



ANNUAL REPORT 2016/17

KALUBOWITIYANA TEA FACTORY LTD
MINISTRY OF PLANTATION INDUSTRIES

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CORPORATE INFORMATION

Name of the Company	: Kalubowitiyana Tea Factory Limited	
Company Registration No.	: PB 1020	
Shifted Office	: No.556,Nagahamulla Road,Pannipitiya Road Thalangama South,Pelawatta, Battaramulla	
Legal Firm	: A Public Compny with Limited Liability Incorporated in Sri Lanka on 30th September 1992.	
Telephone No.	: 011-4645279	
Fax No.	: 011-4645279	
E-mail Address	: 'ktfl@sltnet.lk	
Auditors	Auditor General Auditor General's Department No.306/72, Polduwa Road, Battaramulla	
Secretaries	: Corporate Services Limited, 216, De Saram Place, Colombo 10	
Lawyers	: F J & G De Saram Attorney -at-Law & Notaries Public 216, De Saram Place, Colombo 10	
Bankers	: People's Bank	
Board of Directors	: Mr. P.S.Samarakoon -Chairman Mrs.W.A.Indranie Sugathadasa Mr.H.Hemal Kasthuriarachchi Mr.P.Rasaiah Mr.T.P.Rathnayaka Mr.M.A.L.S.N.K.Manthrinayaka	Mr.M.A.S.P.Palihawadana Mr.A.U.C.Athukorala Mr.Dammika Ambewela Mr.G.Nallaperuma Mr.K.Brahmana
Senior Management	: Mr.P Jayasekara (Manager Finance & Marketing) Mr.T.W.M.S.P.Bandara (Manager /Administration & Human Resources) Mr. T.A.D.J.C.Thilakarathna(Manager / Kalubowitiyana Tea Factory) Mr.Thusitha Siriwardana (Manager /Derangala Tea Factory) Mr.L.A.D.D.I.Nandasiri (Ass. Manager /Hiniduma Hills Tea Factory) Mr.Jayalal Weerakoon (Manager /Manikdewela Tea Factory)	
Factories	: Kalubowitiyana CTC Factory Abeywila, Kalubowitiyana Tel/ Fax. 0913 783020 E-Mail ktflk@sltnet.lk Derangala Tea Factory Kiriwelkelle, Pitabeddara Tel/ Fax. 0913 783621 E-Mail dtfl@sltnet.lk	Hiniduma Hills Tea Factory Jesmin Velly Junction,Thawalama Tel/ Fax. 041-7201222 Manikdewela Tea Factory Thismada Road,Manikdewela Tel/Fax:081-2069620/21

INTRODUCTION

Kalubowitiya Tea Factory Limited (KTFL) is a limited liability company incorporated under the Companies Act No; 17 of 1982 and re-registered under the new Companies Act No; 07 of 2007. The Company was established to produce Cut, Tear and Curl (CTC) Tea and commenced commercial operations on 1st August 1994, with an initial capital of Rs. 50 Million consisting of five million shares valued Rs.10 per share. The initial capital was provided under the Indian line of Credit. Our second tea factory at Derangala was established under the same line of credit and commenced its operations in March 2000. Our third Tea factory is the Hiniduma Hills Tea Factory, which was previously under the Tea Shakthi Fund, transferred to KTFL under a profit sharing agreement. The Company re-established this factory using its own funds and the Hiniduma Tea Factory commenced operations from 2012.

The latest addition to the Company is the Manikdiwela Factory which previously belonged to the Tea Shakthi Fund, Located at Manikdiwela Village, Yatinuwara Electorate in Kandy District. The Company used its own funds to re-establish this factory.

The Company produces approximately 2,000,000 Kgs, of very high quality teas per year using the selected green leaf purchased from the smallholders.

The Company's tea production is sent to the Colombo Tea Auction through brokers, while a small proportion is destined for the local market through sales centers at factories and the Head Office.

- The mandate of the company as per the Articles of Association is as follows:
 - To carry on the business of tearing, curing, preparing, processing and manufacturing tea leaf purchased from growers
 - To cultivate, grow, manage and superintend tea plantations.

Trade Names & Types of Teas

When it comes to quality, KTFL is the Number One CTC tea producer in the low grown area of the country.

- Kalubowitiyana CTC Tea traded in the market under the selling mark of "Kalubowitiyana Tea".
- Derangala Orthodox Tea traded in the market under the selling marks of "Derangala" and "Kiriwelkele" tea.
- Hiniduma Orthodox Tea traded in the market under the selling marks of "Hiniduma Hills" and "Thawalama Hills" tea.
- Manikdiwela Orthodox Tea traded in the market under the selling mark of "Manidiwela" tea.

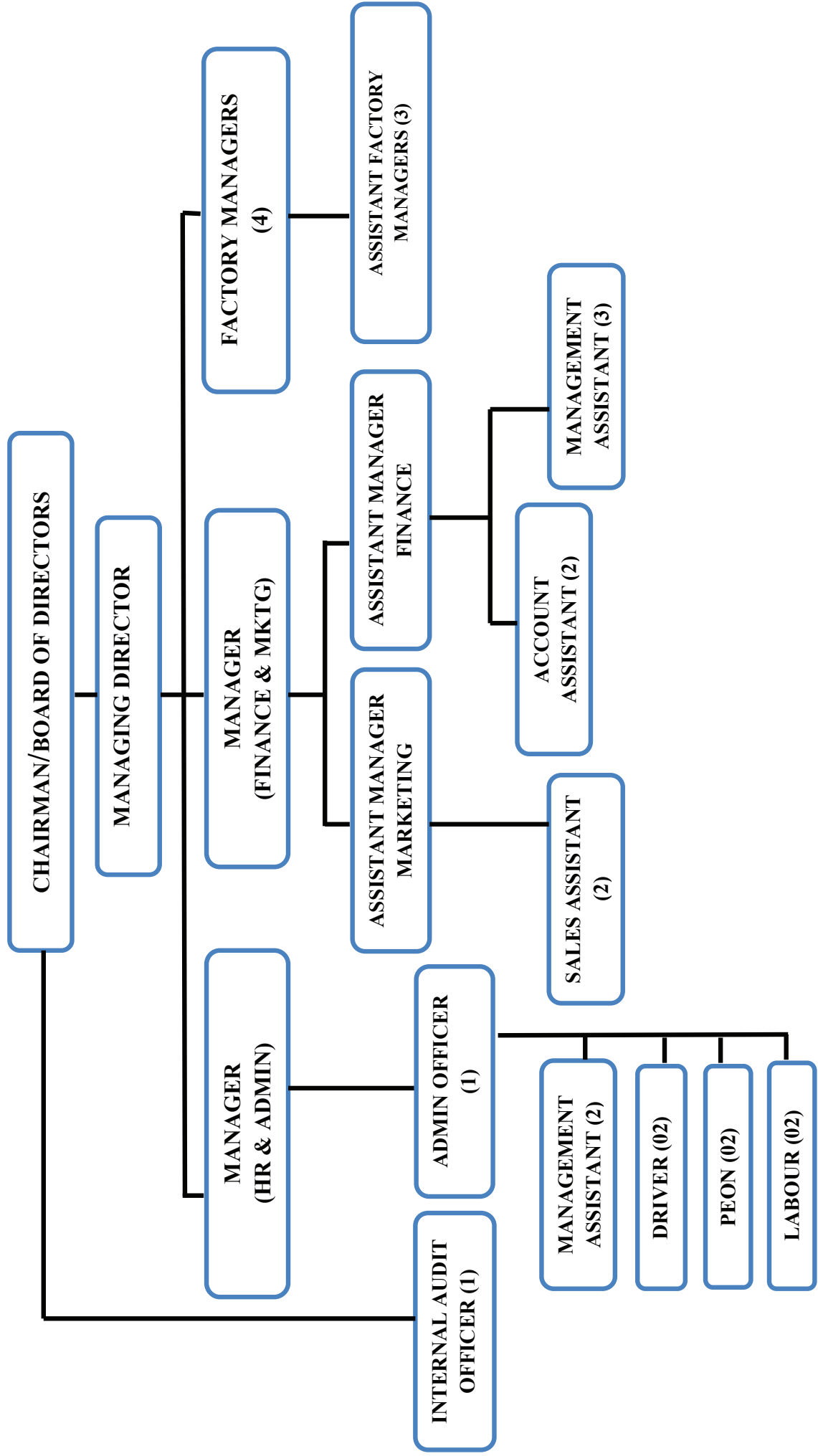
VISION

To be the most recognized model in manufacturing and marketing of best Sri Lankan CTC and Orthodox Tea.

MISSION

To manufacture superior quality, tasty and consumer friendly Sri Lankan Tea aiming at internal and external markets.

