragolla</div>		
Achievements: Low grown prices - Kiruwanaganga Rank No.1 in RPCs and 3 estate marks above elevation average.				
Key Indicators	Deniyaya		Galle	
	2015/16	2014/15	2015/16	2014/15
Economic				
Tea Production (Mn.kg)	0.74	0.77	0.13	0.15
Contribution to Low Grown (%)	85	84	15	16
Profit (Rs. Per Hectare) “000”	(261.6)	44.8	(193.7)	32.3
Capital Expenditure (Rs.Mn)	26.6	31.0	9.6	15.8
Social				
Registered Workers	984	1,190	278	310
Resident Community (People)	3,877	4,790	360	158
Health & Safety -Training Programmes	45	65	8	15
Environment				
Tea - New Clearing Planted (Hectares)	0.91	10.6	-	2.79
Fuel Wood Planted (Hectares)	-	-	-	-



CAPITAL REPORTS

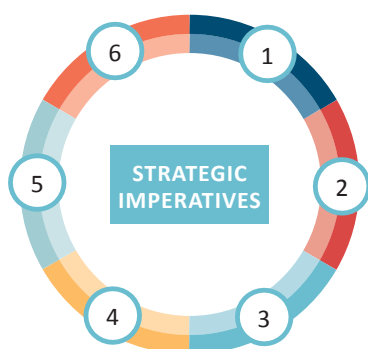
In an erratic business environment, it is crucial that we think beyond the conventional lines and stay ahead of the challenges of our times. We have to adopt a broader perspective in our decision making process—integrated thinking—where we bring together financial considerations with social and environmental aspects of our business. This is a fitting approach to an organisation such as ours where we interact and have intense relationships with a wide and diverse set of stakeholders.

Refining our integrated reporting initiatives this year, in line with the <IR> Framework, we bring in a dedicated section to set forth our take on capital management. The capital reviews presented in the ensuing sections seek to establish on how we interact with the capitals—our strategy and key actions to enhance the value and the sustainability of our capitals, along with the resultant outputs, outcomes and key impacts.



FINANCIAL CAPITAL

OVERVIEW



1. Sustainable Topline Growth
2. Manage Liquidity & Profit Margins
3. Follow Current Accounting & Auditing Standards
4. Remunerative Return on Equity
5. Stable Financial Position
6. Compliance to Regulatory Requirements

Management Approach

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For TTE PLC, financial capital covers internal cash flows that is generated through the business activities; the equity investments of our shareholders; and debt raised from the local financial institutions including banks and finance companies.

“PRUDENT FINANCIAL MANAGEMENT DESPITE ADVERSE TRADING CONDITIONS ENABLED THE COMPANY TO MAINTAIN ITS SHORT AND LONG TERM SOLVENCY AND LIQUIDITY.”

With greater competition and complexities that afflict our business landscape, effective financial capital management is increasingly becoming critical to ensure the viability of an organisation from a long-term standpoint. This is more so in an industry such as the plantations where adversity has become a commonplace. It is in this context that we discuss in this section on how our management gives top priority to understand the broader aspects of our business, bring in the necessary financial resources to enable and manage our value creation process and aspired expansions, and to ensure that we improve our financial results to meet our corporate goals.

Managing our financial resources plays a focal role in our value creation process. We stand focused in our efforts to ensure that we optimise the financial capital available within the business to obtain the best output in value. Therefore, the scope of the finance function is not limited to traditional book-keeping activities, but, seeks to integrate and manage the entirety of the business—giving direction and accountability to strategic planning;

Financial Statements - Compliance

- Sri Lanka Accounting Standards - Chartered Accountants of Sri Lanka
- Companies Act No 07 of 2007
- Sri Lanka Accounting and Auditing Standards Act No 15 of 1995
- Listing Rules - Colombo Stock Exchange
- Code of Best Practice on Corporate Governance - Chartered Accountants of Sri Lanka and The Securities and Exchange Commission of Sri Lanka

formulating and implementing action plans across the operations; and monitoring, evaluating and reporting the output, impacts and outcomes for further review, deliberations and decisions by the management and Board of Directors.

Our approach to financial capital management is well planned, disciplined and principled. We uphold the prescribed best practices and standards

**MANAGEMENT DISCUSSION AND ANALYSIS CONTD.**

in accounting, auditing and management whilst ensuring compliance to the rules and regulations stipulated by the relevant statutory and regulatory bodies. Our management is well informed and proactive to be current in this regard, which together with focused risk management practices have enabled the organisation to be well-grounded, even amidst the challenges of our industry.

In managing our financial capital, we seek to uphold our long standing policy of 'doing business within our means' which now holds greater significance given the intricacies of our operating environment. We are focused in growing our top-line, yet, conscious and cautious to resist growing 'too fast', without considering the long term consequences. As will be discussed in detail under

each of the other capital management reviews set out in this annual report—we have in place firm measures to ensure a sustainable top-line with best and responsible practices, and due and carefully planned investments in both field and non-field operations; buyer, employee and community relations; and environment management.

Besides the top-line, our approach also gives high precedence to cost management—seeking to be cost effective in our decision making, control excessive and unnecessary costs and trim on wastage. This, in effect, proved to be critical in reaching for profits and ensuring returns to our shareholders in the year under review—the most challenging, thus far, in the plantation history. We are also prudent and

disciplined in our treasury and cash flow management to maintain sound levels of liquidity to fund the operations; be proactive to reduce cost of funds and maintain healthy gearing levels; and be strategic in our investments with effective balancing of risk-returns. We are fully committed to be consistent and sustain a stable and robust financial position.

TTE PLC has shown strong financial performance over the years creating a sustainable positive impact to all our stakeholders. The following performance indicators bear evidence of the success story the Company has achieved over the past through transparent, accountable and ethical practices despite the many challenges in the Sri Lankan Tea Industry.

Financial Capital – SWOT Analysis			
Strengths	Weaknesses	Opportunities	Threats
<ul style="list-style-type: none"> Strong brand, corporate reputé and standing Parent Company strength and support Hands-on Operational Management Financial discipline & cost controls Good Governance & Risk Management practices Transparent and sound investor relations Longstanding relationships and credibility with financial institutions 	<ul style="list-style-type: none"> Rising cost of production Unionised workforce and indifference to work A wage structure not linked to productivity Outward migration of labour 	<ul style="list-style-type: none"> Best and current practices on Accounting & Financial Management Higher land and worker productivity with a change in business model 	<ul style="list-style-type: none"> Economic and geo-political uncertainties in key tea export markets Domestic macroeconomic uncertainties and policy changes impacting the industry and business growth
Financial Capital - Strategic Focus - 2015/16			
<ul style="list-style-type: none"> Uphold and follow best business practices to drive sustainable top-line growth. Strengthen the brand for quality teas to sustain preferred supplier status and enjoy higher prices amongst the RPCs. Closely monitor the operational performance on the estates and extend strategic training for employees across the board to address productivity issues. Be focused and drive cost controls across the operations to minimise waste and non-value adding overheads. Proactive treasury and cash flow management to ensure sufficient funds for internal operations including diversifications, and lower cost of funds. Optimizing profitability through value addition and efficient utilization of resources particularly through prudent capital expenditure management. Maintaining a healthy statement of financial position. 			



KEY PERFORMANCE INDICATORS - 2015/16

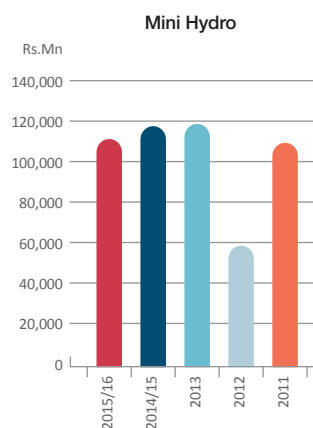
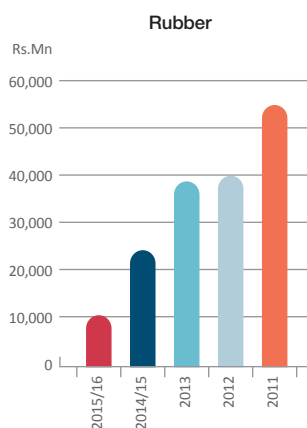
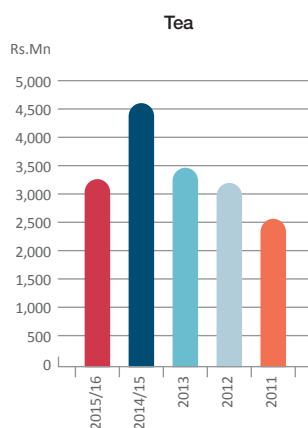
Company

-28%	Revenue Growth	7.4%	Profit Margin	6.7%	Return on Equity
2.9%	Return on Assets	3.48 times	Interest Cover	30.2%	Debt:Equity

Group

Aspect	Measure	2015/16	2014/15*	2013	2012	2011
Revenue Growth	Turnover (Rs.Mn)	3,434.6	4,761.1	3,646.8	3,318.1	2,744.5
Profitability	Gross profit ratio (%)	9.2%	10.6%	11.6%	12.8%	5.1%
	Net profit ratio (%)	4.3%	5.6%	5.5%	6.8%	-1.2%
Working capital Management	Current ratio (Times)	1.22	1.15	1.28	1.16	0.88
Liquidity	Cash flow from operations (Mn)	393.4	532.3	301.1	336.1	108.7
Asset Utilisation	Fixed Assets Turnover (Times)	1.03	1.43	1.47	1.13	1.04
Investments	Capital expenditure as a % of total assets	3.6%	6.5%	3.3%	3.9%	4.6%
Capital Structure	Debt/Equity (%)	29.7%	37.3%	51.8%	60.0%	86.7%
	Interest Cover (Times)	3.81	3.68	3.28	2.79	0.80

*fifteen months



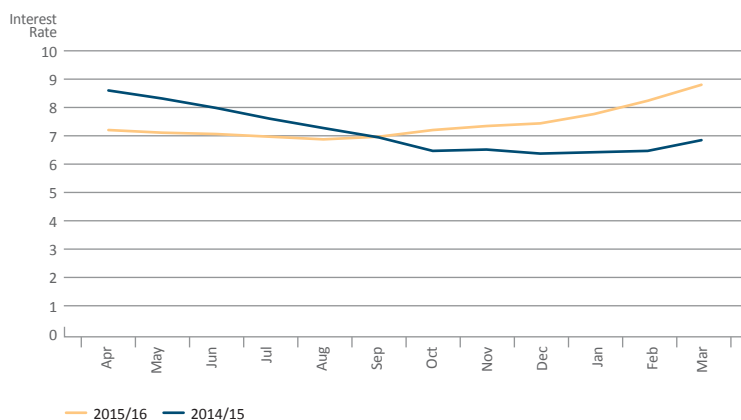
**MANAGEMENT DISCUSSION AND ANALYSIS CONTD.****OVERVIEW**

THE COMPANY POSTED A NPBT OF RS. 150.2 MN AND RECORDED THE LOWEST DEBT /EQUITY GEARING OF 30.2% IN A VERY DIFFICULT OPERATING ENVIRONMENT; THAT WITNESSED NATIONAL TEA PRICE LEVELS BELOW THOSE OF 2013

GROUP NET PROFIT AFTER TAX RS. 146.5 MN

Monetary policy

A Monetary policy of lower interest rates to stimulate economic growth was continued from 2014 in to 2015. Interest rates during the first half of the year were more conducive of credit growth and economic development which included a further relaxation of the monetary policy. This was by way of a reduction in both the Standard Deposit Rate (SDR) and the Standard Lending rate (SLR) by 50bps to 6.0% and 7.5%, respectively, in April 2015. However with the rise in credit growth to both private and public sectors in the domestic markets, the country experienced a pressure on interest rates towards the latter part of 2015. Credit to private sector grew 25.1% on a year on year basis in December 2015 compared to an 8.8% in the same period for 2014. Following which policy makers thought it necessary to tighten the monetary policy in the start of 2016 by increasing the Statutory Reserve Ratio (SRR) to 7.5%, a 150 bps increase to previous rate. This was mainly to address the liquidity levels in the market and the possible risk it would pose through undue expansion of monetary aggregates. One year government security rates also increased to 7.11% by December 2015, which was a 1.1% increment for 2015.

AWPLR Movement**Turnover**

The annual turnover during the year was Rs. 3,434.6 Mn compared to Rs. 4,761.1 Mn in the previous year. Tea turnover was Rs. 3,277.1 Mn; rubber Rs. 10.9 Mn and other Rs. 35.1 Mn. Lower national tea prices impacted turnover; the average national tea price declined from Rs. 461.48/kg to Rs. 402.14/kg. Turnover declined by Rs. 422.9 Mn in the current year vis a fifteen month last year. The annualized decline in turnover amounted to Rs. 391.7 Mn (10.5%). The Rubber segment which was afflicted with lower prices and losses, continued with the same trends during this financial year as well.

Segmental Revenue Analysis



The Hydro Company revenue for the year was Rs. 111 Mn and reflects a marginal drop of Rs. 6.5 Mn due to draught conditions that prevailed in the last quarter of this financial year.

Profitability

Gross profit reduced to Rs. 246.8 Mn from Rs. 436.6 Mn compared to fifteen months ended 31st March 2015. The GP Margin dropped to 7.4% from 9.4% in 2014/15. Tea prices had a steep decline and cost of production also increased marginally. The impact of lower prices was mainly on low grown estates; that recorded a loss of Rs. 77 Mn in 2015/16. Lower finance cost and substantial other income mitigated to some extent the impact of a decline in Gross Profit on Profit Before Tax. Gross profit from Hydro power generation improved by 5% compared to previous year and was Rs. 70.1 Mn.

Earnings

Earnings before Interest, Tax, and Depreciation & Amortisations (EBITDA) was Rs. 346.7 Mn in the year under review; in comparison with previous years Rs. 517.0 Mn for fifteen months. The annualised EBITDA of previous year was Rs. 413.6 Mn supported by higher revenues. During the year under review, TTE PLC received Rs. 18.3 Mn as Dividends from Hydro Companies a 13% increment over the last financial year.

EBITDA Margin declined to 10.4% in 2015/16 from 11.1% due to lower Gross Profit in the year to last year. A EBITDA of 10.4% (Group -11.9%) from revenue generated, remained in the company after meeting its operational expenditures.

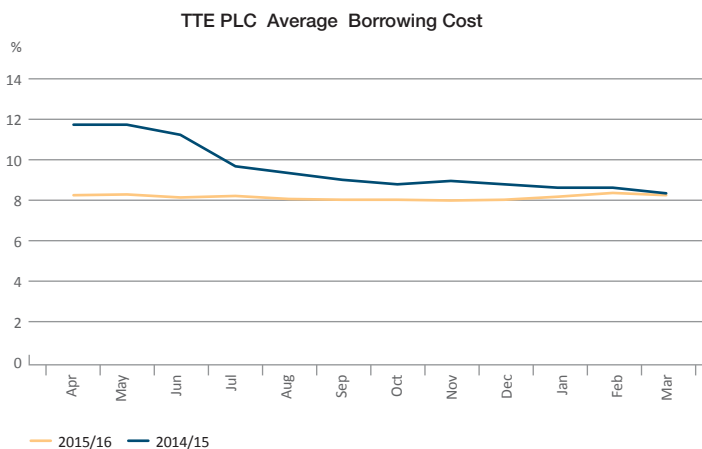
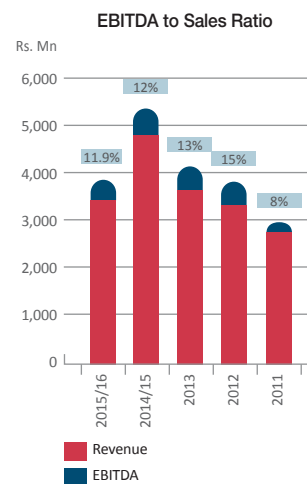
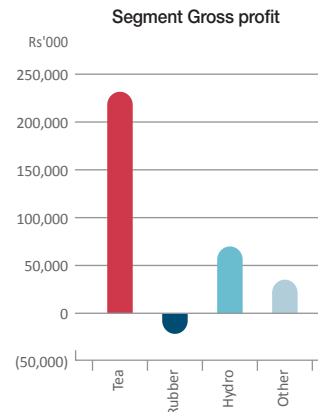
Net Profit after Tax declined by Rs. 117.9 Mn to Rs. 110.3 Mn compared to 15months Rs. 228.3 Mn of previous year. Net Profit Margin dropped to 3.3%

from 4.9% in year 2014/15. Hydro sector contributed Rs. 36.2 Mn to the Group Net Profit After Tax, in spite of a drought in last quarter of this financial year. A reduction in finance cost by Rs. 9.3 Mn improved hydro profitability in the year. The Group net profit after tax was Rs. 146.5 Mn.

Earnings per Share stood at Rs. 4.65 as against Rs. 9.61 last year, which corresponds to a 52% decline.

Finance Cost

The group finance cost of Rs. 38.2 Mn was a significant decline (47.5%) from the previous year's Rs. 72.9 Mn. A decline in interest rates in the first half; with an easing of monetary policy had a positive impact on interest costs in the year. The Company finance cost declined by Rs. 25.4 Mn (44%) from Rs. 57.1 Mn in the previous year to Rs. 31.7 Mn. An overall reduction in bank borrowings and optimal treasury management complimented a lower interest rate regime; to effect a significant saving in finance expenses compared to the previous year. Hydro power sector also reduced their finance cost from Rs. 15.8



**MANAGEMENT DISCUSSION AND ANALYSIS CONTD.**

Mn to Rs. 6.5 Mn. TTE PLC's average cost of funds reduced by 14.5% to 8.2% from 9.6% in the previous year in spite of a 3.3% increase in AWPLR to 8.8% at end March 2016. Interest cover for the reporting period was 3.48 times reduced from 3.9 times in previous year.

Taxations

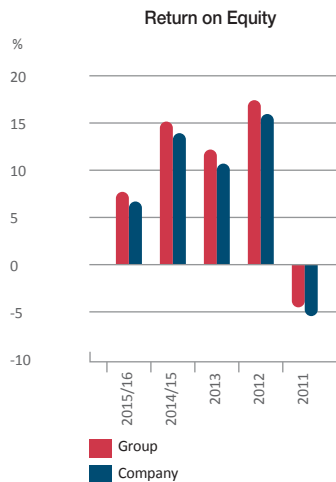
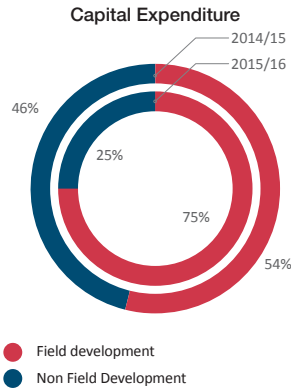
The company's Income Tax Expense for the year was Rs. 39.9 Mn which comprise of Current and Deferred Tax expenses. Our Current tax expense reduced by 48% due to lower taxable profits during the year and Deferred Tax increased by 43% due to adjustments in carried forward tax losses. The Effective Tax Rate of the Company has decreased to 10% from 10.8% in the previous year. The rate of income tax applicable to the Company was 28%, whilst the rate applicable to profits from agricultural activities was a concessionary rate of 10%. A reconciliation of accounting profit with the tax expense is available in note 10.3 to the Financial Statements. A summarised computation of Deferred Tax is given in note 10.4 to the Financial Statements.

Return on Equity (ROE)

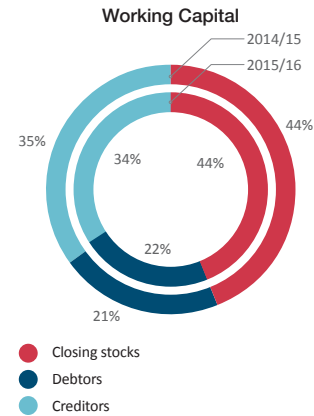
The return to shareholders during the year was impacted with lower profitability; Return on Equity (ROE) was 6.76% compared to 13.9% in 2014/15.

Capital expenditure

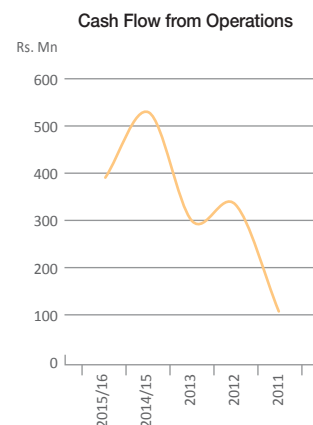
The Company continued with its field development plan in this financial year as well; albeit at a lower level. Total investment in field development amounted to Rs. 104.9 Mn, which is 73.6% of previous year's expenditure. Investment on Property, Plant and Equipment decreased by 70.4% compared to previous year.

**Working capital management**

Investment in Working Capital registered a decline by 23% to Rs. 226.6 Mn. A reduction in stocks and Trade Debtors reduced the working capital investment by Rs. 158.5 Mn in year 2015/16. The company's Current Ratio improved to 1.20 times from 1.16 times in the previous year. A reduction in short term borrowings by Rs. 43.8 Mn also improved liquidity cover.

**Cash flow and Borrowings**

The Company continued to record a healthy Cash Flow this year as well; a free cash flow of Rs. 177.4 Mn and Net Cash Flow from operations of Rs. 318.0 Mn. The net Cash Flow from operations last year was Rs. 463.7 Mn, for the fifteen months ended 31st March 2015.





The Net cash deficit from Investing Activities reduced to Rs. 75.7 Mn from a deficit of Rs. 243.3 Mn in year 2014/15. The deficit narrowed due to a reduction in Capital Expenditure during the year. Financing Activities absorbed Rs. 160.4 Mn to Rs. 269.9 Mn in previous year. Overall net cash surplus of Rs. 81.9 Mn was recorded compared to a deficit of Rs. 49.5 Mn in the previous year; and consequently bank borrowings declined during the year. As at end of the year the company had adequate banking facilities to continue its operations.

Our financial contractual obligations to financial institutions as at 31st March 2016 are given above.

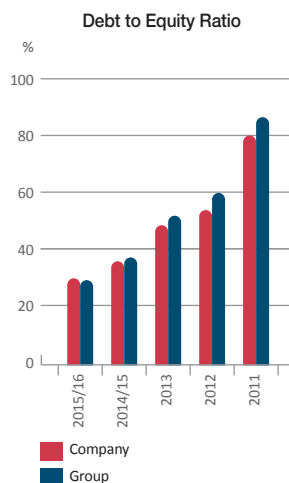
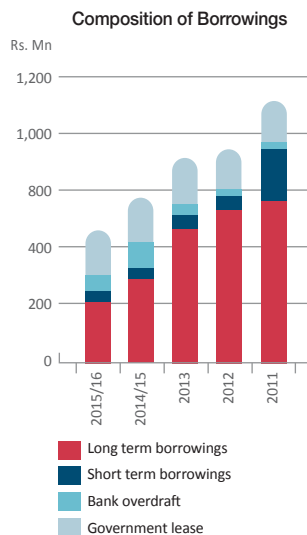
Capital Structure

The lower trending in financial gearing continued in to the current year from last year. TTE PLC equity consists of 23.75 Mn ordinary shares in issue including one Golden Share held by Government of Sri Lanka with special rights. Special rights attached to the Golden Share are stated in Annual report of Board of Directors (Page 168). Total Equity of the company as at 31st March 2016 was Rs. 1.63 Bn and Debt was 492.7 Mn. Equity declined by Rs. 11.8 Mn (0.7%) and Debt by Rs. 104.9 Mn (17.5%). The Debt to Equity ratio at 30.2 percent was the lowest ever on recorded. Group equity and debt was Rs. 1.8 Bn and Rs. 552.6 Mn respectively; and Debt to Equity Ratio at the group level improved to 29.7 percent from 37.3 percent in 2014/15.

Liquidity

The Company and Group short and long term liquidity indexes improved compared to the previous year. Positive Free Cash Flow of Rs. 177.4 Mn savings in interest costs – Rs. 34.7 Mn and lower Financial Gearing (Debt/Equity)- 30.2%.

Obligation	Amount due 2016	Amount due 2015	Due date
Long term borrowings	200.8	261.1	Equal monthly installments for 5 to 8 years
Short term borrowings	42.0	45.0	On maturity at terms ranging from one month to 12 months
Bank overdraft	62.2	103.1	On demand
Government lease	188.3	188.9	30 years from now



Performance of share

The closing market price of a share of TTE PLC remained at Rs. 32.50 and showed a steady position amongst the other Regional Plantation Companies in Sri Lanka. The highest price recorded during the year was Rs. 44 and value of shares traded during the year was Rs. 34.5 Mn. Market price as at 31st March 2015 was Rs. 35.10, down only by 7.0 percent, despite the bearish trends with All Share Price Index (ASPI) declining by 11 percent to 6,071.9 units and Plantation Index by 15 percent to 647.33 units.

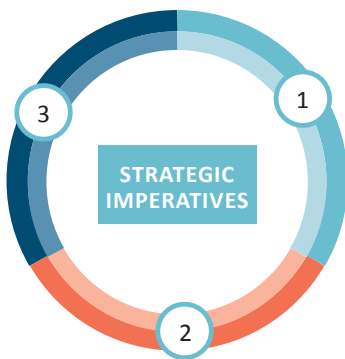
The net asset per share was Rs. 68.70 as at end of the period under review compared to Rs. 69.20 at the end of the previous financial year. Price Earnings Ratio (PE Ratio) was 6.52 times in the current year to last year 3.48 times due to lower Earnings Per Share.

Market Value Added (MVA) is a measure of value creation by the Company; the difference between the current market value of the firm and capital invested by the investors. MVA of Company was Rs. 421.8 Mn at the end of current year and it has declined by Rs. 61.75 Mn due to the fall in share price of the Company to Rs. 32.50 from Rs. 35.10 in 2015.



MANUFACTURING CAPITAL

OVERVIEW



1. Ensure Factory Maintenance and Availability of Spares
2. Procure Best-in-Class Machinery & Equipment
3. Due Investments to Develop Estate Infrastructure

Our industry stands at a critical juncture, afflicted by down-turn market conditions and lower productivity issues both in terms of labour and land. In this backdrop, developing and efficiently managing our manufacturing capital—which has the potential to influence and boost the level of productivity and bring in greater quality—are imperative and warrant careful consideration and due investments; and thus, support to secure our present and future cash flows. It is in this setting that we present this section where we seek to draw our stakeholders' attention on our procurement procedures with respect to machinery and equipment, maintaining our factories and developing our estate infrastructure.

MANAGEMENT APPROACH

Our manufacturing capital broadly covers factory machinery and equipment, harvesting equipment and information technology based equipment. We also invest substantially in estate infrastructure which includes the social component that supports our resident communities within our estates. Although plantation is a labour intensive operation, manufacturing capital as mentioned above is a critical enabler, and if harnessed well, we could significantly improve the level of demand for our teas through value addition and quality enhancements and bring down our cost of production to support the bottom-line sustainability.

Our approach to manufacturing capital management is well-planned and pragmatic. Our capital expenditure is based on an annual plan, considering the factory gaps against current technology, estate requirements, cost factors and available budgets. We give precedence to consistent maintenance of machinery and equipment within the factories and ensure the availability of quality spares; whilst looking at long-term investments with due diligence studies to bring in modernity to the estate operations. Machinery and equipment are purchased on proper procurement procedures and best practices. Our estate infrastructure including social projects are undertaken on a need-based approach and we ensure that best practices are followed in selecting our contractors.

Manufacturing Capital - Strategic Focus - 2015/16

- Ensure best practices in procurement of machinery and equipment.
- Ensure that the quality and standards of the machinery and equipment procured are certified by a recognised certification body.
- Carryout due diligence and feasibility studies on operational requirements prior to procurement of machinery and equipment.
- Undertake timely maintenance of factories and ensure the availability of spares.
- Follow manufacturer specifications in carrying out maintenance.
- Extend relevant technical training opportunities and exposure to develop the team.
- Develop and up-keep estate infrastructure including community based infrastructure on a need-based analysis.



PROCUREMENT OF MACHINERY AND EQUIPMENT

We follow best practices in procuring of machinery and equipment. All procurement is well evaluated on quality and cost basis which includes capacity, availability of spares and environmental considerations like energy consumption and noise level and health and safety aspects of the workplace. We also look into the credentials, stability and the integrity of the manufacturer and ensure that they are socially and environmentally responsible and in compliance to the relevant legislature. In most cases, we give precedence to manufacturers who have obtained certification for their processes from well-recognised certification bodies.

In the reporting year of our estates purchased new machinery and equipment and the total investment stood at Rs. 12.6 Mn. Out of this, 91.5 percent were for factory and field operations whilst the balance 8.5 percent were ICT equipment for both the head office and the estates.

MAINTENANCE OF FACTORIES

We are timely, consistent and methodical in our maintenance of our factories across the estates. Our maintenance which includes periodic servicing and replacements with quality spares follows best practices and procedures in accordance to the manufacturer specification manuals and guidelines. We have in place well-trained team of engineers and technical staff in each estate to ensure that our machinery and equipment are in working order. In the reporting year, all our estates operated at 75 percent capacity. Our certification from ISO 22000 audits and validates our maintenance procedures.

KEY PERFORMANCE INDICATORS - 2015/16

Rs. 35.7 Mn
Capital Expenditure

Rs. 32.3 Mn
Machinery & Factory maintenance

Rs. 12.6 Mn
New Machinery & Equipment

Rs. 6.3 Mn
Estate Infrastructure Investment

ESTATE INFRASTRUCTURE DEVELOPMENT

We have seventeen estates within our operations 5 in the low grown and 12 in the high grown region. The scope of infrastructure development extends to our factories comprising buildings, processing floors and to community based water, sanitation, recreation facilities etc.

All infrastructure development works are carried out by reputed contractors, selected following proper tender procedures. We also obtain community support for these initiatives.

In the reporting year, we incurred a sum of Rs.59.4 Mn on estate infrastructure out of which 7.7 percent accounted for the factory component.

Estate Infrastructure – 2015/2016	
Cost Component	Rs.Mn
<i>Factory Infrastructure</i>	
Revamping factory buildings	4.6 Mn
Total - Factory	4.6 Mn
<i>Social Infrastructure</i>	
Housing Construction	32 Mn
Water and Sanitation	14.4 Mn
Road construction, rehabilitation & maintenance	5.0 Mn
Other infrastructure	3.4 Mn
Total - Social	54.8 Mn
Total	59.4 Mn

CAPITAL EXPENDITURE

In the reporting year, we incurred a sum of Rs. 35.7 Mn on capital expenditure which corresponds to 70 percent increase vis-à-vis the preceding 15 months of 2014/15. The detailed expenditure is set out below:

Capital Expenditure – 2015/16	
Cost Component	2015/16
Machinery & Equipment – Factories	9 Mn
Equipment - Field Operations	2.95 Mn
IT Hardware & Software	0.55 Mn
Estate Infrastructure Development	6.3 Mn
Other	16.95 Mn
Total Capital Expenditure	35.75Mn



NATURAL CAPITAL

GRI - Materiality Aspects Report Coverage - Comprehensive

- Materials
- Energy
- Emissions
- Effluents & Waste
- Transport (discussed under emissions)
- Biodiversity
- Overall Investment

GRI - Materiality Aspects Report Coverage - Moderate

- Water
- Products & Services
- Environment Grievance Mechanism

Being a custodian of 6,490 hectares of nation's high value and environmentally sensitive land resource, we are deeply committed towards protecting the environment in which we operate for the benefit of the present and future generations. We are fully conscious of the necessity to utilise our resources effectively, whilst managing operational impacts and minimising our footprint on the environment. We are also conscious of the reality that both the environment and climate directly impact the well-being of our estate community, as well as our business activities and shareholder interests.

OVERVIEW

**"OUR SUSTAINABLE
ENVIRONMENTAL
MANAGEMENT
STRATEGY FOLLOWS AN
INTEGRATED APPROACH"**



1. Ecosystem Conservation & Restoration
2. Biodiversity Conservation & Protection
3. Water Conservation & Protection of Water Resources
4. Carbon Footprint Reduction
5. Agrochemicals & Fertilizer Management
6. Agroforestry Planting & Management
7. Soil Conservation
8. Solid Waste Management
9. Climate Change Management

MANAGEMENT APPROACH

Environmental Policy

- The environmental policy reviews the commitment of TTE PLC, in partnership with the Plantation and local community to conserve and manage the environment in which we operate for the benefit and well-being of the present and future generations within plantations and its neighborhood.
- Towards achieving this objective, we shall pursue environmentally friendly and responsible methods in all our agricultural operations, field practices and manufacturing process to ensure that all natural resources and ecosystems will be managed in a sustainable manner.
- Biodiversity and water sources in particular will be protected through a well-managed conservation programme.
- We shall endeavour to conserve the usage of all resources by optimizing resource utilization and minimizing waste through practicing cleaner production principles.
- Education and awareness will be promoted at all levels in a manner designed to increase the level of awareness of all aspects of the environment and its relevance, importance, care and management.
- We are committed to comply with applicable environmental laws and regulations at all times
- The state of the environment will be continually assessed and environmental management strategies, systems and objectives will be periodically reviewed and upgraded to achieve continual improvements.



Our approach to environment management is well in line with the national policies and legislative requirements relating to the environment and biodiversity. We also respect and follow relevant multilateral environmental agreements, declarations and programmes. Accordingly, we are focused in our efforts and have taken positive measures to align our environment related policies, strategies and programmes to achieve the objectives set out in such agreements and declarations. We have obtained certification from the globally acknowledged Rainforest Alliance (RA) Sustainable Agriculture Network (SAN) and Ethical Tea Partnership (ETP)-UK, whilst being a member of the Biodiversity Sri Lanka - the only national initiative in which the corporate sector works together with conservation agencies on environmental and biodiversity related issues.

We have in place a comprehensive environmental policy, which addresses all vital aspects of environmental management; and all employees and the resident communities within our estates have been educated on its contents and intent for effective implementation and compliance. The environmental policy sets forth our commitment to bring in environmentally responsible best practices to both field and processing operations, underscored by resource optimisation, waste management, water and biodiversity conservation.

Our well-integrated environmental strategy is formulated based on the comprehensive risk assessment set out below, covering all environmental aspects. We have also taken in to consideration the environmental SWOT analysis in the strategy formulation process. Thus formulated integrated

environmental strategy encompasses nine strategic imperatives influencing and impacting the environment in which we operate— ecosystem, water, carbon footprint, climate change, agro-forestry, biodiversity, soil, agro chemical and fertiliser and solid waste. Our action plans and management programmes are in line with these imperatives. We also have a well-structured monitoring mechanism to ensure that our strategy and action plans are effective and efficient to mitigate the adverse environmental impacts of our operational activities. Within this mechanism, we seek and give precedence to track, measure and monitor our performance against our environmental objectives and goals and ensure that we maintain sound key performance indicators as envisaged to achieve environmental sustainability.

GRI-G4-14

Environmental Risk Assessment Risks Associated with Natural, Operational and Human Activities	
Climate Change <ul style="list-style-type: none"> Extreme weather conditions Changes in rainfall pattern and ambient temperature 	HIGH
Risk Assessment <ul style="list-style-type: none"> Landslides and land degradation Adverse impact on yields and quality of tea Difficulty in forecasting crop and quality of tea Drop in crop intakes and profitability Reduced employment opportunities Adverse impacts on biodiversity 	Risk Management Strategies <ul style="list-style-type: none"> Planting tea, green manure/shade, native and fruit plant species to increase tree canopy cover and carbon sequestration Rainwater harvesting in reservoirs and ponds to sustain the ground water table and regulate ambient temperatures Implementing sustainable agriculture practices Planting drought resistant cultivars
Water <ul style="list-style-type: none"> Water scarcity due to climate change and high consumption by the expanding estate community 	MODERATE

**MANAGEMENT DISCUSSION AND ANALYSIS CONTD.**

Environmental Risk Assessment Risks Associated with Natural, Operational and Human Activities	
Risk Assessment <ul style="list-style-type: none"> ⊙ Estate community may experience hardships due to water scarcity ⊙ Crop intakes and profitability may be adversely affected due to the declining water table ⊙ Adverse impacts on biodiversity 	Risk Management Strategies <ul style="list-style-type: none"> ⊙ Protection of all water sources ⊙ Rainwater harvesting in reservoirs and ponds to sustain the ground water table ⊙ Implementing water conservation measures ⊙ Training and educating operational teams and the estate community
Water Pollution <ul style="list-style-type: none"> ⊙ Contamination of water sources due to operational and human activities and wild animals 	MODERATE
Risk Assessment <ul style="list-style-type: none"> ⊙ Agrochemicals and chemical fertiliser used in operational activities and by the resident vegetable cultivators could adversely impact the quality of water ⊙ Wild animals particularly mammals may adversely impact the water quality 	Risk Management Strategies <ul style="list-style-type: none"> ⊙ Protection of water sources ⊙ Establishment of chemical free buffer zones along all water sources ⊙ Measuring, Monitoring and reducing agrochemical usage through integrated weed management and integrated pest management practices ⊙ Periodical testing of both drinking & wastewater quality for required parameters ⊙ Training and educating operational teams and the estate community
Soil Fertility <ul style="list-style-type: none"> ⊙ Depletion of soil organic matter and nutrients 	MODERATE
Risk Assessment <ul style="list-style-type: none"> ⊙ Extreme rainy weather may cause loss of topsoil, soil fertility and soil nutrients ⊙ Steep terrain in the tea fields may accelerate the soil erosion intensity 	Risk Management Strategies <ul style="list-style-type: none"> ⊙ Planting green manure/shade trees ⊙ Composting and burying prunings and weeds ⊙ Re-cutting contour and leader drains ⊙ Establishing stone and live terraces ⊙ Establishing ground cover crops ⊙ Soil testing and rational application of dolomite and chemical fertiliser
Solid Waste <ul style="list-style-type: none"> ⊙ Solid waste generated from operational activities and domestic consumption 	MODERATE
Risk Assessment <ul style="list-style-type: none"> ⊙ Solid waste generated may cause land and water pollution ⊙ Solid waste generated may cause spread of diseases ⊙ Solid waste generated may adversely impact the ecosystems and biodiversity 	Risk Management Strategies <ul style="list-style-type: none"> ⊙ Implementing an integrated solid waste management programme promoting '3-R' concept ⊙ Measuring and monitoring the quantity of different types of solid waste recycled ⊙ Producing compost from biodegradable waste ⊙ Training and educating operational teams and estate community including school children



Environmental Risk Assessment Risks Associated with Natural, Operational and Human Activities	
Greenhouse Gas (GHG) Emissions <ul style="list-style-type: none"> GHG emissions from operational activities and domestic consumption 	MODERATE
Risk Assessment <ul style="list-style-type: none"> GHG emissions from fuel used in transport and supervisory vehicles GHG emissions from electricity usage in factories, staff quarters, offices and other buildings 	Risk Management Strategies <ul style="list-style-type: none"> Measuring and monitoring GHG emissions at each operational site Measuring and monitoring electricity and fuel consumption at each operational site Installation of energy saving machinery, lighting and implementation of other energy conservation measures Implementation of cleaner production technologies Planting trees and increasing tree canopy cover for increased carbon sequestration Training and educating operational teams and estate community.

Natural Capital – SWOT Analysis			
Strengths	Weaknesses	Opportunities	Threats
<ul style="list-style-type: none"> Comprehensive environment policy in place Top management commitment and dedicated officers to spearhead forestry and sustainability initiatives Commitment to reduce the carbon footprint Rainforest Alliance – Sustainable Agriculture Network Certification Programme Rich biodiversity and ecosystems Three hydropower plants Implementation of cleaner production technologies and sustainable agriculture practices Strong, competent and motivated teams to carry out sustainable initiatives 	<ul style="list-style-type: none"> Water and land pollution due to organic fertiliser and agrochemical applications in estates Excessive generation of solid waste by the expanding estate community 	<ul style="list-style-type: none"> Availability of land for promoting sustainable environmental initiatives Availability of lakes, ponds, wetlands with swamps and marshes for effective rain water harvesting and promoting wildlife Availability of water streams for hydropower generation Greater demand for green & ethical products Awareness building amongst employees, communities and suppliers Recycling of solid waste Production of organic fertiliser 	<ul style="list-style-type: none"> Climate change affecting availability of water Soil erosion, landslides and land degradation due to extreme weather conditions Greater demand for water by the expanding community.

**MANAGEMENT DISCUSSION AND ANALYSIS CONTD.****Natural Capital - Strategic Focus - 2015/16**

- | | |
|---|--|
| <ul style="list-style-type: none"> ○ Ensure conservation and restoration of terrestrial and aquatic ecosystems. ○ Protect water resources, conserve the usage of water and purify the wastewater. ○ Measure, track and monitor the greenhouse gas emissions and take appropriate measures towards achieving carbon neutrality. ○ Take proactive measures to mitigate the adverse impacts and adapt to climate change. ○ Segregate solid waste into bio-degradable and non-biodegradable waste and practice the 3-R concept—reduce, reuse and recycle—to be efficient in resource utilisation and manage waste efficiently. | <ul style="list-style-type: none"> ○ Take precautionary measures to be responsible in agro-chemical and chemical fertiliser applications and strive to reduce the usage by adopting more sustainable agricultural practices. ○ Apply soil management techniques to enhance soil fertility, reduce erosion and conserve the soil. ○ Conserve and protect biodiversity within the estates and make timely assessments of the impacts of operational activities on fauna and flora. ○ Pursue energy conservation measures and fuelwood planting |
|---|--|

KEY PERFORMANCE INDICATORS - 2015/16

5,660 tCO ₂ e GHG Emissions	0.73 tCO ₂ e per ton Tea GHG Emissions Intensity	8.2 Mn kWh Hydropower Generation
5,581 tCO ₂ e Net GHG Emissions Saved from Hydropower Generation	1.22 kg/kWh Electrical Energy Intensity - Factories	1,380 kWh/staff member Electrical Energy Intensity - Bungalows, Staff Quarters, Offices
30.84 kg/litre Fuel Intensity	189 kg/cum Fuelwood Intensity	53.5 Hectares Fuelwood Planting
768,574 Trees Planted	5,515 Kilograms Solid Waste Recycled	41,636 Kilograms of Compost Production
96 Factory & Domestic Wastewater Purification Systems in Estates	147 Protected Drinking Water Sources	10,218 kilolitres Estate Water Withdrawal
Zero Insecticide Usage	3.4L/Hec/annum Herbicide Usage	0.1% Production Waste



Environmental Objectives, Goals and Achievements 2013 - 2015			
Environmental Objectives & Goals	Achievement - 2015	Achievement - 2014	Achievement - 2013
<i>Reduce Agrochemical Usage</i>			
<ul style="list-style-type: none"> Usage of Insecticides – Zero Usage of Herbicides – 2.5L/Hec/annum 	<ul style="list-style-type: none"> Zero 3.4L/Hec/annum 	<ul style="list-style-type: none"> Zero 2.9L/Hec/annum 	<ul style="list-style-type: none"> 28 Litres 3.5L/hect/annum
<i>Improve Electrical & Thermal Energy Efficiency</i>			
<ul style="list-style-type: none"> Electricity – 1.3 kg/kWh Firewood – 220 kg/cum 	<ul style="list-style-type: none"> 1.22 kg/kWhr 189 kg/cum 	<ul style="list-style-type: none"> 1.24 kg/kWh 196 kg/cum 	<ul style="list-style-type: none"> 1.21 kg/kWh 182 kg/cum
<i>Reduce GHG Emissions & Carbon Footprint</i>			
<ul style="list-style-type: none"> 0.70 tCO₂e per ton Tea 	<ul style="list-style-type: none"> 0.73 tCO₂e per ton Tea 	<ul style="list-style-type: none"> 0.74 tCO₂e per ton Tea 	<ul style="list-style-type: none"> 0.74 tCO₂e per ton Tea
<i>Increase Tree Inventories & Canopy cover</i>			
<ul style="list-style-type: none"> Fuelwood species - 200,000 plants per annum Green manure/Shade species - 25,000 plants per annum Native, Fruits & other plant species – 25,000 plants per annum 	<ul style="list-style-type: none"> 126,820 plants 6,433 plants 3,586 plants 	<ul style="list-style-type: none"> 115,906 plants 11,760 plants 17,047 plants 	<ul style="list-style-type: none"> 31,040 plants 22,788 plants 11,100 plants
<i>Increase Recycling of Solid Waste</i>			
<ul style="list-style-type: none"> 10% Increase Over Previous Year 	<ul style="list-style-type: none"> 0% 	<ul style="list-style-type: none"> 1% 	<ul style="list-style-type: none"> 50%
<i>Production Waste</i>			
<ul style="list-style-type: none"> Reduce to < 1% 	<ul style="list-style-type: none"> 0. 1% 	<ul style="list-style-type: none"> 0.9% 	<ul style="list-style-type: none"> 1.5%
<i>Maintain Quality of Drinking Water</i>			
<ul style="list-style-type: none"> Meet National Parameters 	<ul style="list-style-type: none"> Achieved 	<ul style="list-style-type: none"> Partially Achieved 	<ul style="list-style-type: none"> Partially Achieved
<i>Maintain Quality of Wastewater</i>			
<ul style="list-style-type: none"> Meet National Parameters 	<ul style="list-style-type: none"> Achieved except fecal contamination in some sources 	<ul style="list-style-type: none"> Achieved except fecal contamination in some sources 	<ul style="list-style-type: none"> Achieved except fecal contamination In some sources

**MANAGEMENT DISCUSSION AND ANALYSIS CONTD.**

Rainforest Alliance Annual Certification Audit in Progress

RAINFOREST ALLIANCE (RA) SUSTAINABLE AGRICULTURE NETWORK (SAN) CERTIFICATION PROGRAM



The Mission of RA is to protect ecosystems, biodiversity, and the people and wildlife that depend on them by transforming land management practices, business practices and consumer behaviours. RA Standard follows ten universal principles of sustainable agriculture, which

are built on the three pillars of Sustainability - environment, economy and social justice. The objective is to mitigate environmental and social risks caused by agricultural activities, through a process that provides a measure of farm's social and environmental performance and best management practices and motivates each estate to consistently enhance its performance in their respective areas to ensure sustainability.

An implementation manual consisting of an Internal Management System (IMS) incorporating policies, objectives, strategies, programmes, activities and key sustainability performance indicators have been developed to effectively implement and monitor the activities of the RA Programme. Apart from regular inspections and evaluations, comprehensive internal audits are carried out on each estate by a competent and qualified team headed by the RA Group Administrator, General Manager – Sustainability & Quality Management Development Compliance is evaluated by certification and annual audits conducted by SAN authorized certification bodies and their subcontracted authorized auditors that measure the degree of farm's conformity to the environmental and social practices indicated in the Sustainable Agriculture Standard. All twelve of our high grown estates and Kiruwanaganga are certified under the RA programme since 2011. We have in the year expanded the programme to cover the second low grown estate in Deniyaya, which has successfully completed the certification audit and received certification.

Website: www.rainforest-alliance.org & www.sanstandards.org

BIODIVERSITY SRI LANKA



BIODIVERSITY SRI LANKA

The Company continues to be an active member of the BIODIVERSITY SRI LANKA, which was formerly known as Sri Lanka Business and Biodiversity Platform (SLB &BP); an initiative launched by the Chamber of Commerce together with IUCN (International Union for Conservation of Nature) and Dilmah Conservation. This is a platform aimed at providing valuable services to Sri Lankan businesses interested in investing in sustainable development and conserving the natural resources of our country. The Platform is now firmly established at the Ceylon Chamber of Commerce as the only national initiative in which the corporate sector works together with the public sector and concerned partners on environmental and biodiversity conservation issues. Website: www.biodiversitysrilanka.org



MATERIAL FOOTPRINT

GRI - G4-EN1

As a producer of black and green tea for export, the primary materials consumed broadly fall under three categories: raw materials - green leaf; processing material and packing material.

Our consumption during the year under review, as set out in the table, has marginally increased in terms of green leaf and process materials as compared to the prior year patterns. The application of a higher quantity of dolomite was necessitated to rectify the soil acidity levels and improve on soil fertility. The higher quantity of weedicides too, was necessitated due to less manual weeding undertaken as a result of worker shortage experienced in both regions. Despite the increase in crop manufactured, the consumption of both diesel and petrol were reduced by 10% and 20% respectively.

Materials	Unit	Material Consumption – 2012-2016 (up to March)				
		2016 (Jan-Mar)	2015	2014	2013	2012
Raw Materials - Renewable						
Estate Leaf	Kilograms	5,408,246	27,205,180	24,727,429	26,580,864	26,664,226
Bought Leaf	Kilograms	760,637	5,289,704	6,557,235	6,287,002	7,932,138
Total Green Leaf	Kilograms	6,168,883	32,494,895	31,284,664	32,867,866	34,596,364
Associated Process Materials						
Fuel - Non Renewable						
Diesel	Kilolitres	47.86	194.18	215.76	216.20	235.33
Petrol	Kilolitres	18.00	86.14	108.00	98.57	83.71
Oil	Kilolitres	0.42	2.22	2.52	3.45	2.97
Firewood	Cubic Metres	7,174	40,021	37,042	38,858	39,556
Briquettes	Kilograms	52,121	316,488	338,065	367,420	228,545
Fertilizer - Non-Renewable						
Fertilizer	Metric Tons	94	3,501	3,159	3,441	3,690
Dolomite	Metric Tons	598	2,066	1,533	1,005	1,207
Agrochemicals	Kilolitres	1.04	13.07	11.63	14.39	11.51
	Kilograms	23	1,095	2,852	1,922	1,804
Packing Materials - Renewable						
Paper Bags	Number	35,950	166,658	164,868	171,325	163,944
Note: All data was sourced from direct measurements and actual consumption from each estate and head office						

Recycled Input Materials

GRI - G4-EN2

During the reporting year 2015/16, we have used 316,488 kg of briquettes made out of wood waste for operating tea driers, which is an equivalent of 904 cubic metres of fuelwood.