ORGANIZATIONAL STRUCTURE



Kalubowitiyana Tea Factory Ltd.
Corporate Management

MRS.S.N.ATTANAYAKE

Managing Directress

MR.M.A.S.P.PALIHAWADANA

Executive Director

MR.P.JAYASEKARA

Manager/Finance & Marketing

MR.T.W.M.S.P.BANDARA

Manager/Administration & Human Resources

MR.T.A.D.J.C.THILAKARATHNA

Manager/Kalubowitiyana Tea Factory

MR.T.SIRIWARDANA

Manager/Derangala Tea Factory

MR.L.A.D.D.I.NANDASIRI

Assistant Manager/Hiniduma Hills Tea Factory

MR.H.M.J.A.WEERAKOON

Manager/Manikdewela Tea Factory

CHAIRMAN'S REVIEW

I am pleased to present before you the Annual Report for the Financial Year ended 31st March 2017. The period under review proved to be a challenging one for the Sri Lankan tea industry. The macro economics volatility on a global scale brought forward from 2015, and with adverse weather in the second quarter of the current year 2016 contributed towards sluggish growth within the tea sector. Following the decline in the production tea exports earnings during in the year amounted to USD 1.269 Bn representing 12.3% of total export earnings compared with USD 1.340 Bn amounting to 12.7% of export earnings in the previous year.

Global Challenges

Sri Lanka's total tea production for the year 2016 amounted to 292.6Mn Kgs, a 11% decrease from 328.8Mn kgs in the previous year which represented a seven year low. This decline in production together with an adverse weather pattern resulted in a 6% dip in tea exports to 288.8 Mn kgs versus 306.9Mn kgs in previous year.

On the global front, the Russian market showed signs of recovery and emerged as the largest importer of Sri Lankan Tea. The strengthening of the Rouble against the US Dollar and a significant improvement in crude oil prices during 2017 contributed towards increased buying from Russia. Iran and Iraq followed in second and third place respectively. Export Volumes to the UAE, Kuwait, Syria and Libya also fell significant due to political unrest within the region.

Company Performance

Against this challenging backdrop, the Company reported revenue of Rs. 935.5Mn and a post-tax profit of Rs. 29.5Mn for the year under review, marking an increase of 20.6% in turnover and profit 201% respectively.

Our Strategy

Our key focus consists of following GMP to produce quality end products. In this context, the Management spearheads quality parameters on raw material, processing and marketing in order to achieve the final goals of the company. From a strategic perspective, the Company intends to educate and upgrade the knowledge levels of the Tea Small Holder segment in relation to sound agricultural and manufacturing practices, in an effort to increase yields and add on a higher premium to the end product. The introduction of Randalu societies intends to establish a good relationship with the smallholder segment, while the introduction of a local brand is a probability going forward. As a means to expand awareness and understanding, Kalubowitiyana Tea Factory Ltd will continue to conduct relevant training programmes for its executive staff and workers to further enhance knowledge growth and improve overall productivity. The Company continues to operate on strong fundamentals and considers its people to be its biggest asset.

Future Prospects

The outlook of the Sri Lankan tea industry seems to be a challenging one. The domestic and trading conditions within key buyer markets, of whom bulk are oil producing nations remain critical factors. A positive factor is Russia's accession to the WTO in August 2014, which carries favourable tariff considerations. With the easing of tensions between Iran and the US, the former being Sri Lanka's second largest buyer prior to the sanctions, is expected to accrue benefits. General socio-economic unrest in the Middle East however will continue to be of concern.

On the local front, climatic conditions, labour wages and fertilizer subsidies continue to pose a challenge

and need better management. Although the latter is provided at an attractive and fairly consistent rate throughout the year, one of the challenges faced by Tea small holders is the sourcing of quality fertilizer.

Appreciation

On behalf of the Board of Directors I would like to extend my appreciation to the Tea Smallholder sector on whom we remain dependent, as well as our staff at Kalubowitiyana, and the Management whose combined efforts continue to steer forward our operations successfully. Our appreciation extends to the Hon. Minister of Plantations, and the unstinted support of the Ministry of Plantation Industries. Although the year ahead poses challenges on many fronts, I draw confidence from the support and loyalty of our people, our stakeholders, and their strong partnerships, which give us determination in moving forward with confidence.



P.S.Samarakoon
Chairman

FINANCIAL REVIEW

Revenue Analysis

In the year under review, the Company reported a gross revenue of Rupees 936Mn in comparison to Rupees 776Mn recorded in the previous financial year, which reflects a 20.61% increase year on year. Some key challenges from the previous year prevailed during the year under consideration as well, such as unfavorable weather conditions that affected crop output; a loss of several buyers in Russia who shifted towards procuring CTC teas from Kenya; and severe competition among tea factories to source as much green leaf as possible from the Tea Small Holder segment. Of the revenue component, local sales comprising Rupees 48.78Mn witnessed an increase of 87% year on year. This was attributable to increased local purchasing by Government Institutions and Welfare Societies.

Cost of Sales and Operating Expenses

The cost of sales amounting to Rupees 881.6Mn witnessed a 14.8% increase from the previous financial year. Although a similar quantity of tea was produced each year, the Company was able to lower its cost of production in terms of its leaf cost. This was enabled by way of installing a hot water generator at the Kalubowitiyana Tea Factory for better processing efficiencies. Gross Profit margins were increased as by 544% from previous year due to achievement of higher quality and productivity by the company.

Administration expenses were increased to Rupees 32.4Mn in 2016/17 against Rupees 30.5Mn in the previous year, in line with an increase in multiple expenditure components. Personnel costs rose in line with an increase in the staff salary quantum.

Other Operating Income

Other operating income decreased to Rupees 7.5Mn from Rupees 31.4Mn recorded in the previous financial year. A component of Rupees 23.2 Mn reflected as other income represents the treasury grant which was written off in the previous year.

Consequently the operating was increased to Rs.28.2 Mn from Rs.8.4Mn recorded in previous year.

Finance Cost

During the year, the company's Finance expenses were Rupees 9.1 Mn. The Company earned an interest income amounting to Rupees 12.01 Mn during the current financial year. The Company loan to BCC Lanka in 2003 continued to remain on the balance sheet and generated an interest income to the Company.

The Company reported a net finance income of Rupees 2.9Mn vis a vis Rupees 3.5Mn in the previous financial year. Interest cover increased to 4.4 from 2.4 previously.

Post taxation, the Company recorded a 201% increase in the bottom line to Rupees 29.5Mn vis a vis Rupees 9.81Mn in the financial year ended 2015/2016.

Financial Position and Liquidity

Non Current Assets

The non-current assets comprise 34.5% of the total asset base. During the financial year under review, the Company invested in developing the Manikdewela Tea Factory amounting to a cost of Rupees 76Mn during this year. The factory was acquired from Tea Shakthi Fund.

Loan – BCC Lanka Ltd

During the year, the company made several attempts to recover the loan of Rupees 10 Mn given to BCC Lanka Ltd., way back in 2004, together with accumulated interest of Rs. 37.43 Mn (totaling Rs. 47.43), however, none of the attempts were successful.

Working Capital

During the year, the Company's current assets significantly rose to Rupees 415.27Mn from Rupees 349.16Mn in the previous year on account of a general decline in the market value of inventory as at balance sheet date. The trade debtor component of Rupees 49.9 was increased to Rs.62.3Mn. The trade payables quantum increased of Rupees 89.2Mn from Rupees 69.1Mn in the previous year. The Company therefore managed to maintain its working capital cycle within satisfactory limits.

Capital Structure

Equity

The Company's issued ordinary share capital amounts to Rs. 46,375,070.00. Brought forward profits boosted the retained earnings and reserves for the financial year under review increasing the net by 6% to Rs. 465Mn for the current financial year.

Borrowings

The Company obtained a working capital loan amounting to Rs. 55mn from People's Bank, for which an interest subsidy of 2% granted from the Sri Lanka Tea Board.

This was served to reduce the amount of OD Interest payment of the company from 11.15% to 8%.

DIRECTOR'S REPORT

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

Nature of the business

The principle activities of the Company are to carry on the business of treating, curing, preparing, processing and manufacturing tea leaf purchased from growers; and to cultivate, grow, manage and superintend tea plantations.

Performance of the Company

The review of the Company's business and its performance during the year which comments of the financial results are contained in the Financial Statements including the Auditors Report (attached herewith), which forms part of this Annual Report.

The accounting policies adopted in the preparation of the Financial Statements are given on pages 28 to 36 in the Notes to the Financial Statements.

Changes in the accounting policies

The accounting policies adopted by the Company have been consistently applied without any change from the previous years.

Entries made in the Interest Register

Entries made in the Interest Register are disclosed under the heading "Related Party Transactions" on page 45 in the Notes to the Financial Statements.

Remuneration and other benefits of Directors

The Directors' emoluments for the financial year ending 31st March 2017 is addressed in page 38 of the Notes to the Financial Statements.

Donations

The Company's total donations for the financial year ended 31st March 2017 was Rs.676,343.05 as shown in page 39 in the financial statements.

Directors of the Company

The directors of the Company during the financial year ended 31st March 2017 are as follows:

Mr. P.S. Samarakoon – Chairman
Mrs. W.A.I. Sugathadasa
Mr. H.H. Kasthuriarachchi
Mr. P. Rasiah
Mr. T.P. Rathnayake
Mr. M.A.L.S.N.K. Manthrinayake
Mr. M.A.S.P. Palihawadana
Mr. A.U.C. Athukorale
Mr. D. Ambewela
Mr. G. Nallaperuma
Mr. K. Brahmana

Auditor's fee

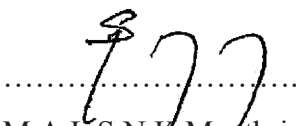
The auditor's fee has not been paid for the financial year under review.

Auditors interest in the Company other than as auditors

The Directors are satisfied that the auditors do not have any relationship or interest in the Company that would impair their independence.



P.S. Samarakoon
Chairman
Ltd.

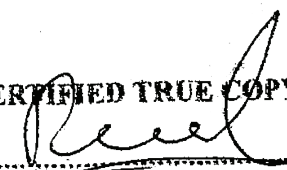


M.A.L.S.N.K. Manthrinayaka
Director



Secretaries
Corporate Service (Pvt)

On this 6th day of September 2017.

CERTIFIED TRUE COPY

Director
CORPORATE SERVICES (PRIVATE) LIMITED
Secretaries



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கணக்காய்வாளர் தலைமை அபிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT



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මගේ අංකය
எனது இல.
My No.

PLA/B/KTF/01/16/17/01

ඔබේ අංකය
உமது இல.
Your No.

දිනය
திகதி
Date

November 2017

The Chairman
Kalubovitiyana Tea Factory Limited.

Report of the Auditor General on the Financial Statements of the Kalubovitiyana Tea Factory Limited for the year ended 31 March 2017 in terms of Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

The English version of above mentioned report is sent herewith for your reference please.

Please note that this report will be tabled at the parliament.

S.T.B. Rathnayaka

S.T.B.Rathnayaka,

Assistant Auditor General,

For Auditor General.



Kalubowitiyana Tea Factory Limited

The audit of financial statements of the Kalubowitiyana Tea Factory Limited for the year ended 31 March 2017 comprising the statement of financial position as at 31 March 2017 and the profits or losses and other comprehensive income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. My observations on the performance of the Company of the year under review, which I consider should be tabled in Parliament in terms of Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka, appear in this report.

1.2 Board of Directors' Responsibility for the Financial Statements

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

1.3 Auditor's Responsibility

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

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

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

1.4 Establishment and Ownership of the Company

Kalubowitiyana Tea Factory Limited is a Limited Liability Company incorporated under the Companies Act, No.17 of 1982 and then re-registered under the Companies Act, No.7 of 2007. This is a fully Government owned company and the sole shareholder of the Company is the Secretary to the Treasury.

1.5 Basis for qualified Opinion

My opinion is qualified based on the matters described in paragraph 2.2 of this report.

2. Financial Statements

2.1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of the Kalubowitiyana Tea Factory Limited as at 31 March 2017 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

2.2 Comments on Financial Statements

2.2.1 Sri Lanka Accounting Standards

The following observations are made.

(a) Sri Lanka Accounting Standard 01

Even though the investments exceeding the Maturity of one year, should be represented under non-current Assets, 02 fixed deposits valued at Rs.94,360,820 due to be matured on 07 June 2018, had been brought to account as current assets.

(b) Sri Lanka Accounting Standard 16

The assets costing Rs.222,170,063 had been fully depreciated as the useful life of non-current assets had not been reviewed annually. However, they had still been in use. Accordingly, action had not been taken to revise the estimated error in terms of Sri Lanka Accounting Standard 8.

(c) Sri Lanka Accounting Standard 19

(i) In terms of paragraph 57 of the Standard, the Projected Unit Credit Method should be applied for the measurement of Employee Benefits Liability. Nevertheless, the Company had applied the Gratuity Formula and carried out measurements.

(ii) Even though actuarial gain or loss recognized at the re-measurement of the Employee Benefits Liability should be shown under other comprehensive income in terms of paragraph 57 (d) of the Standard, action had not been so taken in respect of actuarial losses amounting to Rs.691,779.

2.2.2 Accounting Deficiencies

The following observations are made.

- (a) A total sum of Rs.6,194,940 spent for painting and repairing of buildings of the Hiniduma Hills Tea Factory, obtained on lease basis in the year 2012/2013 had been capitalized under buildings instead of accounting as expenditure and a sum of Rs.1,238,988 had been written off against the profit as the depreciation of the year under review.
- (b) A tea dryer belonging to the Derangala Tea Factory had been disposed of in the preceding year and action had not been taken in the year under review to eliminate the cost of the tea dryer from accounts and to compute and account the profit/loss generated thereby. However, a sum of Rs.1,000,000 received therefor in the preceding year, had been brought to account under other income.

2.2.3 Suspense Accounts

Balances amounting to Rs.221,750 and Rs.468,287 in the balances of Trade and other receivable balances and in the balances of Suspense Accounts shown under Creditors and accrued expenditure, remaining over a period of 05 years, were being brought forward instead of identifying and settling them.

2.3 Accounts Receivable and Payable

The following observations are made.

- (a) A debtor balance amounting to Rs.451,547 receivable from the Silk and Allied Products Development Authority which is inoperative at present, was being brought forward in the accounts of the Company.
- (b) A sum of Rs.1,374,152 or 30 per cent out of the receivable balance of Rs.4,645,499 of the Kalubowitiyana Tea Factory and a sum of Rs.1,712,313 or 35 per cent out of the receivable balance of Rs.4,861,918 of the Derangala Tea

Factory belonging to the Company, had exceeded 5 years as at the end of the year under review. Nevertheless, those had not been recovered.

- (c) A sum of Rs.1,206,655 out of the payable loan balance of Rs.40,838,277 of the Kalubowitiyana Tea Factory as at the end of the year under review and a sum of Rs.274,211 out of the payable balance of Rs.19,106,476 of the Derangala Tea Factory as at that date, had exceeded 05 years.

2.4 Non-compliance with Laws, Rules, Regulations and Management Decisions

The following instances of non-compliance with laws, rules, regulations, etc. were observed.

Reference to Laws, Rules, Regulations and Management Decisions

Non-compliance

(a) Companies Act, No.07 of 2007

(i) Section 131(1)

Even though the Annual General Meeting should be held within 30 working days and the Annual Report (Form General 15) therefor should be presented to the Registrar of the Company and certified, action had not been so taken for the year 2015/2016.

(ii) Section 133

Even though the Annual General Meeting should be held during a period not later than 6 months after the balance sheet date and not later than 15 months after the previous Annual General Meeting, a last Annual General Meeting had not been held after the year 2011/2012.

- (b) Inland Revenue Act, No. 10 of
2006
Section 200

The income tax amounting to Rs.1,676,203 paid in excess on the self-assessment of the preceding year contrary to provisions of the Act, had been deducted considering as an overpayment in the computation of Income Tax Liability of the Company for the year under review.

- (c) Employees' Provident Fund
(Amendment) Act, No.01 of
1985
Section 9(2)

In the computation of the contribution for the Employees' Provident Fund for the Company, the contribution should be computed subsequent to addition of the Cost of Living Allowance to the basic salary. However, it had not been so done and as such, a sum of Rs.391,248 had not been remitted to the Fund as at 31 March 2017.

- (d) Government Procurement
Guidelines (2006)
Guideline 2.7.5

Even though the Procurement Committee and the Technical Evaluation Committee should be appointed prior to the commencement of procurement activities, there were instances where action had not been so taken. Further, the Technical Evaluation Committee should not hold any connections and discussions whatsoever with bidders. However, the Company had not taken action accordingly in attaching a container to the Lorry.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the financial result of the Company for the year under review had been a surplus of Rs.29,501,008 as compared with the corresponding surplus of Rs.9,815,528 for the preceding year, thus indicating an improvement of Rs.19,685,480 or 200 per cent in the financial result of the year under review as compared with the preceding year. Even though the cost of sales had increased by Rs.114,258,649 and the income from other operations had decreased by Rs.23,913,277, increase in the income from sales by Rs.159,861,684 had been the main reason for the above improvement.

An analysis of financial results of the year under review and 04 preceding years revealed that the surplus which was Rs.21,794,010 in the year 2012/2013 had continuously decreased to the year 2015/2016 and the financial result had improved by 188 per cent in the year 2016/2017 as compared with the year 2015/2016. However, in readjusting the employees' remuneration, depreciation on the non-current assets and Government tax to the surplus, the contribution of the Company which was Rs.81,785,215 in the year 2012/2013 had continuously improved and become Rs.134,903,337 in the year 2016/2017.

3.2 Analytical Financial Review

The gross profit ratio of the year under review and the preceding year was 5.76 per cent and 1.079 per cent respectively. The increase in the final stock by 55 per cent in the year under review as compared with the preceding year had been the main reason therefor.

3.3 Legal Action initiated against / by the Company

The following observations are made.

- (a) A case which had been filed in the Kotapola Labour Tribunal against the Company in the year 2007 in respect of dismissal of two employees from the service, was on trial at the Court even by the end of the year under review.

- (b) A case had been filed in the Court of Appeal by the Department of Inland Revenue against the judgement given by the Tax Appeals Commission stating that the basis of payment of income tax of the Company in the year 2010/2011 was correct.

4. Operating Review

4.1 Performance

The Factories such as Kalubowitiyana, Derangala, Hiniduma and Menikdiwela are in operation under the Kalubowitiyana Tea Factory Limited which was incorporated under No. P B 1020 on 16 June 2009 as a Limited Company under the Companies Act, No.07 of 2007 and the performance of those Factories was as follows.

(a) Tea Production

According to the criteria of the Tea Board, at least a production of 21.5 kg of made tea should be maintained out of 100 kg of used green leaf. However, according to the information presented to Audit by the Company, 04 Factories had failed to maintain the output percentage of their tea production at the optimum level during the year under review. As such, an accumulated loss of Rs.28,818,983 had occurred on green leaf in the year under review and the inability of purchasing high quality green leaf had been the main reason for the above loss.