**MANAGEMENT DISCUSSION AND ANALYSIS CONTD.****ENERGY FOOTPRINT****Energy Consumption**

GRI - G4 - EN3 & EN4

The Company is fully aware of the significance and strives to switch over to sustainable energy sources and thereby, reduce the dependence on fossil fuels. Some of the key measures adopted and initiated to reduce the direct and indirect energy consumption in daily operations are set out below:

Direct & Indirect Energy Consumption Management

"ADVOCATING SUSTAINABLE ENERGY SOURCES TO REDUCE DEPENDENCE ON FOSSIL FUELS AND GHG EMISSIONS"

Operating all tea driers on renewable energy-firewood and briquettes

Investing on energy efficient machinery and equipment

Installation of energy efficient capacity banks, lighting and VSDs in factories

Implementation of machinery and light switch on/off plans

Power factor correction

Training & Awareness on Energy Conservation under the RA Certification programme

Direct Energy Consumption by Primary Energy Source					
Energy Source/Area of Operation	Unit	Quantity			
		2016 (Jan-Mar)	2015	2014	2013
Firewood	Cubic Metres	7,174	40,021	37,042	38,858
Briquettes	Kilograms	52,121	316,488	338,065	367,420
<i>Diesel</i>					
Power Generators	Kilolitres	10.19	15.18	22,960	21.60
Estate Transport	Kilolitres	30.98	147.79	156.60	164.13
Estate Supervisory Vehicles, Ambulances	Kilolitres	2.91	16.24	17.36	23.01
Other	Kilolitres	0.87	3.93	9.57	-
Head Office Vehicles	Kilolitres	2.91	11.05	9.27	7.46
Total Diesel	Kilolitres	47.86	194.18	215.76	216.20
<i>Gasoline</i>					
Estate Supervisory Vehicles, Motorcycles, Ambulances	Kiloliters	14.19	56.31	77.05	67.41
Agriculture Equipment and Machinery	Kiloliters	1.49	9.32	6.78	14.74
Other	Kiloliters	0.50	1.55	1.43	-
Head Office Vehicles	Kiloliters	1.82	18.95	22.74	16.42
Total Gasoline	Kiloliters	18.00	86.14	108.00	98.57
<i>Oil</i>					
Estate Supervisory Vehicles, Motorcycles, Ambulances	Kiloliters	0.26	1.20	1.44	1.88
Agriculture Equipment and Machinery	Kiloliters	0.09	0.47	0.38	0.62
Factory Machinery	Kiloliters	0.06	0.47	0.47	0.63
Others	Kiloliters	0.01	0.07	0.01	-
Head Office Vehicles	Kiloliters	0.002	0.01	0.22	0.32
Total Oil	Kiloliters	0.42	2.22	2.52	3.45



Indirect Energy Consumption By Primary Source (kWh)				
Energy Source Area of Operation	2016 (Jan-Mar)	2015	2014	2013
High Grown Manufacture	878,443	4,476,515	3,996,786	4,461,411
Low Grown Manufacture	320,910	1,866,661	2,027,388	1,802,865
Bungalows, Quarters, Offices and Other Estate Buildings	146,120	634,400	600,897	681,642
Head Office	21,796	65,500	58,050	78,103
Total	1,367,269	7,043,076	6,683,121	7,024,021
Method: direct measurements and actual consumption of each estate and head office				

ENERGY INTENSITY

GRI - G4 - EN5

Non-Renewable Energy

Electricity Intensity - Factories

Electricity consumption and intensity in processing factories are critical for the tea industry as they involve both high costs and significant environmental impacts including climate change. Electricity intensity in factories is indicated by kilograms of made tea produced for unit (kWh) of electricity consumed. In the reporting year, we achieved 1.22 kg/kWh, reflecting a marginal decrease over 1.24 kg/kWh recorded in 2014. We aim at achieving an output of 1.30 kg/kWh in the financial year 2016/17, which we have achieved during the quarter January-March 2016. Electricity intensity in the high and low grown factories and overall is set out below:

Electricity Intensity in Factories – kg/kWh						
Category	Target	2013	2014	2015	Variance	2016 (Jan-Mar)
High Grown Factories	1.4	1.22	1.29	1.27	-0.02	1.45
Low Grown Factories	1.2	1.19	1.14	1.09	-0.05	1.10
All Factories	1.3	1.21	1.24	1.22	-0.02	1.36

Electricity Intensity - Bungalows, Staff Quarters, Offices and Other Buildings

This is indicated by units (kWh) of electricity used per staff member in these buildings in high and low grown estates, all estates and head office separately as detailed out below: During the year 2015, all estates have recorded 1,341 kWh/staff member, which indicates an increase of 6.0% over 1,268 kWh/staff member recorded in 2014. Electricity intensity of 1,926 kWh/staff member recorded at the head office too indicates an increase of 13% when compared with the intensity of 1,707 kWh/staff member recorded in 2014.

**MANAGEMENT DISCUSSION AND ANALYSIS CONTD.**

Our target is to reduce the intensity on all estates to 1,000 kWh/staff member, head office to 1,500 kWh/staff member and overall to 1100 kWh/staff member and every endeavour will be made towards achieving these targets.

Electricity Intensity in Bungalows, Staff Quarters, Offices & Other Buildings -kWh/Staff Member						
Category	Target	2013	2014	2015	Variance	2016 (Jan-Mar)
High Grown Estates	1,200	1,730	1,478	1566	+88	360
Low Grown Estates	600	865	711	742	+31	172
All Estates	1,000	1,495	1,268	1,341	+73	309
Head Office	1,500	2,441	1,707	1,926	+219	641
Overall	1,100	1,557	1,297	1,380	+83	331

Fuel Intensity - Vehicles

The fuel intensity is indicated by kilograms of made tea produced for unit of fuel (litres) used in all vehicles. In the year 2015, high grown, low grown and all estate vehicles have achieved a fuel intensity of 30.84 kg/litre, which reflects an increase of 20% when compared with the fuel intensity of 25.54 kg/litre recorded in 2014. In the financial year 2015, we met our target which was set at 30 kg/litre. The fuel intensity for low grown, high grown and all estates is detailed out below:

Fuel Intensity - Vehicles - kg/Litre						
Category	Target	2013	2014	2015	Variance	2016 (Jan-Mar)
High Grown Estates	30.0	27.94	25.67	29.86	+4.19	27.15
Low Grown Estates	30.0	23.52	25.26	33.93	+8.67	25.40
All Estates	30.0	26.56	25.54	30.84	+5.30	26.48

RENEWABLE ENERGY**Firewood Intensity - Factories**

Due to the scarce supply of fuelwood and high consumption, firewood intensity in factories is critical for the sustainability of the Tea industry. Firewood intensity is indicated by kilograms of made tea produced for a cubic metre of firewood. The firewood intensity recorded by all factories in the year 2015 was 189 kg/cum, which reflects a 4%, decrease over the intensity of 196 kg/cum recorded in 2014. Our target is to achieve 220 kg/cum of firewood intensity for the financial year 2016/17, which we have achieved during the quarter January-March 2016. Firewood intensity for high and low grown factories and overall is detailed out below:

Firewood Intensity – kg/Cum						
Category	Target	2013	2014	2015	Variance	2016 (Jan-Mar)
High Grown Factories	230	198	207	199	-8	241
Low Grown Factories	200	172	175	167	-8	175
All Factories	220	182	196	189	-7	223



REDUCTION OF ENERGY CONSUMPTION & ENERGY REQUIREMENTS

GRI - G4 - EN6 & EN7

Reduction Achieved in Factories, Bungalows, Staff Quarters, Offices and Other Buildings

Consumption of Electricity-kWh				
Year	Quantity of Made Tea	Consumption of Electricity - kWh		
	(kg)	Factories	Bungalows, Staff Quarters, Offices & Other Buildings	Total Consumption
2013	7,726,547	6,264,276	759,745	7,024,021
2014	7,451,527	6,024,174	658,947	6,683,121
2015	7,720,411	6,343,176	699,900	7,043,076
Variance	+268,884	+319,002	+40,953	+359,955
2016 (Jan-Mar)	1,630,884	1,199,353	167,916	1,367,269

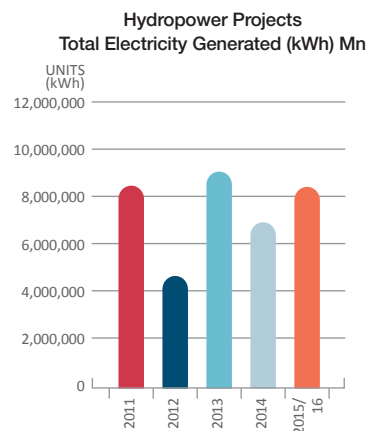
During the year 2015, the consumption of electricity in factories has increased marginally by 3.6%, due to the increased quantity of leaf manufactured. The consumption of electricity in bungalows and other buildings was higher due to the additional staff members recruited during the year.

RENEWABLE ENERGY PRODUCTION BY PRIMARY SOURCE

Hydropower Energy

The Company generated 8,207,558 kWh of electricity during the year from the three mini hydropower plants, and we supplied to the National grid to support the national production. This represents a significant increase of 18% compared to the amount generated in 2014, given the relatively high rainfall experienced in the year. The power generated through our hydropower units has surpassed the 7,043,076 kWh purchased from the Ceylon Electricity Board for operational and other activities by 1,164,482 kWh, significantly supporting a national cause of energy sustainability and also achieving carbon neutrality.

The units of electricity generated by the hydro plants at Radella, Palmerston and Somerset during the period 2010-2016 (Jan-Mar) are detailed out below:



Hydropower Projects	Hydropower Generation - kWh					
	2015/16	2014	2013	2012	2011	2010
Somerset	4,169,448	3,304,174	4,259,219	2,334,902	4,347,782	5,204,647
Palmerston	3,134,481	2,841,027	3,767,099	1,859,451	3,317,906	4,607,860
Radella	903,629	802,369	1,057,455	483,976	825,266	881,907
Total	8,207,558	6,947,570	9,083,773	4,678,329	8,490,954	10,694,414

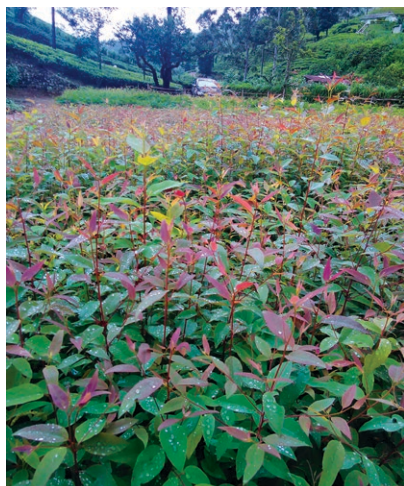
**MANAGEMENT DISCUSSION AND ANALYSIS CONTD.****Fuelwood**

Planting fuelwood is a continuous programme under our sustainability initiatives. An extent of 53.5 hectares consisting of following plant species were planted in 2015.

Fuelwood Species Planted – 2014-2015		
Species	2015	2014
Eucalyptus spp.	111,720	83,199
Acacia decurrens	5,400	11,127
Calliandra calothyrsus	9,700	21,580
Total	126,820	115,906

Apart from Eucalyptus spp. blocks, we have now commenced establishing mixed forestry blocks using species such as *Calliandra calothyrsus*, *Acacia decurrens*, etc., to optimise land utilisation and achieve sustainability in land use. The table given below indicates the extent of fuelwood planted by the Company since 2007.

Fuelwood Planted by Region - 2007-2015			
Region	2007 – 2014 (Ha)	2015 (Ha)	2007-2015 (Ha)
Low Grown	68.52	-	68.52
High Grown	330.22	53.50	383.72
Total	398.74	53.50	452.24



Eucalyptus spp. Nursery



A Well Grown Eucalyptus spp. Block

WATER

**“ OUR SUSTAINABLE WATER
MANAGEMENT STRATEGY
FOLLOWS AN INTEGRATED
APPROACH”**

Integrated Water Resources
Management

Rainwater
Harvesting

Chemical Free Buffer Zones &
Vegetation Barriers

Monitoring & Reductions in
Agrochemical Usage

Wastewater
Purification Systems

Protection of
Water Resources

Annual Water
Quality Testing

Awareness Programmes on
Water Conservation



Protecting Water Sources

GRI - G4 - EN9

We are conscious of the reality that the sustainability of the estate community, crop production and biodiversity are heavily dependant on the availability of water. Therefore, we are committed to protect and sustain all water sources available on our lands to ensure adequate supplies of wholesome water to the estate community, factories, nurseries and in some instances, to neighboring villages and towns.

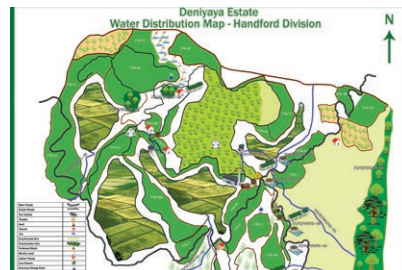
Under the Rainforest Alliance Sustainable Agriculture Certification Programme, all water sources and water bodies within the estates have been identified and mapped. A management programme with necessary initiatives to protect all water sources and conserve water in all spheres of activity has been implemented. Our water sources are well protected with live and mechanical fences, meshes and tree species such as *Terminalia arjuna* (Kumbuk), *Albizia*, *Calliandra calothyrsus*, *Gliricidia sepium*, etc., which have been planted for conservation of these sources. Water quality in all such drinking water sources, which amounts to 147 is tested annually for required parameters.

Rainwater harvesting is done through many lakes, ponds and wetland areas

available on the estates, which are all well protected. The ponds are constructed at strategic locations for rainwater harvesting and sustaining the ground water table. The chemical free buffer zones with specified distances and vegetative barriers have been established around all water sources and water bodies to prevent any contamination due to agricultural operations.

Agrochemical usage is closely monitored both at the estate level and at the corporate level to ensure that minimum quantities are applied and progressive reductions achieved annually. Out of 20 agrochemicals recommended for the industry by the Tea Research Institute (TRI), we have effectively reduced the number of agrochemicals used to five. Herbicides are the most widely used agrochemical and since 2014, we have completely suspended the usage of insecticides. We actively promote biological control measures on all our estates to control pest and insect attacks. Herbicide usage in 2015 has increased as a result of less manual weeding undertaken due to the worker shortage experienced on almost all our estates.

Regular training and awareness programmes are conducted through the Rainforest Alliance–Sustainable



Water Distribution Map - Deniyaya Estate



Protected Drinking Water Source - Clarendon Estate



Protected Drinking Water Source - Holyrood Estate



Mini Tanks and Ponds Created between Tea Fields on Estates for Rainwater Harvesting, Promotion of Biodiversity and Improving Micro-Climate - Wategoda, Deniyaya & Indola Estates

**MANAGEMENT DISCUSSION AND ANALYSIS CONTD.**

Agriculture programme to educate the estate staff and the communities on the importance of protecting water sources, and the need for water conservation for the benefit of the present and future generations.

The Company will further upgrade, integrated water resources management strategies and programmes in collaboration with the International Water Management Institute (IWMI); two researchers representing IWMI namely, Dr. Herath Manthrilake and Dr. Lal Muthuwatta, have visited four estates in the Talawakelle region in October 2015. The objectives of the visit were to inspect the water sources available within the estates; make recommendations to ensure sustainability of drinking water supplies; understand the issues faced with regard to the quality and the availability of drinking water by the estate workforce; and provide remedial measures based on their observations.

In view of the above protection and conservation measures, none of the water sources are significantly or otherwise affected by the withdrawal of water.

WATER WITHDRAWAL, RECYCLED AND REUSED

GRI- G4 EN 8 & EN-10

In processing facilities, water is used only for humidification of the rolling room during the manufacturing process and washing the rolling room after the manufacturing process. In addition, water is used by the employees engaged in factories. Therefore, tea manufacturing process does not consume large volumes of water.

Water required for operations are sourced from water springs and streams that are located within our estates, which are well protected. Therefore, we do not draw water from national supplies. Water collected from rain harvesting is also used as a source, albeit, to a lesser extent. In the year under review, our estates as a total withdrew 10,218 kilolitres of water. We have measured the actual consumption of factories per day and computed at the total consumption based on 300 operating days. Due to complexities, we have not tracked the water usage by the resident communities, which also includes a large number of vegetable cultivators and those who work outside the estate.

The used water within the factory is purified and discharged to natural water bodies or the environment.

PROTECTION OF BIODIVERSITY AND HABITATS

GRI - G4 - EN11, EN12 & EN13

Our Environmental Policy sets out our strong commitment towards protecting biodiversity and water sources through a well-managed conservation programme.

All seventeen of our estates are located in the hill country wet-zone (HCWZ) and low country wet-zone (LCWZ), which are the regions with the highest forest cover and biodiversity that regulate climate and rainfall in the wet-zone. Origins of important watersheds, catchment areas feeding national rivers—Nilwala, Gin, Kotmale Oya and Nanuoya are within TTE PLC's estates, which are located in environmentally sensitive and vulnerable regions.

In addition, Great Western, Radella and Holyrood estates in Talawakelle are bordering the Great Western Kikiliyamana Natural Forest Reserve. Calsay estate in Nanuoya too is bordering the Conical Hill National Forest, Agrabopaththalawa.



Researchers, Dr Herath Manthrilake and Dr Lal Muthuwatta from the IWMI together with General Manager-Sustainability inspecting drinking water sources on Holyrood & Mattakelle Estates



Conical Hill Natural Forest Reserve Bordering Calsay Estate



All estates within the Company, in both high and low grown regions are therefore, rich in biodiversity. The estates are endowed with diverse ecosystems and habitats, consisting of lakes, ponds, streams, wetlands with swamps and marshes, waterfalls, riparian habitats, eco-forests and Eucalyptus forests. All these habitats provide sanctuary for the precious biodiversity within the estates. The lakes and the wetland store rainwater and provide the much needed seepage water essential to maintain the ground water table, regulate atmospheric temperatures and also the splendour of the ecosystems.

We have implemented several measures to conserve and consolidate the rich biodiversity habitats in order to sustain and develop the diverse fauna and flora in the region, including the Rainforest Alliance (RA) Sustainable Agriculture Certification programme on 14 of our estates.

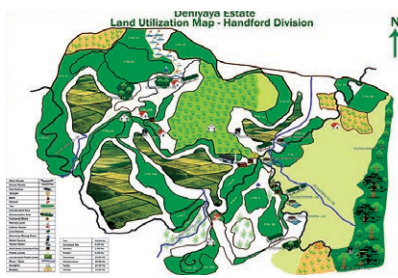
Through the RA Programme, we have identified 244 hectares as biodiversity conservation areas and the necessary initiatives have been implemented to protect and conserve these blocks to enrich the biodiversity value of our estates. All biodiversity blocks and wildlife habitats are identified on maps and protected with a five meter chemical free buffer zone and clear warning and sign boards in languages familiar to the community. All certified estates have undertaken biodiversity/wildlife surveys carried out by professional bodies and are aware of all faunal and floral species available within estates. The studies revealed that habitats within the estates provide unique niches and support maintenance of natural diversity of estates, which will be further discussed under fauna and flora species.



Road Banks Well Protected with Arachis Pintoii & Vetiver – Mattakelle Estate



Road Banks Well Protected with Arachis Pintoii & Vetiver – Deniyaya Estate



Land Utilization Map - Deniyaya Estate



RA Programme Initiatives -Depicted by Children, Employees and Community Members - Deniyaya Estate

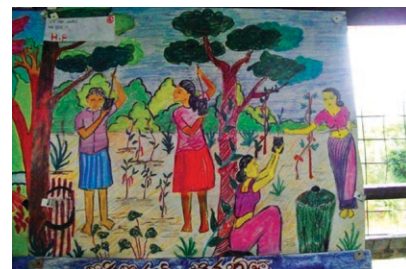
The estates have also established Rainforest Educational and Information Centres (REICs) as a key strategy to drive and sustain the programme. These centres, which are well equipped with books, leaflets, brochures, posters and other educational material are effectively used to train and educate the community on the sustainable concepts, strategies and activities under the ten principles of sustainable agriculture including ecosystems and biodiversity management, water and wildlife conservation and integrated solid waste management.



Rainforest Educational & Information Centre (REIC) Deniyaya Estate



Demonstration Plot of RA Initiatives - Deniyaya Estate





IUCN RED LIST SPECIES AND NATIONAL CONSERVATION LIST SPECIES WITH HABITATS IN OPERATIONAL AREAS

GRI - G4 - EN14

Wildlife Protection Initiatives

The estate management together with the participation of the estate communities continue to protect the habitats created for wildlife conservation namely home gardens, seasonal and perennials streams, small scale reservoirs and ponds, wetland, secondary forests and tea fields. These areas have been continually expanded to enhance the conservation measures and promote wildlife.

The biodiversity surveys carried out within our estates revealed that there are over 220 faunal species, both vertebrates and invertebrates—mammals, birds, butterflies, dragonflies, amphibians, reptiles, fish, crabs and land mollusks living within our estates. Our estates are also habitats to over 113 species that are categorised as endangered, threatened and vulnerable species as per the IUCN Red Data List published in 2012.



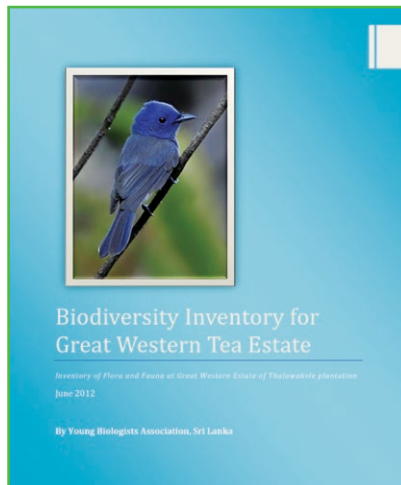
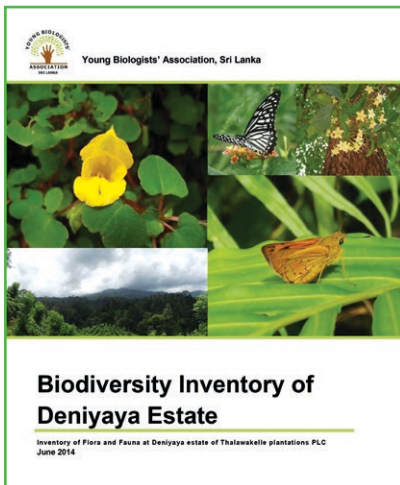
Buffer Zones and Wildlife Habitats Established Between Tea Fields – Mattakelle Estate



Indian Fritillary (*Argynnis hyperbius*)
Endangered (EN) Species



Jungle Owlet (*Glaucidium radiatum*)
Near Threatened (NT) Species



Sri Lanka Grey Hornbill (*Ocyrocerus gingalensis*)
Endemic (END) Species



Sri Lanka Hanging Parrot (*Loriculus beryllinus*)
Endemic (END) Species



Yellow Fronted Barbet (*Megalaema flavifrons*)
Endemic (END) Species



SUMMARY OF FAUNAL SPECIES WITHIN ESTATES - IUCN RED DATA LIST – 2012

Conservation Status	No. of Species
Globally Threatened (GT)	-
Critically Endangered (CR)	06
Endangered (EN)	44
Vulnerable (VU)	37
Near Threatened (NT)	26
Total No. of Species	113

Endangered Faunal Species Identified on Estates					
CRITICALLY ENDANGERED (CR) SPECIES					
Taxonomic Group	Family	Scientific Name	Common Name	Species Status	Conservation Status
Land Mollusk	Ariophantidae	Ratnadvipia karui		Endemic	Critically Endangered
Dragonflies & Damselflies	Platystictidae	Drepanosticta brincki	Brinck's Shadowdamsel	Endemic	Critically Endangered
		Drepanosticta lankanensis	Drooping Shadowdamsel	Endemic	
Butterflies	Hesperiidia	Baoris penicillata	Painterbrush Swift	Native	Critically Endangered
Amphibians	Rhacophoridae	Psuedophilautus asankai	Asanka's Shrub Frog	Endemic	Critically Endangered
		Psuedophilautus microtypanum	Small Eared Shrub Frog	Endemic	
ENDANGERED (EN) SPECIES					
Land Mollusks	Corillodae	Corilla adamsi	Sri Lanka Toothed Lip Snail	Endemic	Endangered
Dragonflies & Damselflies	Chlorocyphidae	Libellago greeni	Green's Gem	Endemic	Endangered
	Gomphidae	Megalogomphus ceylonicus	Sri Lanka Sabretail	Endemic	Endangered
		Paragomphus henryi	Brook Hooktail	Endemic	
		Helipgomphus walli	Wall's Grappletail	Endemic	
		Microgomphus wijaya	Wijaya's Scissortail	Endemic	
	Libellulidae	Onychothemis tonkinensis	Aggressive Riverhawk	Native	Endangered
		Tetrathemyis yerburyii	Yerbury's Elf	Endemic	Endangered
	Platystictidae	Platysticta apicalis	Dark Forestdamsel	Endemic	Endangered
	Protoneuridae	Elattineura oculata	Two-spotted Threadtail	Endemic	Endangered
Butterflies	Lycaenidae	Udara lanka	Sri Lanka Hedge Blue	Endemic	Endangered
	Nymphalidae	Parantica taprobana	Sri Lanka Tiger	Native	Endangered
		Lethe drypetis	Tamil Treebrown	Native	
		Argymis hyperbius taprobana	Indian Fritillary	Native	
		Vanessa indica nubicola	Indian Red Admiral	Native	

**MANAGEMENT DISCUSSION AND ANALYSIS CONTD.**

Taxonomic Group	Family	Scientific Name	Common Name	Species Status	Conservation Status
Amphibians	Dicroglossidae	Nannophrys ceylonensis	Sri Lankan Rock Frog	Endemic	Endangered
		Fejervarya greenii	Sri Lanka Frog	Endemic	
	Microhylidae	Microhyla karunaratnei	Karunaratne's Narrow-mouthed Frog	Endemic	Endangered
	Ranidae	Hylarana aurantianca	Golden Frog	Native	Endangered
	Rhacophoridae	Psuedophilautus alto	Horton Plains Shrub Frog	Endemic	Endangered
		Psuedophilautus cuspis	Sharp-snouted Shrub Frog	Endemic	
		Psuedophilautus reticulatus	Reticulated Thigh Shrub Frog	Endemic	
		Psuedophilautus silus	Pug-nosed Shrub Frog	Endemic	
		Psuedophilautus sarasinorum	Muller's Shrub Frog	Endemic	
		Psuedophilautus viridis	Dull Green Shrub Frog	Endemic	
		Taruga eques	Mountain Hourglass Tree Frog	Endemic	
Skinks	Scincidae	Lankascincus deignani	Deignan's Lankaskink	Endemic	Endangered
		Lankascincus taprobanensis	Smooth Lanka Skink	Endemic	
Lizards	Agamidae	Ceratophora aspera	Rough-Horn Lizard	Endemic	Endangered
		Ceratophora stoddartii	Rhino-horn Lizard	Endemic	
		Calotes liocephalus	Crestless Lizard	Endemic	
		Calotes nigrilabris	Black Cheek Lizard	Endemic	
Snakes	Natricidae	Aspidura trachyprocta	Common Rough Side	Endemic	Endangered
	Uropeltidae	Rhinophis blythii	Blyth's Earth Snake (Shield Tail)	Endemic	
		Hypnale nepa	Merrem's Hump-nosed Viper	Endemic	
Birds	Muscicapidae	Saxicola caprata	Pied Bush Chat	Breeding Resident	Endangered
	Picidae	Picus xanthopygaeus	Streaked-throated Woodpecker	Breeding Resident	
	Cuculidae	Cuculus varius	Hawk Cuckoo	Breeding Resident	
Mammals	Cercopithecidae	Semnopithecus vetulus	Sri Lanka Purple-faced Leaf Langur	Endemic	Endangered
	Felidae	Panthera pardus	Leopard	Native	
		Prionthera rubiginosus	Rusty-spotted Cat	Native	
		Prionthera viverrinus	Fishing Cat	Native	
	Soricidae	Suncus montanus	Asian Highland Shrew	Native	
	Viverridae	Paradoxurus aureus	Golden Palm Civet	Endemic	



Hunting, capturing and trafficking wild animals/birds and rearing of these species within the estates have been strictly prohibited. In addition, wildlife sightings by the community are recorded for close monitoring of the presence of each species.

In view of the above protective and precautionary measures implemented, none of the IUCN Red List of threatened species or habitats for such species is affected by any operational activities.



Sign Boards of Wildlife Protection- Clarendon Estate

FLORA OF TALAWAKELLE ESTATES

The agro-ecosystems on estates are dominated by tea (*Camellia sinensis*) fields with low shade trees such as *Erythrina lithosperma*, *Calliandra calothyrsus*, *Gliricidia sepium* and high shade trees *Grevillea robusta* and *Albizia* species. Tea fields are also entwined with species such as *Bambusa vulgaris*, *Cassia spectabilis*, *Toona ciliate* etc. *Vetiveria zizanioides* and *Arachis pintoi* have been planted intensely to conserve the vulnerable highland ecosystems. In addition, eco forests and home gardens are planted with a variety of native and endemic tree species and



Wildlife Sightings – Calsay Estate

fruit trees adding value to the profound biodiversity within estates.

Amongst the many diverse species of flora amounting to 169 species including 27 endemic species, identification of a protected and endemic plant namely *Oncosperma fasciculatum* on Wattegoda, estate is noteworthy. Two critically endangered floral species namely *Diyapara (Dillenia triquetra)* and *Ruk (Horsfieldia iryagedhi)* have also been identified at Kiruwanaganga. Two endangered species namely *Vewal (Calamus zeylanicus)*, *Kaluwara (Diospyros ebenum)* and many other vulnerable species too have been identified during the Kiruwanaganga survey and the estate can be proud to be the custodian of such profound biodiversity.

TREE PLANTING INITIATIVE

With the objective of consistently increasing tree canopy cover, enriching the biodiversity value and achieving environmental and business sustainability, we continue to plant a variety of plants annually. Increasing the canopy cover at the plantation, household and community level will have immediate benefits to estate communities in reducing local temperatures, changing the micro-climate and conservation of water resources. We also believe and conscious



Sign Boards of Wildlife Protection - Deniyaya Estate



Protected Forest - Deniyaya Estate



Flora – Golden Himalayan Raspberries (*Rubus ellipticus*) - Dessford Estate



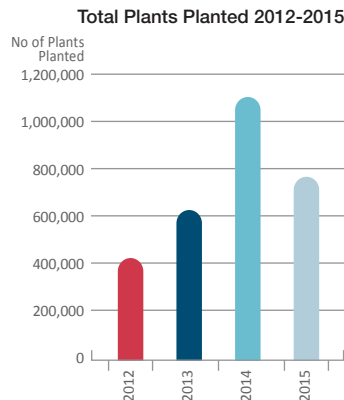
Wild Orchids - Calsay Estate

**MANAGEMENT DISCUSSION AND ANALYSIS CONTD.**

of the fact that every tree we plant will result in carbon dioxide sequestration and contribute positively towards mitigating the adverse impact of greenhouse gas (GHG) emissions and climate change and also support the objectives of UNFCCC, Kyoto Protocol and UN-REDD programme for regulation of GHG concentrations in the atmosphere.

In addition to planting Tea (*Camellia sinensis*), Green manure/shade trees and Eucalyptus to sustain our core business, native, fruit and other plant species too are planted to add value to the existing biodiversity. As an annual initiative, we are proud to report that over 750,000 plants were planted on our estates during the year 2015 as detailed out below:

Plant Species	Number of Plants Planted 2012-2015			
	2015	2014	2013	2012
<i>Camellia sinensis</i> (Tea)	584,759	870,731	560,870	355,829
<i>Hevea brasiliensis</i> (Rubber)	-	-	4,848	-
Eucalyptus	111,720	83,199	31,040	42,560
<i>Grevillea robusta</i>	10,528	952	5,550	2,693
<i>Calliandra calothyrsus</i>	9,700	21,580	5,890	1,865
<i>Gliricidia sepium</i>	6,433	11,760	-	-
<i>Erythrina lithosperma</i> (Dadaps)	5,442	6,682	11,348	-
<i>Bambusa vulgaris</i> (Bamboo)	14	523	777	-
<i>Toona ciliata</i>	-	-	1,000	-
<i>Acacia decurrens</i>	5,400	11,127	-	-
<i>Terminalia arjuna</i> (Kumbuk)	412	1,205	-	-
<i>Cinnamomum Zeylanicum</i> (Cinnamon)	30,000	81,000	-	-
<i>Microbiota decussata</i> (Cypress)	300	580	-	-
<i>Albizia</i>	270	1,140	-	-
Fruits, Native & other Plant Species	3,586	14,439	11,100	26,180
Total	768,564	1,104,918	632,423	429,127



Future Generation - Tree Planting Initiative
Planting Native & Fruit Plants - Deniyaya Estate



"Wana Ropa" National Tree Planting Programme held under the patronage of Hon. Naveen Disnayake Minister of Plantation Industries at Radella Planters Club Premises on 31st October 2015



Future Generation - Tree Planting Initiative
Planting Native & Fruit Plants - Kiruwanaganga Estate



EMISSIONS

Direct and Indirect Greenhouse (GHG) Emissions

GRI-G4 - EN15, EN16 & EN17

Fuel and electricity usage in all estates, factories, offices, buildings, bungalows and the head office have been taken into account for the corporate's emissions computation. The consumption of GHG emissions in all locations is monitored and controlled through many initiatives including the RA Certification Programme. Emissions related to purchased items such as fertilizer, agrochemicals, packing material etc., and fertilizer applied have been excluded from the calculations.

We have followed GHG protocol methodologies and guidelines for the computation of GHG emissions.

Direct Usage of Fuel – Kiloliters - 2013 - 2016 (up to March)								
Source Fuel Usage	2016 (Jan-Mar)		2015		2014		2013	
	Diesel	Petrol	Diesel	Petrol	Diesel	Petrol	Diesel	Petrol
Generators	10.19	-	15.18	-	22.96	-	21.60	-
Internal Transport Vehicles	30.98	-	147.79	-	156.60	-	164.13	-
Supervisory Vehicles-Jeeps, Cars, Motorcycles & Ambulance	2.91	14.19	16.24	56.31	17.36	77.05	23.01	6.41
Agricultural Equipment	-	1.49	-	9.32	-	6.78	-	14.73
Any Others	0.87	0.50	3.93	1.55	9.57	1.43	-	-
Head Office Vehicles	2.91	1.82	11.05	18.95	9.27	22.74	7.46	16.42
Total	47.86	18.00	194.18	86.14	215.76	108.00	216.20	98.57

Following reductions have been achieved during the year under review when compared with the consumption in 2014:

Reduction - Direct Usage of Fuel - Kiloliters – 2015 Vs. 2014								
Source	2015		2014		Reduction		Reduction %	
	Diesel	Petrol	Diesel	Petrol	Diesel	Petrol	Diesel	Petrol
Generators	15.18	-	22.96	-	7.78	-	34%	-
Internal Transport Vehicles	147.79	-	156.60	-	8.81	-	5.6%	-
Supervisory Vehicles-Jeeps, Cars, Motorcycles & Ambulance	16.24	56.31	17.36	77.05	1.12	20.79	6.4%	27%
Head Office Vehicles	-	18.95	-	22.74	-	3.79	-	16.6%
Total	179.21	75.26	196.92	99.79	17.71	24.53	9%	25%

Indirect Usage of Electricity - kWh				
Area of Usage	2016 (Jan-Mar)	2015	2014	2013
Purchased Electricity for Operations	1,199,353	6,343,176	6,024,174	6,264,276
Purchased Electricity for Estate Bungalows and Head Office	167,916	699,900	658,947	759,745
Total	1,367,269	7,043,076	6,683,121	7,024,021

**MANAGEMENT DISCUSSION AND ANALYSIS CONTD.**

GHG Emissions by Source 2013-2016 (up to March)									
Source	Units	2016 (Jan-Mar)		2015		2014		2013	
		Quantity	GHG Emission tCO ₂ e	Quantity	GHG Emission tCO ₂ e	Quantity	GHG Emission tCO ₂ e	Quantity	GHG Emission tCO ₂ e
Scope 1 - Combustion of fuels in stationary sources									
Diesel for Power Generators	litre	10,186	27.26	15,179	40.62	22,960	61.44	21,601	57.80
Scope 1 - Combustion of fuels in mobile sources									
Diesel for Vehicles	litre	36,789	98.45	175,074	468.50	183,231	490.33	194,600	520.75
Diesel for Any Others	litres	870	2.33	3,926	10.51	9,573	25.62	-	-
Petrol for Vehicles	litre	15,855	36.02	75,261	170.99	99,791	226.73	83,835	190.47
Petrol for Agricultural Equipment	litre	1,493	3.39	9,324	21.18	6,782	15.41	14,736	33.48
Petrol for Any Others	litre	499	1.13	1,551	3.52	1,434	3.26	-	-
Scope 2 - Purchased from CEB									
Electricity purchased from CEB	kWh	1,367,269	929.74	7,043,076	4789.29	6,683,121	4544.52	7,024,021	4776.33
Scope 3									
International Air Travel	km	10,494	1.26	74,038	8.88	55,884	6.71	26,748	3.12
Diesel used by outsourced transporters	litre	8,310	22.24	54,572	146.03	45,231	121.04	42,750	114.40
Total tCO ₂ e			1,122		5,660		5,495		5696

GHG Emissions by Source tCO ₂ e				
	2016 (Jan-Mar)	2015	2014	2013
Scope 1	168.58	715.32	822.78	802.51
Scope 2	929.74	4,789.29	4,544.52	4,776.33
Scope 3	23.50	154.92	127.75	117.52
Total	1,122	5,660	5,495	5,696



GHG Emissions Intensity

GRI - G4-EN18

GHG emissions intensity is computed in tCO₂e per ton of made tea produced, which is a new performance indicator for the tea industry. Electricity and fuel used under both scope 1 (energy direct) and scope 2 (energy indirect) are included in the computation. Emissions intensity is computed separately for high, low grown and all estates as detailed out below:

GREENHOUSE GAS (GHG) EMISSIONS INTENSITY – Target & Actuals 2013-2016 (up to March) tCO ₂ e per ton of Made Tea						
Category	Target	2013	2014	2015	Variance	2016 (Jan-Mar)
High Grown Factory	0.65	0.71	0.70	0.69	-0.01	0.63
Low Grown Factory	0.65	0.73	0.73	0.73	-	0.76
All Factories	0.65	0.72	0.71	0.70	-0.01	0.66

The GHG emissions intensity of 0.70 tCO₂e for all factories recorded in 2015 reflects a marginal improvement when compared with the emissions intensity of 0.71 tCO₂e recorded in 2014. Our target is to achieve an intensity of 0.65 tCO₂e per ton of made tea in the ensuing years. Towards achieving this objective, we commenced measuring the GHG emissions intensity on each estate since 2012, analyse performance in each area of operation and identify estates and areas for improvement.

During the year 2015, Bearwell estate has achieved the lowest GHG emission intensity of 0.62 tCO₂e and we commend the Senior Regional General Manager of Bearwell and the estate team for this splendid achievement. The next lowest emission intensity of 0.64 tCO₂e was achieved by Holyrood, which again, deserves our commendation.

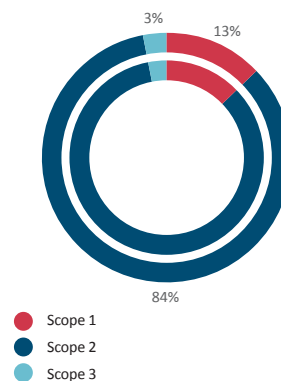
Reduction of Greenhouse Gas Emissions

GRI - G4 - EN19

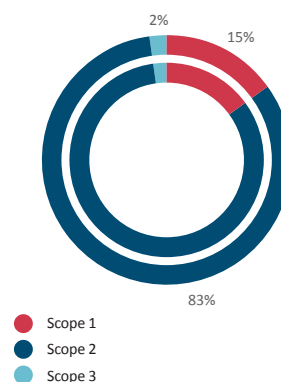
Aligned to our Environment Policy, we are strongly committed to reduce our GHG emissions and the carbon footprint and thereby, support to slow the pace of global warming and air pollution. Towards this end, we commenced the computation and monitoring of our direct and indirect GHG emissions for each estate and for the overall company since 2012.

During the year 2015, GHG emissions under Scope 1 has been reduced by 107 tCO₂e, which amounts to 13% when compared with the emissions recorded in 2014. This reduction has been achieved by reducing the fuel usage in both internal transport of produce as well as from the supervisory vehicles and head office vehicles as detailed below:

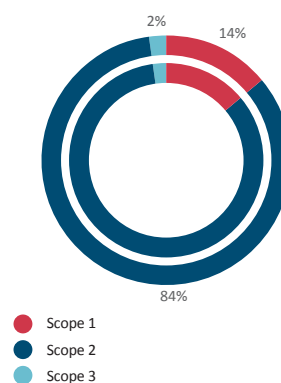
GHG Emissions tCO₂e - 2015



GHG Emissions tCO₂e - 2014



GHG Emissions tCO₂e - 2013



**MANAGEMENT DISCUSSION AND ANALYSIS CONTD.****Fuel Usage and Scope 1 GHG Emissions – 2013-2016 (up to March)**

Year	Diesel	Petrol	GHG Emissions
	Litres	Litres	tCO ₂ e
2013	216,201	98,571	802.5
2014	215,764	108,005	822.7
2015	194,178	86,136	715.3
Variance	-21,586	-21,869	-107.4
2016 (Jan-Mar)	47,845	17,847	168.5

Scope 2 GHG emissions from the electricity usage in factories, bungalows, staff quarters, offices and other buildings increased by 244 tCO₂e, representing an increase of 5% over the year 2014 to reach a total of 4,789 tCO₂e. The increase in factories was due to the higher crop manufactured and the increase in bungalows and staff quarters was due to additional number of staff recruited during the year.

Electricity Consumption and Scope 2 GHG Emissions – 2013-2016 (up to March)

Year	Factories	GHG Emissions	Bungalows, Staff Quarters, Offices & Other Buildings	GHG Emissions	Total Units	Total GHG Emissions
	kWh	tCO ₂ e	kWh	tCO ₂ e	kWh	tCO ₂ e
2013	6,264,276	4,260	759,745	517	7,024,021	4,776
2014	6,024,174	4,096	658,947	449	6,683,121	4,545
2015	6,343,176	4,313	699,900	476	7,043,076	4,789
Variance	+319,002	+217	+40,953	+27	359,955	+244
2016 (Jan-Mar)	1,199,353	816	167,916	114	1,367,269	930

The total GHG emissions in all operational areas amounts to 5,660 tCO₂e. The Company purchased 7,043,076 kWh electricity from the national grid during the year, which is an equivalent of 4,789 tCO₂e. The Company generated 8,207,558 kWh of electricity through the three hydropower plants during the year, which is an equivalent of a saving of 5,581 tCO₂e. This saving has almost offset the 5,660 tCO₂e, emitted through our operations.

The conversion of all tea driers operating in factories from fossil fuel to wood based renewable energy by installation of hot water generators was a major energy conservation initiative undertaken by the Company over the years. This initiative alone supported to reduce GHG emissions by over 3,000 tCO₂e per annum.

Installation of energy saving machinery, including replacement of high-powered motors with low powered motors, capacitor banks, variable speed drives (VSD's), energy saving lighting and close monitoring and controlling of energy usage at each location are many other initiatives undertaken by the Company, successfully, to conserve energy and reduce GHG emissions.

Emissions of Ozone-Depleting Substances & NO_x, SO_x and Other Air Emissions

GRI - G4 - EN20 & EN21

Emission of ozone depleting substances from our production facilities is non-existent and in domestic equipment almost negligible; NO_x or SO_x gasses produced through our daily operations and households too, are negligible.



EFFLUENTS & WASTE

Wastewater Management

GRI - G4 – EN22

As a key initiative of the RA Programme, 96 wastewater purification systems with sedimentation and filtration tanks have been constructed on all estates to purify factory and domestic wastewater. These systems have enabled the factories to treat wastewater prior to discharging as well as to purify domestic wastewater generated. In addition, we have promoted bioremediation through conservation of natural vegetation as well as by planting recommended species such as *Canna generalis* (Canas), *Tithonia diversifolia* (wild sunflower), *Vetiveria zizanioides* and *Wedelia trilobata* in channels through which wastewater is flowing. These initiatives ensure that factories and domestic wastewater generated on estates is adequately purified before releasing to the natural water bodies. This is verified by an annual laboratory testing of samples for required parameters to ensure that water discharged is within the permissible limits.

During the year 2015, the amount of water discharged in processing factories after purification amounts to 9,029 kiloliters, which is based on the amount of water consumed in these factories.



A Well designed Wastewater Purification System with Bioremediation-Wattegodra Estate

Solid Waste Management

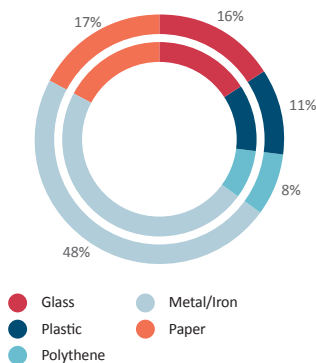
GRI - G4 - EN23

Through the RA Programme, estates have implemented an integrated waste management programme based on the '3-R' concept of reducing, re-using and recycling. Through this programme, all bio-degradable waste is utilised to produce compost which is used in tea fields and home garden plots of the community and a quantity of 41,636 kg of compost was produced during the year 2015. Metal, glass, plastic, polythene, paper and hazardous E-waste are segregated, collected separately and sent for recycling to authorised collectors. The functioning of open waste dumps and burning of waste have been prohibited on all estates.

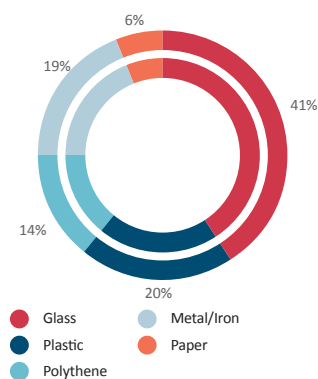
The quantity of solid waste sent for recycling in 2015 amounts to 5,515 kg, which indicates a decrease of 19% when compared with the quantity of 6,848 kg sent for recycling in 2014. This reduction was due to the recycling of waste now undertaken by individual households, which have not been accounted herein. Categories and quantities of solid waste sent for recycling during the year are detailed below:

Category	2016 (Jan-Mar)	2015	2014	2013
Glass	224	862	2,850	1,791
Plastic	456	608	1,349	1,430
Polythene	189	467	973	636
Metal/Iron	149	2,626	1,284	2,019
Paper	63	952	392	845
E-waste (Nos)	(17)	(351)	(33)	(73)
Total	1,081	5,515	6,848	6,721

Solid Waste Recycled by Category of Waste 2015



Solid Waste Recycled by Category of Waste 2014





MANAGEMENT DISCUSSION AND ANALYSIS CONTD.

Training and awareness programmes on integrated waste management are being carried out regularly to educate all employees, school children and the resident communities. With the active participation of the community, awareness-building initiatives have created a clean healthy environment and a profound impact contributing positively towards uplifting the image, dignity and wellbeing of the estate community.

Waste in our tea production process has been consistently reduced by reprocessing all refuse tea in two separate factories – Wangioya in the high grown region and Pethiyagoda in the low grown region. The absolute refuse tea from these factories is sent to the Unilever Sri Lanka Ceytea factory of Agrapatna and Raigama estate factory at Ingiriya as a raw material for further extraction. We have reduced our production waste from 1.5% in 2013 to 0.1% in the current year.

Significant Spills

GRI - G4 – EN24

No spills have been reported from any of the estates. Through the RA Programme, as a precautionary and preventive measure, spill collection mechanism has been constructed in all fuel and chemical storage facilities.



20 metres Chemical Free Buffer Zones along Water Bodies–Holyrood & Radella Estates

Management of Hazardous Waste

GRI - G4 – EN25

No waste deemed hazardous under the terms of Basel convention has been transported, imported, exported or treated.

Management and Protection of Water Bodies and Related Habitats

GRI - G4 - EN26

As stated previously in the report, 96 wastewater purification systems have been constructed on all estates to purify factory and domestic wastewater before discharging to the natural water bodies or the environment, thereby, minimising adverse impacts of wastewater.

The chemical free buffer zones extending up to twenty metres around all drinking water sources and five metres along all other water bodies and ecosystems have been established to prevent any run off to water bodies. The Banks of lakes and rivers are protected with wide grass buffer zones and riparian habitats.

Due to effective preventive and precautionary measures implemented, discharges of water and run off have not affected any habitats and water bodies.



Integrated Solid Waste Management
Kiruwanaganga Estate



Integrated Solid Waste Management
Deniyaya Estate



Handing over Solid Waste for Recycling
Kiruwanaganga Estate



ENVIRONMENTAL IMPACTS OF PRODUCTS AND SERVICES

GRI - G4 - EN27

The Company produces only black and green teas, which are toxin free, biodegradable and environmentally friendly and therefore, does not cause any environmental risks and hazards.

Our black and green tea manufacturing process is an eco-friendly process and only renewable energy—fuelwood—is used in the production process, thereby, reducing the GHG emissions significantly. The Water is not used in both black and green tea production process and wastewater arising from washing the rolling rooms in all factories is purified through the sedimentation and filtration tanks before discharging to the environment, thereby, mitigating environmental impacts. The GHG emissions from all factories are measured, monitored and controlled to minimise adverse impacts.

As stated previously, we have reduced our production waste to only 0.1% and used this quantity as compost in tea fields, thereby eliminating any pollution by residues of production.

PACKAGING MATERIALS RECLAIMED

GRI - G4 - EN28

Packing materials used for bulk tea packing is environmentally friendly and are mainly exported with produce and therefore, not practical to reclaim.

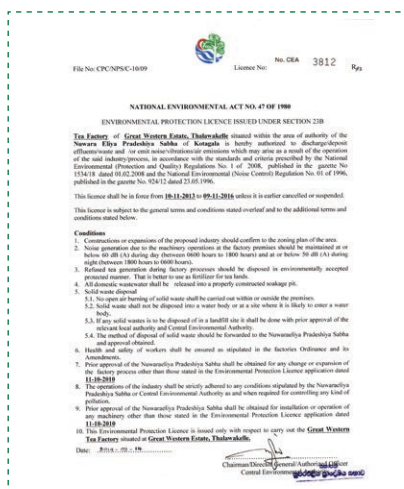
COMPLIANCE WITH ENVIRONMENTAL LAWS AND REGULATIONS

GRI - G4 - EN29

There had been no violation of environmental related laws and regulations and therefore, no monetary or non-monetary fines or sanctions

were imposed on the Company for non-compliance. We fully comply with the laws and regulations stipulated by the Central Environmental Authority and the relevant national legislation. All our processing factories have obtained Environmental Protection Licences (EPL) from local authorities, which assures compliance with environmental laws and regulations.

In addition, all high grown estates and Kiruwanaganga and Deniyaya estate amongst the low grown estates are certified under the Rainforest Alliance sustainable Agriculture Certification and Ethical Tea Partnership (ETP) Certification. These programmes consist of internal and external audits and best global environmental practices, which provide further assurance of our environmental compliance.



Environmental Protection Licence
Great Western Estate



Ethical Tea Partnership Certificate -
Radella Estate



Rainforest Alliance-Sustainable Agriculture Network
(RA/SAN) Group Certificate

**MANAGEMENT DISCUSSION AND ANALYSIS CONTD.****ENVIRONMENTAL IMPACTS OF TRANSPORT**

GRI - G4 – EN30

Due to effective preventive measures implemented and close monitoring of related activities, transporting of products, other goods and materials or members of the workforce have not caused any adverse environmental impacts. Only environmental impact is the GHG emissions from fuel used for transport and necessary precautions have been taken to ensure fuel efficiency, regular maintenance of vehicles, obtain green certification and monitor fuel consumption for early detection and prevention of fuel wastage. GHG emissions from fuel usage for transport are measured, monitored and covered in detail previously under emissions section. Fuel usage in both transport and supervisory vehicles have been reduced by 5.6% and 25% respectively during the year as reported previously.

OVERALL - ENVIRONMENTAL PROTECTION EXPENDITURE AND INVESTMENTS BY TYPE

GRI - G4 – EN31

The Company invested a sum of Rs. 43.2 Mn during the year to carry out the following initiatives and measures adopted to protect the environment underpinned by our strategic imperatives:

Overall Environmental Investment - 2015/16	
Environment Conservation Activity	Cost Rs
⊙ Soil Management and Conservation	18,900,686
⊙ Protection of Water sources and Water Conservation	1,824,462
⊙ Planting of Agro-forestry and Fuelwood	10,319,520
⊙ Green Manure, Native & Other Trees & Cover Crops	2,870,796
⊙ Construction of Wastewater Purification Systems	1,379,984
⊙ Drinking and Wastewater Quality Testing and Monitoring	1,277,933
⊙ Integrated Waste Management	2,596,474
⊙ Establishment of Vegetative barriers, and Chemical Free Buffer zones	1,953,181
⊙ Training and Educational programmes	224,431
⊙ Erecting of Sign Boards	759,175
⊙ Establishment of Rainforest Educational & Information Centres (REIC)	168,615
⊙ Rainforest Alliance Sustainable Agriculture Network programme Certification	920,080
Total	43,195,337

ENVIRONMENTAL GRIEVANCE MECHANISMS

GRI - G4 – EN34

Through the RA Programme, Health and Safety Committees have been formed on all estates and the members have been educated and empowered to monitor environmental aspects in their respective estates and report grievances and complaints if any, to the estate management or to the Auditors during RA/SAN Certification Audit and Internal Audits. In view of the robust environmental management systems and programmes implemented, we have not received any complaints or grievances related to any environmental impacts from any of our operational sites.



HUMAN CAPITAL

OVERVIEW



1. Worker Productivity
2. Labour Practices
3. Labour Relations
4. Health & Safety
5. Human Rights
6. Training & Development

In a labour intensive business, the workforce assumes an essential role in nurturing and developing the day to day operations. Worker satisfaction and their morale are key to ensure their level of productivity, loyalty and commitment, which in turn, underline the long term viability of the organization. This is more significant given the challenges we face within the operating backdrop in the tea industry today.