(b) Cost of Production and Net Sale Average Price

According to the information presented to Audit by the Company, the cost of production of 1 kg of tea had increased over the net sale average price of 02 Factories such as Hiniduma and Menikdiwela, out of 04 Factories of the Company during 03 preceding years. As the contribution of 1 kg of tea was at a disadvantage, those factories had sustained losses continuously. The increase in the fixed cost contained in 1 kg of tea and the existence of the labour productivity at a low level due to inability of purchasing expected quantity of

tea leaf had been the main reason for the increase in the cost of production of 1 kg of tea.

(c) Capacity Utilization /Targeted Tea Production

According to the Action Plan for the year under review, targets had not been included for the production of tea for each Factory and according to the budget of the Company, the targeted and actual tea production and plant utilization in Factories are as follows.

Factory	Targeted Tea Production according to the Budget	Actual Tea Production	Percentage of Variance Advantages/ (Disadvantages)	Production Capacity	Percentage of Underutilization
-----	-----	-----	-----	-----	-----
	kg	kg		kg	
Kalubowitiyana	1,100,000	811,708	(26)	1,350,000	39.87
Derangala	425,055	429,382	1	485,000	11.47
Hiniduma	325,000	253,157	(22)	485,000	47.80
Menikdiwela	414,209	209,464	(49)	450,000	53.45

All Factories were functioning under capacity in the year under review. Even though the Derangala Factory had achieved a targeted tea production, the targeted tea production and the actual tea production of that Factory in the preceding year stood at 542,042 kg and 460,860 kg respectively, thus indicating a significant variance in the targeted tea production and the actual tea production as compared with that year.

(d) Initiation of Tea Nursery

A tea nursery attached to the Derangala Tea Factory had been initiated by spending a sum of Rs.1,201,075 in the preceding year with a view to supplying tea plants up to the Standard. Even though the capacity of this commercial twig tea nursery stands at 100,000 plants, the total number of tea plants in the nursery of the year under review stood at 51,485. As such, it represented only 51 per cent of the total capacity of the nursery.

4.2 Procurement Procedure

The following observations are made.

- (a) In terms of Guideline 3.4 of the Government Procurement Guidelines, the authority could be delegated for direct purchasing only up to Rs.500,000, contrary to that, the Chairman had been delegated to make purchases up to Rs.1,000,000 on the approval of the Board of the Directors.
- (b) A sum of Rs.38,917,405 had been spent in the year under review for the purchase of fertilizer to be given to the suppliers of green leaf through the factories belonging to the Kalubowitiyana Tea Factory Limited without following the Government Procurement Guidelines.

4.3 Management Activities

The following observations are made.

- (a) Even though a sum of Rs.50,000,000 had been paid as lease rent on 09 April 2015 for obtaining the Hiniduma Tea Shakthi Tea Factory and the Yatinuwara Tea Factory which was under construction, belonging to the Tea Shakthi Fund to the Company on 30 years' long term lease basis, the two parties had not entered into a formal agreement even up to 09 August 2017.
- (b) A Colour Separator had been obtained by spending a sum Rs.1,807,196 under Operating Lease Method to improve the quality of tea produced in the Menikdiwela factory and to obtain a higher price for tea. Even though the quality of tea should be further improved and obtained the higher price of sales therefor, such a high price could not be received for tea.
- (c) Advances amounting to Rs.7,380,537 had been given in the year 2012 for repairs of the Tea Dryers of the Kalubowitiyana Tea Factory. However, a technical report on those repairs carried out by the service supplier had not been obtained and the Management had not taken action to settle the said advances as well.

4.4 Staff Administration

The following observations are made.

- (a) According to the information presented by the Company, the cadre approved by the Department of Management Services for the Head Office stood at 26 and the actual cadre had been 28. Out of them, three persons had been recruited on contract basis. The approved cadre for the Factories stood at 100 and the actual cadre had been 61. Out of them, four persons had been recruited on contract basis.
- (b) Two officers without educational or professional qualifications had been recruited on contract basis for the posts of the Assistant Factory Officer and the Manager of the Menikdiwela Tea Factory contrary to the approved Scheme of Recruitment. Moreover, the approval of the Ministry and the Department of Management Services had not been obtained therefor.

5. Accountability and Good Governance

5.1 Unresolved Audit Paragraphs

It had been directed at the Committee on Public Enterprises held on 27 February 2013 to recover the following receivable balances.

- (a) Even though a loan amounting to Rs.10,000,000 had been granted in the year 2003 to a private company on an interest rate of 22 per cent and on the basis of recovering it in 12 installments, even one installment could not be recovered. However, the total sum recoverable as at the end of the year under review had increased to Rs.47,438,780.
- (b) The sum of Rs.789,461 receivable in the year 2009 from a Broker Company had been unrecovered up to the end of the year under review.

6. Systems and Controls

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

Areas of Systems and Controls

Observations

(a) Procurement Control	Non-compliance with the Government Procurement Guidelines.
(b) Balances Receivable and Payable	Failure in recovery and settlement of balances for a long time.
(c) Financial Control	Payment of a large amount of interest on the bank overdraft.
(d) Control of Factory Operations	Failure in taking action to minimize the losses sustained by factories.
(e) Fixed Assets Management	Non-maintenance of a Register of Fixed Assets and unavailability of lease agreements for property obtained on lease basis.

H.M.Gamini Wijesinghe

Auditor General

Sgd./ H.M. GAMINI WIJESINGHE
Auditor General

KALUBOWITTIYANA TEA FACTORY LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST MARCH 2017
(All Amounts Are In Sri Lanka Rupees)

	Note	2017	2016
Revenue	03	935,591,884.34	775,730,200
Cost Of Sales	04	<u>(881,617,227.76)</u>	<u>(767,358,579)</u>
Gross Profit		53,974,656.58	8,371,621.11
Other Operating Income	05	<u>7,557,839.19</u>	<u>31,471,116</u>
Profit Before Operating Expenses		61,532,495.77	39,842,737.42
Administration Expenses	06	<u>(32,446,062.42)</u>	<u>(30,507,913)</u>
Selling & Distribution Expenses	07	<u>(816,516.79)</u>	<u>(905,666)</u>
Profit From Operating Activities		28,269,916.56	8,429,157.88
Finance Income	08.1	12,118,516.91	11,994,060
Finance Expenses	08.2	<u>(9,164,033.62)</u>	<u>(8,428,981)</u>
Net Finance Income		<u>2,954,483.29</u>	<u>3,565,078.80</u>
Net Profit Before Taxation		31,224,399.85	11,994,236.68
Taxation	09	<u>(1,723,391.30)</u>	<u>(2,178,709)</u>
Net Profit After Taxation		29,501,008.55	9,815,528.12
Earnings Per Share	10	<u>6.36</u>	<u>2.12</u>

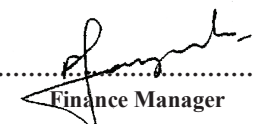
KALUBOWITTIYANA TEA FACTORY LIMITED
STATEMENT OF FINANCIAL POSITION

As At 31ST MARCH 2017

(All Amounts are in Sri Lanka Rupees)


	Note	2017	2016
Non Current Assets			
Property Plant & Equipment	11	216,541,929.33	232,394,679.45
Biological Assets	12	3,083,458.74	2,981,298.74
		219,625,388.07	235,375,978.19
Current Assets			
Inventories	13	133,380,209.23	92,385,495.72
Loan Receivable From BCC Lanka Limited		47,438,779.75	44,702,867.29
Financial Assets	14	165,849,052.91	157,886,840.52
Trade & other Receivables	15	62,343,894.88	49,907,231.12
Commissioner General of Inland Revenue	25	1,384,543.37	533,258.32
Cash & Cash Equivalents	16	4,874,960.61	3,751,241.37
Total		415,271,440.75	349,166,934.34
Total Assets		634,896,829.09	584,542,912.80
Equity & Liabilities			
Capital & Reserves			
Stated Capital	17	46,375,070.00	46,375,070.00
Reserves	18	418,952,204.77	389,451,196.22
Total		465,327,274.77	435,826,266.22
Non Current Liabilities			
Retirement Benefit Obligation	19	12,971,187.81	10,897,999.45
Bank Loan - Peoples Bank	20	30,937,500.07	-
Total		43,908,687.88	10,897,999.45
Current Liabilities			
Creditors & Accrued Charges	21	89,283,786.21	69,157,898.63
Bank Overdrafts	22	17,535,366.13	63,067,583.65
Bank Loan	23	13,749,999.96	-
Deferred Tax Liability/(Asset)	24	5,091,714.15	5,593,164.85
Total		125,660,866.45	137,818,647.13
Total Equity & Liabilities		634,896,829.10	584,542,912.80

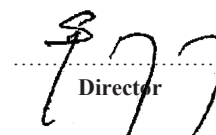
We certify that the Financial Statements have been prepared in accordance with the requirements of the Companies Act No.7 of 2007


 Finance Manager

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

Signed on behalf of the Board of Directors.


 Director


 Director

29th August 2017
 Colombo.

KALUBOWITTIYANA TEA FACTORY LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST MARCH 2017

(All Amounts Are In Sri Lanka Rupees)

	Stated Capital (Note 17)	General Treasury	Capital Reserves	Retained Profit	Total
Balance As At 01st April 2015	46,375,070.00	23,229,000.00	600,000.00	379,035,668.10	449,239,738.10
Net Profit For The Year	-	-	-	9,815,528.12	9,815,528.12
Correction		(23,229,000.00)			(23,229,000.00)
Balance As At 01st April 2016	46,375,070.00	-	600,000.00	388,851,196.22	435,826,266.22
Net Profit For The Year	-	-	-	29,501,008.55	29,501,008.55
Balance As At 31st March 2017	46,375,070.00	-	600,000.00	418,352,204.77	465,327,274.77

KALUBOWITIYANA TEA FACTORY LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST MARCH 2017
(All Amounts Are In Sri Lanka Rupees)

	2017	2016
	Note	
Cash From Operating Activities		
Net Profit/ (Loss) Before Taxation	31,224,399.85	11,994,236.68
Adjustments For:		
Depreciation	27,076,927.96	25,540,763.71
Provision For Retirement Benefit Costs	3,089,158.36	2,091,639.45
Profit On Disposal Of Assets	-	(1,950,000.00)
Interest Income	(12,118,516.91)	(11,994,059.80)
General Treasury Grant Correction		(23,229,000.00)
Operating Profit/(Loss) Before Working Capital Changes	49,271,969.26	2,453,580.04
(Increase) / Decrease In Inventory	(40,994,713.51)	(7,472,536.47)
(Increase) / Decrease In Trade & Other Receivables	(12,436,663.76)	19,213,377.73
Increase / (Decrease) In Trade & Other Payables	20,125,887.58	15,193,466.22
Cash Generated From/(Used In) Operations	15,966,479.57	29,387,887.52
Gratuity Paid	(1,015,970.00)	(311,500.00)
Tax Paid	(3,076,127.05)	(1,751,841.13)
Net Cash From / (Used In) Operating Activities	11,874,382.52	27,324,546.39
Cash Flows From /(Used in) Investing Activities		
Acquisition Of Property, Plant & Equipment	(11,326,338.41)	(89,741,662.69)
Disposal Of Property, Plant & Equipment		1,950,000.00
Interest Received	9,382,604.45	9,258,147.34
Bank Loan	44,687,500.03	-
Net Changes In Financial Assets	(7,962,212.39)	(20,378,270.62)
Net Cash From /(Used In) Investing Activities	34,781,553.68	(98,911,785.97)
Net Cash From / (Used In) Finance Activities	-	-
Net Cash Flows From / (Used In) Finance Activities	-	-
Net Increase / (Decrease) In Cash & Cash Equivalents	46,655,936.20	(71,587,239.58)
Cash & Cash Equivalents At The Beginning Of The Year	(59,316,341.72)	12,270,899.18
Cash & Cash Equivalents At The End Of The Year	16 (12,660,405.52)	(59,316,341.72)

KALUBOVITIYANA TEA FACTORY LIMITED
NOTES TO THE FINANCIAL STATEMENTS – ACCOUNTING POLICIES
FOR THE YEAR ENDED 31ST MARCH 2017

01. Reporting Entity

1.1 Corporate Information

Kalubowitiyana Tea Factory Limited is a Limited Liability Company incorporated on 30th September 1992 under the Companies Act No. 17 of 1982 and then re - registered under the new Companies Act No.7 of 2007, on 16th June 2009 and domiciled in Sri Lanka. The registered office of the Company is located at No 556, Nagahamulla, Pelawatta, Thalangama South.

1.2 Principal Activities & the Nature of Operations

The principle activities of the Company are cultivation, manufacturing and sale of tea from tea leaf purchased from growers and from own estates.

1.3 Directors

The Directors present herewith the audited financial statements for the year ended 31st March 2017. The Directors are responsible for preparing and presenting these financial statements.

The Directors of the Company as at 31st March 2017 were,

Mr. P S Samarakoon..
Mr. M A S P Palihawadana
Mrs.W.A.I. Sugathadasa
Mr. A U C Athukorala
Mr. Hemal Kasturiarachchi
Mr. D.Ambewela

Mr. M A L H N K Manthrinayake
Mr. Gamini Nallaperuma
Mr. P Rasiah
Mr. Thusitha Rathnayake
Mr. K Brahmana.

1.4 Company Secretaries

Corporate Services (Pvt) Ltd,
No. 216, De Saram Place, Colombo 05

1.5 Registered Office

No.556, Nagahamulla,
Pelawatte, Thalangama South.

1.6 Auditors

Auditor General.
Auditor General Department
No, 306/72, Polduwa Road, Battaramulla.

1.7 Date of Authorization for Issuing Financial Statements.

These Financial Statements were authorized for issue by the Board of Directors on, 31st May 2017.

(Contd...)

KALUBOVITIYANA TEA FACTORY LIMITED
NOTES TO THE FINANCIAL STATEMENTS – ACCOUNTING POLICIES
FOR THE YEAR ENDED 31ST MARCH 2017

02. General Policies

2.1 Basis of Preparation

The financial statements of Kalubowitiyana Tea Factory Ltd comprise the statement of financial position, statement of comprehensive income, statement of cash flows and statement of changes in equity, accounting policies and notes to the financial statements. These financial statements have been prepared in accordance with the Sri Lanka Accounting Standards (LKAS and SLFRS) laid down by the Institute of Chartered Accountants of Sri Lanka.

2.2 Basis of Measurement

The financial statements have been prepared on historical cost basis except where appropriate disclosures are made with regard to fair value under relevant notes. Assets and liabilities are grouped by nature and in an order that reflect their relative liquidity. Information about significant areas of estimates, uncertainty and critical judgments in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements are included in notes to the financial statements.

2.3 Taxation

(a) Current Tax

The provision for income tax is based on the elements of income and expenditure as reported in the financial statements and computed in accordance with the provisions of the Inland Revenue Act No. 10 of 2006 and subsequent amendments thereto.

(b) Deferred Tax

Deferred Tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for the financial reporting purpose and amounts used for tax purpose. Deferred tax is measured at the tax rate that is expected to apply to temporary differences when they are reversed, based on the laws that have been enacted by the reporting date.

Deferred tax assets are recognized to the extent that is probable that future taxable profits will be available against which such timing difference can be utilized. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(Contd...)

KALUBOVITIYANA TEA FACTORY LIMITED
NOTES TO THE FINANCIAL STATEMENTS – ACCOUNTING POLICIES
FOR THE YEAR ENDED 31ST MARCH 2017

2.4 Valuation of Assets & Their Bases of Measurement

2.4.1 Property, Plant & Equipment

Property, plant and equipment are stated at cost or fair value accumulated depreciation and any accumulated impairment in value. The carrying values of property plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. All items of property, plant and equipment are initially recorded at cost. Where items of property, plant and equipment are subsequently revalued, the entire class of such assets is revalued at fair value. Revaluations are done with sufficient regularity. When an asset is revalued, any increase in the carrying amount is credited directly to a revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognized in the statement of comprehensive income, in which case the increase is recognized in the statement of comprehensive income. Any revaluation deficit that offsets a previous surplus in the same asset is directly offset against the surplus in the revaluation reserve and any excess recognized as an expense.

Upon disposal, any revaluation reserve relating to the asset sold is transferred to retained earnings. Items of property, plant and equipment are derecognized upon replacement, disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset is included in the statement of comprehensive income in the year the asset is derecognized.

(a) Depreciation

Provision for depreciation is calculated by using the straight-line method on the cost or valuation of all property, plant and equipment, other than freehold land, in order to write off such amounts over the estimated useful economic lives of such assets. The estimated useful lives of assets are as follows;

Asset Category	Years
Buildings	20
Paintings	5
Water & Electricity	20
Motor Vehicles	4
Plant & Machinery	8
Equipment	8
Furniture & Fittings	8
Computer Software	8
Computer Equipment	8
Roads	10
Others	8

(Contd...)

Freehold land is not depreciated as it is deemed to have an indefinite life.

The useful life and residual value of assets are reviewed, and adjusted if required, at the end of each financial year.

(b) Restoration Cost

Expenditure incurred in repairs or maintenance of property, plant and equipment in order to restore or maintain the future economic benefits expected from originally assessed standard of performance, is recognized as an expense when incurred.

2.4.2 Biological Assets

The entity recognizes the biological assets when, on cost basis. Biological asset of the company comprise of the tea bushes in Kalubowitiyana & Derangala Factories. The Company recognizes Plants up to 3 years as immatured and bushes more than 3 years as matured.

2.4.3 Financial Assets (Non-derivative)

The Company initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has the following financial assets (non-derivative):

- Loans and receivables
- Cash and cash equivalents

(Contd...)

(a) Loans & Receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Loans and receivables comprise trade and other receivables.

(c) Cash & Cash Equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a Component of cash and cash equivalents for the purpose of the statement of cash flows. Cash and cash equivalents comprise cash in hand and deposits at bank. Bank overdraft is included as a component of cash and cash equivalents for the purpose of the statement of cash flows, which has been prepared using the indirect method.

2.4.4 Impairment

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired.

A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

The Company considers evidence of impairment for receivables at collective level. All receivables with similar risk characteristics are grouped together and collectively assessed for any impairment that has been incurred but not yet identified.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the profit or loss.