In this context, it is crucial that we engage our workers continuously and consistently and extend an enabling work environment with meaningful

GRI - Materiality Aspects Report Coverage - Comprehensive

- ⊙ Employment - Recruitment, Retention & Remuneration
- ⊙ Occupational Health & Safety
- ⊙ Training & Education
- ⊙ Performance Evaluation

GRI - Materiality Aspects Report Coverage - Moderate

- ⊙ Labour Management/Relations
- ⊙ Freedom of Association & Collective Bargaining
- ⊙ Non-discrimination, Diversity & Equal Opportunity
- ⊙ Labour Practices Grievance Mechanism
- ⊙ Child Labour
- ⊙ Forced or Compulsory Labour
- ⊙ Training Investment on Human Rights

compensation, financial benefits, welfare and appropriate measures for the wellbeing of the workforce. It is in this setting, that we discuss the following section, highlighting our approach, risks faced and opportunities that may impact our workforce, our strategy, performance indicators and key actions in line with the strategic imperatives identified and prioritized for human resource development.

MANAGEMENT APPROACH

Centralized at the corporate office, the Human Resource (HR) management function comes under the purview of the Managing Director and he is supported by a team of qualified HR personnel. The overall strategy and action plan for

the year in line with the HR policy and procedures are formulated at this level. The team is responsible for training and development activities while ensuring that proper strategies are in place for the overall quality of products and services, establishment of industrial peace and management of social issues.

The regional HR clusters at Talawakelle, Nanu Oya and Deniyaya are responsible for overlooking and coordinating the HR function across the seventeen estates. The individual HR clusters, at the estate level, implement the HR strategy and action plan for the year. The HR team working within these clusters is elected by their peers and therefore, commands greater acceptance and cooperation from the estate workers.

Reaching out to a workforce of over 8,000, we are proactive and consistent in our engagement with our workers across our estates and with the staff working at the corporate office. In line with our human resource policy and in keeping with the principles and standards prescribed by the certification programmes we have adopted viz-a-viz ISO certification, Rainforest Alliance, Sustainable Farm certification and Ethical Tea Partnership programme-we seek to ensure best practices in labour management. We uphold the highest ideals of work ethics, treating our workforce with impartiality and respect to nurture their self-respect and morale.

Our management approach within the estates is top-down and hands-on, with a close monitoring mechanism to ensure that our workers meet the targeted performance. Our field and factory supervisors and managers closely interact with the estate workforce, seeking to enhance their level of productivity whilst looking in to their wellbeing and ensuring good living standards to better their quality of life.

**MANAGEMENT DISCUSSION AND ANALYSIS CONTD.**

We strive to extend adequate development opportunities to our employees and ensure that our executives, including managers and supervisors, are provided due training opportunities to develop their technical, interpersonal relationships, supervisory and management skills. This in effect supports us to nurture and manage sound labour relations, leading to worker morale and higher productivity.

HUMAN RESOURCE & SOCIAL POLICY

- ⊙ People will continue to be our **most valued resource** and we are committed to **nurture and develop** them consistently.
- ⊙ “Treating people at all levels with **dignity and respect**” will be the **key guiding principle** of all our human resource management practices.
- ⊙ We are committed to enhance the **quality of life, self-esteem and morale** of all our employees and create an environment in which people can use their **initiative, be creative, innovative** and unleash their **full potential**.
- ⊙ **Training, empowerment, motivation and recognition** will be integral practices at all levels towards managing and developing human talents effectively.
- ⊙ We are committed to provide **equal opportunities** for all employees and **prohibit any form of discrimination or discriminatory practices** in respect of all employment related activities.
- ⊙ We **uphold and respect the freedom of association**, right to form and join trade unions and **bargain collectively**.
- ⊙ We shall **prohibit any form of forced and bonded labour** in all our operations.
- ⊙ We shall **not engage child and young workers** and the minimum age of employment would be **18 at all levels**.
- ⊙ We shall comply with all applicable **labour laws, industry regulations and standards** on working conditions and payment of salaries, wages, overtime and other statutory dues.
- ⊙ We shall **consult local communities** regarding plans for new projects, constructions, diversification, change of ownership or any other operational changes that affect the local communities and their views will be considered in the decisions making process.
- ⊙ We shall give priority to **local workers** for training and employment on estates.

Human Capital – SWOT Analysis

Strengths	Weaknesses	Opportunities	Threats
<ul style="list-style-type: none"> ⊙ Commitment to inclusivity and diversity ⊙ Management commitment to develop the workforce ⊙ Worker productivity improvement initiatives ⊙ Performance management mechanism ⊙ Focus on skills development and structured training 	<ul style="list-style-type: none"> ⊙ Absenteeism ⊙ Availability of other employment opportunities ⊙ Low level of productivity 	<ul style="list-style-type: none"> ⊙ Availability of a large human resource base within the plantations ⊙ The trainability qualities of the workforce 	<ul style="list-style-type: none"> ⊙ Out-migration of workers from the plantation sector ⊙ Ageing workforce ⊙ Influencing power of socio-techno-economic developments on worker attitudes and expectations

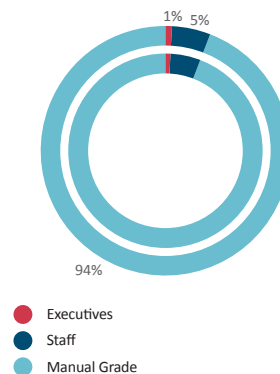
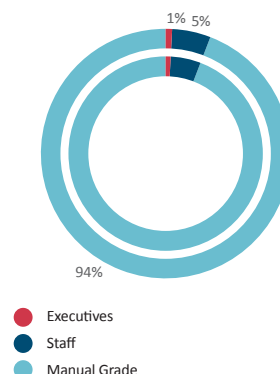
⊙ Human capital - Strategic Focus - 2015/16

- ⊙ Ensure all employees are treated with respect and equality as per the Company’s HR Policy.
- ⊙ Ensure the availability and retention of manpower with required skills, competencies and attitudes.
- ⊙ Implement key value drivers to enhance motivation, quality of life and satisfaction and thereby, improve the level of productivity.
- ⊙ Sustain an enabling culture rewarding high performance.
- ⊙ Create a learning organization and implement knowledge management strategies and programmes.
- ⊙ Map career paths for talented and outstanding employees.
- ⊙ Work towards creating a healthy and safe work environment for all employees.
- ⊙ Maintain positive relations with workers and trade unions and uphold the spirit of the collective bargaining process and the collective agreements in force.



KEY PERFORMANCE INDICATORS

8,287 Total Workforce	6% Average Turnover Ratio
100% Executives & Staff Performance Evaluated	139 Health & Safety Programmes
94% Retention Rate	4,967 Employees Trained on Health and Safety
19,654 Total Training Hours	11,594 Total Employees Trained
339 New Recruits	Rs. 1.3 Mn Training Investment
8% Manual & Staff Representatives in Health & Safety Committees	

All Employees
as at 31 March 2016Full-time Employees
as at 31 March 2016

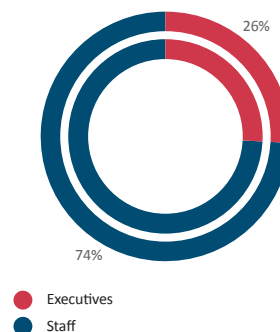
LABOUR PRACTICES & DECENT WORK

Workforce Analysis

GRI-G4-10

The total workforce as at 31st March 2016 stands at 8,287 employees. Being a plantation company, out of the total workforce 7,783 employees, representing 94% of the total are employed under the manual grade category. The majority, nearly 84% of the manual grade are employed in the high grown estates. The staff grade category is 5% whilst the executive grade is less than 1% of the total cadre.

Out of the total workforce, i.e., 99% employees are employed on a full-time permanent basis; whilst, the balance 1% represents employees on fixed term contract basis.

Contract Employees
as at 31 March 2016

**MANAGEMENT DISCUSSION AND ANALYSIS CONTD.****Diversity and Equal Opportunity**

GRI-G4-LA12 & HR3

At TTE PLC, we have at all times been positive in managing our diversity and nurturing unity within the workforce. Our core values embedded in our HR policy clearly stand and advocate impartiality, respect and equality within the workplace. We are an 'equal opportunity' employment organization and do not discriminate against gender, race or any other socio-cultural and economic differences. We follow a policy of non-discrimination in recruitment, promotions and remuneration. Our collective agreements and the certifications we have adopted support and complement our efforts in this regard.

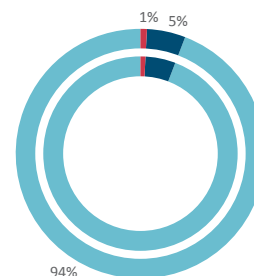
We have not received any complaints of discriminations or being subject to any legal action for discrimination during the reporting year. Procedures are in place to deal with such incidents, if and when, they occur.

Diversity Representation			
Employee Category - As a Percentage of Full-time Cadre, as at 31st March '16			
	Executive	Staff	Manual
<i>Gender</i>			
Male	65	330	3229
Female	10	99	4554
<i>Age</i>			
Below 30 years	24	55	1231
31-40 years	20	169	2715
41-50 years	19	112	2368
51-60 years	5	83	1375
Above 60 years	8	9	94
<i>Ethnicity</i>			
Sinhala	65	157	1597
Tamil	6	251	6089
Muslim	3	2	26
Other	1	19	71

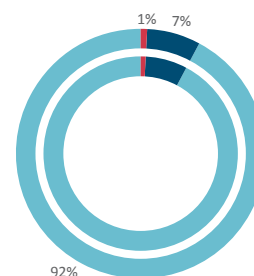
Gender Analysis

We maintain a good gender balance within our workforce, with 56% as female employees mainly falling under the category of manual staff as tea harvesters as at end-March 2016. This is characteristic of a plantation based business. Amongst the executive and staff level cadre, 110 employees are females, representing 22% of the total cadre.

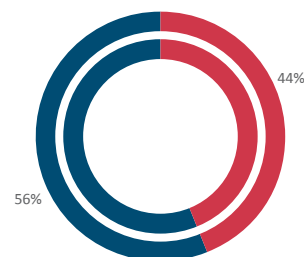
Our Board is represented by a female director, Ms M D A Perera who contributes positively to the Board proceedings with her expertise in finance and management especially within the tea industry.

Employees in High Grown Estates as at 31 March 2016

● Executives
● Staff
● Manual Grade

Employees in Low Grown Estates as at 31 March 2016

● Executives
● Staff
● Manual Grade

Gender Representation as at 31 March 2016

● Male
● Female



Age Analysis

As evidenced by the age analysis, we have a strong workforce with a good combination between senior employees and the younger generation across the employee categories, reflecting stability within the organization. Majority of the staff and manual grade employees are between 31 to 50 years age category. The executive cadre is well represented to blend with the expertise and skills of the experienced staff and the vitality of the younger executives.

Ethnicity

We maintain a good ethnicity mix within our workforce. Typically, as a plantation sector organisation, our manual grades, particularly in the high grown elevation, are dominated by the minority Tamil community. The executive and staff grade is more skewed towards the majority Sinhalese.

Recruitment

GRI-G4-LA1

We seek to attract and recruit the best talent with a 'best-fit' to our organization. We seek to uphold diversity and the principle of equal opportunity in our recruitment practices.

In the reporting year, our new recruitments stood at a total of 339 employees. Out of this, the majority, 82% were recruited for the manual grades whilst 58% within this category were female employees. In terms of the executive and staff level recruitments-which represented 21% of the total recruitments-17% were female employees.

Our recruitment and selection policy provide opportunities to recruit internally by way of promotions and cross-placements between estates and departments. In the reporting year, we promoted 20 employees at the executive and staff categories.

Child Labour

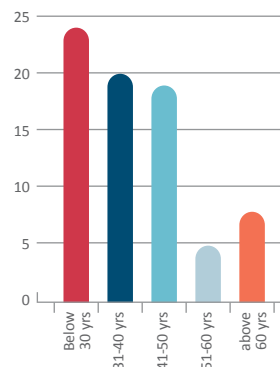
GRI-G4-HR5

Upholding ethical business values well enshrined in our HR policy, we do not engage nor complicit in child labour. We do not deploy minors in any activity paid or unpaid within our estates or production facilities. All recruitments are subject to a strict verification process with documentary proof of age of potential employees. We also seek to ensure that necessary precautions have been taken to arrest any risk on child labour within the business operations. In effect, we advocate a comprehensive child care programme within our estates in support of their development and wellbeing.

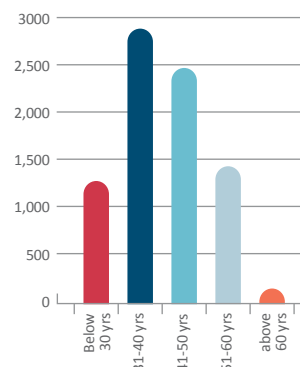


Staff Orientation - Moragalla Estate

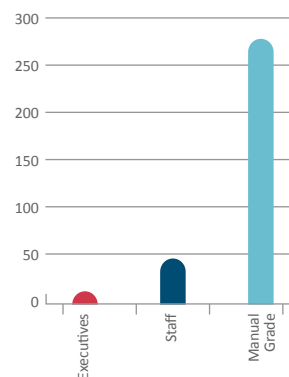
Age Analysis – Executives as at 31 March 2016



Age Analysis - Staff & Manual Grade as at 31 March 2016



Recruitments For the period Apr '15-Mar '16



**MANAGEMENT DISCUSSION AND ANALYSIS CONTD.****Retention & Turnover**

GRI-G4-LA1

Fortified by our proactive measures and best practices in labour management, we were able to sustain a commendable retention rate of 94% during the reporting period. The average turnover stood at 6%; whilst the turnover of the manual grades corresponded to a ratio of 5%, which is comparable with the industry norms.

Maternity Leave & Retention

GRI-G4-LA3

As per the Sri Lankan labour legislation, our female employees are entitled to maternity leave of 84 working days for the first two children and 42 days for the third child or more. Out of 273 employees who availed this leave entitlement in the year under review, 201 have returned back to work, corresponding to 74%; whilst 60 are still on their entitled leave. The female employees are also entitled and encouraged to take the feeding time allowance after they return from maternity leave. As per the labour laws, male workers are not entitled to paternal leave.

Service Analysis

As at 31st March 2016, our service record was healthy and reflects stability within the organization. In terms of the manual and staff grades, almost 27% account for a service between 11 to 20 years. In terms of the executive grade, over 23% fell within this service category.

Remuneration & Rewards

GRI-G4-11, LA 2, LA 13, HR4

Refer: Economic Value Creation, Page 51

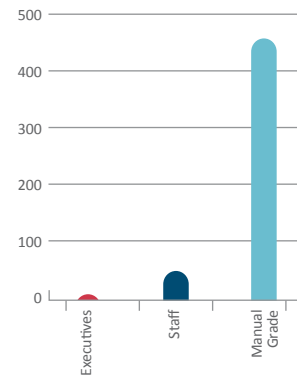
The Company's reward management policy is aimed at maintaining industry norms whilst ensuring internal and external equity. Collective bargaining determines equitable pay system across the Company. This ensures that we maintain a relatively balanced ratio of the basic salary between the genders.

As will be discussed under 'economic value addition section', we are also conscientious in meeting our statutory obligations. The Employees Provident Fund and Employee Trust Fund obligations in the year stood at Rs. 175 Mn whilst the gratuity liability stood at Rs. 121 Mn. We also provide, comprehensive benefits for full-time employees with a best-fit for their category of employment. The cost incurred in providing these benefits totaled approximately to Rs. 296 Mn in the year.

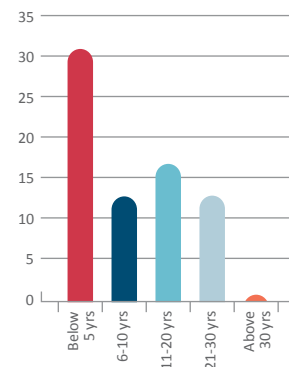


High Quality of Living Standard - Calsay Estate

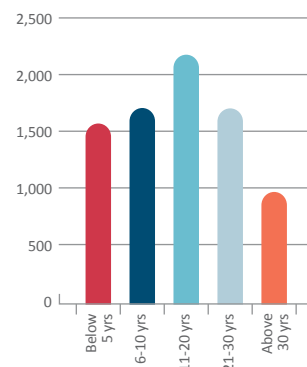
Turnover
For the period Apr '15-Mar '16



Service Analysis - Executives
as at 31st March '16



Service Analysis - Staff & Manual Grade
As at 31st March '16





Benefits provided to full-time employees			
	Executives	Staff	Manual
Estates	<ul style="list-style-type: none"> Housing facilities with electricity and water (for estate managers) Medical Insurance – OPD & spectacles & hospitalisation for employee and immediate family Tea allowance 	<ul style="list-style-type: none"> Quarters with electricity & water facility Tea allowance Medical insurance – OPD & hospitalisation Death grants 	<ul style="list-style-type: none"> Housing with water facility Tea allowance Free prescription drugs Medical facilities Ambulance service Child development centers Free medical clinics Milk & wheat flour (children) Death donation Mid-day-meal Nutrition programme
Head Office	<ul style="list-style-type: none"> Medical insurance – OPD & spectacles & hospitalisation Tea Allowance 	<ul style="list-style-type: none"> Tea allowance Medical 	-

Forced or Compulsory Labour

GRI-G4-HR6

As a principled plantation company, we are conscientious and do not resort to any form of exploitation of our workforce across the seventeen of our estates and the corporate office. All employment contracts are freely entered into between the parties and are in conformity with the legislation prevailing in Sri Lanka as well as in conformity with the standards prescribed by the Ethical Tea Partnership, Rainforest Alliance and UTZ certification programmes which we have internalized through our Human Resource & Social Policy. Employees are well respected and treated humanely with focused efforts to ensure their well-being.

Labour/Management Relations

GRI-G4-11, LA4, HR4

We recognize that our employees have the right for freedom of association and collective bargaining. Over 98

percent of the workforce is covered by the relevant collective agreements with trade unions. The agreements set out special clauses to ensure transparency and accountability in making significant operational changes and corporate decisions. The clause, 'Labour Management Relations'-which is assigned for the manual grades-stipulates that any change to work arrangements, norms, productivity, etc., shall be effected only after a consensus has been reached through fortnightly consultations with the trade unions. Part II of the collective agreement assigned to the staff grade specifically sets out that any material change to the Company's structure or operations even amalgamation, sub-leasing of estates/divisions shall be finalized with prior notice and consensus between the management and the unions.

Occupational Health & Safety

GRI-G4-LA5, LA7, LA8, PR 1

The Health and Safety Policy which is well internalized within the estates-especially amongst the managers

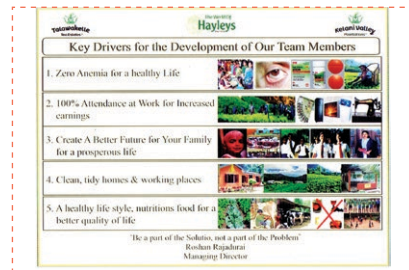
and supervisors-sets out a consistent guideline to ensure health and safety and the wellbeing of the workforce. In line with this policy, all estates have implemented a comprehensive occupational health and safety programme covering all employee categories. Under this programme, worker health and safety committees are established in all divisions and factories within the estates. During the reporting period, these committees were well represented-comprising 29 executives, 147 staff and 589 manual grade employees to ensure effective implementation and monitoring of the health and safety programme. In terms of the total workforce, manual grade employees accounted for over 77% representation of the committees whilst 23% were represented by staff and executive categories.

These committees are responsible to spearhead special projects, addressing health and safety issues of the workforce, their families as well as the community resident within the estates. These projects include special training on health and safety measures that

**MANAGEMENT DISCUSSION AND ANALYSIS CONTD.**

are in place across the organization; awareness building on health and nutrition to improve mental and physical well-being; and on safe manufacturing practices and agro chemical applications. In the reporting year, we trained 4,967 employees across all estates on health and safety aspects, covering 7,616 training hours.

Out of the total workforce, the majority, over 85% are within the manual grade. Out of this category, almost 60% are engaged in field work with greater exposure to risks related to occupational diseases and our focused efforts have ensured the wellbeing of our manual staff and we have been able to minimize the impacts from such diseases. In fact, our value drivers stress the importance of healthy lifestyle including the right nutrition for our workers.



Key Value Drivers

Health & Safety Policy

- ◉ We are totally committed to provide a **safe and clean work environment** to all employees and ensure their **health and safety** at the work place.
- ◉ Towards achieving this objective, we shall adopt, **reasonably practicable preventive and protective safety measures** in all production and processing areas to manage **occupational hazards, risks and prevent accidents**.
- ◉ Employees will be regularly **trained and educated** on relevant health and safety aspects and will be **actively involved** in implementing health and safety programmes, through the establishment and efficient functioning of **Health and Safety Committees** spearheaded by respective Estate Managers.
- ◉ We are committed to comply with applicable **National Health and Safety laws and regulations** at all times.
- ◉ We shall carryout regular **health and safety risk assessments and review** Health and Safety Standards, programmes and objectives periodically to ensure **Continual Improvements**.

Key Measures in Place

- ◉ Medical Centers with qualified health and medical staff on all estates.
- ◉ Five ambulances located at strategically placed estates providing 24-hour medical service.
- ◉ Worker health and safety committees established in all estates.
- ◉ Quarterly Human Development Progress (HDP) Reports track and monitor plucker analysis, health and medical care and worker absenteeism analysis.
- ◉ New and separate-wash rooms and changing room facilities for all agrochemical sprayers.
- ◉ Personal protective equipment for all agrochemical sprayers.
- ◉ Extensive training for all agrochemical handlers and workers on safety requirements during agrochemical transport, storage and application.
- ◉ Material Safety Data Sheets to monitor agrochemical application responsibility.
- ◉ Focused training and awareness building on health and safety measures including nutritional plan and support for manual workers.



Protection from fire hazards - Wattegodde Estate



Good Safety Practices at Work - Palmerston Estate



Awareness of General Hygiene - Holyrood Estate



Training Programmes on Health & Safety	No of Participants	Total Duration (Hrs)
Awareness Training on;	174	229
Environmental Pollution		
Protection from Fire Hazards	238	361
First Aid Training (Field & Factory)	692	895
Awareness of General Hygiene	745	1143
Importance of Nutrition	533	1471
Handling of Chemicals & Use of PPEs (Personal Protective Equipment)	379	395
Good Safety Practices at Work	550	606
Awareness of Health & Safety	433	226
Integrated Waste Management	644	1757
Knowledge & Improvement of MSDS	313	311
Prevention of Alcoholism	154	162
Water Conservation	112	60
Total	4967	7616

Injury and Lost Days

GRI-G4-LA6

In the reporting year, 87 staff and manual grade employees were injured on work-related accidents within the fields and in factory operations, representing 1% of the total workforce. The total man days lost due to these injuries were 500. All employees injured were given duty leave and insurance cover provided under workmen's compensation. There were no fatalities within the workplace or during work hours in the reporting year under review.

Training & Development

GRI-G4-LA9 & LA10

In a labour intensive organisation, fully reliant on the level of worker productivity, training and development assume a significant role in building

a competent workforce. Our training aspirations seek to be consistent in developing worker skills and competencies; whilst nurturing their positive attitudes, and thereby fortifying our organisation for the long term sustainability.

Training programmes are structured according to identified skill gaps. Our training needs are ascertained through a systematic and an interactive process entailing on-going feedback, performance appraisal findings and discussions with supervisors and managers. The training needs analysis acts as a good yardstick to prepare our annual training plan and training budget. We have accordingly prepared our training calendar which has been rolled out meaningfully, strengthening the quality of the workforce and thus, supporting our business to steer in the right direction.

Our training is structured to address the four-focused areas of sustainable agriculture practices-quality, environmental management, strategic management and HR Development. As traditionally done on plantations, skills and knowledge are imparted primarily through on-the job training by experienced executives and staff in respective departments. In addition, need based internal and external programmes are conducted to enhance skills and competencies. We collaborate with the Tea Research Institute and the Rubber Research Institute and extend academic programmes with specialized institutes such as the National Institute of Plantation Management to give the best training opportunities. We also collaborate with partner organizations to build capacity and develop skills. Our representatives participate in the TRI Advisory Committee gaining exposure to current practices in tea plantations.

**MANAGEMENT DISCUSSION AND ANALYSIS CONTD.**

During this reporting year, we invested Rs. 1.3 Mn on local and overseas training programmes for 11,594 employees at all levels. These programmes covered 7,658 female employees, representing 66% of the total number trained. The training covered the areas of sustainable agriculture, occupational health and safety, waste and energy management and certification standards for the staff and manual grades whilst the executive grades were given an exposure into best practices in management, harvesting and field cultivation practices, plantation finance and management and environmental management.

All employees are encouraged to apply the knowledge gained from training in the practical aspects of work. Those receiving academic training are encouraged to apply their knowledge to improve existing management systems; whilst those receiving technical training have the freedom to use their new knowledge in practical work where use of machinery and equipment is in force. This enables all other employees to learn from them through collaborative support. We also encourage the trained staff to carryout structured internal training programmes to impart their training and learning to their colleagues.

Employee Category	Number of Personnel		Training Hours	
	Male	Female	Male	Female
Executives	104	16	973	142
Staff	548	382	1187	866
Manual grade	3,284	7,260	5,843	10,643
Total	3,936	7,658	8,003	11,651

Training 2015/16

	Executive	Staff	Manual Grade
Plantation Expertise, Productivity, Quality & Standards			
Awareness on Company Policies & Achieving Objectives	x	x	x
Professional Programme in Tea Manufacture & Factory Practices	x		
Tea Manufacturing by Tea Research Institution	x		
Rain Forest Alliance Implementation Programme	x		
HACCP/ISO 22000:2005 Food Safety Management Systems	x		
Workshop on Internal Auditing as per HACCP/ISO 22000:2005 Food Safety Management Systems	x		
Awareness on RA Concept & 10 Principles	x	x	
Education on Clean, Tidy Homes & Working Place		x	x
Awareness on Key Value Drivers		x	x



Training of Planting Executives



Training of Estate Staff



Training of Sprayers by TRI - Deniyaya Estate



	Executive	Staff	Manual Grade
Basic Concept of MSDS Training			
Fire Drill Training Programme		x	x
Training Programme on "Good Plucking Methods", for Harvesters			x
Demonstration on Low Cost Nutritious Diet			x
Strategic Management			
EFC/ACCA Workshop on Sustainability Reporting	x		
Key Economic Indicators Effect on Budgeting & Planning	x		
Workshop on Promotion of Value Added Tea Exports	x		
Empowering the Workforce through responsible leadership	x		
Economics Insights for Managing Business Affairs	x		
Overseas Training on Leading & Managing in VUCA Business Environment	x		
Environmental Management			
Waste Management and Proper Garbage Disposal	x	x	
Quantification of GHG Emissions & Calculating Carbon Footprint According to ISO Standards	x		
Waste Disposal Management Programme		x	x
Eco System Conservation		x	
Wild Life Conservation		x	
Introducing Proper Garbage Disposal System/Waste Water Recycling		x	x
Water Quality Protection (Waste Water Treatment)			x
Human Resource Development			
Accounting for Non-financial Assets	x		
The Balancing Act-Compensation & Benefits	x		
Industrial Symbiosis Capacity Building Workshop	x		
Education on Occupational Health & Safety	x	x	x
Firefighting and prevention of Forest Fire		x	x
Follow up Programme for Prevention & Early detection of common Cancer		x	x
Fair Treatment & Motivating Harvesters for Regular Attendance.		x	x
Awareness Programmes on Occupational/Workplace Health & Safety		x	x
Awareness on Personal Hygiene & First Aid		x	x
Prevention Methods of Bees Attack		x	x
Importance of Balance Diet & Nutritious Food to prevent from Anemia		x	x
Defensive Driving Programme for Drivers		x	
Importance of Home Gardening to Generate Extra Income		x	x
Leadership Training			x
MSDS & Safe Use of Agro Chemicals for Sprayers			x

**Training Investment in Human Rights**

GRI-G4-HR2

Our commitment to ensure best practices in human rights at all levels of operational activities within fields and outside-the factory premises of estates and at the head office-remained consistent and firm. During the reporting year, for the 12 months ended 31st March 2016, we invested on training our employees on human rights related aspects including respect for diversity amongst the workforce and responsibility in terms of work ties and wellbeing of employees.

We trained a total of 34 employees for 84 hours on the Company's policies including human rights.

Performance Management

GRI-G4-LA11

We strongly believe and are steadfast in our efforts to create a performance based culture within the organization. We have in place a well-structured performance management mechanism with clear measurement criteria to evaluate a set of key performance indicators (KPIs)-driven on the premise that "What gets measured gets done".

Within this mechanism, we set annual performance targets for the executive and staff categories to bring in accountability for their work related results. All rewards including salary increments, bonuses and incentives and recognition are based on the performance merits ascertained from the evaluation process-carried out annually.

All executives and staff grade employees were evaluated on their performance and were duly remunerated. High achievers were recognized, promoted and were given performance based increments and incentives. In the manual grade categories, harvesters were evaluated according to their attendance and the quality of leaf plucked. In this evaluation "Gold Cards" were rewarded, for their performance.

Performance Management Scheme –2015/16				
Category	No. of Personnel Evaluated		Total Evaluated	% Evaluated
	Male	Female		
Executives	65	10	75	100%
Staff	330	99	429	100%
Total	395	109	504	100%

Labour Practices Grievance Mechanism

GRI-G4-LA16, HR12

As practiced over the years, the grievances on the estates are addressed by the estate management and the trade union representatives. The management is encouraged to be open and proactive in maintaining a healthy dialogue with the workers and address any grievance or concern at the onset itself. This is evident within our estates which maintained good labour relations and sustain harmonious operations. Besides, the standard labour practices, grievance/disputes procedures are set out and enshrined in the collective agreements.

The Company did not record formal grievances related to labour practices including human rights within the 12 months ended 31st March 2016.



Recognition of employees - Kiruwanaganga Estate



Recognition of harvesters - Bearwell Estate



Recognition of employees - Indola Estate



SOCIAL CAPITAL

OVERVIEW



1. Community Capacity Building
2. Improving the Living Environment
3. Community Wellbeing
4. Health and Nutrition
5. Empowerment of Youth

With a resident community of nearly 40,000 spanning our seventeen estates in both high and low elevations and also, with expansive neighbouring village communities, it is critical that we win their good-will to ensure our sustainability in the long-run. It is important that we integrate our operations into their lives-engaging them, addressing their concerns and issues and supporting their collective needs to better their living standards.

In this context, this section of the report, seeks to highlight our efforts to engage with the local communities, our approach and the key initiatives carried out under our dedicated community programme-ensuring their development and wellbeing whilst building solid bonds with them.

NATURAL CAPITAL MANAGEMENT

GRI - Materiality Aspects
Report Coverage - Comprehensive

- Local Communities - engagement, impact assessments and development programmes

GRI - Materiality Aspects
Report Coverage - Moderate

- Public Policy
- Compliance

A plantation is much more than a simple unit of production; it is a host to vibrant and dynamic communities. We stand committed to nurture and develop the untapped live forces within the communities in which we operate, with trickle-down benefits to the entire society and the resident estate community, in particular.

Our approach to community engagement is pragmatic, structured and responsible. Our social responsible values are well integrated into the organisation strategy and we are conscientious to roll out a well-planned action plan in this regard. The certification programmes complement our efforts by ensuring that we uphold the highest ideals in engaging and managing the local communities including our workers and their families and the communities living in the areas we operate.

We have in place in all estates "Estate Worker Housing Corporative" (EWHCS) and a dedicated social development project, 'A Home for Every Plantation Worker'-seeking to support and uplift the living standards and the quality of life of the resident communities within

MANAGEMENT APPROACH

Social Capital Policy

- We shall consult local communities regarding plans for new projects, constructions, diversification, change of ownership or any other operational changes that affect the local communities and their views will be considered in the decisions making process.
- We shall give priority to local workers for training and employment on estates.

our estates. The project envisions to empower them to be key stakeholders and transform our estates from being a mere place of residence into a 'Home'-in the true spirit. The project is structured based on our five strategic imperatives; to support the communities by improving their living environment through infrastructure development of basic amenities, capacity development, health and nutrition programmes, youth empowerment and community wellbeing. Funds for estate housing and other infrastructural development are provided by the Ministry of Hill Country New Villages & Estate Infrastructure & Community Development and Plantation Human Development Trust (PHDT) through a national programme.

Apart from our dedicated programme, we also seek to engage the local communities in the neighboring areas with other social responsibility initiatives. The estates extend support to organise community based networking events including religious ceremonies and festivals, sports activities, medical camps, recreational trips and also 'shramadana' to keep the environs clean and beautiful.

**MANAGEMENT DISCUSSION AND ANALYSIS CONTD.**

Social Capital – SWOT Analysis			
Strengths	Weaknesses	Opportunities	Threats
<ul style="list-style-type: none"> Management commitment to develop the estate and village Establishment of EWHC Societies to improve living conditions and quality of life Establishment of PHDT to facilitate infrastructure and community development Establishment of a separate Ministry to facilitate infrastructure and community development Strong community collaborations and interactions Structured initiatives for continual social development 	<ul style="list-style-type: none"> Seeking for alternative work away from the plantations. Poor attitude of entitlement without taking responsibility for their lives. Unhealthy lifestyles of the estate population 	<ul style="list-style-type: none"> Positive corporate recognition and brand enhancement for being socially conscious and for social responsibility initiatives. High collaboration with Plantation Human Development Trust, local and non- government organisations and professional bodies for social development programmes 	<ul style="list-style-type: none"> Out-migration of estate residents from the plantation sector. Ageing estate population with greater needs for health facilities Changing socio-cultural and political trends inciting community unrest
Social capital - Strategic Focus - 2015/16			
<ul style="list-style-type: none"> Further the engagement with resident communities by consolidating the social development programmes through EWHC Societies and - 'Home for Every Plantation Worker' programme Consistently improve estate housing and infrastructure, and other community development activities through the intervention of PHDT and the relevant Ministry and with the support of the estate management. Engage the neighboring communities with key networking activities and social responsibility initiatives. Extend employment opportunities with suitable training to uplift their socio-economic wellbeing. Consolidate the Rainforest Alliance Sustainable Agriculture Certification Programme and Ethical Tea Partnership (ETP) Programme to further enhance and internalised social responsibility values and best practices within the business. 			

KEY PERFORMANCE INDICATORS

Rs. 54.8 Mn Investment - Community Infrastructure Development	15,387 Beneficiaries - Community Capacity Development	Rs. 7.06 Mn Investment - Community Capacity Development
211,285 Beneficiaries - Health & Nutrition	Rs. 9.22 Mn Investment - Health and Nutrition	4,071 Vocational Programmes - Youth Empowerment
12,688 Number Trained - Youth Empowerment	Rs. 1.02 Mn Investment - Youth Empowerment	



Local communities

A Home for Every Plantation Worker

GRI-G4-SO1

This is our dedicated social development programme which we seek to address and support the basic needs of our communities in which we operate. This programme is implemented across all seventeen of our estates, reaching out to the entirety of our resident communities estimated to be around 40,000. This programme is well supported through the activities of EWHC Society functioning on all estates. Key components of this programme and the related initiatives are outlined below.

Improving the Living Environment

Improving the living environment of our resident communities is one of the key components under our dedicated 'Home for Every Plantation Worker' programme. The scope encompasses infrastructure development of housing, water, sanitation, recreation and learning facilities within the estates. These special social projects are carried out in collaboration with the Plantation Development Project (PDP), Plantation Human Development Trust (PHDT), National Housing Development Authority (NHDA), Ministry of Livestock and Rural Community Development, MJF Foundation, T- Field Child Development Foundation, Berendina, Save the Children International and other reputed local and non-government organisations. Implementation of most key projects are through the EWHC Societies.

In the reporting year, we invested a sum of Rs. 54.8 Mn on Infrastructure Development; as stated below, for the period 1992-2016.

INFRASTRUCTURE DEVELOPMENT – 2015/16 & 1992-2016	
	1992-2016
Water Schemes	83
Re-roofing Houses	4145
Ramps and Drains	1567
Sanitation	4485
Field Rest Rooms	80
Factory Rest Rooms	16
Child Development Centres (CDC) New/Upgrading	65
New Houses Built	1151
Play Grounds	30
Electrification (Housing units)	95
Community Centres	19
Road Rehabilitation- km	49
Roads (Concreted)- km	58
Upgraded Staff Quarters	185
Upgraded Houses	174

Community Capacity Development

Community capacity building encompasses the activities of the Estate Worker Housing Co-operative Society (EWHCS) along with our training initiatives aimed at uplifting the lives of our resident communities. During the period under review 15,387 participants benefited from the activities within the scope of EWHCS whilst our awareness training programmes reached out to 8,493 participants. EWHCS through its saving schemes also supported 1,952 beneficiaries with a total capital base of Rs. 0.89 Mn and issued housing loans for 830 beneficiaries totaling to Rs. 5.69 Mn.

EWHCS - Community Capacity Building 2015/16		
Capacity Building	Participants/ Beneficiaries	Cost Rs. (Mn)
EWHC Initiatives	6,894	5.78
Awareness Programmes	8,493	1.28
Total	15,387	7.06



Road construction - Dessford Estate



Construction of 32 houses - Holyrood Estate

**MANAGEMENT DISCUSSION AND ANALYSIS CONTD.**

Estate Worker Housing Co-operative Society (EWHCS) Programme

EWHCS Initiatives

- ⊙ Introducing Savings Habbits
- ⊙ Providing Housing Loans
- ⊙ Providing Roofing Sheets
- ⊙ Donations for Spectacles/ Surgeries
- ⊙ Donations of “school bags/ accessories”
- ⊙ Distribution of vegetable seeds/ plants
- ⊙ Handing Over “Wheel Chairs”

Awareness Training

- ⊙ Happy family concept
- ⊙ Introducing the importance of micro financing
- ⊙ Introducing safe working methods
- ⊙ Vegetable Cultivation Programme
- ⊙ Encouraging leadership Skills

Health & Nutrition

The scope of our health and nutrition programme covers preventive health care aspects, seeking to ensure the overall wellbeing of the resident communities. The initiatives under this programme include comprehensive immunisation, nutrition, antenatal and postnatal care, early childhood development and auxiliary medical services. During the reporting year, we reached out to 211,285 residents with these structured programmes at a total cost of Rs. 9.2 Mn.

Health & Nutrition - 2015/16		
Programmes	Participants/ Beneficiaries	Cost Rs. (Mn)
Preventive Healthcare		
Immunization Coverage	9,032	0.01
Awareness Programmes – Preventive Healthcare	23,737	0.02
Nutrition		
Feeding Programmes - mothers, infants and children	65,540	5.44
Awareness Programmes - Nutrition for Health	16,184	0.05
Antenatal/Postnatal		
Antenatal Programmes	14,101	0.42
Postnatal Programmes	17,883	0.11
Early Childhood Development	29,290	1.92
Auxiliary Medical Service	35,518	1.25
Total	211,285	9.22



Distribution of School Accessories - Bearwell Estate



Awareness on balance diet - Somerset Estate



Encouraging leadership Skills - Palmerston Estate



Distribution of Iron Tablets - Radella Estate



Health and Nutrition Programme

Immunisation Coverage

- BCG Vaccine for Tuberculosis
- Oral Polio Vaccine
- Penta Vaccine for Diphtheria, Tetanus, Pertussis, Hepatitis B and Influenzae Type B (Hib)
- DPT/DT/TT Vaccines for Tetanus, Diphtheria & Pertussis (Whooping Cough)
- MMR/MR/MV for Measles, Mumps and Rubella

Feeding Programmes on Nutrition

- Distribution of Nutrients and Vitamins
- Distribution of Milk Powder/Milk/Flour/Triplosa
- "Kolakanda" Programme
- Medical & Transport

Antenatal Care

- Antenatal Clinics
- Issue of Vitamins and Nutritious Food
- Free Transport for Clinics/Screening/Hospitalisation
- Awareness of Health & Hygiene
- Educating on Family Planning

Awareness on Preventive Health

- Health Education Programmes
- Awareness on Personal Hygiene
- Importance of Drinking Boiled Water
- Demonstrating Nutritious Food
- Awareness of Underweight Children
- Awareness on HIV/AIDS

Awareness on Nutrition

- Awareness of Prevention of Anemia
- Awareness on Home Garden
- Awareness on "Balance Diet" and How to Prepare a Nutritious Meal
- Awareness on Health & Hygiene/Anemia/Worms

Postnatal Care

- Postnatal Clinics
- Well Women/Baby Clinics
- Weight Gain Programmes
- Free Transport for Clinics
- Educating on Family Planning
- Introducing Nutritious Food

Early Childhood Development

- Free Mid-Day Meal
- Dental/Eye Care Clinics
- Daycare Extended to Children
- Distribution of Milk/Thriplosa
- Special CDC Activities
- Sports Activities



Educating the importance of Nutritious Food - Calsay Estate



Distributing vitamins/worm tablets - Indola Estate

Auxiliary Medical Service

- Medical Camps/Screening Workers
- Introducing Personal Protective Equipment
- Eye Clinics and Cataract Detection Programmes
- Dog Vaccination Programmes
- Providing Worm Tablets
- Oral Cancer Programmes



Dental Clinics - Deniyaya Estate



Awareness on Health and Hygiene - Mattakelle Estate

**MANAGEMENT DISCUSSION AND ANALYSIS CONTD.****Empowerment of Youth**

We recognise that youth could take up a central role within the rapidly waning plantation sector and support the nation's drive towards meeting its development objectives. We also believe that youth development will bring in vigor to our estate operations and build their loyalty. Therefore, we give precedence to youth programmes, enabling them with vocational training as well as creating awareness on significant and current socio-economic issues. During the reporting period, we extended vocational training including scholarships for tertiary education for 4,071 young people within our communities based purely on merit and talent. Our awareness training programmes reached out to 8,617 youth.

Empowerment of Youth – 2015/16		
Programmes	Participants/ Beneficiaries	Cost Rs. (Mn)
Vocational Training	4,071	0.09
Awareness Programmes	8,617	0.93
Total	12,688	1.02

Youth Empowerment Programmes**Awareness Training**

- ⊙ Teenage Programmes
- ⊙ HIV/AIDs Programmes
- ⊙ Dengue Awareness Programmes
- ⊙ Awareness on Personal Hygiene & First Aid
- ⊙ Communication & Leadership Skills
- ⊙ Improving Learning Abilities to Slow Learners
- ⊙ Awareness on Home Gardening
- ⊙ Celebrating Environmental Day

Vocational Training

- ⊙ English/Sinhala/Tamil Classes
- ⊙ Computer/Music/Dancing Classes
- ⊙ Sewing/Dressmaking Classes
- ⊙ Beauty-Culture Classes
- ⊙ Scholarships for A/L & University Students
- ⊙ Drama/Quiz/Art Competitions
- ⊙ Classes for Slow learners
- ⊙ Re-schooling Programmes

Celebrating Environmental Day -
Kiruwanaganga Estate

Re-schooling programmes - Kiruwanaganga Estate



Awareness on Home Gardening - Clarendon Estate



Communication & Leadership Skills - Deniyaya Estate



Re-schooling programmes - Kiruwanaganga Estate



Dengu Awareness Programme - Indola Estate



Community Wellbeing

With regard to community wellbeing, the Company has contributed greatly; through CSR activities in estates. We have conducted eye camps in 9 estates with 662 individual participation, whilst 'shramadana' have been organized in 11 estates with 2,018 participants. Religious ceremonies have been conducted in 10 estates with 7,604 participants. Sports events have been conducted in 3 estates with 281 participants, while there were medical camps with 10 estates with 2,170 participants.

The above information clearly demonstrates the importance given by the management to up-lift the community by improving the quality of life through CSR initiatives.

Social Impacts

GRI-G4-SO2

It is significant to be mindful of our actions and the social impacts we may have on the communities directly or indirectly due to our operations. Our social development programme discussed above is carefully planned and implemented to look into the wellbeing of our communities and mitigate some of the negative impacts of our operations. Besides this programme which primarily seeks to address basic issues, we have also taken proactive measures to mitigate some of social impacts that we may cause through our operations as comprehensively covered previously in this report and under environmental section.

Public Policy

GRI-G4-SO6

As a foremost regional plantation company, our organisation is proactive in its policy advocacy role within the industry. As an active member of the Planters' Association which represents the plantation industry, our organisation plays its part in guiding and directing the industry in its present and future course. We are also a corporate member of the Employers' Federation of Ceylon and most of our senior managers represent as members and as office bearers of the policy making bodies at both the governmental and non-governmental level.

Apart from the broad policy-level standpoint, our organisation has not extended support for political causes and did not record any monetary and non-monetary political contributions in the year under review.

Designation in the Company	Policy Making Institution	Status
Managing Director	Planters' Association of Ceylon	Chairman
	Tea Small Holdings Development Authority	Director
	Sri Lanka Tea Board,	Member
	Rubber Research Board &	Member
	Tea Council of Sri Lanka	Member
Director/Deputy CEO	Plantation Housing Development Trust (PHDT)	Board Member
Senior Managers	National Institute of Plantation Industries (NIPM)	Member
	Tea Research Institute	Member

Compliance

GRI-G4-SO8

No monetary fines significant or insignificant or any other non-monetary sanctions have been imposed on TTE PLC for non-compliance with laws and regulations.



RELATIONSHIP CAPITAL

- BUYERS, BROKERS & CUSTOMERS

GRI - Materiality Aspects
Report Coverage - Comprehensive

- Customer health & safety
- Compliance

GRI - Materiality Aspects
Report Coverage - Moderate

- Product & service labelling
- Marketing communications

Superior product quality is our forte, underpinning our organisation's positioning at the helm of the tea industry in the country, amongst the Regional Plantation Companies (RPCs). In keeping with the brand 'Ceylon', quality teas have been a tradition for TTE estates over the years and we have earned the respect of our buyers, brokers and customers for upholding best standards in our products. This has supported us to attract some of most remunerative prices at the Colombo Tea Auctions and our estate marks are amongst the top-runners in their respective elevations. In this section, we will discuss on how we engage our buyers, brokers and customers and uphold our commitment to quality and ensure our product responsibility.

MANAGEMENT APPROACH

GRI - G4 - EC1

Quality and Food Safety Policy

- We are committed to total assurance of quality and food safety of the tea we produce. Our goal is to become the market leader in the production of finest quality teas.
- To this end, we will ensure that Good Agricultural and Manufacturing Practices are adhered to on all our plantations.
- Building on these foundations, we strive to upgrade our production facilities and improve manufacturing processes continually at every stage, to conform to the stringent global food safety standards.
- We believe that the overall quality of our product and the satisfaction of our customers is greatly dependent on the quality of life of our employees and the satisfaction they obtain from working with us. therefore we will endeavor to assure that our employee's quality of life and their skills are continuously improved.
- Our responsibility to the society and valued customers will always be the focal point of our operations and we are committed to consistently improve communication at all levels for an effective Food Safety Management system and to comply with relevant statutory and regulatory requirements.

OVERVIEW



1. Product Quality
2. GSA Ranking among all RPCs
3. Quality & Food Safety Management Systems
4. Compliance to Rules, Regulations & Voluntary Codes
5. Customer Relationships



Relationship Capital – Buyers & Customers			
Strengths	Weaknesses	Opportunities	Threats
<ul style="list-style-type: none"> Strong brand recognition and sound reputation at the Colombo Tea Auctions Adoption and allegiance to globally recognised certification programmes related to quality and social standards and ethical practices Well-equipped factories and machinery Due investments in modern machinery, equipment and IT 	<ul style="list-style-type: none"> Propensity towards labour disputes given the labour intensity of operations. Limited opportunities for one to one interactions 	<ul style="list-style-type: none"> Greater acceptance of the company for upholding responsible and sustainable practices in plantation management Demand for value-added teas Growing demand from non-traditional markets Ability to attract premium quality buyers. 	<ul style="list-style-type: none"> Industry-wide trade union activity and strikes Climate change impacts on harvesting and quality Economic and geopolitical issues in buyer markets Fluctuations in foreign currency Intense competition within and outside the country, particularly from low-cost producers
Relationship Capital – Buyers & Customer - Strategic Focus - 2015/16			
<ul style="list-style-type: none"> Engage and network with buyers, brokers and customers to build strong and loyal ties and promote the products through trade fairs and other events. Organise site visits and familiarisation tours to educate our buyers and customers on our operations including best practices in the field and in the factory processes. Sustain product quality and GSA No. 1 ranking among all RPCs Carryout annual and periodic audits both internal and external on field and factory operations to ensure that our estates are in compliance to relevant regulations voluntary codes and certification standards. Reduce Customer complaints and improve Customer satisfaction index 			

Our approach to build positive and loyal relationships with our buyers, brokers and customers are aligned to the principle of product responsibility. Accordingly, we have taken proactive measures to meet and ensure the highest standards of food safety and quality of our products from the point of planting through harvesting and the processing of our teas. Our 'Quality and Food Safety Policy clearly sets out our commitment in this regard and guides us to adopt and implement good agricultural and manufacturing practices in our operations. The certification programmes we have adopted including, ISO 22000 Food Safety Management Systems, Rainforest Alliance Sustainable Agriculture Network standard, Ethical Tea Partnership and UTZ Sustainable Tea guide, support and validate our endeavors to be responsible in our product offer.

We have in place a quality and food safety management system to ensure that we maintain best practices in our operations. We are consistent in our monitoring process through internal audits as well as external audits carried out through independent certification bodies and taking due precautionary and corrective action on any operational deficiencies and risks of malpractices that would stand against our responsibility to extend the highest quality product for our buyers, brokers and customers.

KEY PERFORMANCE INDICATORS - 2015/16

70% Customer Satisfaction Index	Rank Number 1 in High, Low & Overall Elivation amongst RPCs
22 Customer Complaints	156 Top Prices



CUSTOMER HEALTH AND SAFETY

GRI-G4-PR1 & PR2

As a responsible producer, we are reliable to ensure the highest standards of food safety and quality from the point of growing through harvesting and the processing of our teas. The best practices we have adopted in agriculture in our field operations and manufacturing in all our factories ensure the highest standards in our teas. We maintain the requisite conditions in conformity with HACCP/ISO 22000 food safety criteria in harvesting and transporting of green leaf through to its manufacture, packaging and sale. Through these programmes, tea samples are tested for maximum residue levels, heavy metals, micro biological and physical parameters. Samples of each invoice of tea submitted for sale at the Colombo Auctions by the Company, is tested by the Sri Lanka Tea Board for conformity to ISO 3720 standard.

Further, in keeping with our philosophy of making our workers and service providers feel truly part of the process of producing superior quality teas, their roles have been valorised according to the guiding principles of ISO 22000 FSMS, Rainforest Alliance, Ethical Tea Partnership and UTZ- Sustainable certification programmes.

Three to Four audits per factory were carried out across all operational factories with respect to manufacturing systems and practices to ensure quality and standards of our teas in the reporting year. This included health and safety facets of both the customer and employees. Audit findings have been taken on board by the respective estate management and continuous improvements are achieved where necessary.

In the reporting year, our operations across 17 estates did not report on any incident on non-compliance with our 'Quality and Food Safety Policy', laws, regulations, principles, standards and practices upheld by our certification bodies concerning quality and standard of our teas.

PRODUCT AND SERVICE LABELING

GRI-G4-PR3, PR4 & PR5

Packaging Information

- Estate Name
- Selling Mark
- Grade
- Manufacturing Number
- Number of Packages in the Invoice
- Net Weight
- Gross Weight
- Certifications acquired by the paper sack manufacturer.

As specified by the Sri Lanka Tea Board and the Ceylon Tea Traders Association, we adhere to the labeling requirements and our packaging carries basic product information necessary to ascertain the quality and standards of our teas.

Incidents of non-compliance with regulations concerning product labelling have not been reported during the year under review. A comprehensive process is in place within accepted norms of the industry to ensure customer satisfaction and to deal with complaints and concerns, if any.

'We take every opportunity to educate our buyers, brokers and customers on the best practices we have in place to ensure quality and standards in our teas.'



MARKETING COMMUNICATIONS

GRI-G4-PR6 & PR7

We engage our buyers, brokers and customers and promote our products through networking events. We extend invitations, sponsorships and facilitate site-visits and familiarisation tours to our buyers, brokers and customers to visit our tea plantations and factories. During these visits, we take the opportunity to showcase our tea production process. We educate them on the best and current practices in place and measures we have adopted to produce our teas to meet the highest standards. Such visits encourage strong ties with them, building relationships through common understanding and shared experiences.

In the year under review, our organisation did not report on any incidents of non-compliance with regulations and voluntary codes with regard to marketing communication aspects. As a principled organisation, we do not engage in sale of banned, disputed or illegal products.

CUSTOMER PRIVACY

GRI - G4-PR8

During the period under review, we have not received any substantiated complaints regarding breaches of customer privacy or losses of customer data.

COMPLIANCE

GRI - G4-PR9

Our organisation did not record any monetary fines for non-compliance with laws and regulations concerning products and services.

SHOWCASING OUR PRODUCTS TO FOREIGN BUYERS





RELATIONSHIP CAPITAL - SUPPLIERS

GRI - Materiality Aspects
Report Coverage - Comprehensive

- Procurement practices

GRI - Materiality Aspects
Report Coverage - Moderate

- Environment assessment
- Labour practices assessment

OVERVIEW

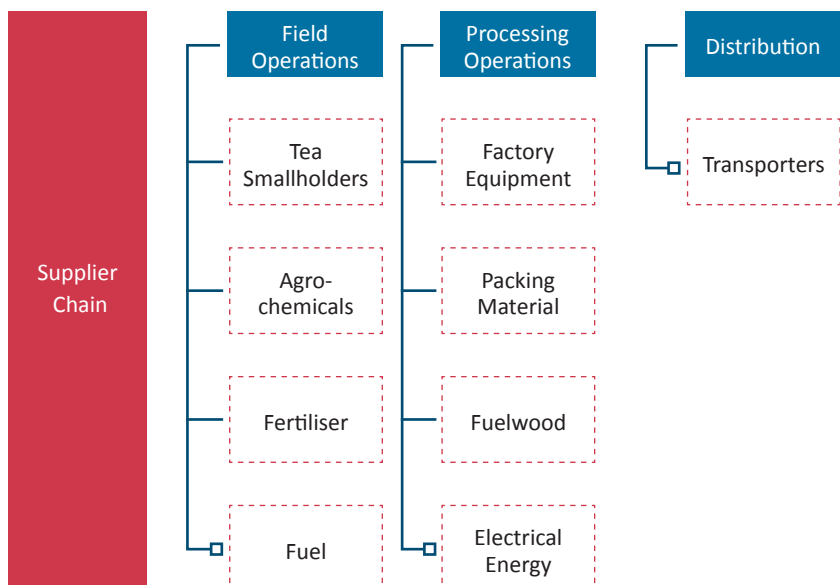


1. Assessments and Audits on Responsible Business Practices
2. Advocacy and Guidance on Best Business Practices and International Certifications
3. Preference to Local Procurement
4. Ensure Quality and Standards
5. Build Loyal Relationships

MANAGEMENT APPROACH

GRI - G4-12, 13

As a regional plantation company, we have a considerable supplier base. Over the years, we have nurtured and built long standing relationships with them, which stands as our platform for procurement within our value creation process. This section will shed light on the procurement aspects of our operations, our relationships with suppliers and on how we support and guide them to aspire and embrace best practices in their respective businesses.





Our supplier network consists of tea smallholders within our bought-leaf operations in the low grown region, agro-chemical and fertiliser suppliers, packing material, firewood and fuel suppliers, transporters and other service providers.

As a principled plantation company, we give due precedence to be responsible in procurement within our value creation process. We stand committed to treat our suppliers equitably without prejudice and ensure that we are ethical and responsible in all our dealings with suppliers.

Our approach to suppliers is selective and built on long term relationships. New suppliers are selected after a stringent screening process on their respective operations—establishing that they are not involved in unlawful activities and do not have unacceptable working conditions and practices within their operations. We give preference to suppliers who follow best practices in business operations including environmental and social considerations. Our allegiance to socio-economic and environmental certification programmes clearly advocates and guides us in this regard. Accordingly, we seek to develop the supply chain through our direct interactions and structured programmes to spread best practices in agriculture and factory processes to ensure quality compliance.

We have in place an effective evaluation system, through which we ensure that our suppliers are compliant with international certification programmes and follow responsible practices in their business processes throughout our supplier chain.

Relationship Capital – Suppliers			
Strengths	Weaknesses	Opportunities	Threats
<ul style="list-style-type: none"> Strong supplier base Longstanding and loyal relationships with suppliers Acceptance of the Company's advocacy role on best practices in business Allegiance to certification programmes that supports and guides effective supplier screening and assessments for best practices 	<ul style="list-style-type: none"> Tendency of suppliers to compromise on best business practices for short-term gains. Higher supplier prices impacting the cost of production 	<ul style="list-style-type: none"> Greater recognition and acceptance by buyers for advocating best business practices across the supply chain Willingness of suppliers to embrace best practices in their operations. 	<ul style="list-style-type: none"> Climate change impacting the quality standards and volumes of green leaf supplies. Macroeconomic imbalances impacting the viability of supplier businesses Government policies including subsidies that may impact supplier businesses and relationship with the company Shift in loyalty due to intense competition
Relationship Capital – Suppliers - Strategic Focus - 2015/16			
<ul style="list-style-type: none"> Select local suppliers wherever possible to boost the supplier chain. Reinforce ties with our long standing suppliers to ensure a streamlined procurement process. Guide, support and empower suppliers to uphold quality and standards in their operational processes. Sustain our certification programmes to support our suppliers to embrace best practices in business. Promote international certifications and verify on the validity of their certifications to ensure that they are in compliance to relevant laws, rules and regulations and best practices to maintain quality and standards. 			

**MANAGEMENT DISCUSSION AND ANALYSIS CONTD.****KEY PERFORMANCE INDICATORS**

2,184
Tea Smallholder
Suppliers

99%
Local
Suppliers

95%
Quality
Standard

LOCAL PROCUREMENT

GRI - G4 - EC9

We give preference to local suppliers in procurement, wherever deemed feasible. For the year under review, 2015/16, we incurred a sum of Rs.894 Mn on procurement in terms of material supplies for operations, and out of which 99.7% percent was paid to local suppliers.

For the Y.E	2015/16		2014/15 (15 Months)	
	Rs.Mn	%	Rs.Mn	%
Local Suppliers				
⊙ Tea smallholders	407	45	636	50
⊙ Agro chemical suppliers	33	4	27	2
⊙ Fertiliser suppliers	110	12	152	12
⊙ Packing materials	22	3	30	2
⊙ Transporters	32	3	41	3
⊙ Other	288	32	381	31
Foreign Suppliers				
⊙ Machinery	2	1	0	-
Total	894	100	1,267	100

SUPPLIER ENVIRONMENTAL ASSESSMENT

GRI - G4 - EN32 & EN33

Key Supplier Certification & Assessments	
Suppliers	Environment of Assessments/Standards Achieved
Fertiliser and Agrochemical Hayleys Agro-fertilizer (Pvt) Ltd	<ul style="list-style-type: none"> ⊙ ISO 14001:2004 EMS ⊙ ISO 9001:2008 QMS
Packing Material Uni-Dil Packaging Ltd Uni-Dil Papersacks (Pvt) Ltd	<ul style="list-style-type: none"> ⊙ ISO 14001:2004 – EMS ⊙ ISO 22000:2005 – FSMS ⊙ ISO 9001:2008 - QMS
Fuelwood	<ul style="list-style-type: none"> ⊙ Periodic evaluations by TTE's staff on their legality and environmental practices



We have established long-standing relationships with our supplier base. All our supplies are met by our traditional suppliers, whom we have carefully selected and retained following continuous and consistent evaluations on their business credentials as well as on their practices and values in terms of social and environmental facets. We have not engaged with any new suppliers in the year under review.

The activities of all our smallholders are monitored by the Tea Smallholders Authority and Tea Inspectors engaged by them. On our part, we conduct awareness and educational programmes on the required environmental practices through the Rainforest Alliance Sustainable Agriculture Certification Programme. We intend to include all smallholder leaf suppliers under this certification programme within the next two years.

Based on our evaluations, we have limited our fertiliser and agrochemical suppliers to two and these suppliers have already obtained ISO 14001:2004 Environmental Management Systems Certification, which confirms that these companies fully comply with all environmental aspects as required. In addition, these suppliers have also obtained ISO 9001:2008 QMS Certifications. We have also limited our packing material suppliers to two and both suppliers have obtained above ISO certifications, which confirm that they too comply with relevant environmental aspects as required including environmental impact assessments. Due measures are in place at the purchasing division to carryout periodic audits on the validity of their certificates and requirements.

All firewood suppliers are evaluated through a structured questionnaire

to ensure that they do not violate any environmental laws and requirements and are legally authorised to supply firewood to our factories.

In view of the foregoing, we have not identified any suppliers as having significant actual or potential negative environmental impacts.

ASSESSMENT FOR LABOUR PRACTICES

GRI - G4 - LA14, LA15 & HR-4

Our organisation is conscious in its procurement to ensure that its suppliers follow best and ethical practices in labour management within their business processes. We do not have a routine screening process for suppliers to assess their labour and human rights practices; but, we rely on our longstanding relationships which we have built and nurtured through the years to assess their credibility in this regard. As mentioned above, most of our key suppliers are certified by the acclaimed ISO and other standards which support and advocate best practices in business including social considerations.

In the year under review, there were no violations of labour practices reported along the supply chain. We have not identified any supplier with incidents of child and forced labour and violations of the rights to exercise freedom of association and collective bargaining. We did not engage new suppliers in the reporting year.



INTELLECTUAL CAPITAL

OVERVIEW



1. Market Intelligence
2. Sound Reputation and Brand Image for Quality Teas
3. Ethical and Sustainable Management Systems and certifications
4. Performance Monitoring System
5. Tea Manufacturing Know-how and Processes

With mounting competition in today's business environment, corporates are called upon to be increasingly responsive and flexible in their strategy to extend a unique value proposition. At TTE, we recognise the necessity to stay well poised and stand tall to sustain our positioning as a top-tier regional plantation company (RPC) in the industry. We rely on our intellectual capital inclusive of intangible assets—our corporate reputé and standing, our expertise in tea processing, sustainable systems and process and our allegiance to the best-in-class certification programmes and performance culture within the workplace—to buttress our efforts to be distinct in the industry, well apart from the competition. This section will focus on how we seek to nurture our intangible assets and leverage to gain a competitive advantage to support our values creation process.

MANAGEMENT APPROACH

G4 - 15

Well aware of the significance amidst the complexities of our operating landscape, we stand firm in our efforts to nurture the intangible assets we own, which in effect, serve us as our critical value drivers. Our approach is to bolt, reinforce and leverage on the strengths of these assets to create an enabling platform for our value creation process. In this light, we give due precedence, time, effort and investments to strengthen our corporate reputation and brand that underscore our commitment

to excellence in operations to produce quality teas; consolidate, focus and follow through with our sustainable management systems and uphold the guidelines prescribed by our certification programmes; reinforce our manufacturing know-how and processes with due improvements to make best quality teas; and be hands-on with the performance management mechanism to drive productivity improvements and bolster our profitability levels.

**Intellectual Capital - Strategic Focus - 2015/16**

- ◉ Reinforce best and sustainable management practices in field and non-field operations to sustain the quality and standards of the teas produced and certification standards.
- ◉ Build strong ties with buyers, brokers and customers by leveraging on the Company's reputation for quality teas and enhance market intelligence.
- ◉ Reinforce our management systems and adopt current practices to be up-to-date in sustainable management.
- ◉ Strengthen the field and non-field operational processes by adopting and following through with the certification guidelines.
- ◉ Showcase the certifications to demonstrate the Company's commitment to carrying out operations with integrity and responsibility.
- ◉ Engage in due diligences studies and invest in research and development to reinforce the Company's expertise to manufacture quality teas and sustainable agricultural practices.

KEY PERFORMANCE INDICATORS - 2015/16

01
Overall GSA Ranking

16
Certified Estates

156
Top Price Rankings Overall and Estate Level Colombo Tea Auctions

15
Corporate Awards for
Business Excellence,
Sustainability and Reporting

MARKET INTELLIGENCE

Information relevant to key markets gathered and analyzed specifically for the purpose of accurate and confident decision-making in determining market opportunity. Market information is gathered mainly through weekly Tea Auctions, and by visiting our top Buyers. It helps us to analyze market conditions and also buyers purchasing patterns and demands for our products. Also through E-media vastly helps to gather information on Global economic scenario for our products. As mentioned above the gathered information is analyzed, tested and reported to our Estate management and staff who are in the process of manufacturing.

CORPORATE REPUTE & BRAND IMAGE

Since the inception of RPCs in the 1980s, our organisation has stood up

for excellence—with commitment, discipline, hard work and attention to detail—to make its mark in the industry. Today we stand poised at the helm of the industry, commanding respect and trust for our quality teas, environmental and social responsibility, and good governance. At the Colombo Auctions, we have a strong competitive edge and we are able attract premium prices for our products ahead of the elevation averages in the industry, even in a down-turn market. The awards and the recognition we have received from well esteemed institutions at both the governmental and non-governmental level demonstrate our good repute and standing as a top-tier RPC and as a good corporate citizen in the country.

This year under review, we were the honored to receive top awards for our excellence in operations, environmental sustainability and governance from the

National Chamber of Commerce at the National Business Excellence Awards 2014. We were inspired to receive recognition with Gold and Silver awards for our environmental initiatives—for our flagship estates, Mattekelle in the high grown region and Kiruwanganga estate in the low grown—by the Central Environmental Authority at the National Green Awards. Our reporting initiatives were also recognised by the Institute of Chartered Accountants; Institute of Certified Management Accountants of Sri Lanka and at the international level, by the South Asian Federation of Accountants. The detailed list of awards both at the corporate and the estate level are listed out below.

**MANAGEMENT DISCUSSION AND ANALYSIS CONTD.**




Awards	Winner	Awarded By
National Business Excellence Awards 2015 ☉ Agriculture & Plantations Sector - Winner ☉ Excellence in Corporate Governance - Runner-up ☉ Excellence in Environmental Sustainability - Runner-up ☉ Excellence in Corporate Social Responsibility - Runner-up ☉ Extra Large Category - Merit Award	TTEPLC	National Chamber of Commerce
CA 51st Annual Report Awards 2015 Plantation Companies - Gold Award	TTEPLC	Institute of Chartered Accountants of Sri Lanka
Best Presented Annual Report Awards and SAARC Anniversary Awards Corporate Governance Disclosures 2014 Agricultural Sector – Gold Winner	TTEPLC	South Asian Federation of Accountants
Excellence in Integrated Reporting Awards-2015 “Certificate of Merit”	TTEPLC	Institute of Certified Management Accountants of Sri Lanka (CMA)
National Green Award 2015 Gold Award	Kiruwanaganga Estate	Central Environmental Authority
National Green Award 2015 Silver Award	Mattakelle Estate	Central Environmental Authority
Chairman’s Awards 2015 Plantation Sector- Joint Winner (Green Tea Project)	Radella Estate	Hayleys PLC
Chairman’s Awards 2015 Merit Award (Upgrading & Modernizing Factory)	Logie Estate	Hayleys PLC
Ralston Tissera Memorial Award-Excellence in Tea Manufacture Highest Gross Sale Average in “Western High Grown” Category (6th Consecutive Year – 2014)	Mattakelle Estate	The Planters’ Association of Ceylon
National Social Dialogue & Workplace Cooperation Award 2015 SD Excellence Award 2014 (Silver Award under Plantation Sector)	Holyrood Estate	Social Dialogue & Workplace Co-operation Unit of the Industrial Relations Division at the Labour Department of the Ministry of Labour Relations
National Social Dialogue & Workplace Cooperation Award 2015 SD Excellence Award 2014 (Merit Award under Plantation Sector)	Mattakelle Estate	Social Dialogue & Workplace Co-operation Unit of the Industrial Relations Division at the Labour Department of the Ministry of Labour Relations



ETHICAL AND SUSTAINABLE MANAGEMENT SYSTEM

Steering the path of sustainability with environmental and social stewardship, we seek to ensure that our operations are not limited to the short-term. We are proactive in our efforts to bring in and integrate responsible environmental and social practices to our daily operations.

We have in place a well-structured management system to support our efforts to address economic social and environmental considerations in our business processes. The systems enable us to track, monitor and measure the progress including the outputs, outcomes and impacts of our core operations in terms of quality and standards of our products and sustainability facets in line with the Company's policies and corporate goals. Our systems are duly certified by well-recognised certification bodies and they in turn, carry out independent audits, recommend improvements based on their findings, and guide our team to implement their recommendations and be current in our practices and procedures.

Certification and Accreditation		Estates Certified
 	Rainforest Alliance-Sustainable Farm Certification	Mattakelle, Bearwell, Holyrood, Great Western, Wattegodde, Palmerston, Dessford, Somerset, Clarendon, Calsay, Logie, Radella, Kiruwanaganga Estates & Wangioya Factory
	Ethical Tea Partnership (ETP)	Calsay, Clarendon, Dessford, Somerset, Great Western, Mattakelle, Palmerston, Radella, Bearwell, Holyrood, Logie, Wattegodde, Kiruwanaganga, Deniyaya Estates & Wangioya Factory
	UTZ Sustainable Tea Certification	Radella Estate
   <p>ISO/IEC: 17021 FMS-001-01</p>	ISO 22000 Food Safety Management Systems Certification	Somerset, Wattegodde, Radella, Dessford, Great Western, Holyrood, Mattakelle, Bearwell, Kiruwanaganga Estates & Wangioya Factory
 <p>DNV Certification BV</p>	ISO 22000 Food Safety Management Systems Certification	Deniyaya, Handford & Moragalla Estates



MANAGEMENT DISCUSSION AND ANALYSIS CONTD.

TEA MANUFACTURING KNOW-HOW

Refer: Human Capital, Training, Page 115

We stand for quality teas, for which we have made a mark and positioned our brand at the top amongst the RPCs. We have the expertise and streamlined processes well established within our estates, encompassing planting in the fields to processing in the factories. We have the specialty, know-how and focused strategies to produce black and green teas in both low grown and high grown elevations and maintain the highest quality and standards fitting for our brand image. We make due investments in research and development and collaborate effectively with the Tea Research Institute to bring in innovation and modernisation to our processes and add value and quality to our products.

Our processes are duly certified by the ISO 22000 Food Safety Management Systems to ensure that we meet and sustain the required standards to ensure 'trusted premium quality'. Our staff and management are well trained in this regard as discussed under the 'Human Capital' section of this report.

PROCESS IMPROVEMENTS

We have upgraded our factories with machinery and equipment to increase throughput, have a higher share of main grades in the production mix, and produce a clean tea and grade quality as per the specifications of the Ceylon Tea Trade Association. The investment in process upgrading in the last five years amounting to Rs. 113.5 Mn has enabled us to produce a quality tea in conformity to food safety standards such as ISO 22000 Food Safety Management and obtain a premium price for our teas.

PERFORMANCE MONITORING MECHANISM

Refer: Human Capital, Performance Management

Assuming greater significance in today's context, we are focused in our efforts to nurture a performance culture across our organisation. We have a well-structured performance management mechanism in place, enabling us to be well-grounded in reaching out to our business goals in both field and factory operations, amidst the adversities in our operating backdrop.

Our performance mechanism is backed by the necessary systems and processes, spreading across the organisation with real-time information communication for speedy and effective decision making. The data analytics are carried out by a dedicated team—qualified in mathematics and statistics—placed at the head office. This mechanism tracks and monitors the performance against our targets and generates well-defined 'KPI dash-boards along with other key management information reports on critical areas in operations. The performance analysis along with the rating given to each team member forms the basis for our promotions, recognition and rewards. This in effect has underlined productivity improvements across the estate operations and in turn, braced our profitability performance.



FUTURE OUTLOOK

The world economy is forecast to move on to higher ground in the next two years; advanced nations are expected to further strengthen whilst the emerging and the developing world is expected to bottom out from the modest trends. Yet, the downside risks of economic policy and structural constraints will still be significant. The geopolitical intricacies will continue to shape the global economic prospects. Our key export markets, Russia and the Middle East are expected to continue with political, civil and economic strife. This could be intensely felt, if the depressed trends in oil prices do not reverse its course.

In the domestic front, the socio-political issues will shroud and suppress the country's economic prospects in the near-term. Yet, in the medium term, a

steadier macroeconomic environment is expected—confidence within the business arena and greater opportunities for economic activity. The economy is expected to balance out the tension and rebound at higher growth levels with more inclusive prospects for development.

The tea industry will stay challenged in the short to medium term. Climate change, poor labour and land productivity, dismal conditions in the key export markets and rising cost of production; among others, will continue to weigh down the industry viability. Yet, the proposed paradigm changes for the industry, entailing a new wage model linked to productivity will pave the way forward, from a long term perspective. As a key player, we await with much anticipation and extend our co-operation

towards the concerted efforts of the industry stakeholders to roll-out this new model as the panacea for the plantation sector issues.

In this operating backdrop, our Company will have a daunting task ahead. Yet, our strength as a top-tier RPC in the industry will buoy our positioning and will support us to navigate through and withstand the challenges inherent and emerging in our industry. We have to bolt on our strengths, brace on our strategy and management practices and be focused on performance towards meeting our targets.

Our strategic drivers and the broad targets set for the year ahead, 2016/17, are set out below:

Strategic Drivers & Key Targets – 2016/17		
	Strategic Drivers	Target 2016/17
Economic	Produce quality teas	⊙ Rank number one in prices amongst the RPCs in both elevations
	Enhance worker and land productivity	⊙ High grown yields: 1,751
	Production:	⊙ Low grown yields: 1,487
	Worker Productivity	⊙ Production: 7.4 Mn
	Cost Management	⊙ Worker productivity: 2.75
	Liquidity	⊙ Reduce manufacturing and overhead cost
Environment	Increase VP cover of tea fields	⊙ Operating cash flow to be: 298% of net profit before tax
	Revenue diversification and value addition	⊙ Increase the extent under shear harvesting by men workers:
	Consolidate sustainable agriculture practices	⊙ Replant tea: 30 hectares
	Reduce dependency on non-renewable resources and reduce green-house gas emissions	⊙ Product and crop diversification into cinnamon
Social	Further improve the solid waste management programme	⊙ Maintain certification on quality and sustainable practices
	Employee development through focused training on technical and soft skills	⊙ Greenhouse gas intensity of 0.70tCO ₂ e /ton of Made Tea
	Strengthen performance management system	⊙ Energy consumption of 1.3 kg/kwh
	Clean, tidy and safe work places	⊙ Plant native, fruits, other plants – 25,000 plant/annum
	Consolidate on the initiatives under the 'Home for Every Plantation Worker'	⊙ Plant fuel wood 200,000 plants/annum
		⊙ Recycle solid waste 7,000 kg
	Employee development through focused training on technical and soft skills	Number of employees trained: 15,000
	Strengthen performance management system	Training hours: 22,000
	Clean, tidy and safe work places	Training investments: Rs. 1.5 Mn
	Consolidate on the initiatives under the 'Home for Every Plantation Worker'	Training programmes on health and safety: 150
		Employees trained on health and safety: 6,000
		Training hours on health and safety measures: 10,000
		Expenditure on social development: Rs. 30 Mn



RISK MANAGEMENT

THE CHALLENGE FOR THE BOARD AND THE MANAGEMENT IS TO TAKE A CONSIDERED POSITION WITHIN ACCEPTABLE LIMITS, AND STRIKE A BALANCE BETWEEN RISK AND REWARD WITHIN THE COMPANY'S RISK APPETITE

G4 - 14

Overview

Risk is dynamic and is an integral part of entrepreneurship. Uncertainty and reward are the twins of risk. Uncertainty provides both risk and opportunity a potential to enhance or destroy value. The challenge for the Board and Management is to take a considered position within acceptable limits and strike a balance between risk and reward within the company's risk appetite. A well-structured risk management process encourages management to take risks in a controlled manner resulting in benefits to the company. The company remains committed to maximizing value creation by developing and growing our business within the board determined risk appetite.

The operations of the company and its interactions with a constantly changing environment presents, the company with risk and opportunities. These risks have the potential to impact the tangible and non-tangible capital and value creation activities. Thus you need a risk management structure and process to timely identify risk and evaluate the risk appetite, supported by an effective management and monitoring mechanism.

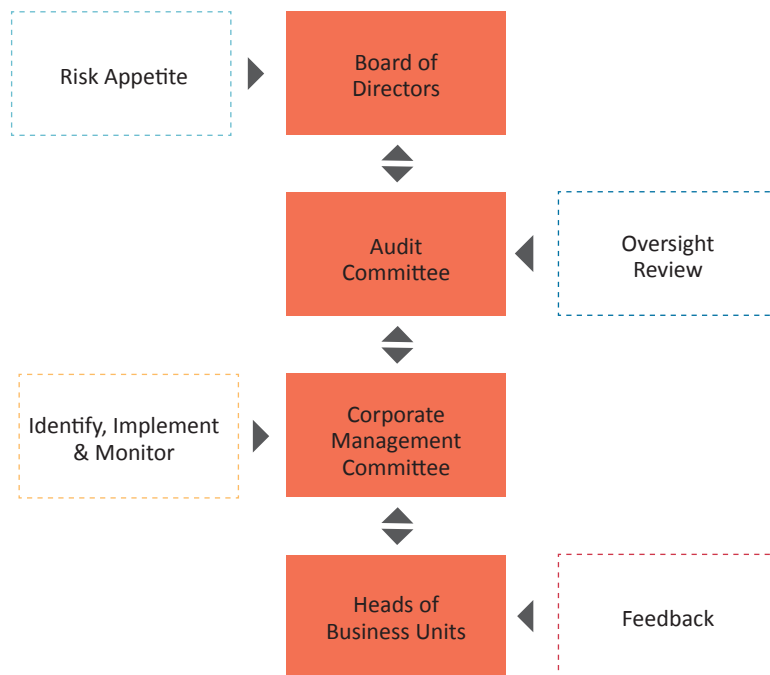
RISK MANAGEMENT STRUCTURE

TTE PLC has a structured risk management process, as it places reliance on sound and proactive risk management to meet corporate objectives. The primary aim of the risk management governance structure and

systems of internal control is to manage business and operational risks, to enhance value of shareholder investments and safe guard assets.

The governance structure has put in place a number of key policies and processors and independent controls to provide assurance to the Board on the integrity of our reporting and effectiveness of our systems of internal control and risk management.

RISK MANAGEMENT GOVERNANCE STRUCTURE



The governance structure depicted below highlights the responsibilities and functions at each level of governance.

The Board is primarily responsible for ensuring that risks are identified and appropriately managed across the Company. The Board manages strategic risk and has delegated to the audit committee the responsibility for reviewing the effectiveness of the risk management process with regard to risk and error



arising from weak internal control and accounting systems. The audit committee is assisted by internal audits carried out by independent professional auditors. The findings of the audit committee are there after reviewed by the Group Audit committee quarterly. Additionally Risk management is facilitated by oversight by Hayleys Group management committee , Treasury unit, Strategic Business Developent unit, and Group legal & Management Audit and Systems Review Unit.

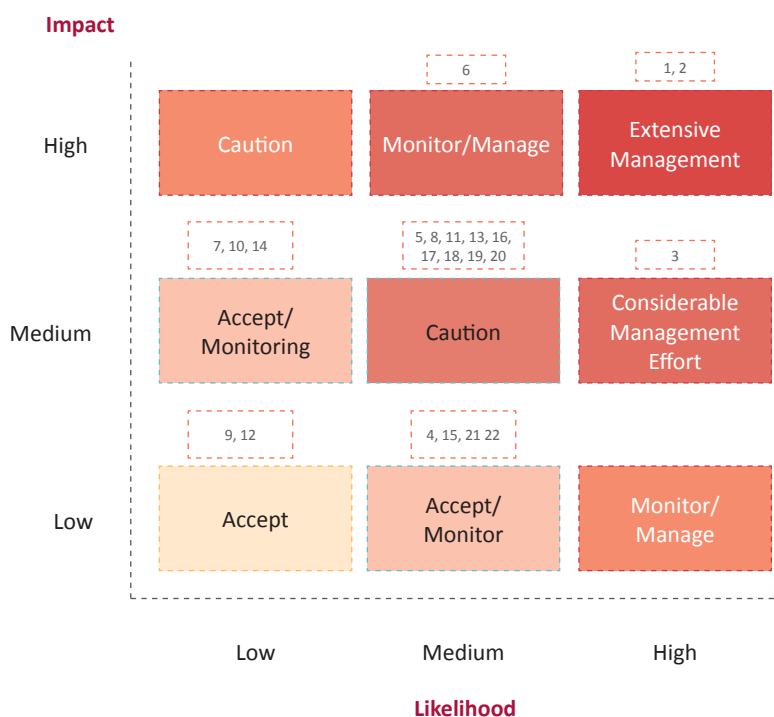
At executive level the Managing Director with the corporate Management Committee (MC) takes the lead at the implementation level in identifying strategic and operational risks; enabling the Company to mitigate the downside of the inherent risk that we confront whilst availing the opportunities therein. The CMC examines processes and events, uncertainties and changes in the environment that exposes the Company to situations that could seriously impact earnings, impair its liquidity position or create legal, regulatory or reputational risks. The CMC also evaluates options available to mitigate risks and to identify risks that do not match the risk appetite of the Company. Monitoring of risk management measures is a responsibility that rests with the CMC.

Heads of business units at the estate level provide useful information and feed back to the CMC for risk management with the assistance of their respective operational teams.

Our approach to risk management is to have an informed understanding of relevant risks and assess their relative significance in a professional and structured manner to maximise chances of achieving objectives and ensuring sustainability.

RISK MANAGEMENT PROCESS DIAGRAM

The risk management process identifies risks, evaluates them by mapping the risk and assessing the potential impact and identifies mitigation action.





RISK MANAGEMENT CONTD.

RISK EVALUATION

Mapping the risk based on their likelihood of occurrence and the potential impact if they occur is a key part of risk evaluation. Impacts are quantified or assessed in terms of potential loss or damage. The extent to which risk mitigation actions are required is assessed based upon the outcome of the risk mapping exercise. Risks and their corresponding mitigation plans are reviewed by the Managing Director and the CMC.

RISK MAPPING AND ASSESSMENT

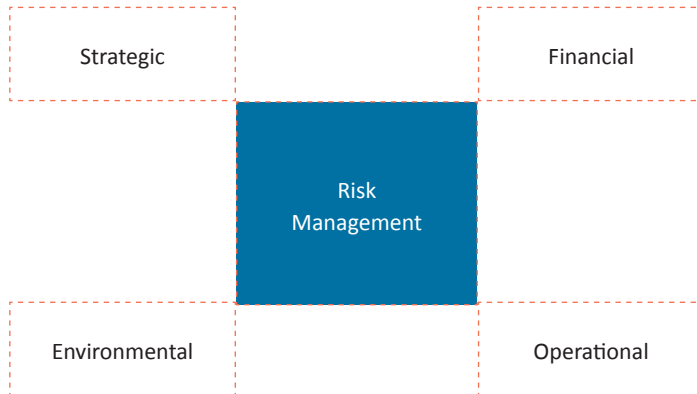
Risk mapping is carried out in order to assess the likelihood of occurrence and consequences of an event or set of events. It is based on the following

1. Likelihood of occurrence is assessed on the basis of past experience and the preventive measures in place. As per the probability of occurrence, a ranking of high, medium and low is assigned for each risk.
2. The impact of the event is measured by determining the loss or damage it would cause and the extent of the impact. Considering these two factors, the impact then categorised as to low, medium and significant.
3. Upon assessment of the likelihood of occurrence and the extent of the impact of each risk, it is subject to the following matrix in order to determine the nature and intensity of action required.

Risk Management

Risk management is a central part of any organisation's strategic management. It is the process whereby organisations methodically address the risks attaching to their activities with the goal of achieving sustained benefit within each activity and across the portfolio of all activities.

Institute of Risk Management



4. All identified risks are assessed based on the likelihood and the potential impact on the business as per the guidelines set out in the Risk Matrix. The risk management process of the Company has a framework to accept and manage unavoidable risks and minimize uncertainties. The framework also gives a firm basis for effective resource allocation in the decision making process.
5. Risk management actions:
The table given below sets out an assessment of the risks that the value creation activities and tangible / non tangible capitals were subject to during the year and risk mitigation actions that were /are in place.



STRATEGIC RISK: ASSOCIATED WITH FUTURE BUSINESS PLANS AND STRATEGIES

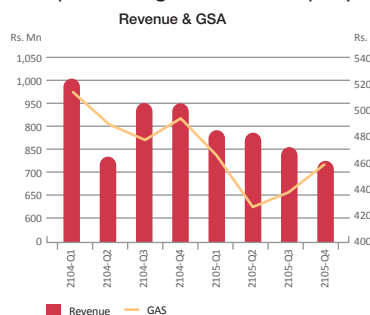
1. Socio-Economic & Political Risk

- Fluctuations in global market conditions
- Political and economic changes in key markets

Year	2015/16	2014/15	2013/14
Risk Rating	High	High	High

Risk Assessment

Since revenue generated from manufacturing of Black Tea is exceeding 95 percent of the total revenue, changes in macroeconomic, political and global market conditions impacted to erode profit margins of the Company.

**Risk Management Strategies**

- Optimisation of product portfolio from high and low grown to cater specific market segments.
- Quality focus production strategy.
- Promoting timber and fuel wood cultivation in low yielding tea fields
- Develop revenue streams from hydro power, timber, fuel wood and leisure projects
- Exploring new markets and increase value addition with the support of marketing arm Mabroc Teas
- Work closely with relevant authorities and associations to ensure best interest for the industry

STRATEGIC RISK: ASSOCIATED WITH FUTURE BUSINESS PLANS AND STRATEGIES

02. Wage Structure

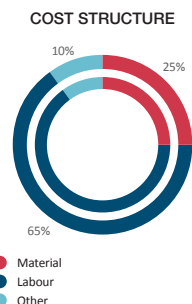
- Strong Trade Unions play an active role in determining wages
- Wage structure not aligned to worker productivity and market conditions

Year	2015/16	2014/15	2013/14
Risk Rating	High	High	High

Risk Assessment

The higher rate of increase in wage related expenses have major impact, on profitability and competitiveness of the Company.

- Collective Agreement is revised every two years and wage increments are not based on the market condition
- Industry is highly labour intensive and labour cost accounts for 65 percent of the total cost
- Inadequate labour supply for the plantations gives more bargaining power to union and political bodies

**Risk Management Strategies**

- Forecasting manpower trends in the tea industry
- Increase land and worker productivity through coaching, monitoring, motivation and mechanisation
- Optimise deployment of labour to maximise productivity
- Introduction of technological advancements to fulfill labour deficiencies
- Outsourcing or suspending of non-value adding activities
- Negotiating with trade unions and stakeholders for a wage structure that is in line with productivity
- Introduce an 'Out Grower' model on estates
- Wage negotiations are done collectively with the Employers' Federation of Ceylon and the Planters Association

**RISK MANAGEMENT CONTD.**

STRATEGIC RISK: ASSOCIATED WITH FUTURE BUSINESS PLANS AND STRATEGIES					
3. Market & Market Prices <ul style="list-style-type: none">Changes in customer's buying preferences		Year	2015/16	2014/15	2013/14
		Risk Rating	High	Moderate	Moderate
Risk Assessment <ul style="list-style-type: none">Changes in consumer perspectives and requirementsCoalitions of suppliers to change market equilibriumincrease the demand for substitute productsCompetition from global suppliers		Risk Management Strategies <ul style="list-style-type: none">Changes in buyer's buying capacitiesFocus on producing a 'Quality Tea'Change grade mix to cater customer requirementsExpand product range from black tea to other varieties of teaMonitor market trends and design strategies to meet future trendsBe an ethical organisation with a commitment for global sustainability, hence, obtain international certifications such as Rainforest Alliance – Sustainable Farm, ISO 22000 Food Safety Management, Ethical Tea Partnership			
STRATEGIC RISK: ASSOCIATED WITH FUTURE BUSINESS PLANS AND STRATEGIES					
4. Competition <ul style="list-style-type: none">Higher volume of global supplyThreat of substitutes		Year	2015/16	2014/15	2013/14
		Risk Rating	Moderate	Moderate	Moderate
Risk Assessment <ul style="list-style-type: none">Tea industry in Sri Lanka faces intense rivalry in global markets due to higher cost of production and substitute beverages.Eroding profit margins and those who fail to compete with attractive prices will lose the market share		Risk Management Strategies <ul style="list-style-type: none">Strengthen the Company's brand imageIncrease quality and productivityBroaden and add value to the product rangeMarket promotions with Mabroc Teas (Pvt) LtdCarry out extensive training programs to increase quality of teasStrengthen relationships with brokers and buyers			
STRATEGIC RISK: ASSOCIATED WITH FUTURE BUSINESS PLANS AND STRATEGIES					
5. Business Risk <ul style="list-style-type: none">Failure to implement strategic plans, revenue enhancing and cost saving measures and initiatives on profitable investments.		Year	2015/16	2014/15	2013/14
		Risk Rating	Moderate	Moderate	Moderate
Risk Assessment <ul style="list-style-type: none">Stifle future growthReduce revenue, cash flow and profitabilityDrop of market share and dilution of corporate image		Risk Management Strategies <ul style="list-style-type: none">An annual corporate plan with strategic and operational objectives and related actions submitted to the Board of Directors for reviewThe Board of Directors and the Management Committee holds regular meetings to formalise strategies and plans for the futureOperations are monitored and controlled by the management information and budgetary control system and remedial action is taken including sector comparisons and monitoring performances of competitorsReview meetings are held regularly to monitor strategic Implementation			



STRATEGIC RISK: ASSOCIATED WITH FUTURE BUSINESS PLANS AND STRATEGIES															
6. Risks from Natural or Man-made Disasters <ul style="list-style-type: none">⊙ Damages from fire, landslides and floods⊙ Accidents and other disturbances⊙ Corruptions and malpractices.		Year	2015/16	2014/15	2013/14										
		Risk Rating	Moderate	Moderate	Low										
Risk Assessment <ul style="list-style-type: none">⊙ Risks related to natural disasters, accidents, human error, dishonest activity may cause financial losses and disruption to operations		Risk Management Strategies <ul style="list-style-type: none">⊙ Transferring risks to third party through insurance⊙ Set up a Crisis Management Programme for each and every estate⊙ Regularly review and update the adequacy of insurance covers⊙ Review internal controls and conduct compliance audits⊙ Conducting awareness programmes to estate staff to reduce impact of crises⊙ Employ suitable and qualified personnel													
OPERATIONAL RISK: ARISING FROM REGULAR BUSINESS OPERATIONS															
7. Product Quality <ul style="list-style-type: none">⊙ Fluctuations in quality of products		Year	2015/16	2014/15	2013/14										
		Risk Rating	Low	Low	Low										
Risk Assessment <ul style="list-style-type: none">⊙ Buying volume reduces when quality issues exists⊙ Drop in market price and eroding market share⊙ Widening working capital deficiencies		Risk Management Strategies <ul style="list-style-type: none">⊙ Adherence to a 'Quality Policy'⊙ Adopt and implement quality assurance measures such as food hygiene standards and certification of factories under HACCP and ISO⊙ Perform buyer feedback programs and implement correction strategies													
OPERATIONAL RISK: ARISING FROM REGULAR BUSINESS OPERATIONS															
8. Human Resource <ul style="list-style-type: none">⊙ Failure to recruit and retain appropriately skilled employees⊙ Immobility of labour within/between estates⊙ Failure to maintain appropriate working environment⊙ Reduction in resident manpower⊙ Migration of workforce to other sectors		Year	2015/16	2014/15	2013/14										
		Risk Rating	Moderate	Moderate	Moderate										
Risk Assessment <ul style="list-style-type: none">⊙ Human resource management has a major impact on productivity⊙ Mishandling human resource can lead to labour unrest and damage to business properties		Risk Management Strategies <ul style="list-style-type: none">⊙ Ensure industrial peace through Collective Agreements entered into with the Trade Unions in the Company's capacity as a member of the Employers Federation⊙ Maintain a close relationship with employees⊙ Training and development programmes to improve performance⊙ Maintain healthy working environment through effective two way communication system⊙ Determine remunerations in line with the industry and not on an ad-hoc basis⊙ Direct collective agreements towards the market													
<table><tr><td>Employee Type</td><td>Cadre 31st March 2016</td></tr><tr><td>Manual</td><td>7,783</td></tr><tr><td>Staff</td><td>429</td></tr><tr><td>Executive</td><td>75</td></tr><tr><td>Total</td><td>8,287</td></tr></table>		Employee Type	Cadre 31st March 2016	Manual	7,783	Staff	429	Executive	75	Total	8,287				
Employee Type	Cadre 31st March 2016														
Manual	7,783														
Staff	429														
Executive	75														
Total	8,287														

**RISK MANAGEMENT CONTD.**

OPERATIONAL RISK: ARISING FROM REGULAR BUSINESS OPERATIONS					
9. Reputation <ul style="list-style-type: none">○ Failing to comply with statutory requirements○ Engaging in unacceptable business practices		Year	2015/16	2014/15	2013/14
		Risk Rating	Low	Low	Low
Risk Assessment <p>Business reputation is the most valued asset of a company and which can be damaged due to unethical business practices in relation to legal and statutory compliances.</p> <ul style="list-style-type: none">○ Dilution of market reputation and brand image		Risk Management Strategies <p>The following measures are taken to ensure the highest standards of business conduct:</p> <ul style="list-style-type: none">○ Strict application of Code of Best Practice on Corporate Governance at all levels of management○ Seek expert legal advice to incorporate risk mitigatory clauses in drafting legal contracts and agreements especially those of new ventures and investments○ Strengthening internal control systems and procedures to avoid fraud and malpractices○ Introduce health and safety, sustainable environmental practices and industrial best practices○ Close communication with the Golden Shareholder○ Sustainability framework of the group addresses the economic, social and environmental impact of the company’s operations.			
OPERATIONAL RISK: ARISING FROM REGULAR BUSINESS OPERATIONS					
10. Investments <ul style="list-style-type: none">○ Investments made without proper feasibility study and technical know-how.		Year	2015/16	2014/15	2013/14
		Risk Rating	Moderate	Moderate	Low
Risk Assessment <ul style="list-style-type: none">○ Project failures○ May impact future profitability and sustainability○ Deficiencies in long term Replanting Program		Risk Management Strategies <ul style="list-style-type: none">○ Investment plans are reviewed annually together with the corporate plan○ Carry out comprehensive feasibility studies with the support of external expertise○ Obtain Board approval and discuss at the Group Management Committee prior to embarking on proposed investments○ Closely monitor the progress to ensure project deliverables are achieved within given budgets and timelines.			
OPERATIONAL RISK: ARISING FROM REGULAR BUSINESS OPERATIONS					
11. Information & Information Systems <ul style="list-style-type: none">○ Inability to generate accurate and timely information to management.		Year	2015/16	2014/15	2013/14
		Risk Rating	Moderate	Moderate	Low
Risk Assessment <p>Malfunctions in the information system may lead to a communication of incorrect information to management and most importantly loss of important information.</p> <ul style="list-style-type: none">○ Loss of business opportunities○ Breach of system security		Risk Management Strategies <ul style="list-style-type: none">○ Proper usage of acceptable IT use policy of Hayleys PLC○ Disaster recovery plans and sound back-up system to gear for system failure○ Introduce health and safety, sustainable environmental practices and industrial best practices○ Close communication with the Golden Shareholder			



	<ul style="list-style-type: none">⊙ A systems failure analysis is performed to identify nonconformance root causes and to recommend appropriate corrective actions. Enter into maintenance contracts for hardware and software with a well-established information technology company⊙ Use of licensed softwares and registered security arrangements especially those of new ventures and investments⊙ Strengthening internal control systems and procedures to avoid fraud and malpractices⊙ Sustainability framework of the group addresses the economic, social and environmental impact of the company's operations.											
OPERATIONAL RISK: ARISING FROM REGULAR BUSINESS OPERATIONS												
12. Fraud Risk <ul style="list-style-type: none">⊙ Fraud is any intentional act or omission designed to deceive others, resulting misappropriation of company assets or miscommunicate stakeholders.		<table><tr><td>Year</td><td>2015/16</td><td>2014/15</td><td>2013/14</td></tr><tr><td>Risk Rating</td><td>Low</td><td>Low</td><td>Low</td></tr></table>			Year	2015/16	2014/15	2013/14	Risk Rating	Low	Low	Low
Year	2015/16	2014/15	2013/14									
Risk Rating	Low	Low	Low									
Risk Assessment <ul style="list-style-type: none">⊙ Frauds may lead to the down fall of an entire organisation, massive investment losses, significant legal costs, incarceration of key individuals, erosion of confidence in capital markets⊙ Operational and financial loss and dilution of corporate⊙ Image⊙ Fraudulent financial reporting		Risk Management Strategies <ul style="list-style-type: none">⊙ Stringent HR recruitment and performance monitoring systems and policies.⊙ Carry out internal audits regularly to monitor internal control system⊙ Continuous monitoring of fraud preventive controls⊙ Fraud detection techniques should be established to uncover fraud events when preventive measures fail or unmitigated risks are realised. A reporting process in place to solicit input on potential fraud.										
FINANCIAL RISK: ARISING FROM INADEQUACY OF CASH FLOW TO MEET FINANCIAL OBLIGATIONS AND MISREPRESENTATION OF FINANCIAL INFORMATION												
13. Liquidity <ul style="list-style-type: none">⊙ Risk of not being able to meet financial commitments as an when they fall due.		<table><tr><td>Year</td><td>2015/16</td><td>2014/15</td><td>2013/14</td></tr><tr><td>Risk Rating</td><td>Moderate</td><td>Moderate</td><td>Moderate</td></tr></table>			Year	2015/16	2014/15	2013/14	Risk Rating	Moderate	Moderate	Moderate
Year	2015/16	2014/15	2013/14									
Risk Rating	Moderate	Moderate	Moderate									
Risk Assessment <ul style="list-style-type: none">⊙ Availability of sufficient funds is crucial as the industry is cyclical with long gestation periods for returns⊙ Reputational damage in risk of default⊙ Risk of widening working capital gap⊙ Potential financial losses will hinder the prospects of future business expansion and development plans		Risk Management Strategies <ul style="list-style-type: none">⊙ Structure borrowings appropriately to ensure maturity profile is not beyond the Company's ability to repay or re-finance⊙ Monitoring borrowing limits and gearing levels constantly⊙ Close monitoring of cash flow in every month and identify ways and means of managing funds.⊙ Maintain cash flow and budgetary controls systems for effective monitoring										

**RISK MANAGEMENT CONTD.****FINANCIAL RISK: ARISING FROM INADEQUACY OF CASH FLOW TO MEET FINANCIAL OBLIGATIONS AND MISREPRESENTATION OF FINANCIAL INFORMATION**

14. Interest rate risk <ul style="list-style-type: none"> ⊙ Risk from adverse interest rate fluctuations 	Year	2015/16	2014/15	2013/14
	Risk Rating	Low	Low	Moderate
Risk Assessment <ul style="list-style-type: none"> ⊙ Increases the cost of borrowing ⊙ Demotivating business expansions ⊙ Cash deficits ⊙ Reduce cash flow and profitability 	Risk Management Strategies <ul style="list-style-type: none"> ⊙ Negotiate with financial institutions for fixed debt servicing arrangements ⊙ Monitor debt levels constantly and maintain a balance between debt and equity ⊙ Short term assets to be financed with the short term finance arrangements and long term assets to be financed with the long term arrangements. 			

FINANCIAL RISK: ARISING FROM INADEQUACY OF CASH FLOW TO MEET FINANCIAL OBLIGATIONS AND MISREPRESENTATION OF FINANCIAL INFORMATION

15. Risk from high financial gearing <ul style="list-style-type: none"> ⊙ Significantly reduced cash flow and profitability 	Year	2015/16	2014/15	2013/14
	Risk Rating	Moderate	Moderate	Moderate
Risk Assessment <ul style="list-style-type: none"> ⊙ Financial capacity and flexibility reduces. ⊙ Obligations to satisfy certain loan covenants may prevents the Company from undertaking new investments. ⊙ Violation of a covenant may result in imposing penalties and damage reputation. ⊙ Ordinary shareholders will be impacted under declining market conditions. 	Risk Management Strategies <ul style="list-style-type: none"> ⊙ Increase operational cash flow and control capital expenditure ⊙ Cash flow management - close monitoring of borrowings. ⊙ Source market for cheaper debt/equity. ⊙ Re-negotiate loan covenants, and terms with financial institutions for favorable terms ⊙ Capital Restructuring to reduce debt burden 			

FINANCIAL RISK: ARISING FROM INADEQUACY OF CASH FLOW TO MEET FINANCIAL OBLIGATIONS AND MISREPRESENTATION OF FINANCIAL INFORMATION

16. Financial Reporting Framework <ul style="list-style-type: none"> ⊙ A proper financial reporting framework provides credible information about the organisation to its stakeholders 	Year	2015/16	2014/15	2013/14
	Risk Rating	Moderate	Moderate	Moderate
Risk Assessment <ul style="list-style-type: none"> ⊙ Misrepresentation and fraudulent financial reporting will reduce the credibility of the reporting system ⊙ Legal and financial implications 	Risk Management Strategies <ul style="list-style-type: none"> ⊙ Availability of good governance structure such as internal and external audits, Audit Committee ⊙ Compliance with regulatory requirements and Sri Lanka Financial Reporting Standards (SLFRS/LKAS) ⊙ Existence, review and monitoring of internal control System 			



ENVIRONMENTAL RISK: ACTUAL OR POTENTIAL THREAT OF VERSE EFFECTS ON LIVING ORGANISMS AND ENVIRONMENT ARISING OUT OF AN ORGANIZATION'S ACTIVITIES				
17. Climate Change <ul style="list-style-type: none">Extreme weather conditionsChanges in rainfall pattern and ambient temperature	Year	2015/16	2014/15	2013/14
	Risk Rating	Moderate	Moderate	Moderate
Risk Assessment <ul style="list-style-type: none">Landslides and land degradationAdverse impact on yields and quality of teaDifficulty in forecasting crop and quality of teaDrop in crop in-takes and profitabilityReduced employment opportunitiesAdverse impacts on biodiversity	Risk Management Strategies <ul style="list-style-type: none">Planting tea, green manure/shade, native and fruit plant species to increase tree canopy coverRainwater harvesting in reservoirs and ponds to sustain the ground water table and regulate ambient temperaturesImplementing sustainable agriculture practicesPlanting drought resistant cultivars			
ENVIRONMENTAL RISK: ACTUAL OR POTENTIAL THREAT OF VERSE EFFECTS ON LIVING ORGANISMS AND ENVIRONMENT ARISING OUT OF AN ORGANIZATION'S ACTIVITIES				
18. Water <ul style="list-style-type: none">Water scarcity due to climate change and high consumption by the expanding estate community	Year	2015/16	2014/15	2013/14
	Risk Rating	Moderate	Moderate	Moderate
Risk Assessment <ul style="list-style-type: none">Estate community may experience hardships due to water scarcityCrop in-takes and profitability may be adversely affected due to declining water tableAdverse impacts on biodiversity	Risk Management Strategies <ul style="list-style-type: none">Protection of all water sourcesRainwater harvesting in reservoirs and ponds to sustain the ground water tableImplementing water conservation measuresTraining and educating operational teams and the estate community			
ENVIRONMENTAL RISK: ACTUAL OR POTENTIAL THREAT OF VERSE EFFECTS ON LIVING ORGANISMS AND ENVIRONMENT ARISING OUT OF AN ORGANIZATION'S ACTIVITIES				
19. Soil Fertility <ul style="list-style-type: none">Depletion of soil organic matter and nutrients	Year	2015/16	2014/15	2013/14
	Risk Rating	Moderate	Moderate	Moderate
Risk Assessment <ul style="list-style-type: none">Extreme rainy weather may cause loss of topsoil, soil fertility and soil nutrientsSteep terrain in the tea fields may accelerate the soil erosion intensity	Risk Management Strategies <ul style="list-style-type: none">Planting green manure/shade treesComposting and burying prunings and weedsRecutting contour and leader drainsEstablishing stone and live terracesEstablishing ground cover cropsSoil testing and rational application of Dolomite and chemical fertilizer			

**RISK MANAGEMENT CONTD.**

ENVIRONMENTAL RISK: ACTUAL OR POTENTIAL THREAT OF VERSE EFFECTS ON LIVING ORGANISMS AND ENVIRONMENT ARISING OUT OF AN ORGANIZATION’S ACTIVITIES				
20. Water Pollution <ul style="list-style-type: none">Contamination of water sources due to operational and human activities and wild animals		Year	2015/16	2014/15
		Risk Rating	Moderate	Moderate
Risk Assessment <ul style="list-style-type: none">Agrochemicals and chemical fertiliser used in operational activities and by the resident vegetable cultivators could adversely impact the quality of waterWild animals particularly mammals may adversely impact the water quality		Risk Management Strategies <ul style="list-style-type: none">Protection of water sourcesEstablishment of chemical free buffer zones along all water sourcesMeasuring, monitoring and reducing agrochemical usage through integrated weed management and integrated pest management practicesPeriodical testing of both drinking water quality for required parametersTraining and educating operational teams and the estate community		
ENVIRONMENTAL RISK: ACTUAL OR POTENTIAL THREAT OF VERSE EFFECTS ON LIVING ORGANISMS AND ENVIRONMENT ARISING OUT OF AN ORGANIZATION’S ACTIVITIES				
21. Green House Gas (GHG) Emissions <ul style="list-style-type: none">GHG emissions from operational activities and domestic consumption		Year	2015/16	2014/15
		Risk Rating	Moderate	Moderate
Risk Assessment <ul style="list-style-type: none">GHG emissions from fuel used in transport and supervisory vehiclesGHG emissions from electricity usage in factories, staff quarters, offices and other buildings		Risk Management Strategies <ul style="list-style-type: none">Measuring and monitoring GHG emissions at each operational siteMeasuring and monitoring electricity and fuel consumption at each operational siteInstallation of energy saving machinery and lighting and implementation of other energy conservation measuresImplementation of cleaner production technologiesPlanting trees and increasing tree canopy cover for increased carbon sequestrationTraining and educating operational teams and estate community		
ENVIRONMENTAL RISK: ACTUAL OR POTENTIAL THREAT OF VERSE EFFECTS ON LIVING ORGANISMS AND ENVIRONMENT ARISING OUT OF AN ORGANIZATION’S ACTIVITIES				
22. Solid Waste <ul style="list-style-type: none">Solid waste generated from operational activities and domestic consumption		Year	2015/16	2014/15
		Risk Rating	Moderate	Moderate
Risk Assessment <ul style="list-style-type: none">Solid waste generated may cause land and water pollutionSolid waste generated may cause spread of diseasesSolid waste generated may adversely impact ecosystems and biodiversity		Risk Management Strategies <ul style="list-style-type: none">Implementing an integrated solid waste management program promoting ‘3-R’ conceptMeasuring and monitoring the quantity of difference types of solid waste recycledProducing compost from biodegradable waste Training and educating operational teams and estate community including school children		



CORPORATE GOVERNANCE

CHAIRMAN'S STATEMENT ON CORPORATE GOVERNANCE

GRI - G4 - 41, 42, 43, 46, 47

TTE PLC is committed to high standards of corporate governance which has been the foundation for sustained performance and growth

Dear Stakeholder,

At the completion of another successful year, I present to you on behalf of my Board this year's Corporate Governance Report for the year 2015/16. The Corporate Governance report outlines how we set out our commitment and actions on ethical governance practices, provide strategic guidance and sound values to ensure our value creation process.