(Contd...)

KALUBOVITIYANA TEA FACTORY LIMITED
NOTES TO THE FINANCIAL STATEMENTS – ACCOUNTING POLICIES
FOR THE YEAR ENDED 31ST MARCH 2017

2.4.5 Inventories

Inventories comprise processed, unprocessed and semi-processed agricultural produce, and other consumables. Processed, Unprocessed and semi-processed agricultural produce at the end of the financial period is considered as fully processed agricultural produce and is measured at net realizable value.

Other consumables are measured at lower of cost or net realizable value. When the inventories are sold, the Company recognizes the carrying amount of those inventories as an expense in the period in which the related revenue is recognized.

2.5 Liabilities & Provisions

Liabilities are recognized in the statement of financial position when there is a present obligation arising from past event, the settlement of which is expected to result in an outflow of resources embodying economic benefits. Obligations payable at the demand of the creditor or within one year of the financial position date are treated as current liabilities in the statement of financial position. Liabilities payable after one year from the financial position date are treated as non- current liabilities in the statement of financial position.

A provision is recognized in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits for which a reliable estimate could be made is required to settle the obligation.

2.5.1 Retirement Benefit Obligations

(a) Defined Benefit Plan – Gratuity

A full provision has been made on account of retiring gratuity from the first year of employment in conformity with the Sri Lanka Accounting Standard No.19- ‘Retirement Benefits’ according to the formula published by the Institute of Chartered Accountants of Sri Lanka. This provision is not actuarially valued.

(b) Defined Contribution Plan - Employees' Provident Fund& Employees' Trust Fund

Employees who are eligible for Employees’ Provident Fund contributions and Employees’ Trust Fund contributions in line with respective statutes and regulations.

(Contd...)

2.6 Statement of Comprehensive Income

2.6.1 Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable net of sales discounts and sales taxes.

(a) Sale of Goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer with the Company retaining neither a continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

(b) Gains & Losses

Net gains and losses of a revenue nature arising from the disposal of property, plant and equipment and other non-current assets, including investments, are accounted for in the income statement, after deducting from the proceeds on disposal, the carrying amount of such assets and the related selling expenses. Gains and losses arising from activities incidental to the main revenue generating activities and those arising from a group of similar transactions which are not material, are aggregated, reported and presented on a net basis.

Any losses arising from guaranteed rentals are accounted for in the year of incurring the same. A provision is recognized if the best estimate indicates a loss.

(c) Interest Income

Interest income is recognized on accrual basis using effective interest method (EIR).

(d) Other Income

Other income is recognized on an accrual basis.

(Contd...)

2.6.2 Expenditure Recognition

Expenses are recognized in the statement of comprehensive income on the basis of a direct association between the cost incurred and the earnings of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency have been charged to the statement of comprehensive income. For the purpose of presentation of the statement of comprehensive income, the “function of expenses” method has been adopted, on the basis that it presents fairly the elements of the Company’s performance.

2.7 Basic Earnings/ (Loss) Per Share

The Company presents Basic Earnings/ (Loss) Per Share (EPS) data 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.

2.8 Comparatives Information

Comparative information including quantitative, narrative and descriptive information is disclosed in respect of the previous period for all amounts reported in the financial statements in order to enhance the understanding of the financial statements of the current period and to improve the inter- period comparability. When the presentation or classifications of items in the financial statements have been amended, comparative amounts have also been reclassified to conform with the current year in order to provide a better presentation.

2.9 Events Occurring after the Reporting Date

All material post events of statement of financial position have been considered, and where appropriate adjustments or disclosures have been made in respective notes to the financial statements.

(Contd...)

NEW ACCOUNTING STANDARDS ISSUED BUT NOT EFFECTIVE AS AT THE REPORTING DATE

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

SLFRS 9 – Financial Instruments

SLFRS 9 - Financial Instruments, which replaces the provisions of LKAS 39 Financial Instruments, Recognition, Measurement and Classification of financial assets and requirements with respect to the classification and measurement of financial liabilities, the de-recognition of financial assets and financial liabilities and how to measure fair value were added to SLFRS 9.

The effective date SLFRS 09 has been deferred till January 1, 2018.

The following Accounting Standards are not expected to have an impact on the financial statements of the Company.

1. SLFRS 14 – Regulatory Deferral Accounts: effective date January 01, 2016.
2. SLFRS 15 – Revenue from Contracts with Customers: effective date January 01, 2017
3. Amendment LKAS 16 and LKAS 41 – Bearer Plants: effective date January 01, 2016

(Contd...)

KALUBOWITTIYANA TEA FACTORY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH
(All Amounts Are In Sri Lanka Rupees)
Note
2017
2016
NOTE 03 - REVENUE

Gross Sales	899,641,330.00	760,898,010.00
<u>Less: Brokerage & Sales Expenses</u>	<u>(12,830,845.40)</u>	<u>(11,193,314.81)</u>
	886,810,484.60	749,704,695.19
 <u>Add: Local Sales</u>	 <u>48,781,399.74</u>	 <u>26,025,504.62</u>
Total	935,591,884.34	775,730,199.81

NOTE 04 - COST OF SALES

Green Leaf Purchases	660,791,664.76	548,934,577.47
Production Cost	181,213,223.15	154,405,500.09
Production Overheads	78,819,360.05	69,025,010.62
Cost Of Manufacturing	920,824,247.96	772,365,088.18
 Movement In Finished Goods		
Balance As At The Beginning Of The Year	71,415,673.60	66,409,164.12
Balance As At The End Of The Year	(110,622,693.80)	(71,415,673.60)
Cost Of Sales	881,617,227.76	767,358,578.70

NOTE 05 - OTHER INCOME

Sundry Income	7,557,839.19	6,292,116.31
Profit On Disposal Of Assets	-	1,950,000.00
Written Off		-
Treasury Grant Correction		23,229,000.00
Total	7,557,839.19	31,471,116.31

(Contd...)

KALUBOWITTIYANA TEA FACTORY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH

(All Amounts Are In Sri Lanka Rupees)

	Note	2017	2016
NOTE 06 - ADMINISTRATION EXPENSES			
Directors' Remuneration & Staff Cost	6.1	17,437,821.66	14,823,259.62
Travelling , Subsistence & Vehicle Hire	6.2	3,529,323.29	1,504,401.56
Maintenance Expenses - Equipment & Vehicles	6.3	3,047,263.22	3,737,854.22
Professional Fees	6.4	887,354.14	368,313.00
Insurance & License Fees	6.5	1,240,893.45	894,182.29
Printing Stationery & Postage	6.6	749,278.73	607,637.41
Other Administration Expenses	6.7	5,554,127.93	8,572,265.17
Total		32,446,062.42	30,507,913.27
NOTE 06.1 - DIRECTORS' EMOLUMENTS & STAFF COST			
Staff Salaries		5,713,842.23	4,657,581.58
Gratuity		423,791.12	346,168.15
Allowances		7,039,149.07	6,895,111.04
Overtime & Holiday Payments		577,578.29	655,831.07
Employee's Provident Fund Contributions		806,348.09	561,764.11
Employee's Trust Fund Contributions		192,205.97	143,352.48
Bonus		844,450.00	394,500.00
Board Fees		691,500.00	421,500.00
Staff Welfare		1,148,956.89	747,451.19
Total		17,437,821.66	14,823,259.62
NOTE 06.2 - TRAVELING, SUBSISTENCE & VEHICLE HIRE			
Travelling & Subsistence		1,690,413.16	330,367.23
Hire Charges		1,838,910.13	1,174,034.33
Total		3,529,323.29	1,504,401.56
NOTE 06.3 - MAINTENANCE OF OFFICE BUILDING, EQUIPMENT & VEHICLES			
Office Building Maintenance		169,403.96	25,500.00
Office Equipment Maintenance		248,811.33	171,364.72
Motor Vehicles Maintenance		1,090,378.59	1,480,298.27
Vehicle Fuel Cost		1,532,269.34	2,060,691.23
Tyre Repairs		6,400.00	-
Total		3,047,263.22	3,737,854.22
NOTE 06.4 - PROFESSIONAL FEES			
Other Fees		559,209.14	368,313.00
Secretarial Fees		328,145.00	-
Tax Fees		-	-
Total		887,354.14	368,313.00
NOTE 06.5 INSURANCE & LICENCE FEES			
Insurance & License Fees		287,670.91	172,227.81
Staff Insurance		953,222.54	721,954.48
Total		1,240,893.45	894,182.29
NOTE 06.6 - PRINTING, STATIONERY & POSTAGE			
Printing		101,190.00	119,200.00
Postage		79,211.00	19,515.00
Computer Stationery		-	-
Other Stationery		568,877.73	468,922.41
Total		749,278.73	607,637.41

(Contd...)

KALUBOWITTIYANA TEA FACTORY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH
(All Amounts Are In Sri Lanka Rupees)

	2017	2016
	Note	
NOTE 06.7 - OTHER ADMINISTRATION EXPENSES		
Legal Fees	240,250.00	130,755.00
Depreciation	1,124,828.56	2,567,252.41
Head Office Expenses	-	-
Donations	676,343.05	378,059.50
Telephone	706,327.07	605,060.75
Newspapers & Periodicals	10,800.00	37,900.00
Rent	1,140,000.00	1,124,989.25
Electricity	681,135.63	608,570.34
New Project Expenses	-	2,353,740.60
Other Utilities & Services	693,276.75	673,254.69
Supplies & Requisitions - Others	54,656.47	50,882.63
Staff Training	223,077.40	41,800.00
Written Off	3,433.00	-
Debts Written Off	-	-
Surcharge	-	-
Total	5,554,127.93	8,572,265.17
NOTE 07 - SELLING & DISTRIBUTION EXPENSES		
Trade Fair & Exhibition	-	58,750.00
Entertainment	169,968.00	283,325.29
Registration Fees	40,953.74	135,636.03
Advertising	605,595.05	427,954.95
Total	816,516.79	905,666.27
NOTE 08 - NET FINANCE INCOME		
08.01 Finance Income		
Fixed Deposit Interest	8,883,693.64	8,594,159.83
Treasury Bill Interest	25,358.22	289,090.86
Staff Loan Interest	395,780.84	318,971.69
Savings Account Interest	77,771.75	55,924.96
BCC Lanka Limited Loan Interest	2,735,912.46	2,735,912.46
Total	12,118,516.91	11,994,059.80
08.02 Finance Expenses		
Bank Charges	564,410.80	83,804.17
Overdraft Interest	5,802,131.65	8,256,771.50
Short Term Loan Interest	2,797,491.17	88,405.33
Total	9,164,033.62	8,428,981.00
Net	2,954,483.29	3,565,078.80

(Contd...)

KALUBOWITTIYANA TEA FACTORY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH

(All Amounts Are In Sri Lanka Rupees)

	2017	2016
Note		
NOTE 09 - TAXATION		
The Company in terms of section 48 (A) of the Inland Revenue Act No 10 of 2006 as amended by the amendment Act No 22 of 2011, profits & Income from agricultural undertaking referred to in section 16 of the Inland Revenue Act is liable at the rate of 10% as per the first schedule to this Act .Other profits are liable at normal rates.		
9.1 Current Tax Expenses		
Current Year -	2,224,842.00	2,178,708.00
Under/(Over) provisions of Income tax in previous year	-	-
	2,224,842.00	2,178,708.00
9.2 Reconciliation between Accounting profit to Income Tax		
Accounting Profit /(loss) before Taxation	31,224,399.85	(11,239,588.85)
Income from other sources & exempt Income	(55,124,734.00)	(55,547,104.00)
Aggregate Disallowable Items	31,257,543.00	27,368,536.00
Adjusted Profit /(Loss) from the Business	7,357,208.85	(39,418,156.85)
Income from other sources	12,143,561.00	11,970,926.00
Total Statutory Income		
Sec 32 Deductions	(6,824,032.00)	(4,189,824.00)
Qualifying payments		-
Taxable Income	12,676,737.85	7,781,102.00
Tax on Agricultural Activities 10%	735,721.00	-
Tax on Other Income 28%	1,489,121.00	2,178,708.56
Deferred Tax Expenses		
Deferred Tax Charged / (Reversal)	(501,450.70)	-
Total Tax Expense	1,723,391.30	2,178,708.56

NOTE 10 - EARNINGS PER SHARE/ DIVIDEND PER SHARE

10.1 Earnings Per Share

The basic earnings per share is based on profits attributable to the ordinary shareholders divided by the weighted average number of ordinary shares in issue during the year calculated as follows;

Net Profit For The Year	29,501,008.55	9,815,528.12
Weighted Average Number Of Shares	4,637,507.00	4,637,507.00
Basic Earnings Per Share	6.36	2.12

10.2 Dividend Per Share

Dividend For The Year	-	-
Number Of Shares	4,637,507.00	4,637,507.00
Dividend Per Share	-	-

(Contd...)

KALUBOWITTIYANA TEA FACTORY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
As At 31st MARCH 2017
(All Amounts Are In Sri Lanka Rupees)

NOTE 11 - PROPERTY, PLANT & EQUIPMENT

Cost	Free Hold Land	Buildings	Plant & Machinery	Factory Equipment	Computer Equipment	Office Equipment	Furniture & Fittings	Tools	Motor Vehicles	Other	Work In Progress	Total
Cost As At 01.04.2016	4,605,690.64	259,368,108.36	237,726,839.72	9,441,371.74	6,850,950.57	2,542,961.03	6,968,891.40	838,851.80	25,325,165.02	2,724,264.01	669,117.43	557,062,211.72
Additions	-	210,117.50	6,024,947.40	764,192.70	497,364.20	477,250.00	881,643.00	-	-	1,578,278.00	791,344.68	11,225,137.48
Disposals	-	-	-	-	-	-	-	-	-	-	-	-
Transfer	-	-	-	-	-	-	-	-	-	-	-	-
Cost As At 31.03.2017	4,605,690.64	259,578,225.86	243,751,787.12	10,205,564.44	7,348,314.77	3,020,211.03	7,850,534.40	838,851.80	25,325,165.02	4,302,542.01	1,460,462.11	568,287,349.20
Accumulated Depreciation	Free Hold Land	Buildings	Plant & Machinery	Factory Equipment	Computer Equipment	Office Equipment	Furniture & Fittings	Tools	Motor Vehicles	Other	Work In Progress	Total
Accumulated Depreciation As At 01.04.2016	-	116,989,875.79	166,146,103.83	4,322,079.64	4,444,628.30	1,862,599.40	3,998,625.02	519,457.51	25,281,173.76	1,103,948.67	-	324,668,491.91
Current Year Depreciation	-	12,402,191.07	11,705,968.49	1,054,705.93	519,997.85	202,133.06	711,284.32	62,009.55	43,991.26	374,646.43	-	27,076,927.96
Disposals	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated Depreciation As At 31.03.2017	-	129,392,066.86	177,852,072.32	5,376,785.57	4,964,626.15	2,064,732.46	4,709,909.34	581,467.06	25,325,165.02	1,478,595.10	-	351,745,419.87
Net Book Value As At 31.03.2017	4,605,690.64	130,186,159.00	65,899,714.80	4,828,778.87	2,383,688.62	955,478.58	3,140,625.06	257,384.75	-	2,823,946.91	1,460,462.11	216,541,929.33

(Contd...)

KALUBOWITIYANA TEA FACTORY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
As At 31ST MARCH
(All Amounts Are In Sri Lanka Rupees)

	2017	2016
Note		
NOTE 12 - BIOLOGICAL ASSETS		
At The Beginning Of The Year	2,981,298.74	2,937,798.74
Additions	102,160.00	43,500.00
At The End Of The Year	<u>3,083,458.74</u>	<u>2,981,298.74</u>
NOTE 13 - INVENTORIES		
Food & Beverages	19,815,416.36	18,368,990.06
Finished Goods	110,622,693.80	71,415,673.60
Consumables Stocks	700,943.48	489,515.05
General & Other	2,241,155.59	2,111,317.01
Total	<u>133,380,209.23</u>	<u>92,385,495.72</u>
NOTE 14 - FINANCIAL ASSETS		
Treasury Bills	261,401.64	261,401.64
Fixed Deposits - People's Bank	107,684,232.45	100,338,242.56
Fixed Deposits - People's Bank	7,903,418.82	7,287,196.32
Tea Shakthi Fund (Please see the foot note)	50,000,000.00	50,000,000.00
Total	<u>165,849,052.91</u>	<u>157,886,840.52</u>
NOTE 15 - TRADE & OTHER RECEIVABLES		
Trade Debtors	27,952,469.25	16,826,239.19
Staff Debtors	12,479,569.25	11,191,987.95
Deposits	3,948,474.34	3,522,474.34
Advances & Prepayments	18,958,838.47	19,424,908.88
Non Moving Balances	1,782,133.15	1,719,210.34
Other Debit Balances	56,662.98	56,662.98
	<u>65,178,147.44</u>	52,741,483.68
Less; Provision For Bad Debts	(2,834,252.56)	(2,834,252.56)
Total	<u>62,343,894.88</u>	<u>49,907,231.12</u>
NOTE 16 - CASH & CASH EQUIVALENTS		
People's Bank Account No. 204100140084885 - Headquarters	-	-
People's Bank Account No. 204100130084961 - Headquarters	32,788.80	426,760.02
People's Bank Account No. 204100140084911 - Headquarters	73,048.10	229,518.10
People's Bank Account No. 060100110000681 - Morawaka	1,717,634.76	1,275,325.30
People's Bank Account No. 060100100000592 - Morawaka	-	1,979.14
Bank Of Ceylon Account No. 0006065711 - Neluwa	1,083.00	1,083.00
Bank Of Ceylon Account No. 75958665 - Pelawatta	227,549.60	25,961.76
Bank Of Ceylon Account No. 205604 - Thawalama	15,000.00	6,764.60
People's Bank Account No. 256100110021039 - Pilimathalawa	303,403.52	40,441.17
Cash In Hand	8.75	199,835.84
Cash In Transit	-	89,123.00
Savings Accounts - People's Bank	2,504,444.08	1,454,449.44
Total	<u>4,874,960.61</u>	<u>3,751,241.37</u>
Foot Note		

This amount of Rs 50 Million given to Tea Shakthi Fund as a Loan/Lease .relevant Agreement with the Tea Shakthi Fund has not been finalised.

(Contd...)