TTE PLC is committed to high standards of corporate governance which has been the foundation for sustained performance and growth; ensuring transparency and accountability to the regulators, as well as to all our stakeholders and the public.

Our Ethical road map- 'The Hayleys' Way' is understood and accepted

by all employees, senior management and the Board of Directors which creates an organisation culture based on common values; nurturing an appreciation of high standards of integrity and ethics within the Group.

The Group corporate governance framework has been developed to comply with the Companies Act No.7 of 2007, the Colombo Stock Exchange Listing Rules and the Code of Best Practice on Corporate Governance issued jointly by the Securities & Exchange Commission and the Institute of Chartered Accountants of Sri Lanka in 2013. The Board has also used the G4 Guidelines published by the Global Reporting Initiative to provide guidance in ensuring that due emphasis is given to environmental and social concerns.

This report is structured in line with the Code of Best Practice on Corporate Governance as it provides a comprehensive view of relevant matters and facilitates reporting in a concise and logical manner.

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

Mohan Pandithage
Chairman
Talawakelle Tea Estates PLC

10th May 2016



OVERVIEW

Corporate governance is an integral component in our corporate journey on achieving long-term sustainable growth. At TTE PLC, we are committed to 'do what is right'. We strive to uphold the trust placed by our stakeholders—shareholders, customers, employees, communities, and government authorities—by being ethical and transparent in pursuit of our corporate goals in line with our values. Achieving a balance between accountability and assurance (conformance) on one hand, and value creation and resource utilisation (performance) on the other, is our goal.

Enterprise governance is the set of responsibilities and practices exercised by the Board with a view to creating and delivering sustainable shareholder value, and ensuring responsible corporate behavior. It constitutes the accountability framework of the organisation. The Board is conscious that a strong corporate governance framework is critical to maintaining investor trust and business integrity. TTE PLC's governance policies and practices enable the Board to manage the Company for the benefit of all stakeholders, ensuring a viable long-term business.

Our approach to governance remains unchanged from the previous year and is based on the current codes of best practices on corporate governance. We acknowledge that our corporate governance system is not a set of rules, but, a framework that supports and nurtures our corporate values and conduct. The principles of governance are applied effectively by the Board. Our internal governance

structure extends beyond the Board of Directors. The sub committees of the Board and the Management Committee of Hayleys Group act as an integral part of the internal governance structure. The external governance structure is covered by relevant laws, regulations and best practices.

It is against this background that Talawakelle Tea Estates PLC is pleased to state that it is fully compliant with all the mandatory provisions of the Companies Act, Listing rules of the Colombo Stock Exchange (CSE) and rules of the Securities Exchange Commission of Sri Lanka (SEC) and our practices are in line with the updated Code of Best practices on Corporate Governance jointly advocated by the SEC and the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).

This section of the report details our governance structure and the policies, practices and guidelines we have adopted in ensuring that our operations are within the parameters of best practices.

The Board is conscious that a strong corporate governance framework is critical to maintaining investor trust and business integrity.

CORPORATE GOVERNANCE

G4-42, 43, 45, 47

The Corporate Governance practices adopted by TTE PLC and the extent of compliance to the Code of Best Practice on Corporate Governance issued jointly in by and the SEC of Sri Lanka and CA Sri Lanka and the Rules set out in Section 7.10 of the CSE's Listing Rules are covered under Sections 1 and 2 as set out below.

G4-49, 58

Section 1:

Code of Governance Issued by ICASL & SEC

- Directors
- Director's Remuneration
- Relations with Shareholders
- Accountability & Audit
- Institutional Investors
- Other Investors
- Sustainability Reporting

Section 2:

Rules for Listed Companies Issued by CSE, 7.10

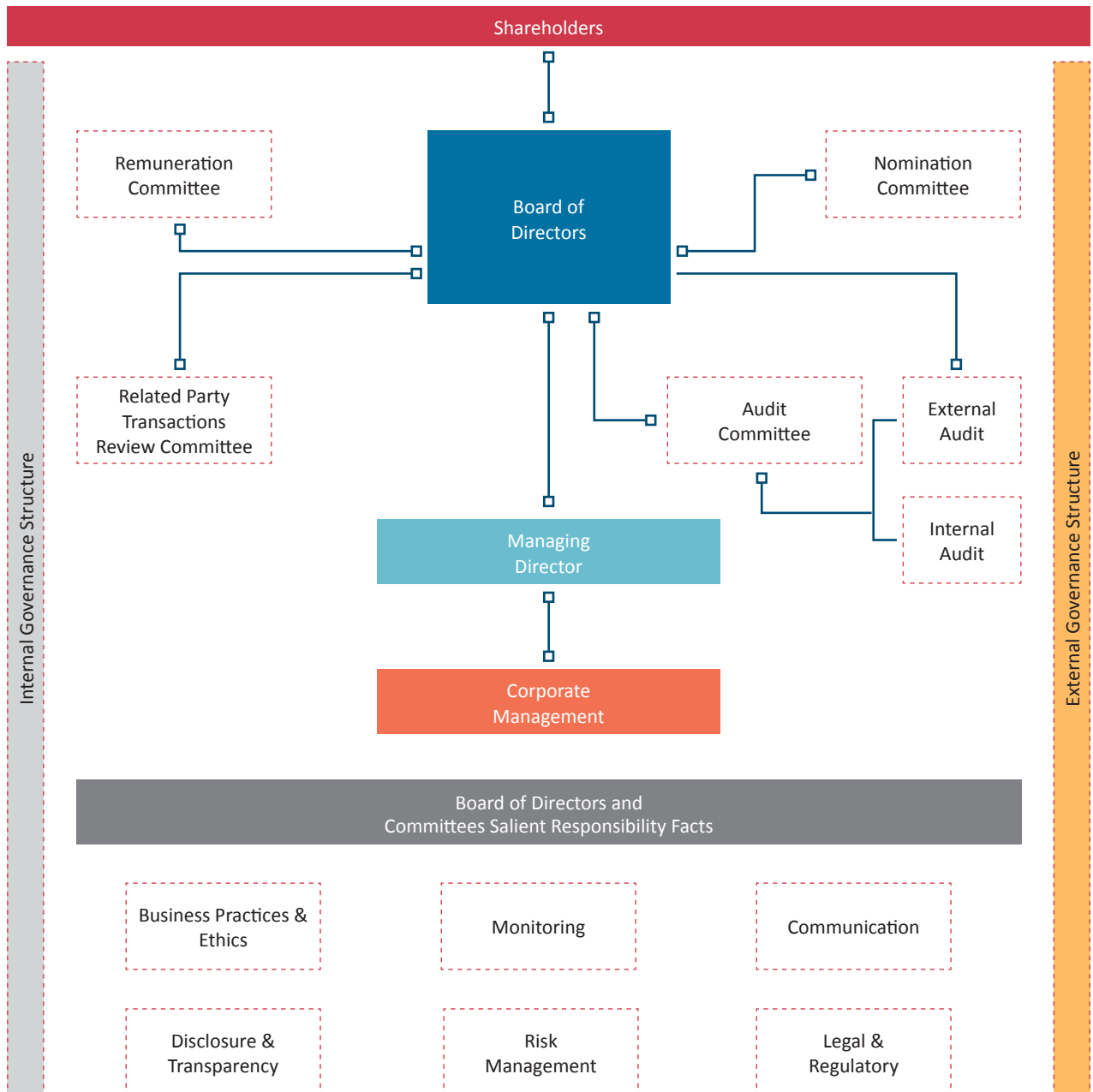
- Non Executive Directors
- Independent Directors
- Disclosures Relating to Directors
- Remuneration Committee
- Audit Committee

The extent of compliance with the Code of Best Practices on Corporate Governance jointly issued by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka is enclosed in Appendix ii.



GOVERNANCE FRAMEWORK

GRI - G4 - 34, 35, 37, 39, 48, 49

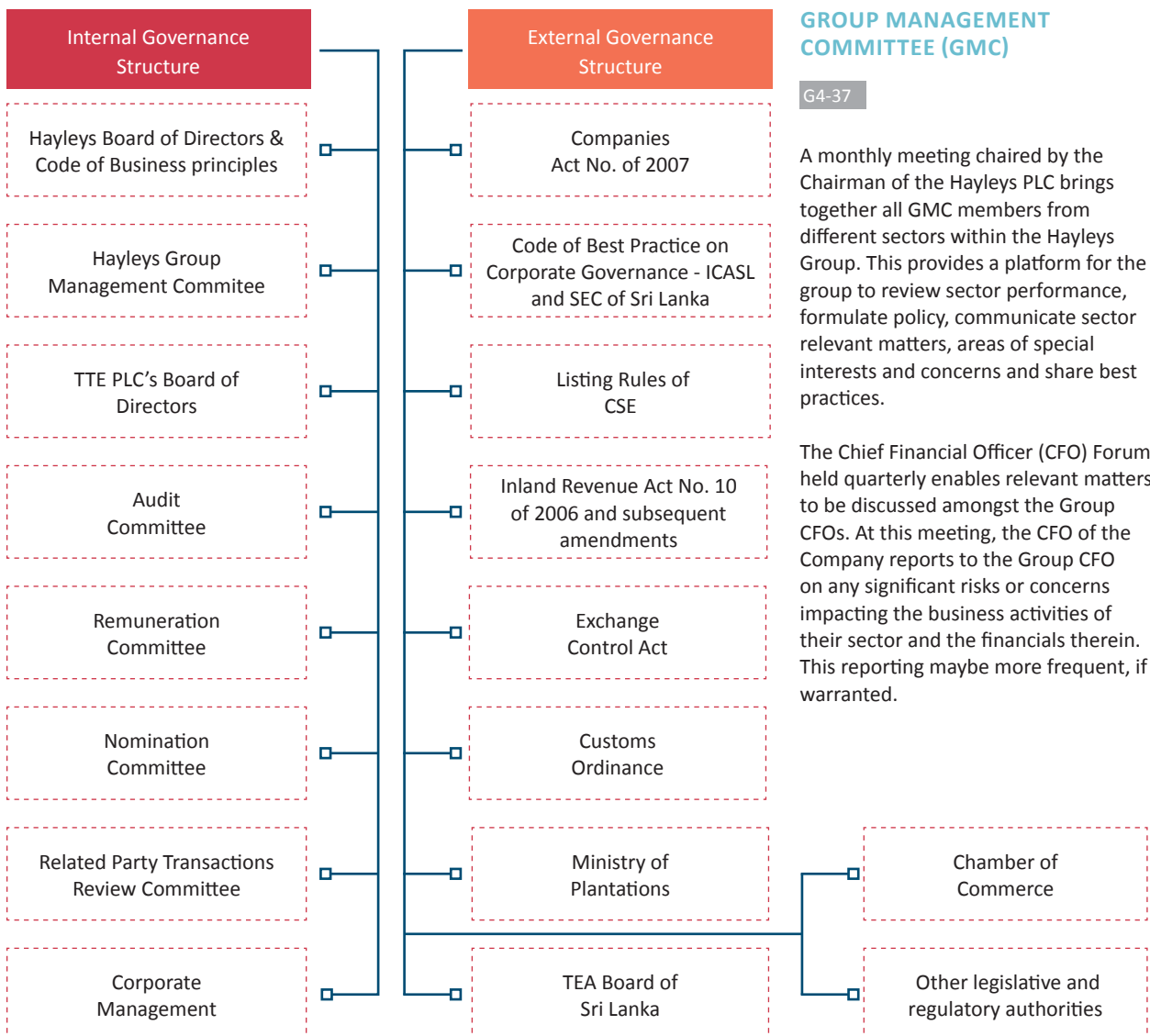


**CORPORATE GOVERNANCE CONTD.****ORGANISATION**

G4-34, 36, 37, 38, 57, 58

TTE PLC has in place an organisational structure with formally defined lines of responsibility, reporting and appropriate limits of authority. There are established procedures for planning and investment, risk management, dissemination of information and reporting systems to monitor the Company's operations.

TTE PLC follows a two-tier governance structure as depicted in the diagram given below:





COMPOSITION OF THE BOARD AND BOARD SUB COMMITTEES AND ATTENDANCE AT MEETINGS FOR 2015/16

G4-38, 39, 47, 50

Synopsis - Board of Directors Profile											
Name	First Appointment to the board	Board		Audit Committee		Remuneration Committee		Nomination Committee		Related Party Transactions Review Committee	
	First Appointment	Position	Attendance	Position	Attendance	Position	Attendance	Position	Attendance	Position	Attendance
Mr. A M Pandithage	2009	Chairman/Executive Director	4/4	-	-	-	-	Chairman	-	-	-
Mr. R Rajadurai	2013	Managing Director/Executive Director	4/4	-	-	-	-	-	-	-	-
Mr. Merrill J Fernando	1998	Non executive Director	0/4	-	-	-	-	-	-	-	-
Mr. Malik J Fernando	1998	Non executive Director	1/4	-	-	-	-	-	-	-	-
Mr. D C Fernando (Alternate director to Mr.Malik J Fernando)	1998	Non executive Director									
Dr. K I M Ranasoma	2011	Non executive Director	4/4	-	-	-	-	-	-	-	-
Mr. W D N H Perera	2011	Non executive Director	0/4	-	-	Member	Member	Member	-	-	-
Mr. J.M. Kariapperuma (Alternate to Mr. W D N H Perera)	2015	Non executive Director	4/4								
Ms. M D A Perera	2012	Non Executive Director	4/4	Member	4/4	-	-	-	-	-	-
Pro. U. Liyanage (Deceased)	2008	Independent Non Executive Director	0/2	-	-	-	-	-	-	-	-
Dr. S S B D G Jayawardena	2008	Independent Non Executive Director	4/4	Member	4/4	-	-	-	-	-	-
Mr. L N De S Wijeyeratne	2008	Independent Non executive Director	4/4	Chairman	4/4	-	-	-	-	-	-
Mr. N T Bogahalande	2013	Independent Non Executive Director	3/4	-	-	-	-	-	-	-	-
Mr. D S Seneviratne	2013	Executive Director	4/4	-	-	-	-	-	-	-	-
Hayleys Board Sub Committees applicable for TTE PLC											
Mr. K.D.D.Perera	2008	Non Executive Director	-	-	-	Member	Member	Member	-	-	-
Dr. H. Cabral	2011	Independent Non Executive Director	-	-	-	Chairman	Chairman	Chairman	2/2	-	-
Mr. M.D.S. Goonathilleke	2011	Independent Non Executive Director	-	-	-	Member	Member	Member	2/2	-	-
M.H. Jamaldeen	2014	Independent Non Executive Director	-	-	-	Member	Member	Member	-	-	-
Mr. S C Ganegoda	2009	Executive Director	-	-	-	-	-	Member	2/2	-	-

**CORPORATE GOVERNANCE CONTD.****BOARD OF DIRECTORS**

G4-42, 43, 44, 45, 48

Refer: Detailed Directors' profiles, pages 29 to 32

Board benefits from the diversity of its membership, including gender, and strives to maintain the right balance. It comprises individuals with extensive knowledge and experience in core and diverse business sectors within local and international markets, bringing a wide range of perspective to this Business. The Board works as a team with a complementary set of skills, experience and personal characteristics.

As the apex body, the Board is responsible to guide and give leadership to the Company in its path to sustainability.

As at the year-end 31 March 2016, the Board led by the Chairman consisted of 12 Directors, including 03 Executive Directors and 09 Non-executive Directors, out of whom 04

were independent as per the norms prescribed by the CSE. The Chairman and the Managing Director come under the executive category. However, the roles and the responsibilities of the Chairman and the Managing Director are well segregated, ensuring balance of power and authority.

The Board is responsible to guide the organisation in keeping with the Company's vision, mission and the corporate ethos. The Board is well engaged in strategy development and takes responsibility on the year's planning and budgeting process, along with close monitoring of the progress of such plans and their outcomes. Necessary guidance is extended to the corporate management to keep pace with targets and corporate goals. The Sub Committees as discussed below play a pivotal role in this regard.

In the year under review, with their multi-disciplinary backgrounds and vast experience in their respective fields, the Board of Directors positively contributed to the monthly Board proceedings and

guided the decision making process of the Company. The Board of Directors in the year maintained their integrity and propriety in discharging their duties. Necessary disclosures were extended and submitted as at the year-end March 2016 in line with the CSE's Continuous Listing Rules and other the relevant statues and regulations.

The number of meetings of the Board and the Audit Committee and individual attendance by members are mentioned in page 155.

BOARD OF DIRECTORS- KEY DELIBERATIONS

- ⊙ Industry issues
- ⊙ Strategy, corporate plans & budget
- ⊙ Performance and progress review
- ⊙ Review internal and external audit report for effectiveness of internal/ operational control systems
- ⊙ Review key performance indicators
- ⊙ Approval of financial statements
- ⊙ Determining risk appetite and adopting risk management policy

BOARD SUB COMMITTEES

The Board has in place four sub committees—Board Audit Committee, Related Party Transactions Review Committee, Remuneration Committee and Nomination Committee to assist the Board in discharging its duties effectively and efficiently. The Board heavily rely on the findings and recommendations of these committees in its decision making process.

The responsibilities and level of authority vested in each of the Board Sub Committee are drawn as per the Board approved Charter and the Terms of Reference. These four committees in the year under review were proactive and disciplined in carrying out the delegated duties and in turn, duly reported to the Board along with their recommendations.

Board of Directors - Responsibilities & Duties

- ⊙ Formulates, implements, monitors and communicates business policy and strategy.
- ⊙ Ensures that the managing director and the management team possess the requisite skills, experience and knowledge to implement the strategy effectively.
- ⊙ Adopts an effective managing director and key management personnel succession strategy.
- ⊙ Ensures effective systems to secure integrity of information, internal controls, business continuity and risk management, compliance with laws and regulations and ethical standards.
- ⊙ Ensures all stakeholder interests are considered in corporate decisions.
- ⊙ Recognise and adopt sustainable business development in corporate strategy, decisions and activities.
- ⊙ Ensures that the company's values and standards are set with emphasis on adoption of appropriate accounting policies and fostering compliance with financial regulations.
- ⊙ Fulfils other Board functions and gives priority considering the scale, nature and complexity of the business concerned.



G4-38, 40, 41, 44, 51, 52, 53, 54, 55

Board Sub Committees Key Duties & Responsibilities

Board Audit Committee

- The Committee reviewed the financial reporting system adopted by the Company in the preparation of its quarterly and annual Financial Statements to ensure reliability of the processes and consistency of the accounting policies and methods adopted and their compliance with the Sri Lanka Financial Reporting Standards (SLFRS) and Sri Lanka Accounting Standards (LKAS).
- Recommended the Financial Statements to the Board for its deliberations and issuance.
- Recognise and reassess the adequacy of the content and quality of routine management information reports forwarded to its members.

Board Remuneration Committee

- Committee evaluate, assess, decide and recommend to the Board of Directors on any matter that may affect Human Resource management of the company.
- Determining the compensation of the Executive Directors of the company.
- Lay down guidelines and parameters for the compensation structures of all management staff of the company.
- Formulate guidelines, policies and parameters for the compensation structures for the all executive staff of the company.
- Review information related to executive pay from time to time to ensure same is in par with the Market/Industry norms.
- Assess and recommending to the Board of Directors of the promotions of the Key Management Personnel, address succession planning.
- Approving annual salary increments, bonuses

Board Nomination Committee

- Considering of making any appointments of new directors or re-electing current Directors to the Board.
- Provide advice and recommendations to the Board on any such appointment.
- Review criteria and key attributes required for eligibility to be considered for appointment to the board or Key management Personnel in the company.
- Consider if a Director is able to and has been adequately carrying out his or her duties as a Director, taking in to consideration the Director's number of Listed Company Boards on which the Director is represented and other principal commitments.
- Review the structure, size, composition and competencies of the Board and make recommendations to the Board with regard to any changes.
- Recommend the requirements of new expertise and succession arrangements for retiring Directors.
- Recommend any matters referred by the Board of Directors.

Related Party Transactions Review Committee

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



CORPORATE GOVERNANCE CONTD.

BOARD AUDIT COMMITTEE

The Board Audit Committee consists of three members with two of the members including the Chair as independent and non-executive directors. The members have the relevant financial expertise, experience, and are familiar in accounting and audit functions and best practices to carry out their duties effectively. The Chairman of the Committee is a Fellow Member of the CA Sri Lanka.

The Committee is primarily responsible to support the Board in its oversight role by ensuring the effectiveness of financial controls, processes and reporting that are in place within the organisation.

The Committee is responsible to ensure the accountability of the financial statements prepared quarterly and annually; whilst ascertaining the objectivity, reviewing and improving the internal and external audit functions of the Company.

The Committee meets on a quarterly basis and in the year under review held four formal meetings as set out below. The Chairman of Hayleys, Managing Director, Group Chief Financial Officer attended the meetings by invitation. The proceedings were duly reported to the Board of Directors by the Chairman of the Audit Committee along with its findings and recommended actions.

Key Deliberations of Audit Committee

- ◉ Ensure Financial Statements are prepared in accordance with Sri Lanka Accounting Standards.
- ◉ Review effectiveness of Internal and External audits.
- ◉ Recommend to the Board of Directors the re appointment of the external auditors.
- ◉ Assess the effectiveness of the internal financial controls that have been designed to provide reasonable assurance to the Directors that assets are safeguarded and that the financial reporting system can be relied upon in preparation and presentation of financial Statements.

AUDIT COMMITTEE REPORT

ROLE OF THE AUDIT COMMITTEE

The role of the Committee, which has Specific terms of reference, is described in the Corporate Governance Report on pages 151 to 162.

COMPOSITION OF THE AUDIT COMMITTEE

The Audit Committee, appointed by and responsible to the Board of Directors, comprises three Non-Executive Directors two of whom are Independent. The Company Secretary acts as the Secretary to the Audit Committee. The Managing Director, and Chief Financial Officer (CFO) attend the meetings. The Chairman, Head of Management Audits and Systems Review Department and Director Plantations attend meetings by invitation.

The Chairman of the Audit Committee is a Senior Qualified Accountant.

The names of the members of the committee are given below and their brief profiles are given on pages 29

to 32 of this report. Their individual and collective financial knowledge and business acumen and the independence of the Committee, are brought to bear on their deliberations and judgment on matters that come within the Committee's purview.

MEETINGS OF THE AUDIT COMMITTEE

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

Mr. L N De S Wijeyeratne 4/4
Dr. S S B D G Jayawardena 4/4
Ms M D A Perera 4/4

Relevant members from the Senior Management Team, representative from Hayleys Management Audit & Systems Review Department (MA&SRD), Internal Auditors as well as the External Auditors were present at these meetings as appropriate. The proceedings of the Audit Committee are regularly reported to the Board of Directors.

TASKS OF THE AUDIT COMMITTEE

The Committee reviewed the financial reporting system adopted by the Company in the preparation of its quarterly and annual Financial Statements to ensure reliability of the processes and consistency of the accounting policies and methods adopted and their compliance with the Sri Lanka Financial Reporting Standards (SLFRS) and Sri Lanka Accounting Standards (LKAS).

The committee recommended the Financial Statements to the Board for its deliberations and issuance. The Committee, in its evaluation of the financial reporting system, also recognised the adequacy of the content and quality of routine management information reports forwarded to its members.

INTERNAL AUDITS

The Committee reviewed the process to assess the effectiveness of the internal financial controls that have



been designed to provide reasonable assurance to the Directors that assets are safeguarded and that the financial reporting system can be relied upon in preparation and presentation of financial Statements. Hayleys Group Management Audit & Systems Review Department reports on key control element and procedures that are selected according an annual plan were reviewed.

Internal Audits are outsourced to leading audit firms in line with an agreed annual audit plan. Follow up reviews are scheduled to ensure that audit recommendations are being acted upon.

The Committee obtained and reviewed statements from the management of the company identifying major business risks, mitigatory action taken or contemplated for the management of these risks.

The Committee obtained representations from the Company on the adequacy of provisions made for possible liabilities and reviewed reports tabled, certifying their compliance with relevant statutory Requirements.

EXTERNAL AUDITS

The Committee held meetings with the External Auditors to review the nature, approach and scope of Audit and Audit Management Letters of the Company. Actions taken by the management in response to the issues raised, as well as the effectiveness of the internal controls in place, were discussed with the company. Remedial action was recommended where ever necessary.

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

APPOINTMENT OF EXTERNAL AUDITORS

The committee has recommended to the Board of Directors that Messrs Ernst & Young continue as Auditors for the year ending 31st March 2017.

SUPPORT TO THE COMMITTEE

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

CONCLUSION

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

L N De S Wijeratne
Chairman- Audit Committee

10th May 2016

REMUNERATION COMMITTEE

G4-51, 52, 53, 54, 55

The Remuneration Committee of Hayleys PLC functioned as the TTE PLC's Committee and comprises of Five Non –Executive Directors of whom three including the Chairman are independent Directors. The Committee is responsible to determine the basis of remuneration of the members of the Board in line with the group and industry norms. The committee is also responsible for determining the remuneration of the executive management. The decisions taken are duly reported to the Board along with the recommendations in line with the remuneration policy. The Managing Director and Chief Financial Officer assist the Committee in this regard, except in the case of determining their own remuneration.

NOMINATION COMMITTEE

The Nomination Committee of Hayleys PLC functioned as the TTE PLC's committee and comprises three Non-Executive Directors and one Executive Director of Hayleys PLC. The Committee carries out its duties as stipulated in above diagram and the composition of the committee ensures its balance.

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

With the adoption of the Code of Best Practices on Related Party Transactions – December 2013 issued by the Securities and Exchange Commission of Sri Lanka, which was subsequently incorporated into the Listing Rules of the Colombo Stock Exchange, the Related Party Transactions Review Committee was established by the Hayleys Board on 10th February 2015 to ensure strict compliance with the rules and regulations governing Related Party



CORPORATE GOVERNANCE CONTD.

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

G4-41

Hayleys PLC, the parent Company established the Related Party Transaction Review Committee with effect from 10th February 2015 in terms of the Code of Best practice on Related Party Transactions issued by the Securities & Exchange Commission of Sri Lanka and the Section 9 of the Listing Rules of the Colombo Stock Exchange which functions as the Committee of the Talawakelle Tea Estates PLC.

COMPOSITION OF THE COMMITTEE

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

Dr. H Cabral, PC (IND/NED) - Chairman
Mr. M D S Goonatilleke (IND/NED)
Mr. S C Ganegoda (ED)
(ED- Executive Director, IND- Independent Director, NED- Non- Executive Director)

THE DUTIES OF THE COMMITTEE

- To review in advance all proposed related party transactions of the group either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such review, prior to the completion of the transaction.
- Seek any information the Committee requires from management, employees or external parties to with regard to any transaction entered into with a related party.
- Obtain knowledge or expertise to assess all aspects of proposed related party transactions where

necessary including obtaining appropriate professional and expert advice from suitably qualified persons.

- To recommend, where necessary, to the Board and obtain their approval prior to the execution of any related party transaction.
- To monitor that all related party transactions of the entity are transacted on normal commercial terms and are not prejudicial to the interests of the entity and its minority shareholders.
- Meet with the management, Internal Auditors/External Auditors as necessary to carry out the assigned duties.
- To review the transfer of resources, services or obligations between related parties regardless of whether a price is charged.
- To review the economic and commercial substance of both recurrent/non recurrent related party transactions.
- To monitor and recommend the acquisition or disposal of substantial assets between related parties, including obtaining 'competent independent advice' from independent professional experts with regard to the value of the substantial asset of the related party transaction.

TASK OF THE COMMITTEE

The Committee re-viewed the related party transactions and their compliances of Talawakelle Tea Estates PLC and communicated the same to the Board.

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

MEETINGS

The Committee held two times during the year under review. The attendance at the meetings given in table on page 155 of the Annual Report.

Dr. Harsha Cabral, PC.

Chairman

Related Party Transactions Review Committee of Hayleys PLC

18th May 2016

Transactions for Listed Entities and thus improve its internal control mechanisms.

CORPORATE MANAGEMENT

The corporate management team consists of the Managing Director, Deputy Chief Executive Officer, Director – Plantations and the Senior Management of the company.

The corporate management team formulates corporate strategies, seeks Board approval and implements it within the policy framework established by the Board. The team is also responsible for the annual budgeting process which aligns with the Group's key performance indicators (KPIs). The Managing Director reviews the annual corporate plan and budgets prior to submission to the Board for approval. The achievement of operational targets through implementation of strategies formulated, current performance and short-term targets are reviewed at monthly meetings headed by the Managing Director, prior to the discussions at management meetings at the group level.

The corporate management submits capital expenditure proposals to the Managing Director prior to seeking



approval from the Board. All matters requiring approval of the Board are tabled and deliberated at the quarterly meetings of the Board.

The Board has delegated the primary authority to the Managing Director for formulating and implementing of policy in line with the strategic objectives of the Company. The Managing Director is also entrusted to optimise resource utilisation within the framework of the corporate and financial strategies, the annual corporate plan and the budget. The Managing Director exercises this authority within the policy and ethical framework established by the Board and the business processes inherent to the Company, which demands best practices are followed in dealing with employees, customers, suppliers and the community at large.

The Audit Committee assesses internal control systems designed to safeguard the Company's assets, safety and ethical standards, management of risks and supports the Board in its decision making and governance.

The Company employs a continuous process of planning and monitoring with the active involvement of all executives. A system of regular review of operations is in place to ensure close monitoring of performance and prompt corrective action.

INTERNAL AUDIT & CONTROL

The Board is responsible for the company's internal control and its effectiveness. Internal control is established with emphasis placed on safeguarding the assets, making available accurate and timely information and imposing greater discipline on decision making. It covers all controls including financial, operational, compliance and risk management. It is important

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Code of Business Conduct & Ethics- "Hayleys Way"

The 'Group Code of Business Principles' provides the framework for our corporate conduct. The commitment to doing business with integrity and professionalism in the 'Hayleys Way' is an ethical roadmap that exists to guide the expectations of integrity of every employee of the Hayleys Group.

Principles & Scope

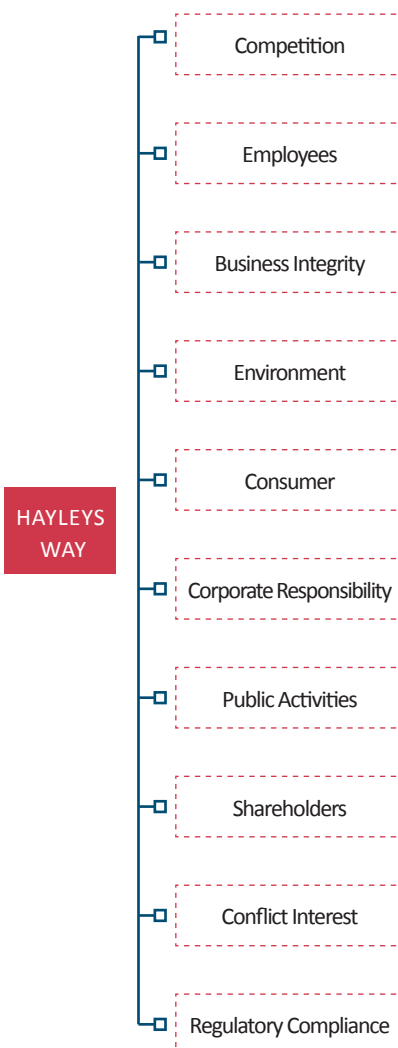
- Hayleys Group is committed to conduct its business operations with honesty, integrity and with respect to the rights and interests of all stakeholders.
- Hayleys Group and its employees are required to comply with the laws and regulations of the countries in which it operates.
- Every employee is responsible for implementation of and compliance with the Code in his/her environment.

to state that any system can ensure only reasonable and not absolute assurance that errors and irregularities are prevented or detected within a reasonable time. The Company employees the service of independent and professional accounting firms and the Hayleys Group's Management Audit & System Review Department in assessing the effectiveness and successful implementation of existing controls, strengthening these and establishing new controls, if and where necessary. The audit reports are made available to the Chairman, Managing Director and the Chairman of the Audit Committee.

Good governance is not merely confined to reporting initiatives and to compliance. It is embedded in the Company's corporate ethos and is spread across the organisation reflecting

CODE OF BUSINESS CONDUCT & ETHICS – HAYLEYS WAY

G4-56





on business operations. The Company's values upholding the highest standards of integrity, transparency, accountability and professionalism are imbued in the 'Code of Conduct and Business Governance'. This sets a blueprint for the Board of Directors, Senior Management, estate management and all employees across the organisation with internal guidelines on ethical corporate dealings and conduct. The Code is well internalised through regular staff briefings, internal training programmes and through corporate circulars.

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WHISTLEBLOWER POLICY

- ◉ Incorrect financial reporting
- ◉ Financial fraud
- ◉ Unlawful or improper conduct
- ◉ Breach of the code of business conduct, values and other policies of the Group
- ◉ Any other improper activity that may have a negative impact upon the ability of the Group to achieve its corporate objectives and which may cause damage to its image and reputation.

TTE PLC is committed to the highest standards of ethical, moral and legal conduct in operating its businesses. In line with this commitment, the Company's 'Whistleblower Policy' provides a formal mechanism for employees to raise concerns and disclose on unethical activities, practices and conduct, that may compromise the organisation's ethos underscored within the 'Code of Conduct and

Business Governance'. The Policy clearly sets out the protection measures in place to safeguard employees raising such concerns from reprisals and victimization. This Policy applies to individuals working at all levels within the Company.

INFORMATION TECHNOLOGY (IT) GOVERNANCE

IT Governance plays a vital role in the management and control of IT related services. It enables to establish high standards and assurances on business processes and mitigation of the associated risks. The Company utilises IT Systems provided by Hayleys Group and of its own. IT systems provided by Hayleys includes an Enterprise Resource Planning (ERP) System, internet, data communication systems and other collaborative services.

We follow the guidelines set by the IT governance framework of the Hayleys Group where controls are exercised on multiple fronts and in line with best practices and standards. Our IT governance supports goals of the business and people who manage those activities and IT decision making process and policies.

Deployment of technology at the estate level in terms of the accounting function as well as in reporting and monitoring of information for decision making are covered by the IT Governance policy to ensure smooth management of estate IT administration. Competent and dedicated staff is employed and by Hayleys PLC to support IT systems and processes.

Reviewing of policies and procedures at regular intervals ensure that the Company is aligned with the ever changing needs of technology

and challenges. Group's preferred supplier programme through central procurement enables the Company to obtain price advantages.

INFORMATION TECHNOLOGY - VALUE AND ALIGNMENT

Investments on IT are made after careful consideration of their suitability, cost savings, client satisfaction and provision of timely information. Further aspects such as balance between cost of investment and the scale of operations are also taken into account in decision making.

INFORMATION TECHNOLOGY - RISK MANAGEMENT

Management of IT related risks and Information Security Management Systems (ISMS) are assessed as part of the Enterprise Risk Management Process. TTE PLC complies with the Hayleys Group's IT Usage Policy, covering IT discipline, use of licensed software, closer monitoring the usage of the internet, email and mail server and the use of antivirus and firewall servers and software. Business critical information and systems are backed-up or replicated at regular intervals and kept in secured off-site locations to meet statutory and other relevant compliances and as a cover for catastrophic failure.



OUR ESTATES AND FACTORIES

OUR ESTATES AND FACTORIES 2015/16

Estates	Total Extent	Area in Tea		Area in Rubber		Others	Total Cultivated	Building/ Bungalow/ Gardens/ Roads etc.	Name of Manager	No. of Workers	Crop with B/L	Yield	Factory Elevation	Type of Factory	Factory Capacity
	Ha	Immature	Mature	Immature	Mature	Ha	Ha	Ha			kg'000	kg/Ha	m		kg'000
Talawakelle/Nanu Oya															
Beerwell	423.41	17.30	307.22	-	-	48.82	373.34	50.07	SB Alawattagama	612	532,871	1,734	1,280	Ortho/RV	720
Calsay	282.25	23.95	191.55	-	-	21.05	236.55	45.70	SGN Nalin Kumara	307	235,801	1,231	1,463	Ortho	430
Clarendon	191.42	11.81	152.04	-	-	6.10	169.95	21.47	YD Kumarasiri	273	194,339	1,278	1,555	Ortho/RV	600
Dessford	431.99	21.25	295.63	-	-	33.33	350.21	81.78	NP Abeysinghe	663	451,339	1,527	1,382	Ortho/RV	720
Great Western	628.48	19.98	399.85	-	-	66.97	486.80	141.68	GK Wijesekara	791	584,262	1,461	1,448	Ortho/RV	720
Holyrood	465.96	20.00	314.20	-	-	76.15	410.35	55.61	DMGB Dassanayake	575	426,225	1,357	1,341	Ortho/RV	720
Logie	329.88	13.63	210.59	-	-	35.01	259.23	70.65	AGRMS Ranaweera	349	313,386	1,488	1,220	Ortho/RV	500
Mattakelle	361.96	15.08	242.08	-	-	44.34	301.50	60.46	PGG Jayathilake	700	501,273	2,071	1,372	Ortho/RV	720
Palmerston	203.11	1.25	148.36	-	-	23.75	173.36	29.75	UB Udawatte	281	231,443	1,560	-	-	-
Radella	458.76	25.98	244.44	-	-	106.78	377.20	81.56	ESBA Egodawela	649	448,999	1,837	1,402	Ortho/Gk.T	720
Somerset	455.64	32.54	302.96	-	-	43.37	378.87	76.77	ACM Bandaranayake	732	624,002	2,060	1,102	Ortho/RV	720
Wattegoda	529.89	22.75	295.00	-	-	99.90	417.65	112.24	DMAS Disanayake	589	451,695	1,531	1,219	Ortho/RV	720
Sub Total	4,762.75	225.52	3,103.92	-	-	605.57	3,995.01	827.74		6,521	4,995,635	1,609			7,290
Galle															
Moragalla	384.78	30.22	77.61	36.06	98.78	52.88	295.55	89.23	HPW Vitthanage	262	344,901	1,653	38	Ortho	600
Pitiyagoda	-	-	-	-	-	-	-	-	HPW Vitthanage	16	-	-	-	Ortho	400
Sub Total	384.78	30.22	77.61	36.06	98.78	52.88	295.55	89.23		278	344,901	1,653			1,000
Deniyaya/Urubokka															
Deniyaya	578.15	33.74	197.81	13.35	-	61.40	306.30	271.85	KGMN Gamage	319	544,859	1,264	310	Ortho	600
Handford	-	-	-	-	-	-	-	-	KGMN Gamage	25	135,833	-	400	Ortho	600
Indola	282.16	10.83	76.21	29.52	68.62	41.43	226.61	55.55	WD Jayasinghe	178	91,473	1,200	-	-	-
Kiruwanaganga	482.71	26.13	337.83	4.00	-	19.08	387.04	95.67	DMHU Mahadiwulwewa	462	697,285	1,196	310	Ortho	1050
Sub Total	1,343.02	70.70	611.85	46.87	68.62	121.91	919.95	423.07		984	1,469,450	1,221			2,250
Grand Total	6,490.55	326.44	3,793.38	82.93	167.40	780.36	5,150.51	1,340.04		7,783	6,809,986	1,548			10,540



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

The Directors of Talawakelle Tea Estates PLC (TTE PLC) has pleasure in presenting the Annual Report of the Board of Directors on the affairs of the Company and audited Consolidated Financial Statements of the Group for the year ended 31st March 2016.

The details set out herein provide the pertinent information required by the Companies Act No.07 of 2007, and the Colombo Stock Exchange Listing Rules and are guided by recommended best accounting practices. The Financial statements were reviewed and approved by the Board of Directors on 10th May 2016.

PRINCIPAL ACTIVITIES

Talawakelle Tea Estates PLC is the holding company, of TTEL Hydro Power Company (Pvt) Limited and TTEL Somerset Hydro Power (Pvt) Limited.

The principal activity of Talawakelle Tea Estates PLC is cultivation and manufacture of black tea and the subsidiaries are engaged in generation of hydro power.

There were no significant changes in the nature of the principal activities of the Company or its subsidiaries during the year under review.

GROUP STRUCTURE

The Group Structure is given on page 05.

BUSINESS REVIEW /FUTURE DEVELOPMENT

A review of financial and operational performance and future business developments of the Group is contained in the Chairman's Statement (Pages 20 to 23) Managing Director's Review (Pages 24 to 28) and Management Discussion and Analysis (Pages 34 to 139) of the Annual Report .

These reports, together with the audited financial statements, reflect the state of affairs of the Company and the Group.

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

FINANCIAL STATEMENTS

The Financial Statements of the Company and the Group prepared in conformity with the Sri Lanka Accounting Standards (SLFRS/LKAS) as required by Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and comply with the requirements of the Companies Act No. 07 of 2007.

The Financial Statements of the Company and the Group for the year ended, 31st March 2016, have been duly signed by the Chief Financial Officer and two directors of the Board are given on page 176.

AUDITOR'S REPORT

The Company's Auditors Messrs. Ernst and Young, Chartered Accountants carried out an audit on the Financial Statements of the Company and the Group as at 31st March 2016, and their Report is given on page 173.

Accounting Policies

The Significant Accounting Policies adopted in the preparation of the Financial Statements of the Company and the Group are given on pages 180 to 196.

There were no material changes in the Accounting Policies adopted with those of the last year.

GROUP REVENUE

The revenue of the Group during the year was Rs. 3,434.5 Mn (2015 -Rs. 4,761.1 Mn). An analysis of the Group's revenue, profits and asset allocation relating to different segments are given in Note 6 to the Financial Statements.

The contribution to revenue from tea decreased by Rs. 1,304.4 Mn (2015- increased by Rs. 1,111.7 Mn), where as revenue from rubber decreased by Rs. 13.7 Mn (2015-decreased by Rs. 14.5 Mn). Revenue contribution from hydro power decreased by Rs. 6.06 Mn (2015 -decreased by Rs. 0.98 Mn) during the year ended.

Trade between Group Companies is conducted at fair market prices.

OPERATIONAL RESULTS AND DIVIDENDS OF THE GROUP

FOR THE PERIOD ENDED RS.MN	31/03/2016	31/03/2015 (15 Months)
Turnover	3,434.5	4,761.1
Profit before Tax	189.2	286.3
Income Tax Expense	(42.6)	(18.9)
Profit after Taxation	146.5	267.4
Other Comprehensive Income net tax	(24.9)	15.4
Total Comprehensive income	121.7	282.9

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

FOR THE PERIOD ENDED RS.MN	31/03/2016	31/03/2015 (15 Months)
Transferred : to Timber Reserve (net) to Non Controlling	(4.7) (28.1)	(6.8) (28.1)
Profit for the year	88.7	247.9
Retained earnings brought forward	1,172	995.4
Super Gain Tax	(25.8)	Nil
Appropriations		
Dividend paid	(71.2)	(71.2)
Profit Carried forward	1,164	1,172.1

The Group profit before taxation, amounted to Rs. 189.2 Mn (2015- Rs. 286.3 Mn) during the period under review. After charging Rs. 42.6 Mn (2015 - Rs. 18.9 Mn) for taxation and a consolidation profit of Rs. 28.1 Mn (2015-Rs. 28.1 Mn) for non-controlling interests, the Group profit attributable to equity holders of the Company from operating activities for the period was Rs. 118.4 Mn (2015- Rs. 239.2 Mn). A first and final dividend of Rs. 3.00 per share for the financial year ended 31/03/2015 was paid on 9th July 2015.

GROUP INVESTMENT

Total capital expenditure of the Group including investments in field development during the year amounted to Rs. 140.6 Mn (2015 - Rs. 263.3 Mn)

PROPERTY, PLANT & EQUIPMENT

Group investment on property, plant & equipment and capital work in progress during the year amounted to Rs. 35.9 Mn (2015-Rs. 120.9 Mn) whilst that of the Company was Rs. 35.7 Mn (2015 -Rs. 120.9 Mn). The Company's investment on replanting of tea, rubber and timber during the year amounted to Rs. 84.4 Mn (2015-Rs. 117.1 Mn), Rs. 10.1 Mn (2015- Rs. 12.6 Mn) and Rs. 10.3 Mn (2015-Rs. 12.5 Mn) respectively.

Information relating to movement in property, plant & equipment and replanting is given in Notes 13,14A,B,C to the Financial Statements.

MARKET VALUE OF PROPERTIES

The Group does not possess any freehold land.

STATED CAPITAL AND RESERVES

The stated capital of the Company as at 31st March 2016 consists of 23,750,000 Ordinary Shares and one Golden Share amounting to Rs. 350,000,010. There was no change in the stated capital during the year ended.

Total Group reserves at 31st March, 2016 amounts to Rs. 1,328.2 Mn (2015 -Rs. 1,331.8 Mn) comprising retained earnings of Rs. 1,163.8 Mn (2015- Rs. 1,172.1 Mn) and timber reserves of Rs. 164.4 Mn (2015- Rs. 159.6 Mn). The movement in reserves during the period is shown in the Statement of Changes in Equity in the Financial Statements.

PROVISION FOR TAXATION

The profit of the Company is liable for income tax at varying rates. The profit earned on agriculture and manufacturing of tea is liable at 10% and 28% respectively.

TTEL Hydro Power Company (Pvt) Ltd – Radella Project is liable at 12% Palmerston project liable at 10% after expiry of the tax holiday period on 16th October 2015 and TTEL Somerset Hydro Power (Pvt) Ltd liable at 10% after expiry of the tax holiday period on 22nd September 2015.

The Group has also provided deferred tax on all known temporary differences under the liability method.

Information on the income tax and deferred tax of the Company and the Group is given in note 10 to the Financial Statements.

PREFERENCE SHARES

As at 31st March 2016 the Company holds 14% Redeemable Cumulative Preference Shares of TTEL Hydro Power Company (Pvt) Limited and of TTEL Somerset Hydro Power (Pvt) Ltd amounting to Rs. 53.1 Mn (31.03.2015 – Rs. 53.1 Mn) and Rs. 16.0 Mn (31.03.2015 – 16.0 Mn) respectively. Information relating to the preference shares is given in Note 15 to the Financial Statements.

INTERESTS REGISTER

The Company, in compliance with the Companies Act No. 07 of 2007, maintains an Interests Register. Shareholders of subsidiary companies have unanimously agreed to dispense with the requirement to maintain an Interest Register. Particulars of entries during the financial year in the Interests Register maintained by the Company are detailed below.

Date	Name of the Director	No of Shares
13.07.2015	Mr. W.G.R. Rajadurai	1,000



DIRECTORS' INTERESTS IN SHARES

Directors of the Company who have shares in the Company have disclosed their share holdings and any acquisitions/disposals to the Board, in compliance with Section 200 of the Companies Act.

Details of Directors shareholdings in the Company are given later in this report.

DIRECTORS' INTERESTS IN TRANSACTIONS;

The Directors of the Company have made the general disclosures provided for in Section 192(2) of the Companies Act No. 07 of 2007, Note 34 to the Financial Statements dealing with related party disclosures include details of their interests in transactions.

INSURANCE & INDEMNITY

Directors and Officers (D&O) of the Company and its subsidiaries have been covered by the Corporate Guard Insurance Policy obtained by the Hayleys Group from Chartis Insurance Limited. The policy is extended worldwide with a total cover of US\$ 5.0 Mn.

PAYMENT OF REMUNERATION TO DIRECTORS

Executive Directors' remuneration is determined within an established framework by the Board's Remuneration Committee to whom this task is entrusted.

The Directors are of the opinion that the framework assures appropriateness of remuneration and fairness for the Company. The total remuneration for Executive Directors for the year ended 31.03.2016 is Rs. 6.3 Mn (31.03.2015- Rs. 6.5 Mn), which includes the value of

perquisites granted as part of terms of service and is formally approved. The total remuneration of Non-Executive Directors for the year ended 31.03.2016 is Rs. 2.4 Mn (31.03.2015 – Rs. 4.0 Mn) determined according to scales of payment decided upon by the Board previously. The Board is satisfied that the payment of remuneration is fair to the Company.

CORPORATE DONATIONS

No donations were made for the year ended 31.03.2016 (31.03.2015- Nil) by the Company and its Subsidiaries.

DIRECTORATE

The names of the Directors of the Company who held office at the end of the financial year are given below and their brief profiles appear on pages 29 to 32.

Executive Directors

Mr. A. M. Pandithage (*Chairman*)
Mr. W. G. R. Rajadurai (*Managing Director*)
Mr. D. S. Seneviratne (*CEO –appointed w.e.f. 01/04/2016*)

Non- Executive Directors

Mr. Merrill J Fernando
Mr. Malik J Fernando - (*Alternate Mr. D C Fernando*)
Dr. K. I. M. Ranasoma
Mr. W. D. N. H. Perera (*Alternate Mr. J M Kariapperuma*)
Ms. M. D. A. Perera

Independent Non- Executive Directors

Prof. U Liyanage - (*Deceased on 10/08/2015*)
Dr. S. S. S. B. D. G. Jayawardena
Mr. L. N. De S Wijeyeratne
Dr. N. T. Bogahalanda

The basis on which Directors are classified as Independent Non – Executive Directors is discussed in the Corporate Governance Statement.

Resignations, New Appointments and Re-Elections to the Board

Prof. U. Liyanage deceased on 10th August 2015.

Messrs. A. M. Pandithage, D. S. Seneviratne and Dr. N. T. Bogahalanda retire by rotation and being eligible, offer themselves for re-election.

Notice has been given pursuant to Section 211 of the Companies Act No 07 of 2007, of the intention to propose an ordinary resolution for the re-election of Mr. Merrill J. Fernando, who is 86 years old, notwithstanding the age limit of 70 years stipulated by Section 210 of the Companies Act. No. 07 of 2007.

Notice has been given pursuant to Section 211 of the Companies Act No 07 of 2007, of the intention to propose an ordinary resolution for the re-election of Dr. S. S. S. B. D. G. Jayawardena, who is 73 years old, notwithstanding the age limit of 70 years stipulated by Section 210 of the Companies Act. No. 07 of 2007.

APPOINTMENT OF CEO/DEPUTY CEO

Mr. D. S. Seneviratne and Mr. L. H. Munasinghe (non- Board) were appointed as CEO and Deputy CEO of the Company with effect from 01st April 2016 respectively.

BOARD COMMITTEES

The Board, while assuming the overall responsibility and accountability for the affairs in the management of the company, has appointed an Audit



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

Committee, Remuneration Committee, Nomination Committee and Related Party Review Committee a with specific terms of reference. Audit and Related Party Transactions Review Committee Reports are given on pages 158 and 160 of this report.

MANAGEMENT FEES

No management fees has been charged by Hayleys Plantation Services (Pvt) Ltd w.e.f 01/04/2015 consequent to a board decision to waive off management fee hereafter .

CORPORATE GOVERNANCE

The Company has complied with the Corporate Governance rules laid down under the Listing Rules of the Colombo Stock Exchange and the Code of Best Practice on Corporate Governance issued jointly by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka. The Corporate Governance section on pages 151 to 162 discusses this further.

AUDITORS

Messrs. Ernst & Young Chartered Accountants are deemed re-appointed as Auditors of the Company, in accordance with Section 158 of the Companies Act No. 07 of 2007.

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

The Auditors Messrs. Ernst & Young Chartered Accountants were paid Rs. 4.05 Mn (31.03.2015 -Rs. 3.57 Mn) as audit fees and audit related work of the Company and Rs. 0.58 Mn (31.03.15- 0.66 Mn) as audit fees by the two subsidiaries, TTEL Hydro Power Company (Pvt) Limited and TTEL Somerset Hydro Power (Pvt) Ltd.

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

SHARE INFORMATION

Information relating to earnings, dividends, net assets, market value per share and share trading is given on pages 230 and 231.

GOLDERN SHAREHOLDER

Rights of the Golden Shareholder as given in the Articles of Association of the Company are as follows;

Definition of the 'Golden share' - a share allotted to the Secretary to the Treasury in his official capacity and not in his own name, for and on behalf of the state of the Democratic Socialist Republic of Sri Lanka, and or by any transferee permitted in terms of the Articles.

Definition of 'Golden shareholder' – The holder of the 'Golden Share'.

- ⊙ The concurrence of the Golden Shareholder in writing shall be first obtained to amend the definition of the words 'Golden Share' and 'Golden Shareholder' and the Articles 5(1) to 5(12) of the Articles of Association of the Company which deals with the Golden shareholder.
- ⊙ The Golden Share may be converted into an ordinary share with the concurrence of the Golden Shareholder and the concurrence of a majority of the shareholders.
- ⊙ The Company shall obtain the written consent of the Golden Shareholder prior to sub-leasing, ceding or assigning its rights in part or all of the lands set out in the Article of Association of the Company.
- ⊙ The Golden Shareholder shall be entitled to call upon the Board of Directors of the Company once in every three months period if desired to meet with the Golden Shareholder and or his nominees, and the Directors if so called upon shall meet with the Golden Shareholder and or his nominees to discuss matters of the Company of interest to the State of the Democratic Socialist Republic of Sri Lanka.
- ⊙ The Golden Share shall only be held by the Secretary to the Treasury in his official capacity and not in his own name, for and on behalf of the State of the Democratic Socialist Republic of Sri Lanka, or by a company in which the State of the Democratic Socialist Republic of Sri Lanka owns ninety nine (99) per centum or more of the issued share capital.
- ⊙ The Golden Shareholder and/or his nominee shall be entitled to inspect the books of accounts of the Company after giving two weeks written notice to the Company.
- ⊙ The Company shall submit to the Golden Shareholder, within sixty (60) days of the end of each quarter, a quarterly report relating to the performance of the Company during the said quarter in a pre-specified format agreed to by the Golden Shareholder and the Company.
- ⊙ The Company shall submit to the Golden Shareholder, within ninety (90) days of the end of each fiscal year, information relating to the Company in a pre-specified format agreed to by the Golden Shareholder and the Company.
- ⊙ Golden shareholder has power to appoint not more than 03 persons as his proxies to attend on the same occasion at the General Meetings.



EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

No circumstances have arisen since the Balance Sheet date that would require adjustment, or disclosure, other than those disclosed in Note 33 to the Financial Statements on page 221.

HUMAN RESOURCE

The number of persons employed by the Company at year end was 8,287 (31.03.2015 -8,757) of which 8,242 (31.03.2015 - 8,727) are engaged in employment outside the District of Colombo.

SHAREHOLDERS

It is the Group's policy to endeavor to ensure equitable treatment to its share holders.

STATUTORY PAYMENTS

The declaration relating to statutory payments is made in the Statement of Directors' Responsibilities on page 171.

ENVIRONMENTAL PROTECTION

The Group's efforts to conserve scarce and non renewable resources, as well as its environmental objectives and key initiatives, are described in the Sustainability Report on pages 85 to 94.

The Group's business activities can have direct and indirect effects on the environment. It is the Group's policy to minimize any adverse effects its activities have on the environment and

to promote co-operation and compliance with the relevant authorities and regulations.

RELATED PARTY TRANSACTIONS

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

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

The Committee met Two (02) times in the Financial year 2015/16.

ATTENDANCE

Meetings held on 22nd January 2016 and 23rd March 2016.

Dr. H. Cabral**	2/2
Mr. M. D. S. Goonatilleke**	2/2
Mr. S. C. Ganegoda*	2/2

**Independent Non-executive

*Executive

The details of related party transactions of the Company and the Group are given in note 33 into the Financial Statements.

INTERNAL CONTROLS

The Directors acknowledge their responsibility for the Group's system

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

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

GOING CONCERN

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

DIRECTORS' SHAREHOLDINGS

Directors' holdings of ordinary shares as at 31.03.2016 in the Company are given below.



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

Mr. Merrill J Fernando - 1,184,700 (01.04.2015 -1,184,700). These shares are held through Merrill J Fernando & Sons (Private) Limited.

Dr. K. I. M. Ranasoma - 500 (01.04.2015 – 500 shares)

Mr. D. S. Seneviratne - 600 (01.04.2015 – 600 shares)

Mr. W. G. R. Rajadurai - 1000 (01.04.2015 –NIL)

No shares are held by the Directors in the subsidiaries of the Company.

SHAREHOLDING

As at 31st March 2016, there were 13,607 (31.03.2015 - 13,592) registered shareholders and the percentage of shares held by the public was 20.27% (31.03.2015 -20.27%) of the issued shares held by 13,602 shareholders.

The twenty major shareholders as at 31st March 2016 and the number of shares held and their percentage share holdings are given on page 231 of this report.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at the Registered Office of the Company, No.400, Deans Road, Colombo 10 at 3.00 p.m. on 21st June, 2016. The Notice of the Annual General Meeting appears on page 262.

For and on behalf of the Board

A. M. Pandithage
Chairman

W. G. R. Rajadurai
Managing Director

Hayleys Group Services (Pvt) Ltd.
Secretaries

10th May 2016



STATEMENT OF DIRECTORS' RESPONSIBILITY

The Directors are responsible, under Sections 150 (1), 151, 152 (1), 153 (1) & 153 (2) of the Companies Act No. 07 of 2007, to ensure compliance with the requirements set out therein to prepare Financial Statements for each financial year giving a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the Income Statements of the Company and the Group for the financial year.

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

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

They also confirm that the Financial Statements have been prepared and presented in accordance with the Sri Lanka Financial Reporting Standards (SLFRS) and Sri Lanka Accounting Standards (LKAS), Companies Act No. 07 of 2007 and listing rules of the Colombo Stock Exchange. Further the Financial Statements provide the information required by the Companies Act and the Listing Rules of the Colombo Stock Exchange.

The Directors are of the opinion, based on their knowledge of the Company, key operations and specific inquiries that

adequate resources exist to support the Company on a going concern basis over the next year. These Financial Statements have been prepared on that basis.

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

The External auditors, Messrs Ernst & Young, reappointed at the last Annual General Meeting in terms of section 158 of the Companies Act were provided with every opportunity to undertake the inspections they considered appropriate to enable them to form their opinion on the Financial Statements. The Report of the auditors, shown on page 173 sets out their responsibilities in relation to the Financial Statements.

COMPLIANCE REPORT

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

By Order of the Board,

Hayleys Group Services (Pvt) Ltd.
Secretaries

10th May 2016



MANAGING DIRECTOR'S & CHIEF FINANCIAL OFFICER'S RESPONSIBILITY STATEMENT

The Financial Statements of Talawakelle Tea Estates PLC and the Consolidated Financial Statements of the Group as at 31st March, 2016 are prepared and presented in compliance with the requirements of the following:

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

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

We confirm that to the best of our knowledge, the financial statements and other financial information included in this annual report, fairly present in all material respects the financial position, results of operations and cash flows of the company as of, and for, the periods presented in this annual report

We are responsible for establishing and maintaining internal controls and procedures. We have designed such controls and procedures, or caused such controls and procedures to be designed under our supervision, to ensure that material information relating to the company is made known to us and for safeguarding the company's assets and preventing and detecting fraud and error. We have evaluated the effectiveness of the company's internal controls and procedures and are satisfied that the controls and procedures were effective as of the end of the period covered by this annual report. We confirm, based on our evaluations that there were no significant deficiencies and material weaknesses in the design or operation of internal controls and any fraud that involves management or other employees. Our internal auditors also conduct periodic reviews to ensure that the internal controls and procedures are consistently followed. However, there are inherent limitations that should be recognized in weighing the assurances provided by any system of internal controls and accounting.

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

The Financial Statements were audited by Messrs.' Ernst & Young, Chartered Accountants, the Independent External Auditors. Their report is presented on page 173 of this Report.

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

We confirm that the company and its subsidiaries have complied with all applicable laws, regulations and guidelines and that there are no material litigations that are pending against the company other than those arising in the normal course of conducting Plantation business.

Roshan Rajadurai
Managing Director

D.S. Seneviratne
Chief Financial Officer

10th May, 2016



INDEPENDENT AUDITORS' REPORT



EY
Building a better
working world

Ernst & Young
Chartered Accountants
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BW/CSW/SJJC

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF TALAWAKELLE TEA ESTATES PLC

Report on the Financial Statements

We have audited the accompanying Financial Statements of Talawakelle Tea Estates PLC ("the Company") and the Consolidated Financial Statements of the Company and its subsidiaries ("Group") which comprise the Statement of Financial Position as at March 31, 2016 and the Statement of Profit or Loss and 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.

Board's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards

require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at March 31, 2016, and of its financial performance and cash flows for the year

then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

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

- a) The basis of opinion and scope and limitations of the audit are as stated above.
- b) In our opinion:
 - ⊙ we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company,
 - ⊙ the financial statements of the Company give a true and fair view of its financial position as at March 31, 2016, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards, and
 - ⊙ the financial statements of the Company and the Group comply with the requirements of sections 151 and 153 of the Companies Act No. 07 of 2007.

R. M. S. S. S. S.

10 May 2016
Colombo

**STATEMENT OF PROFIT OR LOSS**

For the 12 months/15 months ended 31 March

	Notes	Company		Group	
		2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Revenue	6	3,323,123	4,643,582	3,434,579	4,761,101
Cost of Sales		(3,076,251)	(4,206,996)	(3,117,559)	(4,257,939)
Gross Profit		246,872	436,586	317,020	503,162
Gain/(Loss) on Fair Value of Biological Assets	14C	7,551	6,830	7,551	6,830
Other Income And Gains	7	85,200	69,507	66,849	53,267
Administrative Expenses		(132,093)	(157,030)	(139,886)	(168,564)
Management Fee		-	(6,284)	-	(6,284)
Results from Operating Activities		207,530	349,609	251,534	388,411
Finance Income	8.1	2,356	3,596	3,796	3,477
Finance Expenses	8.2	(31,771)	(57,148)	(38,219)	(72,909)
Interest Paid to Government on Finance Lease	8.3	(27,837)	(32,599)	(27,837)	(32,599)
Net Finance Expense		(57,252)	(86,151)	(62,260)	(102,031)
Profit/ (Loss) Before Tax	9	150,278	263,458	189,274	286,380
Income Tax Expense	10	(39,958)	(35,160)	(42,696)	(18,919)
Profit/ (Loss) for the year/ period		110,320	228,298	146,578	267,461
Attributable To:					
Equity holders of the Parent		110,320	228,298	118,456	239,296
Non- Controlling Interest		-	-	28,122	28,165
		110,320	228,298	146,578	267,461
Basic Earnings/ (Loss) Per Share	11	4.65	9.61	4.99	10.08

The current year results comprises as at and for the period of twelve months ended 31 March 2016. The comparative amounts comprises of a period of fifteen months from 1 January 2014 to 31 March 2015. Therefore, amounts presented in the Financial Statements are not entirely comparable.

The Accounting Policies and Notes on pages 180 to 228 form an integral part of the Financial Statements.

**STATEMENT OF COMPREHENSIVE INCOME**

For the 12 months/15 months ended 31 March

	Notes	Company		Group	
		2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Profit/ (Loss) for the year/ period		110,320	228,298	146,578	267,461
Other comprehensive income					
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:					
Actuarial Gain /(Loss) on Defined Benefit Plans	24	(29,639)	18,372	(29,531)	18,372
Income Tax Effect	10.2	4,670	(2,895)	4,657	(2,895)
Other comprehensive income for the year/ period net of tax		(24,969)	15,477	(24,874)	15,477
Total comprehensive income for the year/ period net of tax		85,351	243,775	121,704	282,938
Attributable to:					
Equity Holders of the Parent		85,351	243,775	93,536	254,773
Non- Controlling Interest		-	-	28,168	28,165
		85,351	243,775	121,704	282,938

The current year results comprises as at and for the period of twelve months ended 31 March 2016. The comparative amounts comprises of a period of fifteen months from 1 January 2014 to 31 March 2015. Therefore, amounts presented in the Financial Statements are not entirely comparable.

The Accounting Policies and Notes on pages 180 to 228 form an integral part of the Financial Statements.

**STATEMENT OF FINANCIAL POSITION**

As at	Notes	31.03.2016 Rs.'000	Company 31.03.2015 Rs.'000	31.03.2016 Rs.'000	Group 31.03.2015 Rs.'000
ASSETS					
Non Current Assets					
Right-to-use of Land	12	172,377	178,118	172,377	178,118
Immovable estate assets on finance lease (other than Right to use of Land)	13	77,222	88,205	77,222	88,205
Tangible assets other than Immature/Mature Plantations	14A	705,154	726,340	1,064,319	1,101,385
Immature/Mature Plantations	14B	1,785,555	1,754,130	1,785,555	1,754,130
Consumable Biological Assets	14C	217,532	202,472	217,532	202,472
Development Cost	-	-	-	7,199	8,160
Investments in Subsidiaries	15	134,932	134,932	-	-
Deferred Tax Asset	10.4	-	-	16,686	14,699
		3,092,771	3,084,197	3,340,890	3,347,169
Current Assets					
Inventories	16	323,428	430,869	325,771	431,282
Trade and Other Receivables	17	157,875	209,016	170,166	237,443
Amounts due from Related Companies	18	3,137	2,695	3,137	2,695
ACT Recoverable	-	-	7,473	-	7,473
Short Term Investments	19	43,126	8,860	53,190	13,860
Cash and Bank Balances	-	9,097	5,358	27,130	20,412
		536,663	664,271	579,394	713,165
TOTAL ASSETS		3,629,434	3,748,468	3,920,284	4,060,334
EQUITY AND LIABILITIES					
Equity					
Stated Capital	20	350,000	350,000	350,000	350,000
Retained Earnings	-	1,117,193	1,133,734	1,163,837	1,172,193
Timber Reserves	-	164,434	159,693	164,434	159,693
Equity attributable to equity holders of the parent		1,631,627	1,643,427	1,678,271	1,681,886
Non-Controlling Interests	21	-	-	179,798	167,338
Total Equity		1,631,627	1,643,427	1,858,069	1,849,224
Non Current Liabilities & Deferred Income					
Interest Bearing Loans & Borrowings	22	139,236	192,558	176,859	251,680
Retiring Benefit Obligations	24	979,665	921,389	980,733	922,369
Deferred Tax Liability	10.4	92,475	63,144	92,475	63,144
Deferred Income	25	151,101	166,617	151,101	166,617
Liability to make Lease Payment after one year	26	187,717	188,402	187,717	188,402
		1,550,194	1,532,110	1,588,884	1,592,212
Current Liabilities					
Trade and Other Payables	27	270,616	346,130	278,007	362,175
Interest Bearing Loans & Borrowings	22	61,630	68,628	83,129	101,719
Liability to make Lease Payment within one year	26	643	569	643	569
Amounts due to Related Companies	28	10,510	9,447	7,338	6,278
Short Term Borrowings	23	42,000	45,000	42,000	45,000
Bank Overdraft	-	62,214	103,157	62,214	103,157
		447,614	572,931	473,331	618,898
TOTAL LIABILITIES		1,997,807	2,105,041	2,062,215	2,211,110
TOTAL EQUITY AND LIABILITIES		3,629,434	3,748,468	3,920,284	4,060,334

The Accounting Policies and Notes on pages 180 to 228 form an integral part of the Financial Statements.

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

D.S. Seneviratne

Chief Finance Officer/ Chief Executive Officer/Director

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

A.M. Pandithage
Chairman/ Director

10 May 2016
Colombo.

W.G.R. Rajadurai
Managing Director

**STATEMENT OF CHANGES IN EQUITY**

For the 12 months/15 months ended 31 March.

Company	Stated Capital Rs.'000	Retained Earnings Rs.'000	Timber Reserve Rs.'000	Total Equity Rs.'000
Balance As at 01 January 2014	350,000	968,040	152,863	1,470,903
Profit/ (Loss) for the period	-	228,297	-	228,297
Other comprehensive income	-	15,476	-	15,476
Transferred to the timber reserve		(6,830)	6,830	-
Dividends	-	(71,250)	-	(71,250)
Balance as at 31 March 2015	350,000	1,133,733	159,693	1,643,426
Super Gain Tax Charge	-	(25,900)	-	(25,900)
Adjusted Balance as at 01 April 2015	350,000	1,107,833	159,693	1,617,526
Profit/ (Loss) for the year	-	110,320	-	110,320
Other comprehensive income	-	(24,969)	-	(24,969)
Transferred to the timber reserve	-	(7,551)	7,551	-
Realised Gain on Timber Sales	-	2,810	(2,810)	-
Dividends	-	(71,250)	-	(71,250)
Balance as at 31 March 2016	350,000	1,117,193	164,434	1,631,627

Group	Attributable to equity holders of the parent				Non Controlling Interest Rs.'000	Total Equity Rs.'000
	Stated Capital Rs.'000	Retained Earnings Rs.'000	Timber Reserve Rs.'000	Total Rs.'000		
Balance as at 01 January 2014	350,000	995,500	152,863	1,498,363	152,855	1,651,218
Profit/ (Loss) for the period	-	239,296	-	239,296	28,165	267,461
Other comprehensive income	-	15,476	-	15,476	-	15,476
Transferred to the timber reserve		(6,830)	6,830	-	-	-
Dividends	-	(71,250)	-	(71,250)	(13,681)	(84,931)
Balance as at 31 March 2015	350,000	1,172,192	159,693	1,681,885	167,339	1,849,224
Super Gain Tax Charge	-	(25,900)	-	(25,900)	-	(25,900)
Adjusted Balance as at 01 April 2015	350,000	1,146,292	159,693	1,655,985	167,339	1,823,324
Profit/ (Loss) for the year	-	118,456	-	118,456	28,122	146,578
Other comprehensive income	-	(24,920)	-	(24,920)	46	(24,874)
Transferred to the timber reserve	-	(7,551)	7,551	-	-	-
Realised Gain on Timber Sales	-	2,810	(2,810)	-	-	-
Dividends	-	(71,250)	-	(71,250)	(15,709)	(86,959)
Balance as at 31 March 2016	350,000	1,163,837	164,434	1,678,271	179,798	1,858,069

The Timber Reserve relates to change in fair value of managed trees which includes commercial timber plantations cultivated on estates.

As per provisions of Part III of the Finance Act, No. 10 of 2015 which was certified on the 30 October 2015, Talawakelle Tea Estates PLC and the Group are liable for Super Gain Tax of Rs. 25.9 Million. According to the Act, the super gain tax shall be deemed to be an expenditure in the financial statements relating to the year of assessment which commenced on 1 April 2013. The Act supersedes the requirements of the Sri Lanka Accounting Standard, hence the expense of super gain tax is accounted in accordance with the requirements of the said Act as recommended by the Statement of Alternative Treatment (SoAT) on Accounting for Super Gain Tax issued by the Institute of Chartered Accountants of Sri Lanka, dated 24 November 2015.

The Accounting policies and notes on pages 180 to 228 form an integral part of the Financial Statements.

**STATEMENT OF CASH FLOW**

For the 12 months/15 months ended 31 March

		Company		Group	
	Notes	2016 Rs. 000'	2015 Rs. 000'	2016 Rs. 000'	2015 Rs. 000'
CASH FLOWS FROM OPERATING ACTIVITIES					
Net Profit/ (Loss) before Taxation		150,278	263,458	189,274	286,380
ADJUSTMENTS FOR					
Provision For Defined Benefit Plan Costs	24	121,004	148,744	121,200	149,723
Depreciation/Amortisation	9	136,810	163,821	153,857	185,090
Amortisation of Grants	25	(20,016)	(24,828)	(20,016)	(24,828)
Dividend Income	7	(18,351)	(16,240)	-	-
Finance Costs	8.2	31,771	57,148	38,219	72,909
Government Lease Interest	8.3	27,837	32,599	27,837	32,599
(Profit)/ Loss on disposal of Assets	7	(16,636)	(3,264)	(16,636)	(3,264)
(Profit)/ Loss on Sale of Trees	7	(22,618)	-	(22,618)	-
Loss on Machinery Replacement		-	763	-	763
(Gains)/Losses on Fair Value of Biological Assets	14C	(7,551)	(6,830)	(7,551)	(6,830)
Operating Profit before Working Capital Changes		382,528	615,371	463,565	692,541
(Increase)/Decrease in Inventories		107,441	175,419	105,511	175,374
(Increase)/Decrease in Trade and Other Receivables		51,141	(96,811)	67,277	(97,128)
Increase/(Decrease) in Trade and Other Payables		(77,555)	(35,453)	(90,946)	(25,797)
(Increase)/Decrease in amounts due from Related Companies		(442)	(2,562)	(442)	(2,695)
Increase/(Decrease) in amounts due to Related Companies		1,063	(6,346)	1,060	(8,407)
Cash Generated from Operations		464,176	649,618	546,024	733,887
Finance Costs Paid	8.2	(31,771)	(57,148)	(38,219)	(72,908)
Payment of ESC / Income Tax / SGT		(21,997)	(6,955)	(21,997)	(6,955)
Defined Benefit Plan Costs paid	24	(92,366)	(121,735)	(92,366)	(121,735)
Net Cash from Operating Activities		318,042	463,780	393,442	532,289
CASH FLOWS FROM INVESTING ACTIVITIES					
Grant Received	25	4,500	487	4,500	487
Proceeds from Sale of Trees		25,428	-	25,428	-
Proceeds from Disposal of Property, Plant & Equipment	7	16,636	3,264	16,636	3,264
Field Development Expenditure (Note A)	14B/ 14C	(104,896)	(142,409)	(104,896)	(142,409)
Purchase of Property, Plant & Equipment (Note B)		(35,746)	(120,932)	(35,953)	(120,952)
Dividend Income Received	7	18,351	16,240	-	-
Net Cash used in Investing Activities		(75,727)	(243,350)	(94,285)	(259,610)
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividend Paid		(71,250)	(71,250)	(86,959)	(84,931)
Payment of Government lease rentals		(28,796)	(33,245)	(28,796)	(33,245)
Proceeds from loans		260,000	55,800	260,000	55,800
Repayment of loans		(320,320)	(221,282)	(353,411)	(264,983)
Net Cash from Financing Activities		(160,366)	(269,977)	(209,166)	(327,359)
Net Increase / (Decrease) in Cash & Cash Equivalents		81,949	(49,549)	89,991	(54,680)
C. Cash & Cash Equivalents at the beginning of the year		(133,939)	(84,389)	(113,885)	(59,205)
D. Cash & Cash Equivalents at the end of the year		(51,990)	(133,938)	(23,894)	(113,885)

The Accounting Policies and Notes on pages 180 to 228 form an integral part of the Financial Statements.



For the 12 months/15 months ended 31 March

	Tea Rs. 000'	Rubber Rs. 000'	Company Unallocated Rs. 000'	Hydro Rs. 000'	Total Rs. 000'
NOTE A: Investment in field development expenditure					
Investment in Immature Plantations 2016	94,780	10,116	-	-	104,896
Investment in Immature Plantations 2015	129,714	12,694	-	-	142,408

NOTE B: Investment in Property, Plant & Equipment

Investment in Property, Plant & Equipment 2016	35,746	-	-	-	35,746
Investment in Property, Plant & Equipment 2015	120,932	-	-	-	120,932

	Tea Rs.'000	Rubber Rs.'000	Group Unallocated Rs.'000	Hydro Rs.'000	Total Rs.'000
NOTE A: Investment in field development expenditure					
Investment in Immature Plantations 2016	94,780	10,116	-	-	104,896
Investment in Immature Plantations 2015	129,714	12,694	-	-	142,408

NOTE B: Investment in Property, Plant & Equipment

Investment in Property, Plant & Equipment 2016	35,746	-	-	207	35,953
Investment in Property, Plant & Equipment 2015	120,932	-	-	20	120,952

	2016 Rs.'000	Company 2015 Rs.'000	2016 Rs.'000	Group 2015 Rs.'000
NOTE C				
Cash & Cash Equivalents at the beginning of the year				
Cash & Bank Balances	5,358	9,294	20,412	29,784
Short term Investments	8,860	9,434	13,860	14,434
Bank Overdrafts	(103,157)	(48,117)	(103,157)	(48,423)
Short term Loans	(45,000)	(55,000)	(45,000)	(55,000)
	(133,939)	(84,389)	(113,885)	(59,205)
NOTE D				
Cash & Cash Equivalents at the end of the year				
Cash & Bank Balances	9,097	5,358	27,130	20,412
Short term Investments	43,126	8,860	53,190	13,860
Bank Overdrafts	(62,213)	(103,157)	(62,214)	(103,157)
Short term Loans	(42,000)	(45,000)	(42,000)	(45,000)
	(51,990)	(133,939)	(23,894)	(113,885)

NOTE

During the Financial year, the Company & the Group acquired Property, Plant & Equipment to the aggregate value of Rs. 35,954,339/= (2015 Rs. 120,952,509/=).

The Accounting Policies and Notes on pages 180 to 228 form an integral part of the Financial Statements.



NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

Talawakelle Tea Estates PLC was incorporated on 22nd June, 1992 under the Companies Act No. 17 of 1982 (The Company was re-registered under the Companies Act No. 07 of 2007) in terms of the provisions of the Conversion of Public Corporation and Government-Owned Business Undertakings into Public Companies under Public Companies Act No. 23 of 1987.

The registered office of the Company is located at No. 400, Deans Road, Colombo 10, and Plantations are situated in the planting districts of Talawakelle, Nanuoya, Galle and Deniyaya. All companies in the Group are limited liability companies incorporated and domiciled in Sri Lanka.

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

The reporting period of Talawakelle Tea Estates PLC, has been changed from 31st December to 31st March from Financial Year 2014/15 in order to align with the parents reporting period. Therefore, the comparative information comprises a period of fifteen months from 1st January 2014 to 31st March 2015. The current year comprise as at and for the period of twelve months ended 31st March 2016. Therefore, amounts presented in the Financial Statements are not entirely comparable. The disclosures pertaining to change of the financial reporting period has been made in accordance to LKAS 1: Presentation of Financial Statements.

The Consolidated Financial Statements of Talawakelle Tea Estates PLC comprises the Company and its Subsidiaries namely TTEL Hydro Power Co (Pvt) Ltd and TTEL Somerset Hydro Power (Pvt) Ltd (together referred to as the 'Group').

1.1 Principle Activities and nature of the operations

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

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

Company	Nature of the business
TTEL Hydro Power Co (Pvt) Ltd	Generating hydropower
TTEL Somerset Hydro Power (Pvt) Ltd	Generating hydropower

1.2 Holding Company

The Company is a subsidiary of Hayleys Plantation Services (Pvt) Ltd which is a subsidiary of Dipped Products PLC whose ultimate parent enterprise is Hayleys PLC.

1.3 Date of Authorization for issue

The financial statements of Talawakelle Tea Estates PLC for the year ended 31 March 2016 were authorized for issue in accordance with a resolution of the Board of Directors on 10th May 2016.

1.4 Responsibility for Financial Statements

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

requires compliance with the Sri Lanka Accounting Standards promulgated by the Institute of Chartered Accountants of Sri Lanka (CASL) and with the requirements of the Companies Act No. 07 of 2007.

2.2 Basis of Measurement

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

- ⊙ Right to Use of Land and leased assets of SLSPC have been revalued as described in Note 12 to the Financial Statements
- ⊙ Managed Consumable biological assets are measured at fair value

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

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

2.3 Functional and Presentation Currency

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

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The Financial Statements of the Company and the Group comprise the Statement of Profit or Loss and Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Cash Flow Statement together with Accounting Policies and Notes to the Financial Statements (the "Consolidated Financial Statements") have been prepared in accordance with Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, which



2.4 Materiality and Aggregation

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below are consistent with those used in the previous year. Accounting policies of subsidiaries are consistent with the policies adopted by the Group.

3.1 Comparative information

The amounts presented in the Financial Statements are not entirely comparable due to changes of the reporting period. Please refer Note 01 for further clarifications.

3.2 Going Concern

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

3.3 Basis of Consolidation

The Consolidated Financial Statements comprise the Financial Statements of the Group and its subsidiaries as at 31st March 2016. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement

with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

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

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

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

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

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

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

3.3.1 Business Combinations

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

**NOTES TO THE FINANCIAL STATEMENTS CONTD.**

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

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of LKAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised in statement of profit or loss.

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

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

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

3.4 Current versus non-current classification

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

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

Or

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

All other assets are classified as non-current.

A liability is current when:

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

Or

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

The Group classifies all other liabilities as non-current.

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

3.5 Fair Value Measurement

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

- ⊙ Managed Consumable Biological Assets Note 14C

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



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

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

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

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

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

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

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

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

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

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

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

3.6 Foreign Currencies

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

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS CONTD.****3.7 Cash dividend and non-cash distribution to equity holders of the parent**

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

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

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

3.8 Property, Plant & Equipment

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

3.8.1 Basis of Recognition.

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

3.8.2 Measurement

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

3.8.3 Owned Assets

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

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

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

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

3.8.4 Leased Assets

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

Group as a lessee

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

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

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



3.8.5 Derecognition

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss statement when the asset is derecognized.

3.8.6 Land Development Cost

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

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

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

3.8.7 Biological assets

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

Biological assets are further classified as bearer biological assets and consumable biological assets. Bearer biological assets includes tea and rubber plants,

those that are not intended to be sold or harvested, however used to grow for harvesting agricultural produce from such biological assets. Consumable biological assets includes managed timber trees those that are to be harvested as agricultural produce or sold as biological assets.

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

3.8.7.1 Bearer Biological Assets

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

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

3.8.7.2 Infilling Cost on Bearer Biological Assets

The land development costs incurred in the form of infilling have been capitalised to the relevant mature field, only where the number of plants per hectare exceeded 3,000 plants and, also if it increases the expected future

benefits from that field, beyond its pre-infilling performance assessment. Infilling costs so capitalised are depreciated over the newly assessed remaining useful economic life of the relevant mature plantation, or the unexpired lease period, whichever is lower.

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

3.8.7.3 Borrowing Cost

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

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

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

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

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

3.8.7.4 Consumable Biological Asset

Consumable biological assets includes managed timber trees those that are to

**NOTES TO THE FINANCIAL STATEMENTS CONTD.**

be harvested as agricultural produce or sold as biological assets. Expenditure incurred on consumable biological assets (managed timber trees) is measured on initial recognition and at the end of each reporting period at its fair value less cost to sell in terms of LKAS 41. The cost is treated as approximation to fair value of young plants as the impact on biological transformation of such plants to price during this period is immaterial. The fair value of timber trees are measured using DCF method taking in to consideration the current market prices of timber, applied to expected timber content of a tree at the maturity by an independent professional valuer. All other assumptions and sensitivity analysis are given in Note 14C.

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

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

3.8.7.5 Nursery Plants

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

3.8.8 Depreciation and Amortisation**(a) Depreciation**

Depreciation is recognised in the Statement of Profit or Loss on a straight-line basis over the estimated useful economic lives of each part of an item

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

	No. of Years
Buildings	30 (Over the remaining lease period)
Roads	5
Plant & Machinery	20
Electronic Machinery	13
Hydro Power Plant	30
Motor Vehicles-Utility	10
Motor Vehicles-Supervisory	5
Equipment	4
Furniture & Fittings	10
Computer Accessories	4

MATURE PLANTATIONS (REPLANTING AND NEW PLANTING)

Mature Plantations	No. of Years
Tea	33 1/3
Rubber	20

Depreciation of an asset begins when it is available for use and ceases at the earlier of the date on which the asset is classified as held for sale or is derecognised. Depreciation methods,

useful lives and residual values are reassessed at the reporting date and adjusted prospectively, if appropriate. Mature plantations are depreciated over their useful lives or unexpired lease period, whichever is less.

No depreciation is provided for immature plantations.

(b) Amortisation

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

	No. of Years
Right to Use of Land	53
Improvements to land	30
Mature Plantations (Tea & Rubber)	30
Buildings	25
Machinery	20
Development Cost	15

3.8.9 Intangible Assets

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

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



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

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

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

3.8.9.1 Research and Development

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

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

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

A summary of the policy applied to the Group

Development Cost

Useful lives	Finite
Amortisation Method Used	Amortised Straight line over the right to generate hydro power.
Period of amortisation	15 Years
Internally generated or acquired	Acquired

3.9 Financial Instruments

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

3.9.1 Financial Assets

3.9.1.1 Initial Recognition & Measurement

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

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

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

3.9.1.2 Subsequent Measurement

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

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

Financial assets at fair value through profit or loss include financial assets

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

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

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

(b) Loans and receivables

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

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

(c) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as

held-to-maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment.

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

(d) Available for sale financial investments

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

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

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

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

3.9.1.3 Derecognition

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

- ⊙ The rights to receive cash flows from the asset have expired
- ⊙ The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither



transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

3.9.1.4 Impairment of financial assets

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

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

will enter bankruptcy or other financial reorganisation and when observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

3.9.1.4.1 Financial assets carried at amortised cost

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

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

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income (recorded as finance income in the statement of profit or loss) continues to be accrued on the reduced carrying

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

3.9.1.4.2 Available for sale financial Assets

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

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

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after impairment are recognised in Other Comprehensive Income.

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

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

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

3.9.2 Financial liabilities**3.9.2.1 Initial recognition and measurement**

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

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

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

3.9.2.2 Subsequent measurement

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

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

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

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

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

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

(b) Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

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

3.9.2.3 Derecognition

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

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

3.9.3 Offsetting of financial instruments

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



Financial risk management objectives and policies have been disclosed under Note 37.

3.10 Inventories

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

Input Material, Spares and Consumables

At actual cost on weighted average basis.

Agricultural produce harvested from biological assets

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

3.11 Trade and Other Receivables

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

3.12 Cash and Cash Equivalents

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

3.13 Impairment of Non-Financial Assets

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

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

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a

long-term growth rate is calculated and applied to project future cash flows after the fifth year.

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS CONTD.**

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

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

3.14 Provisions

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

3.15 Employees Benefits**(a) Defined Contribution Plans -****Provident Funds and Trust Fund**

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

during which services are rendered by employees.

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

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

(b) Defined Benefit Plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The liability recognised in the Financial Statements in respect of defined benefit plan is the present value of the defined benefit obligation at the Reporting date. The defined benefit obligation is calculated annually using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using the interest rates that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised as in retained earnings through other comprehensive income. Past service costs are recognised immediately in statement of profit or loss.

The provision has been made for retirement gratuities from the first year of service for all employees, in conformity with LKAS 19, Employee Benefits. However, under the Payment

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

The Liability is not externally funded.

The key assumptions used in determining the retirement benefit obligations are given in Note 24.

3.16 Trade and Other Payables

Trade and other payables are stated at their costs.

3.17 Capital Commitments and Contingencies

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

3.18 Events Occurring after the Reporting Date

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

3.19 Earnings per Share

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

3.20 Deferred Income**3.20.1 Grants and Subsidies**

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied



with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it is recognised as deferred income and released to income in equal amounts over the expected useful life of the related asset.

Where the Group receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to the statement of profit or loss over the expected useful life and pattern of consumption of the benefit of the underlying asset by equal annual instalments. 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 favorable interest is regarded as additional government grant. Assets are amortised over their useful lives as follows.

Grants related to Property, Plant & Equipment other than grants received for forestry are initially deferred and allocated to income on a systematic basis over the useful life of the related Property, Plant & Equipment as follows: Assets are amortised over their useful lives or unexpired lease period, whichever is less.

Buildings	40 years
Roads	5 Years

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

3.21 Statement of Profit or Loss

For the purpose of presentation of statement of profit or loss, the function

of expenses method is adopted, as it represents fairly the elements of the Group's performance.

3.21.1 Revenue

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

- a) Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Revenue is recorded at invoice value net of brokerage, sale expenses and other levies related to revenue.
- b) Gains and losses on disposal of an item of Property, Plant & Equipment are determined by comparing the net sales proceeds with the carrying amounts of Property, Plant & Equipment and are recognised within 'other operating income' in the statement of profit or loss.
- c) For all financial instruments measured at amortised cost and interest-bearing financial assets classified as AFS, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the statement of profit or loss.

- d) Dividend is recognised when the Group's right to receive the payment is established, which is generally when shareholders approve the dividend.

- e) Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms.

3.21.2 Expenses

All expenditure incurred in the running of the business and in maintaining the Property, Plant & Equipment in a state of efficiency is charged to revenue in arriving at the profit or loss for the period.

3.21.2.1 Finance Income and Finance Cost

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss, and losses on hedging instruments that are recognised in profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

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

**NOTES TO THE FINANCIAL STATEMENTS CONTD.****3.21.2.2 Taxes****3.21.2.2.1 Current Income Tax**

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

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

3.21.2.2.2 Deferred Tax

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

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

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

reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- ⊙ When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- ⊙ In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

become probable that future taxable profits will allow the deferred tax asset to be recovered.

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

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

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

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

3.22 Statement of Cash Flows

The Statement of Cash Flows has been prepared using the 'indirect method'. Interest paid is classified as operating cash flows, while dividends paid and Government grants received are classified as financing and investing cash flows, for the purpose of presenting the Statement of Cash Flows.



3.23 Segment Reporting

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

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

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

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

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

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

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

4. USE OF ESTIMATES AND JUDGMENTS

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

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

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

4.1 Taxation

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can

be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

4.2 Measurement of Retirement Benefit Obligation

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

4.3 Fair Valuation of Biological Assets

The fair value of managed timber depends on number of factors that are determined on a discounted method using various financial and nonfinancial assumptions. The growth of the trees is determined by various biological factors that are highly unpredictable. Any change to the assumptions will impact to the fair value of biological assets. Key assumptions and sensitivity analysis of the biological assets are given in the note 14C.

4.4 Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model. The

**NOTES TO THE FINANCIAL STATEMENTS CONTD.**

cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognised by the Group.

5. STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

⊙ **SLFRS 9 -Financial Instruments: Classification and Measurement**

SLFRS 9, as issued reflects the first phase of work on replacement of LKAS 39 and applies to classification and measurement of financial assets and liabilities. This standard was originally effective for annual periods commencing on or after 01st January 2018. However the effective date has been deferred subsequently.

⊙ **SLFRS 15 -Revenue from Contracts with Customers**

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

⊙ **Amendment to LKAS 41; Agriculture & LKAS 16; Property, Plant & Equipment**

This amendment define a bearer plant and accordingly, require bearer plants to be accounted for as property, plant and equipment and include within the scope of LKAS 16, instead of LKAS 41. Entities are required to apply the amendments for annual periods beginning on or after 01st January 2016. However, this amendment has no impact on group's current accounting treatment on recognition and measurement. Since, currently the group continued to recognise and measure bearer plant in accordance with LKAS 16. Further, the above amendment requires entity to recognise agricultural produce at fair value separately from its bearer plant prior to harvest. Determining the point at which to recognise agricultural produce separately, will require judgment.

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



For the 12 months/15 months ended 31 March.

6. REVENUE

6.1 Summary

Period ended	Company		Group	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Sale of Goods				
Tea	3,277,149	4,581,599	3,277,149	4,581,599
Rubber	10,809	24,603	10,809	24,603
Mini Hydro Power	-	-	111,456	117,519
Others	35,165	37,379	35,165	37,379
	3,323,123	4,643,581	3,434,579	4,761,100

6.2 Segment Information

a) Segment Revenue

Tea

Revenue	3,277,149	4,581,599	3,277,149	4,581,599
Revenue Expenditure	(2,791,663)	(3,853,997)	(2,791,663)	(3,853,997)
Depreciation	(132,483)	(160,020)	(132,483)	(160,020)
Other Non Cash Expenditure	(121,004)	(148,744)	(121,004)	(148,744)
Segment Results	231,999	418,838	231,999	418,838

Rubber

Revenue	10,809	24,603	10,809	24,603
Revenue Expenditure	(26,773)	(40,434)	(26,773)	(40,434)
Depreciation	(4,328)	(3,801)	(4,328)	(3,801)
Other Non Cash Expenditure	-	-	-	-
Segment Results	(20,292)	(19,632)	(20,292)	(19,632)

Mini Hydro Power

Revenue	-	-	111,456	117,519
Revenue Expenditure	-	-	(25,027)	(28,694)
Depreciation	-	-	(16,085)	(21,268)
Other Non Cash Expenditure	-	-	(196)	(980)
Segment Results	-	-	70,148	66,577

Unallocated

Revenue	35,165	37,379	35,165	37,379
Revenue Expenditure	-	-	-	-
Depreciation	-	-	-	-
Other Non Cash Expenditure	-	-	-	-
Segment Results	35,165	37,379	35,165	37,379

**NOTES TO THE FINANCIAL STATEMENTS CONTD.****6.2 Segment Information (Contd.)****a) Segment Revenue**

Period ended	Company		Group	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Total				
Revenue	3,323,123	4,643,582	3,434,579	4,761,101
Revenue Expenditure	(2,818,436)	(3,894,432)	(2,842,503)	(3,923,126)
Depreciation	(136,810)	(163,821)	(153,856)	(185,090)
Other Non Cash Expenditure	(121,004)	(148,744)	(121,200)	(149,723)
Segment Results	246,873	436,585	317,020	503,162
Gains on fair value of biological assets	7,551	6,830	7,551	6,830
Other Income	85,200	69,507	66,849	53,267
Administrative Expenses	(132,093)	(157,030)	(139,887)	(168,565)
Management Fees	-	(6,284)	-	(6,284)
Government Lease Interest	(27,837)	(32,599)	(27,837)	(32,599)
Finance Income	2,356	3,596	3,796	3,477
Finance Expense	(31,771)	(57,148)	(38,219)	(72,909)
Operating Profit of the Company	150,279	263,457	189,273	286,379
b) Segment Assets				
Non Current Assets				
Tea	2,637,710	2,648,514	2,637,710	2,648,514
Rubber	102,596	98,279	102,596	98,279
Mini Hydro Power	-	-	383,052	397,904
Investment	134,932	134,932	-	-
Consumable Biological Asset	217,532	202,472	217,532	202,472
	3,092,770	3,084,197	3,340,890	3,347,169
Current Assets				
Tea	535,312	662,866	535,312	662,866
Rubber	1,353	1,406	1,353	1,406
Mini Hydro Power	-	-	42,731	48,893
	536,665	664,272	579,396	713,165
Total Assets	3,629,435	3,748,469	3,920,286	4,060,334

**6.2 Segment Information (Contd.)****c) Segment Liabilities**

As at 31 March	Company		Group	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Non Current Liabilities and Deferred Income				
Tea	1,550,194	1,532,111	1,550,194	1,532,111
Mini Hydro Power	-	-	38,690	60,101
	1,550,194	1,532,111	1,588,884	1,592,212
Current Liabilities				
Tea	447,610	572,930	447,610	572,930
Mini Hydro Power	-	-	25,722	45,967
	447,610	572,930	473,332	618,897
Total Liabilities	1,997,804	2,105,041	2,062,216	2,211,109
d) Segment Capital Expenditure				
Cost				
Tea	120,208	237,817	120,208	237,817
Rubber	10,115	12,964	10,115	12,964
Consumable Biological Asset	10,319	12,559	10,319	12,559
Mini Hydro Power	-	-	207	20
	140,642	263,340	140,849	263,360

7. OTHER INCOME AND GAINS

Period ended	Company		Group	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Profit on Sale of Trees	22,738	23,665	22,738	23,665
Amortisation of Capital Grants	20,016	24,828	20,016	24,828
Profit on Disposal of Assets	16,636	3,264	16,636	3,264
Dividend Income	18,351	16,240	-	-
Lease of land for towers	7,321	1,510	7,321	1,510
Sale of Cinnamon	138	-	138	-
	85,200	69,507	66,849	53,267

**NOTES TO THE FINANCIAL STATEMENTS CONTD.****8. FINANCE INCOME/ EXPENSE****8.1 Finance Income**

Period ended	Company		Group	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Interest Income	2,356	3,596	3,796	3,477
	2,356	3,596	3,796	3,477

8.2 Finance Expenses

Guarantee Chargers	-	-	(3)	(120)
Overdraft Interest	(7,046)	(3,625)	(7,046)	(3,625)
Short Term Loan Interest	(4,408)	(5,888)	(4,408)	(5,888)
Term Loan Interest	(20,317)	(47,635)	(26,761)	(63,276)
	(31,771)	(57,148)	(38,219)	(72,909)

8.3 Interest Paid to Government on Finance Lease

	(27,837)	(32,599)	(27,837)	(32,599)
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Net Finance Expense	(57,252)	(86,151)	(62,260)	(102,031)
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9. PROFIT BEFORE TAX IS STATED AFTER CHARGING

Period ended	Company		Group	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Directors Emoluments	6,384	6,545	6,384	6,545
Key Management Compensation	8,772	10,026	8,772	10,026
Auditors Fees	2,809	2,613	3,066	3,092
Depreciation/Amortisation	136,811	163,821	153,856	185,090
Defined Benefit Plan Costs	121,004	148,744	121,200	149,723
Defined Contributions Plan Costs - EPF & ETF	175,581	226,065	176,109	226,065
Others - Staff Costs	1,806,469	2,247,798	1,815,175	2,255,808

**10. INCOME TAX EXPENSE**

The major component of income tax expenses for the period are as follows :

10.1 INCOME STATEMENT

Period ended	Company		Group	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Current Tax Expenses				
Current Income Tax Charges	5,957	11,191	10,695	14,972
Under Provision in respect to current income tax of previous years	-	267	-	267
	5,957	11,458	10,695	15,239
Deferred Tax Expense				
Deferred Taxation Charge /(Reversal)	34,001	23,703	32,001	3,680
	34,001	23,703	32,001	3,680
Total Tax Expense	39,958	35,161	42,697	18,919
10.2 STATEMENT OF COMPREHENSIVE INCOME				
Deferred tax related to items charged or credited directly to OCI during the period/ year;				
Net gain/ (loss) on actuarial gains and losses	(4,670)	2,895	(4,657)	2,895
Income tax charged directly to other comprehensive income	(4,670)	2,895	(4,657)	2,895

10.3 RECONCILIATION BETWEEN TAX EXPENSES AND THE PRODUCT OF ACCOUNTING

PROFIT MULTIPLIED BY THE STATUTORY EFFECTIVE TAX RATES ARE AS FOLLOWS:

Period ended	Company		Group	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Profit before Tax	150,280	263,458	189,274	286,380
Effective Rate	10%	10.80%	10.08%	10.80%
Tax effect on Accounting Profit / (Loss) Before Tax	15,028	28,456	19,076	30,926
Tax effect on Aggregate disallowed items	30,679	48,892	31,762	48,892
Tax effect on Aggregate allowable items	(30,568)	(52,771)	(33,445)	(52,771)
	15,139	24,577	17,393	27,047
Tax effect on Non Tax Receipt	(5,975)	(5,173)	(6,761)	(7,187)
Tax effect on Tax Loss B/F & Utilised	(3,207)	(8,213)	(3,721)	(8,213)
	5,957	11,191	6,911	11,647
Dividend Tax @ 10%	-	-	3,784	3,325
Income Tax Charge/(Reversal)	5,957	11,191	10,695	14,972

**NOTES TO THE FINANCIAL STATEMENTS CONTD.****10.4 DEFERRED TAX (ASSETS) AND LIABILITIES**

As at 31 March

	2016		2015	
	Temporary Difference Rs.'000	Tax Effect Rs.'000	Temporary Difference Rs.'000	Tax Effect Rs.'000
Company				
As at 1 April/ January	474,663	63,144	298,807	36,546
Amount originating during the year/period	136,389	29,331	175,856	26,598
As at 31 March	611,052	92,475	474,661	63,144
Temporary difference of property, plant and equipment	462,772	72,933	439,387	69,247
Temporary difference Immature/Mature	1,785,555	281,403	1,754,130	276,451
Temporary difference of biological asset	217,533	21,753	202,472	20,247
Temporary difference of retirement benefit obligation	(979,665)	(154,395)	(921,389)	(145,211)
Temporary difference Deferred Income	(151,102)	(15,110)	(166,617)	(26,259)
Carried forward tax losses	(724,041)	(114,109)	(833,320)	(131,331)
As at 31 March	611,052	92,475	474,663	63,144
	Temporary Difference Rs.'000	Tax Effect Rs.'000	Temporary Difference Rs.'000	Tax Effect Rs.'000
Group				
As at 1 April / January	352,173	48,446	317,819	41,870
Amount originating during the year/period	119,832	27,343	34,354	6,576
As at 31 March	472,005	75,789	352,173	48,446
Temporary difference of property, plant and equipment	460,270	72,633	437,219	68,987
Temporary difference Immature/Mature	1,785,555	281,403	1,754,130	276,451
Temporary difference of biological asset	217,533	21,753	202,472	20,247
Temporary difference of retirement benefit obligation	(980,733)	(154,523)	(922,369)	(145,328)
Temporary difference Deferred Income	(151,102)	(15,110)	(166,617)	(26,259)
Carried forward tax losses	(859,518)	(130,367)	(952,662)	(145,652)
As at 31 March	472,005	75,789	352,173	48,446

	Company		Group	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Deferred Tax Assets	-	-	(16,686)	(14,699)
Deferred Tax Liabilities	92,475	63,144	92,475	63,144
	92,475	63,144	75,789	48,445



11. EARNINGS PER SHARE

11.1 The calculation of the basic earnings per share is based on after tax profit for the period divided by the weighted average number of ordinary shares outstanding during the period.

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

	Company		Group	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Amounts used as the Numerator :				
Net profit/ (loss) applicable to ordinary shareholders for basic earnings per share	110,320	228,297	118,456	239,296
	110,320	228,297	118,456	239,296
Amounts used as the Denominator :				
Weighted average number of ordinary shares in issue applicable to basic earnings per share	23,750	23,750	23,750	23,750
	23,750	23,750	23,750	23,750
Earnings/ (Loss) Per Share (Rs.)	4.65	9.61	4.99	10.08

12. RIGHT-TO-USE OF LAND

“Right-To-Use of Land on Lease” as above was previously titled “Leasehold Right to Bare land”. The change is in order to comply with Statement of Alternative Treatment (SoAT) issued by the Institute of Chartered Accountants of Sri Lanka dated 21 August 2013. Such leases have been executed for all estates for a period of 53 years.

This right-to-use of land is amortized over the remaining lease term or useful life of the right whichever is shorter and is disclosed under non-current assets. The Statement of Alternative Treatment (SoAT) for right-to-use of land does not permit further revaluation of right-to-use of land. However, an adjustment to the “Right-To-Use of Land” could be made to the extent that the change relate to the future period on the reassessment of liability to make the lease payment. The values taken into the 18th June 1992 Statement of Financial Position Date and amortization of the right to use of land up to 31 March 2016 are as follows.

	Company		Group	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Capitalised Value				
As at 1st April	200,927	200,927	200,927	200,927
As at 31st March	200,927	200,927	200,927	200,927
Amortization				
As at 1st April	22,809	15,633	22,809	15,633
Amortization charge for the year	5,741	7,176	5,741	7,176
As at 31st March	28,550	22,809	28,550	22,809
Carrying amount	172,377	178,118	172,377	178,118

**NOTES TO THE FINANCIAL STATEMENTS CONTD.****13. IMMOVABLE ESTATE ASSETS ON FINANCE LEASE (OTHER THAN RIGHT-TO-USE OF LAND)**

In terms of the ruling of the UITF of the Institute of Chartered Accountants of Sri Lanka prevailed at the time of privatisation of Plantation Estates, all immovable assets in these estates under finance leases have been taken into the books of the Company retroactive to 22 June 1992. For this purpose the Board decided at its meeting on March 8, 1995 that these assets would be taken at their book values as they appear in the books of the SLSPC, on the day immediately preceding the date of formation of the Company. These assets are taken into the 22 June 1992 Statement of Financial Position and the amortisation of immovable estate assets to 31 March 2016 as follows.

	Company					Group				
	Improvement to Land Rs.'000	Mature Plantations Rs.'000	Buildings Rs.'000	Plant & Machinery Rs.'000	Total Rs.'000	Improvement to Land Rs.'000	Mature Plantations Rs.'000	Buildings Rs.'000	Plant & Machinery Rs.'000	Total Rs.'000
Cost/ Revaluation										
* Revaluation as at 22.06.1992	9,084	243,838	63,826	12,007	328,755	9,084	243,838	63,826	12,007	328,755
As at 31 March 2015	9,084	243,838	63,826	12,007	328,755	9,084	243,838	63,826	12,007	328,755
As at 31 March 2016	9,084	243,838	63,826	12,007	328,755	9,084	243,838	63,826	12,007	328,755
Accumulated Amortisation										
As at 31 March 2015	6,735	165,001	56,806	12,007	240,549	6,735	165,001	56,806	12,007	240,549
Amortization charge for the year	303	8,128	2,553	-	10,984	303	8,128	2,553	-	10,984
As at 31 March 2016	7,038	173,129	59,359	12,007	251,533	7,038	173,129	59,359	12,007	251,533
Written down value										
As at 31 March 2016	2,046	70,709	4,467	-	77,222	2,046	70,709	4,467	-	77,222
As at 31 March 2015	2,349	78,837	7,020	-	88,206	2,349	78,837	7,020	-	88,206

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

Mature plantations/improvement to land 30 years

Buildings 25 years

Machinery 15 years

* Revaluation amount is arrived at after adjusting for assets handed over to Tea Smallholdings Development Authority.

**14. A TANGIBLE ASSETS OTHER THAN IMMATURE/MATURE PLANTATIONS**

	Company				Group			
	Balance as at 01.04.2015 Rs.'000	Additions for the year Rs.'000	Disposals during the year Rs.'000	Balance as at 31.03.2016 Rs.'000	Balance as at 01.04.2015 Rs.'000	Additions for the year Rs.'000	Disposals during the year Rs.'000	Balance as at 31.03.2016 Rs.'000
Cost								
Buildings	473,450	12,455	-	485,905	473,450	12,455	-	485,905
Motor Vehicles	184,645	11,568	(14,250)	181,963	184,645	11,568	(14,250)	210,463
Plant & Machinery	602,052	7,663	-	609,715	1,083,458	7,663	-	1,091,121
Furniture & Fittings	9,619	358	-	9,977	9,619	358	-	9,977
Equipment & Tools	83,861	4,997	-	88,858	83,909	5,204	-	89,113
	1,353,627	37,041	(14,250)	1,376,417	1,835,081	37,248	(14,250)	1,858,079
	Balance as at 01.04.2015 Rs.'000	Additions for the year Rs.'000	Accumulated depreciation on disposals Rs.'000	Balance as at 31.03.2016 Rs.'000	Balance as at 01.04.2015 Rs.'000	Additions for the year Rs.'000	Accumulated depreciation on disposals Rs.'000	Balance as at 31.03.2016 Rs.'000
Accumulated Depreciation								
Buildings	102,735	12,960	-	115,695	102,735	12,960	-	115,695
Motor Vehicles	119,051	16,041	(14,250)	120,842	119,051	16,041	(14,250)	149,342
Plant & Machinery	335,885	21,676	-	357,562	442,260	37,723	-	479,983
Furniture & Fittings	7,035	573	-	7,607	7,035	573	-	7,608
Equipment & Tools	66,222	5,684	-	71,906	66,256	5,723	-	71,979
	630,928	56,934	(14,250)	673,612	737,337	73,020	(14,250)	796,107
Written Down Value	722,699			702,806	1,097,744			1,061,972
	Balance as at 01.04.2015 Rs.'000	Additions for the year Rs.'000	Capitalised/ Disposed during the year Rs.'000	Balance as at 31.03.2016 Rs.'000	Balance as at 01.04.2015 Rs.'000	Additions for the year Rs.'000	Capitalised/ Disposed during the year Rs.'000	Balance as at 31.03.2016 Rs.'000
Capital Work-in-Progress	3,642	2,346	(3,642)	2,347	3,642	2,346	(3,642)	2,347
TOTAL WRITTEN DOWN VALUE	726,341			705,153	1,101,387			1,064,319

Note : The assets shown above are those movable assets vested in the Company by Gazette Notification at the date of formation of the Company (22 June 1992) and all investments in tangible assets by the Company since its formation. The assets taken over by way of estate leases are set out in Notes 12 and 13.

No borrowing costs have been capitalised into Capital Work-in-Progress.

The cost of fully depreciated Property, Plant & Equipment of the Company which are still in use as at the date of the Statement of Financial Position is Rs. 411.7 Mn (2015- Rs. 401.7 Mn).

**NOTES TO THE FINANCIAL STATEMENTS CONTD.****14. B IMMATURE/MATURE PLANTATIONS - (BEARER BIOLOGICAL ASSET)**

	Company					Group				
	Permanent Land Development Cost Rs.'000	Roads Rs.'000	Immature Plantations Rs.'000	Mature Plantations Rs.'000	Total Rs.'000	Permanent Land Development Cost Rs.'000	Roads Rs.'000	Immature Plantations Rs.'000	Mature Plantations Rs.'000	Total Rs.'000
Cost										
* As at 1st April 2015	23,172	81,549	272,158	1,899,028	2,275,907	23,172	81,549	272,158	1,899,028	2,275,907
Additions	-	-	94,577	-	94,577	-	-	94,577	-	94,577
Transfers	-	-	(36,397)	36,397	-	-	-	(36,397)	36,397	-
As at 31st March 2016	23,172	81,549	330,338	1,935,425	2,370,484	23,172	81,549	330,338	1,935,425	2,370,484
Accumulated Depreciation										
As at 1st April 2015	9,754	78,616	-	433,408	521,778	9,754	78,616	-	433,408	521,778
Amortization charge for the year	772	2,673	-	59,706	63,151	772	2,673	-	59,706	63,151
As at 31st March 2016	10,526	81,289	-	493,114	584,929	10,526	81,289	-	493,114	584,929
Written Down Value										
As at 31st March 2016	12,646	260	330,338	1,442,311	1,785,555	12,646	260	330,338	1,442,311	1,785,555
As at 31st March 2015	13,418	2,933	272,158	1,465,620	1,754,129	13,418	2,933	272,158	1,465,620	1,754,129

*The figures above are stated after adjusting for assets handed over to Tea Smallholdings Development Authority.

These are investments in immature/ mature plantations since the formation of the Company. The assets (including plantation assets) taken over by way of estate leases are set out in Notes 12 and 13. Further investment in immature plantations taken over by way of these leases are shown in the above note. When such plantations become mature, the additional investments, since initial investment to bring them to maturity, will be moved from immature to mature under this note.

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

Specific borrowings have not been obtained to finance the planting expenditure. Hence, borrowing costs were not capitalized during the period under Immature Plantations (2015- Nil).



14. C CONSUMABLE BIOLOGICAL ASSETS

TIMBER PLANTATIONS - MANAGED TREES

As at 31 March	Company		Group	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
As at 1 April/ January	202,472	183,083	202,472	183,083
Increase due to development	10,319	12,559	10,319	12,559
Gain/(loss) arising from changes in fair value less cost to sell attributable to physical change	7,551	6,830	7,551	6,830
Decrease due to harvest	(2,810)	-	(2,810)	-
As at 31 March	217,532	202,472	217,532	202,472

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

The fair value of managed trees harvestable under the forestry harvesting plan was ascertained since the LKAS 41 is only applicable for managed agricultural activity in terms of the ruling issued by The Institute of Chartered Accountants of Sri Lanka. The valuation was carried by Messers Sunil Fernando Associates, accredited chartered valuers, using Discounted Cash Flow (DCF) methods. In ascertaining the fair value of timber a physical verification was carried out covering all the estates.

14.C.1 INFORMATION ABOUT FAIR VALUE MEASUREMENTS USING SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)

Non Financial Asset	Valuation Technique	Unobservable Inputs	Range of Unobservable Inputs (Probability weighted average)	Relationship of Unobservable Inputs to Fair Value
Consumable Managed Biological Assets	DCF	Discounting Rate	17.5%	The higher the discount rate, the lesser the fair value
		Optimum rotation (Maturity)	25-35 Years	Lower the rotation period, the higher the fair value
		Volume at rotation	25-85 cu.ft	The higher the volume, the higher the fair value
		Price per cu.ft.	Rs. 450/- to Rs. 1,800/-	The higher the price per cu. ft., the higher the fair value
Other key assumptions used in valuation	<ol style="list-style-type: none"> 1. The harvesting is approved by the PMMD and the Forest Department based on the Forestry Development Plan. 2. The prices adopted are net of expenditure 3. Though the replanting is a condition precedent for harvesting' yet the costs are not taken in to consideration. 			

**NOTES TO THE FINANCIAL STATEMENTS CONTD.**

The valuations, as presented in the external valuation models based on net present values, take into account the long term exploitation of the timber plantations. The Board of Directors retains their view that commodity markets are inherently volatile and that long term price projections are highly unpredictable. The Board of Directors is of the opinion that the sensitivity analysis regarding selling price and discount rate variations as included in this note allows every investor to reasonably challenge the financial impact of the assumptions used in the LKAS 41 valuations as included in the consolidated accounts against his own assumptions.

The carrying amount of biological assets pledged as securities for liabilities as at the date of the statement of financial position is nil. (2015 - nil).

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

14.C.2 Sensitivity Analysis***Sensitivity variation sales price***

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

	Rs.'000 +10%	Rs.'000 -10%
Managed Timber		
As at 31 March 2016	17,479	(17,479)
As at 31 March 2015	16,849	(16,849)

Sensitivity variation discount rate

Values as appearing in the Statement of Financial Position are very sensitive to changes of the discount rate applied. Simulations made for timber trees show that a rise or decrease by 1.5% of the discount rate has the following effect on the net present value of biological assets:

	Rs.'000 +1.5%	Rs.'000 -1.5%
As at 31 March 2016	(3,837)	2,248
As at 31 March 2015	(2,783)	2,724

**15. INVESTMENTS IN SUBSIDIARIES**

Talawakelle Tea Estates PLC holds 3,519,000 (51%) ordinary shares of TTEL Hydro Power Company (Pvt) Ltd. and 3,060,000 (51%) ordinary shares of TTEL Somerset Hydro Power (Pvt) Ltd., and 14% redeemable cumulative preference shares of Rs. 10/- each of TTEL Hydro Power Company (Pvt) Ltd. and TTEL Somerset Hydro Power (Pvt) Ltd. amounting to Rs. 53,108,300/= and Rs. 16,034,400/= respectively redeemable in, December 2018.

As at 31 March	Company	
	2016 Rs.'000	2015 Rs.'000
Ordinary Shares		
TTEL Hydro Power Company (Pvt) Ltd	35,190	35,190
TTEL Somerset Hydro Power (Pvt) Ltd	30,600	30,600
	65,790	65,790
Preference Shares		
TTEL Hydro Power Company (Pvt) Ltd	53,108	53,108
TTEL Somerset Hydro Power (Pvt) Ltd	16,034	16,034
	69,142	69,142
Total Investment	134,932	134,932

Subsidiaries	Principle Activity
TTEL Hydro Power Company (Pvt) Ltd	Generates Hydro Power
TTEL Somerset Hydro Power (Pvt) Ltd	Generates Hydro Power

16. INVENTORIES

As at 31 March	Company		Group	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Biological Assets - Nurseries	19,446	22,316	19,446	22,316
Biological Assets -Harvested Crop	244,713	354,655	244,713	354,655
Input Stocks, Consumables & spares	59,269	53,898	61,612	54,311
	323,428	430,869	325,771	431,282

17. TRADE AND OTHER RECEIVABLES

As at 31 March	Company		Group	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Produce Debtors	63,504	135,243	67,724	135,243
Advances & Prepayments	54,444	52,868	56,927	54,408
Other debtors	39,927	20,905	45,515	47,792
	157,875	209,016	170,166	237,443

**NOTES TO THE FINANCIAL STATEMENTS CONTD.****18. AMOUNTS DUE FROM RELATED COMPANIES**

As at 31 March	Relationship	Company		Group	
		2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Dipped Products PLC	Related Company	1,354	1,406	1,354	1,406
Hayleys Global Beverages (Pvt) Ltd	Related Company	81	1,289	81	1,289
Mabroc Teas (Pvt) Ltd	Related Company	1,702	-	1,702	-
		3,137	2,695	3,137	2,695

19. SHORT TERM INVESTMENT

As at 31 March	Company		Group	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Saving Accounts	43,126	8,860	43,126	8,860
Fixed Deposits	-	-	10,064	5,000
	43,126	8,860	53,190	13,860

20. STATED CAPITAL

As at 31 March	Company		Group	
	2016 Number	2015 Number	2016 Number	2015 Number
Issued and Fully Paid Ordinary Shares				
Number of ordinary shares including one golden share held by the Treasury which has special rights	23,750	23,750	23,750	23,750
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Stated Capital including one Golden Share held by the Treasury which has special rights	350,000	350,000	350,000	350,000

The holders 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. Special rights of the Golden share are given in the Annual Report to the Board of Directors on the Affairs of the Company.

21. NON-CONTROLLING INTEREST

As at 31 March	2016 Rs.'000	2015 Rs.'000
TTEL Hydro Power Company (Pvt) Ltd	91,608	85,315
TTEL Somerset Hydro Power (Pvt) Ltd	88,190	82,023
	179,798	167,338

**21. NON-CONTROLLING INTEREST (CONTD.)****21.1 MATERIAL PARTLY OWNED SUBSIDIARIES**

Summarised financial information of subsidiaries that have material non-controlling interest, reflecting amounts before inter-company eliminations, is set out below.

	TTEL Hydro Power Company (Pvt) Ltd	TTEL Somerset Hydro Power (Pvt) Ltd
Non controlling Interests in %	49	49
	Rs.'000	Rs.'000
Accumulated Balance of Non Controlling Interest	91,608	88,190
Summarised statement of profit or loss for the year ended 31 March 2016		
	Rs.'000	Rs.'000
Revenue	53,576	57,880
Cost of sales	(23,798)	(18,510)
Administrative expenses	(3,706)	(4,088)
Finance cost	(6,274)	(179)
Finance Income	117	1,326
Profit/(loss) before tax	19,915	36,430
Income Tax	2,035	(989)
Profit/(loss) after tax	21,950	35,441
Attributable to owners	11,195	18,075
Attributable to non controlling interests	10,756	17,366
Total Comprehensive income	22,040	35,445
Dividend paid to non controlling interest	11,202	4,507
Summarised statement of financial position as at 31 March 2016		
Current Assets	25,139	20,765
Non Current Assets	159,478	230,457
Current Liabilities	4,143	3,252
Non current Liabilities	59,641	549
Total Equity	187,437	180,816
Attributable to :		
Equity holders of parent	95,593	92,216
Non controlling interests	91,844	88,600
Summarised statements of cash flows for the year ended 31 March 2016		
Operating cash flows	37,236	40,506
Investing Cash flows	51	1,186
Financing cash flows	(33,942)	(36,994)
Net increase/(decrease) in cash & cash equivalents	3,345	4,698

**NOTES TO THE FINANCIAL STATEMENTS CONTD.****22. INTEREST BEARING LOANS AND BORROWINGS**

Company	Repayable within 1 year Rs.'000	Repayable after one year less than five years Rs.'000	2016 Repayable after five years Rs.'000	Sub Total Rs.'000	Total as at 31.03.2016 Rs.'000	Repayable within 1 year Rs.'000	Repayable after one year less than five years Rs.'000	2015 Repayable after five years Rs.'000	Total Sub Rs.'000	Total as at 31.03.2015 Rs.'000
22.1 National Development Bank PLC	48,586	117,500	-	117,500	166,086	55,584	107,778	-	107,778	163,362
22.2 Sampath Bank PLC	13,044	21,736	-	21,736	34,780	13,044	34,780	-	34,780	47,824
22.3 DFCC Bank PLC	-	-	-	-	-	-	40,000	10,000	50,000	50,000
	61,630	139,236	-	139,236	200,866	68,628	182,558	10,000	192,558	261,186
Group	Repayable within 1 year Rs.'000	Repayable after one year less than five years Rs.'000	2016 Repayable after five years Rs.'000	Sub Total Rs.'000	Total as at 31.03.2016 Rs.'000	Repayable within 1 year Rs.'000	Repayable after one year less than five years Rs.'000	2015 Repayable after five years Rs.'000	Sub Total Rs.'000	Total as at 31.03.2015 Rs.'000
22.1 National Development Bank PLC	48,586	117,500	-	117,500	166,086	55,584	107,778	-	107,778	163,362
22.2 Sampath Bank PLC	34,543	59,359	-	59,359	93,902	46,135	93,902	-	93,902	140,037
22.3 DFCC Bank PLC	-	-	-	-	-	-	40,000	10,000	50,000	50,000
	83,129	176,859	-	176,859	259,988	101,719	241,680	10,000	251,680	353,399

**22. INTEREST BEARING LOANS AND BORROWINGS (CONTD..)**

Company	Repayable within one year	Repayable after one year less than five years	Repayable after five years	Sub Total	Total as at 2016	Total as at 2015	Rate of Interest	Terms of Repayment
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000		
22.1 National Development Bank PLC								
Field Development								
4th Disbursement	18,586	-	-	-	18,586	43,866	9.42%	96 monthly installments commencing from January 2011
5th Disbursement	-	-	-	-	-	68,935	10.00%	60 monthly installments commencing from December 2012
Relief package - Tea Sector	30,000	117,500	-	117,500	147,500	-	AWPLR-0.5% up to Aug' 17 AWPLR+1.5% from Aug' 17	60 monthly installments commencing from March 2016
Process Development	-	-	-	-	-	50,561	10.00%	60 monthly installments commencing from July/October 2013
	48,586	117,500	-	117,500	166,086	163,362		
Company								
Company	Repayable within one year	Repayable after one year less than five years	Repayable after five years	Sub Total	Total as at 2016	Total as at 2015	Rate of Interest	Terms of Repayment
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000		
National Development Bank PLC								
Field Development								
4th Disbursement	18,586	-	-	-	18,586	43,866	9.42%	96 monthly installments commencing from January 2011
5th Disbursement	-	-	-	-	-	68,935	10.00%	60 monthly installments commencing from December 2012
Relief package - Tea Sector	30,000	117,500	-	117,500	147,500	-	AWPLR-0.5% up to Aug' 17 AWPLR+1.5% from Aug' 17	60 monthly installments commencing from March 2016
Process Development	-	-	-	-	-	50,561	10.00%	60 monthly installments commencing from July/October 2013
	48,586	117,500	-	117,500	166,086	163,362		

**NOTES TO THE FINANCIAL STATEMENTS CONTD.****22. INTEREST BEARING LOANS AND BORROWINGS (CONTD..)****22.2 Sampath Bank PLC**

	Repayable within one year Rs.'000	Repayable after one year less than five years Rs.'000	Repayable after five years Rs.'000	Sub Total Rs.'000	Total as at 2016 Rs.'000	Total as at 2015 Rs.'000	Rate of Interest	Terms of Repayment
Company								
Replanting Loan	13,044	21,736	-	21,736	34,780	47,824	8.00%	92 monthly installments commencing from April 2011
	13,044	21,736	-	21,736	34,780	47,824		
Group								
Replanting Loan	13,044	21,736	-	21,736	34,780	47,824	8.00%	92 monthly installments commencing from April 2011
Mini Hydro - TTELHydro	21,499	37,623	-	37,623	59,122	92,213	8.75%	96 monthly installments commencing from January 2010.
	34,543	59,359	-	59,359	93,902	140,037		
22.3 DFCC Bank PLC								
Company								
Factory Loan	-	-	-	-	-	50,000	8.00%	60 monthly installments commencing from April 2016
	-	-	-	-	-	50,000		
Group								
Factory Loan	-	-	-	-	-	50,000	8.00%	60 monthly installments commencing from April 2016
	-	-	-	-	-	50,000		

**23. SHORT TERM BORROWINGS**

As at 31 March	2016 Rs.'000	2015 Rs.'000	Rate of Interest	Terms of Repayment
Company				
The Hongkong and Shanghai Banking Co.	42,000	25,000	} Prevailing money market rates	
Seylan Bank PLC	-	20,000		
	42,000	45,000		
Group				
The Hongkong and Shanghai Banking Co.	42,000	25,000	} Prevailing money market rates	
Seylan Bank PLC	-	20,000		
	42,000	45,000		

24. RETIRING BENEFIT OBLIGATIONS

As at 31 March	2016 Rs.'000	Company 2015 Rs.'000	2016 Rs.'000	Group 2015 Rs.'000
Provision for retiring gratuity				
At the beginning of the year	921,388	912,752	922,368	912,752
Interest Cost	88,635	85,188	88,733	85,188
Current Service Cost	32,369	63,555	32,467	64,535
Gratuity Payments for the year	(92,366)	(121,735)	(92,366)	(121,735)
Actuarial (Gain) / Loss due to changes in financial assumptions	(100,965)	-	(100,965)	-
Actuarial (Gain) / Loss due to changes in experience	130,603	(18,372)	130,495	(18,372)
At the end of the year/period	979,665	921,388	980,733	922,368

According to the actuarial valuation report issued by the actuarial valuer as at 31 March 2016, the actuarial present value of promised retirement benefits amounted to Rs. 979,665,166/=. If the company had provided for gratuity on the basis of 14 days wages & half months salary for each completed year of service, the liability would have been Rs. 894,164,231 /=. Hence, there is a contingent asset of Rs. 85,500,935/= , which would crystallise only if the company ceases to be a going concern.

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

**NOTES TO THE FINANCIAL STATEMENTS CONTD.****24. RETIRING BENEFIT OBLIGATIONS (CONTD.)**

The key assumptions used by actuary include the following.

	2016	2015
(i) Rate of Discount	11% (per annum)	10% (per annum)
(ii) Rate of Salary Increase		
Workers	20% (every two years)	20% (every two years)
Staff	10% (per annum)	10% (per annum)
(iii) Retirement Age		
Workers	60 years	60 years
Staff	60 years	60 years

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

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

	Defined Benefit Obligation 2016 Rs.
Within the next 12 months	57,302
Between 1-5years	200,262
Between 5-10 years	264,403
Beyond 10 years	457,698
Total	979,665

The weighted average duration of the Defined Benefit plan obligation at the end of the reporting period is 9.8 years and 11.4 Years for staff and workers respectively.

Sensitivity Analysis - Salary/ Wage Escalation Rate

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

Company	Workers		Staff	
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Rate of wage/salary increment in every two years / per annum	-1%	+1%	-1%	+1%
As at 31 March 2016	(34,163)	36,183	(8,498)	9,672
As at 31 March 2015	(41,021)	43,727	(10,230)	11,741

**24. RETIRING BENEFIT OBLIGATIONS (CONT.)*****Sensitivity Analysis - Discount Rate***

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

Company	Workers		Staff	
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Rate of discount	-1%	+1%	-1%	+1%
As at 31 March 2016	89,053	(76,407)	9,666	(8,351)
As at 31 March 2015	92,940	(79,118)	11,396	(9,774)

25. DEFERRED INCOME

As at 31 March	Company		Group	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Deferred Grants and Subsidies				
Balance at the beginning of the year	166,617	190,958	166,617	190,958
Add : Grants received / (refunded) during the year/period	4,500	487	4,500	487
Less : Amortisation for the year/period	(20,016)	(24,828)	(20,016)	(24,828)
Balance at the end of the year	151,101	166,617	151,101	166,617

The Company has received funding from the 'Save the Children International (in Sri Lanka)' during the year, for the sanitary project. The amounts spent are included under the relevant classification of property, plant & equipment and the grant component is reflected under Deferred Grants and Subsidies. Grants are amortised over the life of the assets for which they are being deployed.

**NOTES TO THE FINANCIAL STATEMENTS CONTD.****26. LIABILITY TO MAKE LEASE PAYMENT**

As at 31 March	Company		Group	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Gross Liability				
As at 31st March	746,509	773,478	746,509	773,478
Finance cost allocated to future periods	(558,149)	(584,508)	(558,149)	(584,508)
Net Liability	188,360	188,970	188,360	188,970
Payable within one year				
Gross liability	25,154	25,154	25,154	25,154
Finance cost allocated to future periods	(24,511)	(24,585)	(24,511)	(24,585)
Net liability transferred to current liabilities	643	569	643	569
Payable within two to five years				
Gross liability	100,615	100,615	100,615	100,615
Finance cost allocated to future periods	(97,413)	(97,496)	(97,413)	(97,496)
Net liability	3,203	3,119	3,203	3,119
Payable after five years				
Gross liability	620,739	647,709	620,739	647,709
Finance cost allocated to future periods	(436,225)	(462,426)	(436,225)	(462,426)
Net liability	184,514	185,283	184,514	185,283
Net liability payable after one year	187,717	188,402	187,717	188,402

Liability to make Lease Payment as above was previously titled as “Net Liability to lessor”. The Change was in terms of the Statement of Alternative Treatment (SoAT) issued by The Institute of Chartered Accountants of Sri Lanka on 21 August 2013.

According to the reassessment, the base rental payable per year has increased from Rs. 7,225,074/= to Rs. 25,153,765/=.

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

	Rs.
Gross Liability	1,562,255
Finance Charge	(1,080,117)
Net Liability	482,138

**27. TRADE AND OTHER PAYABLES**

As at 31 March	Company		Group	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Trade creditors	18,103	51,898	18,103	51,898
Others	147,982	157,616	148,294	157,616
Accrued expenses	104,531	136,616	111,610	152,661
	270,616	346,130	278,007	362,175

28. AMOUNTS DUE TO RELATED COMPANIES

As at 31 March	Relationship	Company		Group	
		2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Hayleys PLC.	Ultimate Parent	6,391	6,199	6,391	6,199
TTEL Hydro Power Co (Pvt) Ltd	Subsidiary Company	3,172	3,169	-	-
Kelani Valley Plantations PLC	Related Company	869	-	869	-
Hayleys Business Solutions International (Pvt) Ltd	Related Company	78	78	78	78
		10,510	9,446	7,338	6,277

29. DIVIDENDS PER SHARE

	Company
	2016
First & final proposed dividend Rs. 3.00/- per share (2015 - Rs. 3.00 per share) (Rs.)	Nil
Number of ordinary shares	23,750
Dividend per share (Rs.)	3.00

**NOTES TO THE FINANCIAL STATEMENTS CONTD.****30. ASSETS PLEDGED**

Following assets have been pledged as security for liabilities.

Bank	Nature of Assets	Nature of Liability	Carrying Amount Pledged	
			2016 Rs.'000	2015 Rs.'000
Hatton National Bank PLC	Primary floating mortgage for Rs. 109 Mn over lease hold rights of Radella, Palmerston and Handford Estates.	Term Loan, Short Term Loan & Over Draft	27,270	29,364
Sampath Bank PLC	Primary mortgage over stock for Rs. 45 Mn & Primary mortgage bond for Rs. 46 Mn over leasehold rights of Deniyaya Estate.	Over Draft	12,255	13,709
	Primary mortgage over lease hold rights to the value of Rs. 30 Mn of Clarendon Estate.	Term Loan	16,528	18,299
	Secondary mortgage over leasehold rights to the value of Rs. 20 Mn of Deniyaya Estate.			
	Primary mortgage over lease hold rights of Mattakelle Estate for Rs. 100 Mn.	Term Loan	10,196	10,950
National Development Bank PLC	Primary mortgage over lease hold rights of Somerset, Great Western, Holyrood and Dessford Estates.	Term Loan	63,089	67,709
Commercial Bank Of Ceylon PLC	Concurrent mortgage over stock in trade and debtors for Rs. 100 Mn & additional mortgage over stocks and debtors for Rs. 50 Mn.	Over Draft & Money Market	323,429	430,869
The HongKong & Shanghai Banking Co.Ltd	Concurrent mortgage over stocks and debtors for Rs. 65 Mn.	OD/ Short Term Loan	323,429	430,869
Bank Of Ceylon	Guarantee by HPSL for Rs. 50 Mn.	Over Draft		

**31. CAPITAL COMMITMENTS**

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

	2016 Rs. (Mn)	Company 2015 Rs. (Mn)
Approved by the Board & not Contracted for	173	230
	173	230

32. COMMITMENTS AND CONTINGENCIES

(a.) As per the Collective Agreement with plantation workers unions, wages has to be reviewed by 1 April 2015. However, negotiations are still under consideration and therefore, no agreement has been reached as at the statement of financial position date.

(b.) Contingent liabilities that may result, depending on the timing of the taxability of certain fair value adjustments amount to approximately Rs. 0.76 Mn (2015- Rs. 0.68 Mn).

33. EVENTS AFTER THE REPORTING PERIOD

There have been no material events occurring after the statement of financial position date that require adjustments or disclosure in the Financial Statements.

34. RELATED PARTY DISCLOSURES

Transactions with related parties were carried out at arms length and at market price.

Details of Significant Related Party Disclosures are as follows.

34.1 Recurrent Transactions with the parent and ultimate parent company

Name of the Company	Relationship	Name of Director	Nature of Transaction	Amounts (Rs. '000)	
				2016	2015
Hayleys PLC	Ultimate Parent	Mr. A.M. Pandithage Dr. K.I.M. Ranasoma Mr. W.D.N.H. Perera	Data Processing Services, Secretarial Services , Office Rent & Management Salaries	37,902	43,301
Hayleys Plantation Services (Pvt) Limited	Parent	Mr. A.M. Pandithage Mr. Merrill J Fernando Mr. Malik J Fernando Mr. D.S.Senaviratne Mr. W. G. R. Rajadurai Dr. K.I.M. Ranasoma Mr. N. R. Ranatunga	Managing Agent's Fee (5% from Earnings before Interest, Tax, Depreciation and Amortization.)	-	6,284

**NOTES TO THE FINANCIAL STATEMENTS CONTD.****34.2 Recurrent Transactions with the subsidiaries**

Name of the Company	Relationship	Name of Director	Nature of Transaction	Amounts (Rs. '000)	
				2016	2015
TTEL Hydro Power Company (Pvt) Limited	Subsidiary	Mr. A.M. Pandithage Mr. Merrill J Fernando Mr. Malik J Fernando Mr. W. G. R. Rajadurai Mr. A. R. De Silva Dr. K. I. M. Ranasoma Dr. A. Sivagananathan	Preference Share Dividends	6,692	6,692
TTEL Somerset Hydro Power (Pvt) Limited	Subsidiary	Mr. A M Pandithage Mr. Merrill J. Fernando Mr. Malik J. Fernando Mr. A. R. De Silva Mr. W. G. R. Rajadurai Dr. K. I. M. Ranasoma Dr. A. Sivagananathan	Preference and Ordinary Share Dividends Gurantee Charges	11,659 -	9,549 119

34.3 Recurrent Transactions with other related companies

Name of the Company	Relationship	Name of Director	Nature of Transaction	Amounts (Rs. '000)	
				2016	2015
Dipped Products PLC	Intermediary Ultimate Parent	Mr. A.M. Pandithage Dr. K. I. M. Ranasoma	Proceeds on latex suppliers	10,759	28,254
Hayleys Travels & Tours (Pvt) Ltd.	Common Directors	Mr. A.M. Pandithage	Providing of Air Ticketing Services	80	351
Hayleys Agriculture Holdings Limited.	Common Directors	Mr. A.M. Pandithage	Purchase of Equipments & Chemicals	20,383	15,276
Hayleys Industrial Solutions (Pvt) Ltd.	Common Directors	Mr. A.M. Pandithage	Providing of Maintenance to Generator	-	668
Hayleys Agro Fertilizers (Pvt) Ltd.	Common Directors	Mr. A.M. Pandithage	Purchase of Fertilizer	97,727	133,783
Mabroc Teas (Pvt) Ltd.	Common Directors	Mr. A.M. Pandithage Mr. W.G.R. Rajadurai Dr. K. I. M. Ranasoma	Sale of Teas	16,715	-
Kelani Valley Plantations PLC	Common Directors	Mr. A.M. Pandithage Mr. W. G. R. Rajadurai Dr. K.I.M. Ranasoma	Share of Regional & Head office maintenance cost - Payments - Receipts Green Leaf Supplies - Payments - Receipts	2,245 1,629 53,462 -	10,783 794 4,728 -

**34.3 Recurrent Transactions with other related companies (Cont.)**

Name of the Company	Relationship	Name of Director	Nature of Transaction	Amounts (Rs. '000)	
				2016	2015
Hayleys Business Solutions International (Pvt) Ltd.	Common Directors	Mr. A.M. Pandithage	Payroll processing cost and use of Hardware	491	571
Hayleys Agro Technica Ltd	Common Directors	Mr. A.M. Pandithage	Purchase of Chemicals	2,869	3,748
Logiwiz Ltd	Common Directors	Mr. A.M. Pandithage	Providing of document Storing Service	563	493
Puritas (Pvt) Ltd.	Common Directors	Mr. A.M. Pandithage	Purchases of Mask	-	26
Hayleys Agro Farms (Pvt) Ltd	Common Directors	Mr. A.M. Pandithage	Purchase of Chemicals	4,243	850
Hayleys Consumer Products(Pvt) Ltd	Common Directors	Mr. A.M. Pandithage	Purchase of Accessories	-	22
Hayleys Global Beverages (Pvt) Ltd	Common Directors	Mr. A.M. Pandithage	Reimbursement of Administration Expenses	7,277	-

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

There were no material transactions with the Key Management Personnel of the Company and its parent other than those disclosed in Notes 9 & 34.1 to the Financial Statements.

Details of Directors and their spouses share holdings are given in the Annual Report of the Board of Directors of the Affairs of the Company.

35. RELATED PARTY TRANSACTIONS

There are no related party transactions other than those disclosed in Notes 9, 15, 18, 28, & 34 to the financial statements.

There are no Non-recurrent Related Party Transactions where aggregate value exceeds 10% of the equity or 5% of the Total Assets and Recurrent Related Party Transactions where aggregate value exceeds 10% Gross revenue/income.

**NOTES TO THE FINANCIAL STATEMENTS CONTD.****36. ADDITIONAL DISCLOSURES FOR CONSOLIDATING 15 MONTHS OPERATION OF SUBSIDIARIES WITH DIFFERENT ACCOUNTING PERIODS**

Summarised income statement for the period:	Company		Group	
	01.01.2014-	01.04.2014-	01.01.2014-	01.04.2014-
	31.03.2014	31.03.2015	31.03.2014	31.03.2015
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Revenue	1,000,175	3,643,407	1,005,055	3,756,046
Cost Of Sales	(891,088)	(3,315,908)	(899,736)	(3,358,203)
Gross Profit	109,087	327,499	105,319	397,843
Gain/(Loss) On Fair Value Of Biological Assets	-	6,830	-	6,830
Other Income And Gains	2,020	67,487	-	53,267
Administrative Expenses	(33,011)	(124,019)	(35,650)	(132,914)
Management Fee	(6,304)	21	(6,304)	21
Results from Operating Activities	71,792	277,818	63,365	325,047
Finance Income	385	3,211	385	3,092
Finance Expenses	(5,978)	(51,170)	(5,978)	(66,931)
Interest Paid to Government on Finance Lease	(15,592)	(17,007)	(19,629)	(12,969)
Net Finance Expense	(21,185)	(64,966)	(25,222)	(76,808)
Profit/ (Loss) Before Tax	50,607	212,852	38,143	248,239
Income Tax Expense	(8,597)	(26,563)	(9,167)	(9,752)
Profit/ (Loss) For The Period	42,010	186,289	28,976	238,487
Attributable To:				
Equity holders of the Parent	42,010	186,289	34,217	205,080
Non- Controlling Interest	-	-	(5,242)	33,407
	42,010	186,289	28,975	238,487

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities, other than derivatives, comprise loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. The Group has loan and other receivables, trade and other receivables, and cash and short-term deposits that arise directly from its operations. Accordingly the Group has exposure to namely Credit Risk, Liquidity Risk, Currency Risk and Market Risks from its use of financial instruments.

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

37.1 FINANCIAL RISK MANAGEMENT FRAMEWORK

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

The Group financial risk management policies are established to identify, quantify and analyze the financial risks faced by the Group, to set appropriate risk limits and controls and to monitor financial risks and adherence to limits. Financial risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

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



37.2 CREDIT RISK

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

37.2.1 Trade and Other Receivables

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

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

The maximum exposure to credit risk for trade and other receivables at the reporting date is Rs. 63.5 Mn (2015 – Rs. 135.2 Mn).

TTE PLC has a minimal credit risk of its trade receivables as the repayment is guaranteed within seven days by the Tea and Rubber auction systems.

37.2.2 Investments

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

The Group held short term investments of Rs. 53.1 Mn as at 31st March 2016 (2015 – Rs. 13.8 Mn) which represents the maximum credit exposure on these assets.

37.2.3 Cash and Cash Equivalents

The Group held cash at bank and in hand of Rs. 27.1 Mn as at 31st March 2016 (2015 – Rs. 20 Mn) which represents its maximum credit exposure on these assets.

- ⊙ Sampath Bank PLC – A+(Ika)
- ⊙ Hatton National Bank PLC –AA – (Ika)
- ⊙ Bank of Ceylon – AA+ (Ika)
- ⊙ Hong Kong and Shanghai Banking Corporation Ltd – AAA(Ika)
- ⊙ Union Bank – BB+ (Ika)
- ⊙ Seylan Bank PLC - A- (Ika)

**NOTES TO THE FINANCIAL STATEMENTS CONTD.****37.3 LIQUIDITY RISK**

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

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

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

As at 31st March 2016	On Demand Rs.'000	Less than 3 Months Rs.'000	3 to 12 Months Rs.'000	2 to 5 years Rs.'000	>5 years Rs.'000	Total Rs.'000
Group						
Interest bearing loans & borrowing	-	32,135	62,391	199,893	-	294,419
Short term Interest bearing borrowings	62,214	42,000	-	-	-	104,214
Trade & other payables	-	234,846	43,162	-	-	278,008
	62,214	308,981	105,553	199,893	-	676,641
Company						
Interest bearing loans & borrowing	-	28,552	46,267	162,270	-	237,089
Short term Interest bearing borrowings	62,214	42,000	-	-	-	104,214
Trade & other payables	-	227,451	43,162	-	-	270,613
	62,214	298,003	89,429	162,270	-	611,916
As at 31st March 2015						
	On Demand Rs.'000	Less than 3 Months Rs.'000	3 to 12 Months Rs.'000	2 to 5 years Rs.'000	>5 years Rs.'000	Total Rs.'000
Group						
Interest bearing loans & borrowing	-	32,147	92,117	259,856	10,000	394,120
Short term Interest bearing borrowings	103,157	45,000	-	-	-	148,157
Trade & other payables	-	313,347	48,827	-	-	362,174
	103,157	390,494	140,944	259,856	10,000	904,451
Company						
Interest bearing loans & borrowing	-	21,899	62,610	193,405	10,000	287,914
Short term Interest bearing borrowings	103,157	45,000	-	-	-	148,157
Trade & other payables	-	297,303	48,827	-	-	346,130
	103,157	364,202	111,437	193,405	10,000	782,201

**37.4 MARKET RISK**

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

37.4.1 Interest Rate Risk

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

The Group held long term borrowings with floating interest rates of Rs. 207 Mn (2015 – Rs. 50 Mn) which represents its maximum credit exposure on these liabilities.

Interest rate sensitivity

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

	Increase/ decrease in Interest rate	Effect on profit before tax Rs.'000
Group		
2016	+1%	(996)
	-1%	996
2015	+1%	(1,693)
	-1%	1,693
Company		
2016	+1%	(996)
	-1%	996
2015	+1%	(1,693)
	-1%	1,693

**NOTES TO THE FINANCIAL STATEMENTS CONTD.****37.4.2 Equity Price Risk**

The Group's listed & unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments. Management of the Group monitors the mix of debt & equity securities in its investment portfolio based on market indices. Material investment within the portfolio are Managed on an individual basis and all buy and sell decision are approved by the Board. Equity price risk is not material to the financial statements. However, company does not hold any quoted shares as at the reporting date.

37.4.3 Capital Management

The Group's policy is to retain a strong capital base so as to maintain investor, creditor & market confidence and to sustain future development of the business. Capital consists of share capital, reserves, retain earning & non-controlling interest of the Group. The Board of Directors monitors the return on capital, interest covering ratio, dividend to ordinary shareholders.

The gearing ratio at the reporting date is as follows.

		Group		Company
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Interest bearing borrowing				
Current portion of long term interest bearing borrowings	83,129	101,719	61,630	68,628
Payable After one year	176,859	251,680	139,236	192,558
Short term Interest bearing borrowings	104,214	148,157	104,214	148,157
	364,202	501,556	305,080	409,343
Equity	1,858,068	1,849,224	1,631,630	1,643,427
Equity & debts	2,222,270	2,350,780	1,936,710	2,052,770
Gearing ratio	16%	21%	16%	20%



APPENDICES

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**INVESTOR INFORMATION****APPENDICES I****1. STOCK EXCHANGE**

Interim Financial Statements of the 4th Quarter ending 31st March 2016, have been submitted to the Colombo Stock Exchange on 11th May 2016 as required by the Listing Rules.

2. COMPOSITION OF THE ORDINARY SHAREHOLDERS AS AT 31ST MARCH 2016

Number of shareholders as at 31st March 2016 is 13,607 (31st March 2015-13,592)

No. of shares held	RESIDENTS			NON RESIDENTS			TOTAL		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%	No. of shareholders	No. of Shares	%
1-1,000	13,400	2,132,016	8.9769	6	1,703	0.0071	13,406	2,133,719	8.9840
1,001-10,000	165	522,943	2.2019	3	7,273	0.0306	168	530,216	2.2325
10,001-100,000	22	568,304	2.3929	3	74,537	0.3138	25	642,841	2.7067
100,001-1,000,000	6	1,508,524	6.3517				6	1,508,524	6.3517
Over 1,000,000	2	18,934,700	79.7251				2	18,934,700	79.7251
	13,595	23,666,487	99.6485	12	83,513	0.3515	13,607	23,750,000	100.0000

CATEGORY

Individuals	13,533	3,522,454	14.8315	11	68,513	0.2884	13,544	3,590,967	15.1199
Institutions	62	20,144,033	84.8170	1	15,000	0.0632	63	20,159,033	84.8801
	13,595	23,666,487	99.6485	12	83,513	0.3515	13,607	23,750,000	100.0000

Of the issued ordinary share capital 99.65%, is held by residents of Sri Lanka.

3. PUBLIC HOLDING

Percentage of shares held by the public is 20.27% (2015-20.27%) held by 13,602 ordinary shareholders (2015-13,588).

4. MARKET VALUE

The market value of Talawakelle Tea Estates PLC ordinary shares was:

	12 months ended 31.03.2016 Rs.	15 months ended 31.03.2015 Rs.	12 months ended 31.12.2013 Rs.
Highest	44.00 (20th May 2015)	38.90 (23rd February 2015)	29.00 (06th February 2013 & 22nd April 2013)
Lowest	26.10 (10th March 2016)	24.00 (04th January 2014)	16.30 (09th February 2013)
Year end	32.50	35.10	24.00

5. DIVIDEND PAYMENT

The Board of Directors have not recommended a dividend for the financial year 2015/16.

First and final dividend for the year 2014/15 of Rs. 3.00 Per share was paid on 09/07/2015.

**6. SHARE TRADING**

	12 months ended 2016	15 months ended 2015	12 months ended 2013
No. of transactions	2,253	2,849	2,253
No. of shares traded	1,416,648	2,707,295	1,416,648
Value of shares traded (Rs.)	34,557,181	86,399,315	34,557,181

7. TWENTY MAJOR SHAREHOLDERS

	Name of the Shareholder	No. of Shares as at 31.03.2016	%	No. of Shares as at 31.03.2015	%
1	HAYLEYS PLANTATION SERVICES (PRIVATE) LIMITED	17,750,000	74.74	17,750,000	74.74
2	MERRILL J FERNANDO & SONS (PVT) LIMITED	1,184,700	4.99	1,184,700	4.99
3	ANVERALLY AND SONS (PVT) LTD A/C NO 01	613,200	2.58	613,200	2.58
4	DR. T SENTHILVERL	315,039	1.33	-	-
	SEYLAN BANK PLC/T. SENTHILVERL	185,278	0.78	-	-
5	WALDOCK MACKENZIE LTD/CEYLINCO SHRIRAM CAPITAL MANAGEMENT SERVICES CO. (PVT) LTD	181,900	0.77	181,900	0.77
6	MR. N A WITHANA	112,100	0.47	112,100	0.47
7	COCOSHELL ACTIVATED CARBON COMPANY LIMITED	101,007	0.42	101,007	0.42
8	MR. P A D SAMARASEKERA	53,400	0.22	53,400	0.22
9	MR. K C VIGNARAJAH	48,800	0.20	48,800	0.20
10	MR. K S D SENAWEERA	47,500	0.20	10,000	0.04
11	MR. M DURAISINGAM	44,231	0.19	39,070	0.16
12	M. RADHAKRISHNAN (DECEASED)	40,000	0.17	40,000	0.17
13	MRS. J K P SINGH	39,537	0.16	38,517	0.16
14	MR. I S LIYANAARACHCHI	37,716	0.16	18,891	0.08
15	MS. M J NIHARA	33,000	0.14	33,000	0.14
16	MR. G M WEERAKOON	26,290	0.11	283,259	1.19
17	MR. M J M AMJAD	24,928	0.10	21,420	0.09
18	MRS. F H ZAHEEN	24,000	0.10	24,000	0.10
19	MR. E A DEEN	20,000	0.08	20,000	0.08
	MR. M FERRARI	20,000	0.08	20,000	0.08
	PACKAGE CARE LIMITED	20,000	0.08	20,000	0.08
20	MR. Y L NANDASENA	18,392	0.07	6,482	0.03

**CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE AND LISTING RULES****APPENDICES II****Section 1: Level of Compliance with the Code of Best Practice on Corporate Governance 2013, issued jointly by SEC of Sri Lanka and CA Sri Lanka**

Corporate Governance Principle	Reference to Code	Compliance Status	Details of Compliance
1: THE COMPANY			
<i>A. Directors</i>			
A.1. The Board TTE PLC is headed by an effective Board of Directors with professionals and business leaders drawn from diverse fields; their profiles are given on pages 29 to 32 of this Report. As at 31.03.2016, the Board comprised 12 directors including the Chairman, Managing Director and 04 Non-Executive Independent Directors. The Board with their multidisciplinary acumen and leadership directs the Company in achieving goals within a budgetary framework and a responsible governance structure.			
Board meetings	A 1.1	Compliant	<p>The Board discharges its responsibilities through quarterly scheduled meetings to make strategic decisions and to review the performance of the Company. Special meetings are also held as necessary. These meetings enhance shareholder value and all stakeholder interests are considered in corporate decisions.</p> <p>Details of meetings of the Board and attendance of the members are set out on page 155 of this Report.</p>
Responsibilities of the Board	A 1.2	Compliant	<p>The responsibilities and duties of the Board are documented and communicated to the Directors at the time of appointment.</p> <p>Refer: Responsibilities and Duties of the Board, Page 156.</p>
Compliance with laws and access to independent professional advice	A.1.3	Compliant	<p>The Board collectively and Directors individually, act in accordance with the laws and regulations of Sri Lanka as applicable to the Group. The Directors are permitted to obtain independent professional advice if and when required at the expense of the Company.</p>
Company Secretary	A.1.4	Compliant	<p>All Directors have access to advice and services of the Company Secretary who is responsible to the Board in ensuring that proper Board procedures are followed, complying with the applicable rules and regulations. The removal of the Company Secretary is a collective Board decision.</p>
Independent judgment of Directors	A.1.5	Compliant	<p>All Directors bring independent judgment on issues of strategy, performance, resources including key appointments and standards of business conduct.</p>
Dedication of adequate time and effort by the Directors	A.1.6	Compliant	<p>The Chairman and Directors dedicate adequate time and effort to address matters of the Board and the Company and ensure that their duties and responsibilities are satisfactorily discharged. Directors dedicate sufficient time before a meeting to review Board Papers and call for additional information and clarification and follow-up on issues consequent to the meeting. Individual Directors also devote time to serve as members of various sub committees of the Board for familiarisation with business changes, operations, risks and controls.</p>



Corporate Governance Principle	Reference to Code	Compliance Status	Details of Compliance
Training for new and existing Directors	A.I.7	Compliant	Every Director is given appropriate training when first appointed to the Board and subsequently, as and when necessary. The training curricular encompasses both general aspects of directorship and matters specific to the industry. The Board recognises the importance of continuous training and expansion of the knowledge and skills to effectively perform their duties as Directors. The Board regularly reviews and agrees on their training and development needs.
A.2. Chairman and Chief Executive Officer The Code requires a clear division of responsibilities between conducting of the business of the Board and facilitating executive responsibility for management of the business to ensure balance of power and authority, such that no one individual has unfettered powers of decision. The Chairman is responsible for leading and providing strategic direction and guidance to the Board. The Chief Executive Officer's (Managing Director in terms of the Company) role is primarily to conduct the business operations with the guidance of the Board of Directors and the support of the corporate management team. Hence, the roles of the Chairman and Managing Director are clearly distinct from one another. The Chairman is also the ultimate point of contact for shareholders, particularly on matters related to corporate governance.			
Separation of the roles of Chairman and Chief Executive Officer	A.2.1	Compliant	The functions of the Chairman and of the Managing Director are clearly defined and are separated. This ensures balance of power and authority within the Company.
A.3. Chairman's Role The Chairman is responsible for preserving good corporate governance and for running the Board, maintaining order and facilitating effective discharge of Board's functions.			
Role of the Chairman	A.3.1	Compliant	The Chairman is responsible for the efficient conduct of Board meetings and ensures, inter alia, that: <ul style="list-style-type: none"> ⦿ effective participation of both Executive and Non-Executive Directors is secured; ⦿ all Directors are encouraged to make an effective contribution within their respective capabilities for the benefit of the Company; ⦿ balance of power between Executive and Non-Executive Directors is maintained; ⦿ ascertain the views of Directors on issues under consideration. The Board is in complete control of the Company's affairs and alert to its obligations to all shareholders and other stakeholders.
A .4. Financial Acumen The Code requires that the Board comprise members with sufficient financial acumen and knowledge to offer guidance on matters of finance.			
Availability of sufficient financial acumen	A.4.1	Compliant	Three Directors of the Board are Fellow Members of the CA Sri Lanka and one serves as the Chairman of the Audit Committee. These Directors possess the necessary knowledge, competence and skills to guide the Board on matters of finance and investment.

**CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE AND LISTING RULES CONTD.****APPENDICES II**

Corporate Governance Principle	Reference to Code	Compliance Status	Details of Compliance
A.5. Board Balance The Code requires the Board to have a balance of Executive and Non-Executive Directors such that no individual or small group of individuals can dominate the Board's decision making.			
Presence of Non-Executive Directors	A.5.1	Compliant	<p>Nine out of twelve Directors are Non-Executive Directors which is well-above the minimum prescribed by the Code i.e. two or such number equivalent to one third of the total number of Directors whichever is higher. This ensures that the views of Non-Executive Directors carry a significant weight in the Board's decisions.</p> <p>The total number of Directors is based on the number as at the conclusion of 2015 Annual General Meeting which is as per the requirement of the Code.</p> <p>Throughout the year, the balance has been maintained between Executive and Non-Executive Directors of the Board.</p>
Independent Non-Executive Directors	A.5.2	Compliant	Four out of nine Non- Executive Directors are independent which meets the minimum prescribed by the Code i.e., two or one-third of the Non-Executive Directors appointed to the Board whichever is higher.
Independence of Non-Executive Directors	A.5.3	Compliant	All Independent Non- Executive Directors are independent of management and free of any business or other relationship that could materially interfere with or could reasonably be perceived to materially interfere with the exercise of their unfettered and independent judgment.
Annual Declaration of Non-Executive Directors	A.5.4	Compliant	Each Non-Executive Director submits signed and dated declaration annually of his/ her independence or non- independence against the specified criteria set out in the prescribed format of Schedule H of this Code. This information is made available to the Board.
Determination of independence of the Directors	A.5.5.	Compliant	<p>The Board determines annually:</p> <ul style="list-style-type: none"> ⊙ independence of each Non-Executive Director based on the declaration made of decided criteria and other information available to the Board. ⊙ independence of the Director in character and judgment and whether there are relationships or circumstances which are likely to affect or could appear to affect the Director's judgment <p>Independent Non-Executive Directors are:</p> <p>Dr. S S S B D G Jayawardena Prof. Uditha Liyanage Mr. L N De S Wijeyeratne Mr. N T Bogahalande</p>
Alternate Director	A.5.6	Compliant	<p>Alternate Directors appointed by Non- Executive Directors are not Executives of the Company.</p> <p>Alternate Directors have not been appointed by Independent Directors as at the reporting date.</p>



Corporate Governance Principle	Reference to Code	Compliance Status	Details of Compliance
Senior Non-Executive Director	A.5.7 & 5.8	Not Applicable	This does not arise as the roles of the Chairman and the Managing Director are clearly segregated.
Chairman conducting meetings with Non-Executive Directors	A.5.9	Compliant	The Chairman holds meetings with the Non-Executive Directors, without the presence of the Executive Directors as necessary and at least once a year.
Recording of concerns in the Board Minutes	A.5.10	Compliant	Concerns raised by the Directors which could not be unanimously resolved during the year, if any, were recorded in the Board Minutes.
A.6. Supply of Information The Code requires the management to provide the Board with timely information in a form and of quality appropriate to enable the Board to discharge its duties effectively.			
Management's obligation to provide appropriate and timely information to the Board	A 6.1	Compliant	Directors are provided with monthly reports on performance, minutes of review meetings and other relevant reports and documents, as necessary. The Chairman ensures that all Directors are properly briefed on issues arising at the Board meetings.
Adequate time for effective conduct of the Board meetings	A.6.2	Compliant	The minutes, agenda and papers required for Board meetings are provided to Directors at least seven days before the meeting, to facilitate effective participation and decision making.
A.7. Appointments to the Board The Code requires having a formal and transparent procedure for the appointment of new Directors to the Board.			
Nomination Committee	A.7.1	Compliant	The Board collectively decides on all new Board appointments in accordance with the Articles of Association of the Company.
Assessment of Board-composition by the Nomination Committee / Board as a whole	A.7.2	Compliant	Annually, the Board collectively assesses its composition to ascertain whether the combined knowledge and experience of the Directors match the strategic demands facing the Company. The findings of such assessments are taken into account when the new Board appointments are considered and when incumbent Directors come up for re-election.
Disclosure of required details of new Directors to shareholders	A.7.3	Compliant	Upon the appointment of a new director to the Board, the Company discloses the following to the CSE; <ul style="list-style-type: none"> ○ brief resume of the Director; ○ the nature of his expertise in relevant functional areas; ○ the names of companies in which the Director holds directorships or memberships in Board Committees; and ○ 'independence' of such Director.

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Corporate Governance Principle	Reference to Code	Compliance Status	Details of Compliance
A.8 Re-election			
The Code requires that all Directors to submit themselves for re-election at regular intervals at least once in every three years.			
Appointments of Non-Executive Directors and Directors in the Board	A.8.1 & A.8.2	Compliant	<p>Non-Executive Directors are appointed for a specified term subject to re-election and to the provisions in the Companies Act relating to the removal of a Director and their re-appointment is not arbitrary.</p> <p>All Directors including the Chairman of the Board are subject to election by the shareholders at the first opportunity after their appointment and to re-election thereafter at intervals of no more than three years. The Managing Director does not retire by rotation.</p> <p>The names of directors submitted for election or re-election are accompanied by a resume as set out in A.7.3 above, to enable shareholders to make informed decisions on their election.</p>
A.9. Appraisal of Board Performance			
The Code requires that the Board periodically appraises their own performance in order to ensure that Board responsibilities are satisfactorily discharged.			
Annual performance evaluation of the Board and its Sub Committees	A.9.1 & A.9.2	Compliant	The Board undertakes an annual self-evaluation of its own performance in terms of the key responsibilities as set out in A.1.2 and that of its Committees.
Disclosure of performance evaluation criteria	A.9.3	Compliant	Performance evaluation criteria are given in the Board sub Committee's key duties and Responsibilities on page 157.
A.10. Disclosure of Information in Respect of Directors			
The Code requires that the shareholders to be informed on the relevant details in respect of Directors in the Annual Report.			
Details in respect of Directors	A 10.1	Compliant	<p>Information in relation to Directors is disclosed as given below.</p> <ul style="list-style-type: none"> ⊙ Name, qualifications and brief profile - (Refer pages 29 to 32 of this Report) ⊙ Nature of expertise (refer page 29 to 32 of this Report) ⊙ Directors' interest in contracts (refer page 221 to 223 and 167 of the Annual Report) ⊙ Number of meetings of the Board and Committees held and attendance (refer page 155 of this Report) ⊙ Names of Committees in which the Director serves as the Chairman or member (refer page 155 of this Report)
A. 11 Appraisal of Chief Executive Officer			
The Code requires the Board to assess the performance of the Chief Executive Officer. The Company does not have a CEO; A Managing Director is appointed.			
Setting annual targets and appraisal of the performance of the Chief Executive Officer by the Board	A.11.1 & A.11.2	Compliant	At the commencement of every financial year, the Board in consultation with the Managing Director sets reasonable financial and non-financial targets which are in line with short, medium and long-term objectives of the Company. Performance evaluation of the Managing Director is carried out by the Board quarterly and at the end of each fiscal year to ascertain if the pre-agreed targets have been achieved and if not, the reasons and justification for the failure to meet such targets and the circumstances.



Corporate Governance Principle	Reference to Code	Compliance Status	Details of Compliance
B. Directors' Remuneration			
B.1. Remuneration Procedure The Code requires the Company to establish a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director is involved in deciding his/her remuneration.			
Establishment of the Remuneration Committee	B.1.1	Compliant	The Remuneration Committee makes recommendations to the Board within agreed Terms of Reference, on the Company's framework of remunerating Executive Directors.
Composition of the Remuneration Committee	B.1.2	Compliant	The Remuneration Committee comprises five Non-Executive Directors of whom three including the Chairman are independent Directors.
Chairman and the members of the Remuneration Committee	B.1.3	Compliant	TTE PLC has no Remuneration committee as the reporting date. However the Remuneration Committee of Parent Company is overlooking the functions of the TTE PLC.
Determination of remuneration of Non-Executive Directors	B.1.4	Compliant	The Board of the Parent Company collectively determines the remuneration of the Non-Executive Directors including the members of the Remuneration Committee, within the limits set in the Articles of Association.
Consultation of the Chairman and access to professional advice	B.1.5	Compliant	Remuneration Committee consults the Chairman about its proposals relating to the remuneration of other Executive Directors and has access to professional advice from within and outside the Company in discharging their responsibilities.
B.2 Level and Make up of Remuneration The Code requires the levels of remuneration of both Executive and Non-Executive Directors to be sufficient to attract and retain the Directors needed to run the business successfully. The proportion of remuneration of Executive Directors should be structured to link rewards to corporate and individual performance.			
Executive Director's remuneration package	B.2.1	Compliant	The Remuneration Committee structures the packages needed to attract retain and motivate Executive Directors of the required calibre within reasonable limits.
Comparison of remuneration with other companies	B.2.2	Compliant	The Remuneration Committee ensures correct positioning of remuneration levels of the Company in relation to other companies and is aware of what comparable companies are paying and takes account of relative performance.
Comparison of remuneration with other companies in the Group	B.2.3	Compliant	The Remuneration Committee is sensitive to remuneration and employment conditions of other companies within the Hayleys Group.
Performance related elements of remuneration of Executive Directors	B.2.4	Compliant	Performance-based elements of remuneration of executives have been designed and tailored to align their interest with those of the Company and main stakeholders and to give these Directors appropriate incentives to perform at the highest levels.
Executive share options	B.2.5	Not Applicable	The Company does not have executive share option schemes.
Executive Directors' remuneration	B.2.6	Compliant	The Remuneration Committee follows the provisions set out in Schedule E of the Code as required.

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Corporate Governance Principle	Reference to Code	Compliance Status	Details of Compliance
Early termination of Executive Directors	B.2.7 & B.2.8	Not Applicable	Special early termination clauses are not included in the contract of employment of Executive Directors that would entitle them to extra compensation. However, any such compensation would be determined by the Board of Directors.
Levels of remuneration for Non-Executive Directors	B.2.9	Compliant	Remuneration for Non-Executive Directors reflects the time commitment and responsibilities of their role, taking into consideration market practices.
B.3 Disclosure of Remuneration The Code requires that the Company's Annual Report contains a statement of remuneration policy and details of remuneration of the Board as a whole.			
Disclosure of Remuneration	B.3.1	Compliant	Refer page 155 and 157 for the names of Directors in the Remuneration Committee and page 167 of this report for the aggregate remuneration paid to Executive and Non- Executives.
C. Relations with Shareholders			
C.1. Constructive use of the Annual General Meeting (AGM) and conduct of General Meetings The Code requires the Board to use the AGM as a platform to communicate with shareholders and encourage their participation.			
Use of proxy votes	C.1.1	Compliant	The Company has in place an effective mechanism to count all proxy votes and indicate proxies lodged on each resolution and the balance for and against the resolution and withheld, is conveyed to the Chairman.
Separate resolution for all separate issues at the Annual General Meeting	C.1.2	Compliant	The Company proposes a separate resolution at the AGM on each substantially separate issue and adoption of the Annual Report of the Board of Directors on the Affairs of the Company, Statement of Compliance and the Financial Statements together with the Report of the Auditors thereon are considered as a separate resolution.
Availability of Chairman of the Board and Sub-Committees to respond to queries at the AGM	C.1.3	Compliant	<p>The Chairman ensures that the Chairman of the Audit and Remuneration Committees are available to answer questions at the AGM, if so required.</p> <p>The active participation of shareholders at the AGM is encouraged. The Board makes use of the opportunity presented by the AGM to have an effective dialogue with shareholders. The Board offers clarifications and responds to concerns shareholders have over the content of the Annual Report as well as other matters which are important to them. The AGM is also used to adopt the Financial Statements for the year.</p>



Corporate Governance Principle	Reference to Code	Compliance Status	Details of Compliance
Notice of the Annual General Meeting and General Meetings	C.1.4	Compliant	Annual Report containing the Notice of the AGM, the Agenda, instructions for voting and the Form of Proxy are sent to shareholders 15 working days prior to the date of the AGM, as required by the statute.
Procedures of voting at the Annual General Meeting	C.1.5	Compliant	A summary of the procedures governing voting at the General Meetings is circulated to shareholders with every Notice of the General Meeting.
C.2. Communication with Shareholders			
The Code requires the Board to implement effective communication with shareholders.			
Communication Channels	C.2.1	Compliant	The Company reaches its shareholders through its website and the CSE in order to disseminate timely information.
Disclosure of policy	C.2.2	Compliant	Any information that the Board considered as price sensitive is disseminated to the shareholders as necessary.
Implementation of Policy	C.2.3	Compliant	Shareholders are provided with Quarterly Financial Statements and the Annual Report, which the Group considers as its principal communication with them and other stakeholders and are published through the CSE.
Disclose the contact person for shareholder communications	C.2.4	Compliant	Shareholders may bring up their concerns on communication with the Company Secretary.
Directors awareness on major Issues of shareholders	C.2.5	Compliant	The Chairman ensures that all Directors are aware of major issues and concerns of shareholders.
Contact person in relation to shareholders' matters	C.2.6	Compliant	Shareholders may bring up their concerns either with the Company Secretary or the Chairman as appropriate.
Response to shareholders	C.2.7	Compliant	The Chairman and the Directors answer all the queries raised by the shareholders at the AGM. The Company Secretary maintains a dialogue with the shareholders to answer and to attend to all the correspondences.
C.3 Major and Material Transactions			
The Code requires the Directors to disclose to shareholders all proposed material transactions, which if entered into, would materially alter/vary the Company's or Group's net asset base.			
Disclosure on 'major and material transactions'	C.3.1	Compliant	During the year, there were no transactions which fall within the definition of 'major and material' as set out in the Companies Act No. 07 of 2007, SEC Law and CSE regulations which materially affect the net asset base of TTE PLC or consolidated Group net asset base. Transactions, if any, which materially affect the net asset base of TTE PLC are disclosed in the Quarterly/Annual Financial Statements.

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Corporate Governance Principle	Reference to Code	Compliance Status	Details of Compliance
D. Accountability and Audit			
D. 1. Financial Reporting			
The Code requires the Board to present a balanced and understandable assessment of Companies financial position, performance and prospects.			
Balanced and understandable information	D.1.1	Compliant	<p>The Board places great emphasis on presenting regulatory and statutory reporting in a balanced and understandable manner. The Company has strictly complied with the requirements of the Companies Act No.07 of 2007 in the preparation of Quarterly and Annual Financial Statements which are prepared and presented in conformity with Sri Lanka Accounting Standards prescribed by the CA Sri Lanka.</p> <p>The Annual Report includes descriptive, non-financial content through which an attempt is made to provide stakeholders with information to assist them to make more informed decisions. Due care is exercised with respect to share price sensitive information.</p>
Directors' Report in the Annual Report	D.1.2	Compliant	<p>The Annual Report of the Board of Directors on the affairs of the Company is given on pages 165 to 170 of this Annual Report which contains the following:</p> <ul style="list-style-type: none"> ⊙ Declaration that the Company has not engaged in activities that contravene laws and regulations of Sri Lanka (refer page 165); ⊙ Declaration by the Directors on all material interests in contracts involving the Company and has refrained from voting on matters in which they were materially interested (refer pages 221 to 223). ⊙ Equitable treatment to shareholders (refer page 166) ⊙ Going concern of the business (refer page 167); and ⊙ Review of internal controls, risk management and reasonable assurance of effectiveness and adherence (Refer page 166).
Statement of Directors' and Auditor's responsibility for the Financial Statements	D.1.3	Compliant	The 'Statement of Directors' Responsibilities' for the preparation and presentation of Financial Statements is given on page 171 of this Annual Report and the Auditor's responsibilities are set out on the 'Independent Auditors' Report' on page 173 of the Annual Report. Statement on internal controls is given on page 168 of the Annual Report.
Management Discussion and Analysis	D.1.4	Compliant	Refer 'Management Discussion and Analysis' on pages 34 to 139 of this Report.
Declaration by the Board on the going concern of the business	D.1.5	Compliant	Refer 'Annual Report of the Board of Directors' and the 'Statement of Directors' Responsibility' on page 165 to 170 and 171 of this Report for the required declarations.
Summon an Extraordinary General Meeting to notify serious loss of capital	D.1.6	Not Applicable	Reason for such an Extraordinary General Meeting has not arisen as yet but would be complied with if such situation arises.



Corporate Governance Principle	Reference to Code	Compliance Status	Details of Compliance
Disclosure of Related Party transactions	D.1.7	Compliant	<p>The Annual Report contains disclosures on the following with respect to the Board;</p> <ul style="list-style-type: none"> Each related party has submitted signed and dated declarations annually (Refer page 170). The Company Secretary is responsible to keep record on related party transactions and make necessary disclosures. A process is in place and is operational to capture related parties and related party transactions and is properly documented. Further a report is presented by the Audit Committee to the Board on identified related parties and their transactions on regular basis. The Company maintains records on related parties and related party transactions. The information captured complies with the respective related party disclosure of SEC/Accounting Standards, Auditing Standards and related regulations.
D.2. Internal Control The Code requires the Board to have a process of risk management and a sound system of internal controls to safeguard shareholders' investments and the Company's assets.			
Directors to review internal controls	D.2.1	Compliant	The Board together with the Audit Committee is responsible and reviews the risks faced by the Company and the effectiveness of the system of internal controls quarterly.
Internal audit function	D.2.2	Compliant	The Company has its own internal audit function and also employs independent professional accounting firms to complement the work done by them.
Review of effectiveness of the risk management and internal audit function	D.2.3	Compliant	The Audit Committee carries out reviews of the process and the effectiveness of risk management and internal controls and document to the Board and the Board takes responsibility for the disclosure on the Company's system of internal controls.
Responsibility of Directors	D.2.4	Compliant	Directors take responsibility in maintaining a sound system of internal controls and the Internal Control Statement as described in page 170 of this Report.
D.3. Audit Committee The Code requires the Board to establish formal and transparent arrangements to select and apply accounting policies, financial reporting, and internal control principles and maintain an appropriate relationship with the external auditors.			
Composition of the Audit Committee	D.3.1	Compliant	<p>Audit Committee consists of two Independent Non-Executive Directors including the Chairman and a Non-Executive Director who are appointed by the Board.</p> <p>The Company Secretaries Hayleys Group Services (Pvt) Ltd serves as its Secretary.</p> <p>The Director /Managing Director and the CFO attend meetings. The Chairman and other Executive Directors are invited to attend meetings. The input of the Statutory Auditors is obtained, where necessary. The Audit Committee supports the Group to achieve a balance between conformance and performance.</p>

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Corporate Governance Principle	Reference to Code	Compliance Status	Details of Compliance
Duties of the Audit Committee	D.3.2	Compliant	The Audit Committee is responsible for reviewing the scope and results of the Audit and effectiveness and the independence and the objectivity of the Auditors.
Terms of Reference of the Audit Committee	D.3.3	Compliant	The Terms of Reference (refer page 158) of the Audit Committee has been agreed to by the Board. This addresses the purpose of the Committee, its duties and responsibilities including the scope and functions of the Committee.
Disclosures of the Audit Committee	D.3.4	Compliant	Names of the Directors of the Audit Committee are given under, meetings of the Audit committee and the independence of the Auditors is disclosed under the section of 'External Audits' in the 'Audit Committee Report' on page 158.
D.4 Code of Business Conduct & Ethics The Code requires the Company to adopt a Code of Business Conduct & Ethics for Directors, and members of senior management team and to promptly disclose any waivers or material violations of the Code.			
Disclosure of Code of Business Conduct and Ethics	D.4.1	Compliant	A comprehensive Corporate Governance and Code of Conduct and Business Governance have been adopted by the Board. All Directors and key management personnel have declared compliance with the Code of Conduct and Business Governance.
Affirmation Statement by Chairman	D.4.2	Compliant	Refer the 'Chairman's Statement on Corporate Governance' on page 151 of the Annual Report.
D.5 Corporate Governance Disclosures The Code requires the Directors to disclose the extent to which the Company adheres to established principles and practices of good corporate governance.			
Disclosure of Corporate Governance	D.5.1	Compliant	This Report from pages 232 to 246 sets out the manner and extent to which TTE PLC has complied with the principles and provisions of relevant Codes.
02 Shareholder E. Institutional Investors			
E.1 Shareholder Voting The Code requires institutional shareholders to make use of their votes and encourages them to ensure their voting intentions are translated to practice.			
Communication with shareholders	E.1.1	Complied	There are regular discussions with shareholders (based on their requests) on matters which are relevant and of concern to the general membership. Voting of the shareholders is critical in carrying out a resolution at the AGM. The Chairman ensures the views of the shareholders are communicated to the Board. Shareholders are provided with Quarterly Financial Statements and the Annual Report which the Group considers as its principal communication with them and other stakeholders. These reports are also made available on the Company's official website and are provided to the CSE. Any information that the Board considers as price sensitive is disseminated to the shareholders, with due diligence. Shareholders may bring up concerns they have, either with the Chairman or the Managing Director or the Company Secretary as appropriate.



Corporate Governance Principle	Reference to Code	Compliance Status	Details of Compliance
E.2 Evaluation of Governance Disclosures			
The Code requires the institutional investors to give due weight to all relevant factors drawn to their attention.			
Due weight by institutional investors	E.2.1	Compliant	The institutional investors are encouraged to give due consideration to all relevant matters relating to the Board structure and composition.
F. Other Investors			
F.1 Investing and Divesting Decision			
Individual shareholders	F.1.1	Compliant	Individual investors are encouraged to carry out adequate analysis or seek independent advice in making investing or divesting decisions.
F.2 Shareholder Voting			
Individual shareholders voting	F.2.1	Compliant	Individual shareholders are encouraged to actively participate in the AGM of the Company and exercise their voting rights. The AGM gives an ideal platform for all shareholders to meet with the directors and obtain information and clarifications on the performance and the way forward of the Company.
G. Sustainability Reporting			
G.1 Principles of Sustainability Reporting			
The Code requires the Company to maintain policy and procedures to develop a sustainable business environment.			
Economic sustainability	G.1.1.	Compliant	The Company takes responsibility for the impact of strategies, decisions and activities on economic performance and integrates corporate citizenship in its daily operations across the organisation.
The environment	G.1.2.	Compliant	The organisation adopts an integrated approach that takes into account the direct and indirect economic, social, health and environmental implications of their decisions and activities including pollution prevention, sustainable resource use, climate change, protection of environment, bio-diversity and restoration of natural resources.
Labour practice	G.1.3.	Compliant	The Company encompasses all policies and practices in relation to work performed by employees or on behalf of the company.
Society	G.1.4.	Compliant	Company engages in supporting and building relationships with the community and striving for sustainable development. This includes responsible public policy participation, fair competition and responsible community involvement.
Product Responsibility	G.1.5.	Compliant	Company manufactures quality tea and distributes them ensuring that the products are safe for the consumers so that they can make an informed choice. Company complies with the international food safety standards: <ul style="list-style-type: none"> ⊙ HACCP and ISO 22000 Certification ⊙ Rainforest Alliance (RA) Certification.

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Corporate Governance Principle	Reference to Code	Compliance Status	Details of Compliance
Stakeholder identification, engagement and effective communication	G.1.6.	Compliant	Internal and external stakeholder groups are identified in relation to the Company's sphere of influence, impact and implication. Communication with them is proactive and transparent. Communications with stakeholders include reporting on economic, social and environmental issues which are relevant, material, comparable with past performance and focuses on substance over form.
Sustainable reporting and disclosure	G.1.7.	Compliant	Sustainable reporting and disclosure is formalised as part of the Company's reporting process on a regular basis. Company's sustainability reporting is done based on the GRI standards G4 version. This is Board's responsibility which is built on several guidelines.

Section 2: Level of Compliance to the Continuing Listing Requirements -Section 7.10 on Corporate Governance Rules issued by the CSE.

Rule No.	Corporate Governance Principles	Compliance Status	Extent of Adoption
7.10.1(a)	Non-Executive Directors	Compliant	Nine out of twelve Directors were Non-Executive Directors as at 31st March 2016.
7.10.2(a)	Independent Directors	Compliant	Four out of nine Non-Executive Directors were independent as at 31st March 2016.
7.10.2 (b)	Independent Directors	Compliant	Non-Executive Directors have submitted the declaration in line with the regulatory requirements.
7.10.3(a)	Disclosure relating to Directors	Compliant	The Board assessed the independence declared by the Directors and determined the Directors who are independent and disclosed same in the above table in relation to the Code of Corporate Governance issued by the SEC and CA Sri Lanka with reference to A.5.5 on page 234 of this Report.
7.10.3.(b)	Disclosure relating to Directors	Compliant	The Board has determined that all Non-Executive Directors except for Messrs Merrill J Fernando, Malik J Fernando, K I M Ranasoma, W D N H Perera and M D A Perera satisfy the criteria for "independence" set out in the Listing Rules.
7.10.3(c)	Disclosure relating to Directors	Compliant	A Brief resume of each Director is given on pages 29 to 32 of this Report.
7.10.3(d)	Disclosure relating to New Directors	Compliant	Brief resumes of new Directors appointed have been provided to the CSE



Rule No.	Corporate Governance Principles	Compliance Status	Extent of Adoption
7.10.5(a)	Composition of Remuneration Committee	Compliant	Hayleys PLC's Remuneration Committee comprised five Non-Executive Independent Directors at the conclusion of the preceding AGM and as at 31 March 2016.
7.10.5(b)	Functions of the Remuneration Committee	Compliant	Please refer to the above table in relation to the Code of Corporate Governance issued by the SEC and CA Sri Lanka with reference to B.1.1 on page 237 for the details of the functions of the Remuneration Committee
7.10.5(c)	Disclosure in the Annual Report relating to Remuneration Committee	Compliant	Names of the Committee members are given in relation to the Code of Corporate Governance issued by the SEC and CA Sri Lanka on page 155. The remuneration paid to the Directors is given in page 167 of this Report.
7.10.6(a)	Composition of the Audit Committee	Compliant	The Audit Committee comprised three Non-Executive Directors of whom two are independent as at 31 March 2016. Chairman of the Audit Committee is an Independent Non-Executive Director and is appointed by the Board. The Managing Director and Chief Financial Officer attend meetings by invitation. Chairman of the Audit Committee is a Fellow Member of the /CA Sri Lanka. Please refer page 131 of this Report.
7.10.6(b)	Audit Committee Functions	Compliant	Please refer to the above table in relation to the Code of Corporate Governance issued by the SEC and CA Sri Lanka with reference to D.3.2 on page 157 and 158 for the details of the functions of the Audit Committee. The Terms of Reference of the Audit Committee has been agreed by the Board.
7.10.6 (c)	Disclosure in the Annual Report relating to Audit Committee	Compliant	Refer above table in relation to the Code of the Corporate Governance of SEC and CA Sri Lanka with reference D.3.1 on page 157 for the details of the names of members of the Audit Committee The basis of determination of the independence of the Auditors is given in the Audit Committee Report on page 158 under section D.3.4 of the Code.

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Rule No.	Corporate Governance Principles	Compliance Status	Extent of Adoption
Section 2: Level of Compliance to the Continuing Listing Requirements -Section 9 on related party transaction issued by the CSE			
9.2.3	Related Party Transactions Re-view Committee	Compliant	<p>Mandatory from 01/01/2016.</p> <p>If the parent Company and the subsidiary Company both are listed entities, the Related Party Transactions re-view Committee of the parent Company may be permitted to function as such Committee of the subsidiary.</p> <p>The Committee of the Parent Company which was formed on 10th February 2015 functions as the committee of the Company.</p>
9.2.2	Composition	Complaint	Two Independent Non-Executive Directors and 01 Executive Director
9.2	Related Party Transactions Re-view Committee Functions	Complaint	<ul style="list-style-type: none"> ⊙ To review in advance all proposed related party transactions of the group either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such review, prior to the completion of the transaction. ⊙ Seek any information the Committee requires from management, employees or external parties to with regard to any transaction entered into with a related party. ⊙ Obtain knowledge or expertise to assess all aspects of proposed related party transactions where necessary including obtaining appropriate professional and expert advice from suitably qualified persons. ⊙ To recommend, where necessary, to the Board and obtain their approval prior to the execution of any related party transaction. ⊙ To monitor that all related party transactions of the entity are transacted on normal commercial terms and are not prejudicial to the interests of the entity and its minority shareholders. ⊙ Meet with the management, Internal Auditors/External Auditors as necessary to carry out the assigned duties. ⊙ To review the transfer of resources, services or obligations between related parties regardless of whether a price is charged. ⊙ To review the economic and commercial substance of both recurrent/non recurrent related party transactions ⊙ To monitor and recommend the acquisition or disposal of substantial assets between related parties, including obtaining 'competent independent advice' from independent professional experts with regard to the value of the substantial asset of the related party transaction.
9.2.4	Related Party Transactions Re-view Committee-Meetings	Complaint	<ul style="list-style-type: none"> ⊙ Shall meet once a Quarter
9.3.2	Related Party Transactions Re-view Committee-Disclosure in the Annual Report	Compliant	<ul style="list-style-type: none"> ⊙ Report by the Related Party Transactions re-view Committee -Page 160. ⊙ A declaration by the Board of Directors -Page 171.

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Standard Disclosure	Description	Report Section	Page
STRATEGY AND ANALYSIS			
G4-1	Statement from the most senior decision-maker	Chairman's Statement & Managing Director's Review	20,24,151
G4-2	Description of key impacts, risks and opportunities	Business Review & Capital Management - Financial, Natural, Human, Social & Customer	10
ORGANIZATIONAL PROFILE			
G4-3	Name of the organisation	Corporate Information - Inner Back Cover	261
G4-4	Primary brands, products, and services	About Us	4
G4-5	Location of the organization's headquarters	Corporate Information - Inner Back Cover	261
G4-6	Number of countries where the organization operates	Corporate Information - Inner Back Cover- Map of Estates	261,6
G4-7	Nature of ownership and legal form	Corporate Information - Inner Back Cover	261
G4-8	Markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries)	Operational Performance	55
G4-9	Scale of the organization - employees, operations, net sales, capitalization, products	Operation Performance and Financial Capital Management	55,69
G4-10	Total number of employees by contract and gender, permanent employees, supervised workers, region	Human Capital Management	109-112
G4-11	Percentage of total employees covered by collective bargaining agreements	Human Capital Management	112-113
G4-12	Describe the organization's supply chain	Relationship Capital - Suppliers	130
G4-13	Any significant changes during the reporting period regarding the organisation's size, structure, ownership, or its supply chain	Financial Capital Management	130
G4-14	Report whether and how the precautionary approach or principle is addressed by the organization.	Natural Capital & Risk Management	79,140
G4-15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses.	Intellectual Capital	134
G4-16	List memberships of associations (such as industry associations) and national or international advocacy organizations	Stakeholder Engagement & Social Capital Management	36 125

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Standard Disclosure	Description	Report Section	Page
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES			
G4-17	List all entities included in the organization’s consolidated financial statements or equivalent documents.	About this Report & Materiality Analysis	38-39
G4-18	Process for defining the report content and the aspect boundaries, reporting Principles for defining report content	Materiality Assessment, Aspects & Boundaries	38-39
G4-19	List all the material aspects identified in the process for defining report content		
G4-20	For each material aspect, report the aspect boundary within the organization		
G4-21	For each material aspect, report the aspect boundary outside the organization, as follows:		
G4-22	The effect of any restatements of information provided in previous reports, and the reasons for such restatements.	Financial Capital Management	69
G4-23	Report significant changes from previous reporting periods in the scope and aspect boundaries	Materiality Assessment, Aspects & Boundaries	40
STAKEHOLDER ENGAGEMENT			
G4-24	List of stakeholder groups engaged by the organization.	Stakeholder Engagement	35
G4-25	The basis for identification and selection of stakeholders with whom to engage		35-36
G4-26	Report the organization’s approach to stakeholder engagement, including frequency of engagement and an indication if the engagement was specifically a part of the report preparation process		36
G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns.		36-37
REPORT PROFILE			
G4-28	Reporting period (such as fiscal or calendar year) for information provided	Introduction to this Report & About us	3 ,4
G4-29	Date of most recent previous report		
G4-30	Reporting cycle (such as annual, biennial)		
G4-31	Provide the contact point for questions regarding the report or its contents		
G4-32	Report the ‘in accordance’ option the organization has chosen.		
G4-33	Organization’s policy and current practice with regard to seeking external assurance for the report.		



Standard Disclosure	Description	Report Section	Page
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G4-34	Governance structure of the organisation, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts	Corporate Governance	153
G4-35	Process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees.	Corporate Governance	153
G4-36	Report whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body.	Corporate Governance	153,155
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G4-38	Report the composition of the highest governance body and its committees	Corporate Governance	155,157
G4-39	Report whether the Chair of the highest governance body is also an executive officer	Corporate Governance	153,155
G4-40	Nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members	Corporate Governance	157
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G4-44	Processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics. Report whether such evaluation is independent or not, and its frequency. Report whether such evaluation is a self-assessment.	Corporate Governance	156-157
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**10 YEAR SUMMARY****APPENDICES IV**

	2016	*2015	2013	2012	**2011	***2010	2009	2008	2007	2006
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Group revenue	3,434,579	4,761,101	3,646,837	3,318,149	2,744,505	3,002,624	2,772,125	2,264,085	1,924,383	1,731,612
Profit before Taxation	189,274	286,380	236,786	231,283	(22,198)	169,200	(27,887)	111,958	113,017	100,272
Taxation	(42,696)	(18,919)	(37,215)	(4,585)	(10,532)	(4,691)	(2,514)	(3,952)	(14,700)	(19,906)
Profit after taxation	146,578	267,461	199,571	226,698	(32,730)	164,509	(30,401)	108,006	98,317	80,366
Minority interest	(28,122)	(28,165)	(26,038)	(10,748)	18,690	(17,071)	(8,118)	(1,273)	(1,288)	7
Profit attributable to equity holders	118,456	239,296	173,533	215,950	(51,420)	147,438	(22,283)	109,279	99,605	80,359
Stated capital	350,000	350,000	350,000	350,000	350,000	350,000	350,000	350,000	350,000	350,000
Capital reserve	164,435	159,693	152,863	139,743	117,267	100,630				
Revenue reserve	1,163,836	1,172,193	995,500	865,662	664,848	792,279	660,904	712,875	669,094	569,488
shareholders' fund	1,678,271	1,681,885	1,498,363	1,355,405	1,132,115	1,242,909	1,010,904	1,062,875	1,019,094	919,488
Minority interest	179,797	167,338	152,855	136,921	128,329	122,623	54,376	62,494	63,595	22,254
Borrowings (both short and long-term)	552,563	690,527	855,623	895,920	1,092,427	936,576	1,257,480	1,160,182	911,210	729,975
	2,410,631	2,539,750	2,506,841	2,388,246	2,352,871	2,302,108	2,322,760	2,285,551	1,993,899	1,671,717
Non -current assets	3,340,891	3,347,168	3,248,131	3,237,928	3,197,861	3,138,780	2,923,602	2,782,252	2,285,360	2,027,207
Current assets	579,396	713,165	798,662	620,040	532,418	482,681	717,923	538,701	550,554	332,646
Current liabilities net of borrowings	(285,346)	(368,452)	(394,373)	(358,488)	(297,388)	(317,746)	(411,043)	(320,697)	(307,733)	(238,308)
Provisions	(1,073,209)	(985,514)	(954,621)	(900,942)	(853,488)	(751,133)	(685,786)	(516,788)	(403,161)	(329,804)
Deferred income	(151,102)	(166,617)	(190,958)	(210,292)	(226,532)	(250,474)	(221,936)	(197,917)	(131,121)	(120,024)
Capital employed	2,410,677	2,539,750	2,506,841	2,388,246	2,352,871	2,302,108	2,322,760	2,285,551	1,993,899	1,671,717
Net Cash inflow/(outflow) from operating activities	393,442	532,290	301,099	336,133	108,711	321,845	315,964	298,251	190,692	228,839
Net Cash inflow/(outflow) from investing activities	(94,286)	(259,610)	(126,460)	(131,654)	(165,069)	(170,378)	(231,723)	(530,418)	(334,118)	(223,975)
Net Cash inflow/(outflow) from finance activities	(209,166)	(327,359)	(168,629)	(66,040)	(164,130)	(249,640)	176,655	149,279	198,440	(51,480)
Increase/(decrease) in cash & cash equivalents	89,991	(54,680)	6,010	138,439	(220,488)	(98,173)	260,896	(82,888)	55,014	(46,616)
Key Indicators										
EPS (basic) (Rs.)	4.99	10.08	7.31	9.09	(2.17)	6.21	(0.94)	4.60	4.19	3.38
Net assets per share (Rs.)	70.66	70.82	63.09	57.07	47.67	52.33	42.56	44.75	42.91	38.72
Market price per share (Rs.)	32.50	35.10	24.00	24.00	29.70	46.40	25.25	13.00	35.75	25.25
Price earning ratio (times)	6.52	3.49	3.28	2.64	(13.72)	7.47	(26.86)	2.80	8.50	7.50
Current ratio (times)	1.22	1.16	1.28	1.16	0.88	1.17	1.17	0.90	0.90	0.70
Return on equity%	5.57	15.04	12.16	17.36	(4.33)	13.08	(2.15)	10.50	10.30	8.80
Debt to equity%	29.74	37.30	51.80	60.00	86.70	65.80	124.39	109.20	89.40	79.40
Dividend per share (Rs.) - Company	-	3.00	3.00	2.50	-	2.50	-	1.25	2.50	2.50
Dividend payout ratio (times) - Company	-	0.29	0.41	0.27	-	0.40	-	0.27	0.60	0.74

* 15 Months results

** Restated - Statement of Profit or Loss, Statement of Financial Position, Statement of Cash Flow

*** Restated - Statement of Financial Position



GLOSSARY

APPENDICES V

FINANCIAL TERMS

ACCOUNTING POLICIES

Specific principles, bases, conventions, rules and practices adopted by an enterprise in preparing and presenting financial statements.

AGRICULTURAL ACTIVITY

Is the management by an entity of the biological transformation and harvest of biological assets for sale or for conversion into agricultural produce or into additional biological assets.

AGRICULTURAL PRODUCE

The harvested product of the entity's biological assets.

HARVEST

Detachment of produce from a Biological Asset or the cessation of Biological Assets life processes.

AMORTISATION

The systematic allocation of depreciable amount of an intangible asset over its useful life.

BEARER BIOLOGICAL ASSETS

Biological assets those are not to be harvested as agricultural produce or sold as biological assets. The biological assets other than the consumable biological assets.

BORROWINGS/DEBT

Bank loans, overdrafts, long term loans, debentures, finance lease obligations and interest bearing liabilities.

CAPITAL EMPLOYED

Shareholder's funds plus non controlling interests and debts.

SHAREHOLDERS' FUNDS

Total of stated capital, capital reserves and revenue reserves.

CASH EQUIVALENTS

High liquid investments that are readily convertible to know amounts of cash and which are subject to an insignificant risk of change in value.

CONTINGENT LIABILITY

A condition or situation existing at the balance sheet date due to past events, where the financial effect is not recognised because:

1. The obligation is crystallised by the occurrence or non occurrence of one or more future events or,
2. A probable outflow of economic resources is not expected or,
3. It is unable to be measured with sufficient reliability

CURRENT RATIO

Current assets divided by current liabilities.

DEBT TO EQUITY RATIO

Debt as a percentage of shareholders funds and non controlling interests.

DEFERRED TAXATION

The net tax effect on items which have been included in the Income Statement, which would only qualify for inclusion on a tax return at a future date.

DIVIDENDS

Distribution of profits to holders of equity investments.

DIVIDEND PAY OUT

Dividend per share divided by Earnings per Share.

EBIT

Abbreviation for Earnings Before Interest and Tax.

EBITDA

Abbreviation for Earnings before Interest Tax Depreciation & Amortisation.

EBITDA MARGIN

EBITDA divided by Sales Revenue.

EARNINGS PER SHARE

Profit attributable to equity holders of the parent divided by the weighted average number of ordinary shares in issue during the period.

INTEREST COVER

Consolidated profit before Interest and tax over finance expenses.

IFRS

International Financial Reporting Standards.

SLFRS

Sri Lanka Financial Reporting Standards.

LKAS

Sri Lanka Accounting Standards.

SoRP

Statement of Recommended Practices.

MARKET CAPITALISATION

Number of shares in issue at the end of the period multiplied by the market price at the end of period.

NET ASSETS

Total assets less current liabilities less long term liabilities less non - controlling interests.



NET ASSETS PER SHARE

Net assets as at a particular financial year end divided by the number of shares in issue as at the current financial year end.

NON CONTROLLING INTEREST

Part of the net results of operations and net assets of a subsidiary attributable to interests which are not owned, directly or indirectly, through Subsidiaries, by the Parent Company.

PRICE EARNINGS RATIO

Market price of a share divided by Earnings per Share.

RELATED PARTIES

Parties who could control or significantly influence the financial and operating policies of the business.

RETURN ON EQUITY (ROE)

Profits attributable to shareholders as a percentage of average shareholders' funds.

RETIREMENT BENEFITS

Present value of a defined benefit obligation

Is the present value of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

Current service cost

Is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost

Is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Actuarial gains and losses

Is the effects of difference between the previous actuarial assumptions and what has actually occurred and the effects of changes in actuarial assumptions.

REVENUE RESERVES

Reserves considered as being available for distributions and investments.

SEGMENT

Constituent business units grouped in terms of nature and similarity of operations.

WORKING CAPITAL

Capital required financing day-to-day operations (Current Assets less Current Liabilities).

UITF

Urgent Issue Tasks Force of The Institute of Chartered Accountants of Sri Lanka

NON-FINANCIAL TERMS

BIODIVERSITY

The variability among living organisms from all sources including, among others, terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are part; this includes diversity within species, between species and of ecosystems.

CARBON DIOXIDE SEQUESTRATION

The capture of atmospheric carbon dioxide (CO₂) in a solid material such as growing trees, other vegetation and soils or a carbon sink through biological or physical processes, such as photosynthesis.

COP

Cost of Production. This generally refers to the cost of producing a kilo of produce (Tea/Rubber/Coconut).

COS

Cost of sale. The cost incurred on preparation to salable condition of the good sold.

CROP

The total produce harvested over a given period of time. (Usually during a financial year).

EXTENT IN BEARING

The extent of land from which crop is being harvested. Also see "Mature Plantation".

ETHICAL TEA PARTNERSHIP (ETP)

ETP is a non-competitive alliance of 20 international tea packers who share a vision for a thriving industry that is socially just and environmentally sustainable.

FIELD

A unit extent of land. Estates are divided into fields in order to facilitate management.

GSA

The Gross Sales Average. This is the average sale price obtained (over a period of time, for a kilo of produce) before any deductions such as Brokerage etc.

HACCP

Hazard Analysis Critical Control Point System. A Scientific system which identifies, evaluates and control hazards which are significant for food safety



GLOSSARY CONTD.

APPENDICES V

IMMATURE PLANTATION

The extent of plantation that is under development and is not being harvested.

INFILLING

A method of field development whereby planting of individual plants is done in order to increase the yield of a given field, whilst allowing the field to be harvested.

ISO

International Organisation for Standardisation. A worldwide federation of national standard bodies.

ISO 22000

International Standard for Food Safety Management Systems (FSMS) released by ISO in September 2005.

MATURE PLANTATION

The extent of plantation from which crop is being harvested. Also see “Extent in Bearing”.

NSA

The Net Sales Average. This is the average sale price obtained (over a period of time) after deducting Brokerage fees and Cost of Gratis teas. (Also see GSA).

RAINFOREST ALLIANCE (RA)

The Rainforest Alliance functions as the Secretariat of the SAN and administers its certification scheme; RA works to conserve biodiversity and ensure sustainable livelihoods by transforming land-use practices, business practices and consumer behaviors.

REPLANTING

A method of field development where an entire unit of land is taken out of “bearing” and developed by way of uprooting the existing tree/bushes and replanting with new trees/bushes.

SEEDLING TEA

Tea grown from a seed. (Also see VP Tea).

SUSTAINABLE AGRICULTURE NETWORK (SAN)

SAN is a coalition of independent non-profit conservation organizations that promote the social and environmental sustainability of agricultural activities by developing standards. SAN promotes efficient agriculture, biodiversity conservation and sustainable community development by creating social and environmental standards.

VP TEA

Vegetatively Propagated tea. i.e. Tea grown from a cutting of a branch of tea plant. (Also see “Seedling”).

YIELD

The average crop per unit extent of land over a given period of time. (Usually kg per hectare per year).

UTZ

Means ‘good’ in Mayan Language Quiche. UTZ certified is a sustainability program for Coffee, Cocoa and tea. It trains farmers how to produce sustainably improving their quality of life, environment and products. UTZ certified is working towards making tea sector sustainable.

PHDT

Plantation Human Development Trust

NIPM

National Institute of Plantation Management

TRI

Tea Research Institution.



CORPORATE INFORMATION

GRI - G4 3,5,6,7

NAME OF COMPANY

Talawakelle Tea Estates PLC

LEGAL FORM

A Public Limited Company
Incorporated in Sri Lanka on 22nd June
1992

COMPANY NUMBER

PQ 36

ACCOUNTING YEAR END

31st March

PRINCIPAL LINE OF BUSINESS

Cultivation and Manufacture of Black Tea

STOCK EXCHANGE LISTING

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

DIRECTORS

Mr A M Pandithage - *Chairman*
Mr W G R Rajadurai - *Managing Director*
Mr Merrill J Fernando
Mr Malik J Fernando (*Alternate-Mr D C Fernando*)
Prof U Liyanage (*Deceased on 10.08.2015*)
Dr S S S B D G Jayawardena
Mr L N De S Wijeyeratne
Dr K I M Ranasoma
Mr W D N H Perera (*Alternate - Mr J M Kariapperuma*)
Ms M D A Perera
Dr N T Bogahalande
Mr D S Seneviratne - *Chief Executive Officer (w.e.f 01st April 2016)*

MANAGING AGENT

Hayleys Plantation Services (Private)
Limited, 400, Deans Road, Colombo 10,
Sri Lanka.

REGISTERED OFFICE

400, Deans Road, Colombo 10, Sri Lanka

HEAD OFFICE

400, Deans Road, Colombo 10, Sri Lanka.
Telephone : (94-11) - 2627754-5, 2697203
Fax : (94-11) - 2627782, 2674592
e- mail : tpl.tea@ttel.hayleys.com
Website : www.talawakelleteas.com

SECRETARIES

Hayleys Group Services (Private) Limited
400, Deans Road, Colombo 10, Sri Lanka

BANKERS

Commercial Bank of Ceylon PLC
Sampath Bank PLC
National Development Bank PLC
Hatton National Bank PLC
Bank of Ceylon
Hongkong and Shanghai Banking Corporation Limited
Deutsche Bank
Indian Bank
Union Bank of Colombo PLC
DFCC Bank PLC
Seylan Bank PLC

AUDITORS

M/s Ernst & Young
Chartered Accountants
201, De Saram Place, Colombo 10
Sri Lanka.

LEGAL ADVISORS

M/s F J & G De Saram & Company
Attorneys – at – Law
216, De Saram Place, Colombo 10
Sri Lanka.

TAX ADVISORS

M/s Ernst & Young
Chartered Accountants
201, De Saram Place, Colombo 10,
Sri Lanka.



NOTICE OF MEETING

PQ36

NOTICE IS HEREBY GIVEN that the Twenty Fourth Annual General Meeting of Talawakelle Tea Estates PLC, will be held at No. 400, Deans Road, Colombo 10, Sri Lanka, on 21st June, 2016 at 3.00p.m. and the business to be brought before the meeting will be :

- 1) To consider and adopt the Annual Report of the Board and the Statements of Accounts for the year ended 31st March 2016, with the Report of the Auditors thereon.
- 2) To re-elect Mr. A. M. Pandithage, who retires by rotation at the Annual General Meeting, a Director.
- 3) To re-elect Dr. N. T. Bogahalande, who retires by rotation at the Annual General Meeting, a Director.
- 4) To re-elect Mr. D.S. Seneviratne, who retires by rotation at the Annual General Meeting, a Director.
- 5) To re-appoint Mr. Merrill J Fernando, who retires having attained the age of Eighty Six years and the Company has received special notice of the undernoted ordinary resolution in compliance with section 211 of the Companies Act No.07 of 2007 in relation to his re-appointment.

ORDINARY RESOLUTION

That, Merrill Joseph Fernando a retiring Director, who has attained the age of Eighty Six years be and is hereby re-appointed a Director of the Company and it is hereby declared that the age limit of seventy years referred to in section 210 of the Companies Act No.07 of 2007 shall not apply to the appointment of the said Director.

- 6) To re-appoint Dr. S.S.S.B.D.G. Jayawardena, who retires having attained the age of Seventy Three years and the Company has received special notice of the undernoted ordinary resolution in compliance with section 211 of the Companies Act No.07 of 2007 in relation to his re-appointment.

ORDINARY RESOLUTION

That, Sri Suddha Sinharatna Bandara Don Gnanaratna Jayawardena a retiring Director, who has attained the age of Seventy Three years be and is hereby re-appointed a Director of the Company and it is hereby declared that the age limit of seventy years referred to in section 210 of the Companies Act No.07 of 2007 shall not apply to the appointment of the said Director.

- 7) To authorise the Directors to determine contributions to charities for the year 2016/17.
- 8) To authorise the Directors to determine the remuneration of the Auditors, Messrs Ernst & Young, who are deemed to have been reappointed as Auditors for the financial year 2016/17 in terms of Section 158 of the Companies Act No.07 of 2007.
- 9) To consider any other business of which due notice has been given.

Note :

A Shareholder is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a shareholder of the Company. A Form of Proxy is enclosed for this purpose. The instrument appointing a proxy must be deposited at the Registered Office No. 400, Deans Road, Colombo 10 by 3.00p.m. on 19th June 2016.

By Order of the Board

TALAWAKELLE TEA ESTATES PLC

Hayleys Group Services (Private) Limited
Secretaries

Colombo
18th May, 2016



NOTES

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.



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Talawakelle Tea Estates PLC, No. 400, Deans Road, Colombo 10, Sri Lanka.