KALUBOWITTIYANA TEA FACTORY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

As At 31ST MARCH

(All Amounts Are In Sri Lanka Rupees)

	Note	2017	2016
<u>Unfavourable Cash & Cash Equivalents</u>			
Bank Overdraft		(17,535,366.13)	(63,067,583.65)
Total Cash & Cash Equivalents For The Purpose Of Cash Flow Statements		(12,660,405.52)	(59,316,342.28)
NOTE 17 - STATED CAPITAL			
<u>Issued & Fully Paid</u>			
4,637,507 Numbers Ordinary Shares		46,375,070.00	46,375,070.00
Total		46,375,070.00	46,375,070.00
NOTE 18 - RESERVES			
Grant - General Treasury		-	-
Capital Reserves		600,000.00	600,000.00
Profit & Loss Account		418,352,204.8	388,851,196.22
Total		418,952,204.77	389,451,196.22
NOTE 19 - RETIREMENT BENEFIT OBLIGATION			
Movement In The Present Value Of Defined Benefit Obligation			
At The Beginning Of The Year		10,897,999.45	9,117,860.00
Current Service cost			
Interest Cost		1,083,065.22	826,761.95
Actuarial Gain/Loss		691,773.52	122,194.08
Provision For The Year		1,314,319.62	1,142,683.42
Prior Year Adjustments		-	-
Payments During The Year - In Cash		(1,015,970.00)	(311,500.00)
Payable		-	-
At the End Of The Year		12,971,187.81	10,897,999.45
NOTE 20 - BANK LOAN - PEOPLES BANK			
Working Capital Loan - Peoples Bank		30,937,500.07	
NOTE 21 - CREDITORS & ACCRUED CHARGES			
Bought Leaf Suppliers		35,670,658.92	18,430,891.50
Trade Creditors		24,343,000.83	22,528,857.27
Service Contractors		2,426,681.45	2,065,194.73
Staff Creditors		3,417,131.90	2,083,550.91
Accrued Expenses		22,479,256.98	23,139,821.42
Unclaimed Balances		467,639.60	424,166.59
Suspense & Other Credit Balances		479,416.53	485,416.21
Total		89,283,786.21	69,157,898.63
NOTE 22- BANK OVERDRAFTS			
People's Bank	Account No.204100140084885	17,264,253.34	63,067,583.65
People's Bank	Morawaka A/C 06010010000059	271,112.79	
Total		17,535,366.13	63,067,583.65
NOTE 23- BANK LOAN			
Working Capital Loan - Peoples Bank		13,749,999.96	-
NOTE 24 - DEFERRED TAX LIABILITY/(ASSET)			
At The Beginning Of The Year		5,593,164.85	5,593,164.85
Transferred To / (From) Income Statement		(501,450.70)	
At The End Of The Year		5,091,714.15	5,593,164.85

(Contd...)

KALUBOWITTIYANA TEA FACTORY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

As At 31ST MARCH

(All Amounts Are In Sri Lanka Rupees)

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Note

NOTE 25 - COMMISSIONER GENERAL OF INLAND REVENUE

Balance As At The Beginning Of The Year	(533,258.32)	(960,125.19)
Provision For The Year	2,224,842.00	2,178,708.00
	1,691,583.68	1,218,582.81
Payments For The Previous Year	(874,000.00)	
Payments For The Year		(894,000.00)
Gross	817,583.68	324,582.81
<u>Tax Credits</u>		
Economic Service Charge	(2,149,011.56)	
With Holding Tax	(53,115.49)	(857,841.13)
Net Payable/(Refundable)	(1,384,543.37)	(533,258.32)

NOTE 26 - CAPITAL EXPENDITURE & COMMITMENTS

Land	-	-
Buildings	210,117.50	59,998,455.68
Plant & Machinery	6,024,947.40	24,732,556.64
Equipment	1,261,556.90	2,908,824.95
Furniture & Fittings	881,643.00	629,784.50
Tools	-	153,088.90
Motor Vehicles	-	-
Other	1,578,278.00	606,334.59
Work In Progress	791,344.68	669,117.43
Total	10,747,887.48	89,698,162.69

NOTE 27 - CONTINGENCIES

Pending Legal Cases

i) A labour case has been filed (Case No. LT/KP/34/18/07) by Mr. G. Hemachandra at Kotapola Labour Tribunal against the Company pleading the courts to reinstate him at his duties stating his dismissal from the service is unfair.

ii) A labour case has been filed (Case No. LT/KP/34/19/07) by Mr. L.S. Wijayamanna at Kotapola Labour Tribunal against the Company pleading the courts to reinstate him at his duties stating his dismissal from the service is unfair.

iii) The Commissioner General of Inland Revenue has made an appeal to the court appeal (Tax 08/2016) against the favorable decision given by the tax appeal commission pertaining to the payment of income tax for the year 2010/2011

iv) Company has made an appeal to the tax appeal commission against Income tax assesment issued by the the Commissioner General of Inland Revenue for the year of assesment 2011/2012 (TAC/IT 060-2016)

NOTE 28 - EVENTS AFTER THE REPORTING DATE

No material events have taken place after the reporting date, that require adjustments to or disclosures in the financial statements.

(Contd...)

NOTE 29 - RELATED PARTY DISCLOSURES

Transactions with the related parties in the ordinary course of business carried out on an arm's length basis.

29.1. Transactions With Key Management Personnel (KMP)

KMPs are persons who have authority and responsibility directly or indirectly for planning, directing and controlling the activities of the Company.

The KMP of the Company comprise of the Board of Directors of the Company.

28.1.1. The compensation of KMPs are disclosed in the note 6 to the accounts

28.1.2. No loans were given to KMPs during the Year.

28.1.3. The shareholdings of the KMPs together with their close family members - None

28.1.4. The names of the Directors of the Company, who are also directors of other companies:
Directress Mrs.Indrani Sugathadasa is the Chairperson of Insurance Board of Sri Lanka

29.2. Transactions with Close Family Members

Close family members are those who may be expected to influence or be influenced in their dealings with the Company.

There were no transactions with close family members during the year.

29.3. Dealing with Subsidiaries, Associates & Joint Ventures - *None*

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KALUBOWITIYANA TEA FACTORY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2017
(All Amounts Are In Sri Lanka Rupees)

NOTE 30 - FACTORY SEGMENTS

30.1 Sales	Head Office	Kalubowitiyana	Derangala	Hiniduma Hills	Manikdiwela	Total
	Rs	Factory	Factory	Factory	Factory	Rs
Gross Sales	-	481,417,820.00	211,088,740.00	108,224,500.00	98,910,270.00	899,641,330.00
Less: Brokerage & Sales Expenses	-	(5,769,851.09)	(3,493,357.64)	(1,824,936.57)	(1,742,700.10)	(12,830,845.40)
	-	475,647,968.91	207,595,382.36	106,399,563.43	97,167,569.90	886,810,484.60
Add: Local Sales	21,388,590.00	21,418,306.07	4,899,872.67	294,979.00	779,652.00	48,781,399.74
Total	21,388,590.00	497,066,274.98	212,495,255.03	106,694,542.43	97,947,221.90	935,591,884.34
30.2 Cost Of Sales	Rs	Rs	Rs	Rs	Rs	Rs
Bought Leaf	-	326,865,961.72	172,094,113.15	91,937,499.29	69,894,090.60	660,791,664.76
Manufacturing Cost						
Production Cost	18,118,817.07	55,265,408.78	43,284,163.18	37,804,548.79	26,740,285.33	181,213,223.15
General Charges	1,627,106.72	28,954,708.07	21,122,036.82	10,956,160.71	16,159,347.73	78,819,360.05
	19,745,923.79	411,086,078.57	236,500,313.15	140,698,208.79	112,793,723.66	920,824,247.96
Add: Opening Stock	610,599.03	34,175,254.05	17,075,813.81	8,219,841.74	11,334,164.97	71,415,673.60
Less: Closing Stock	(600,399.63)	(42,152,309.55)	(46,079,098.82)	(7,112,401.40)	(14,678,484.40)	(110,622,693.80)
Total	19,756,123.19	403,109,023.07	207,497,028.14	141,805,649.13	109,449,404.23	881,617,227.76

(Contd...)

KALUBOWITTIYANA TEA FACTORY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
As At 31ST MARCH
2017
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(All Amounts Are In Sri Lanka Rupees)
01. TRADE & OTHER RECEIVABLES
1.1 Trade Debtors

Bought Leaf Supplier Debts	1,507,619.45	1,383,597.15
Bought Leaf Supplier Loans	493,333.42	74,999.98
Bought Leaf Transport Loans	39,053.10	221,666.63
Fertilizer Debtors	2,363,784.54	1,828,812.05
Trade Debtors	23,548,678.74	13,317,163.38
Sub Total	27,952,469.25	16,826,239.19

1.2 Staff Debtors

Checkroll Debts	90,967.76	67,226.08
Check Roll Loans	7,825.06	11,825.06
Distress Loans	11,141,976.70	10,477,937.07
Festival Advances	1,238,799.73	634,999.74
Sub Total	12,479,569.25	11,191,987.95

1.3 Deposits

Deposits Receivable	3,534,474.34	3,174,474.34
Bungalow Key Money	414,000.00	348,000.00
Sub Total	3,948,474.34	3,522,474.34

1.4 Prepayments & Advances

PAYE Tax Recoverable	4,389.00	3,982.00
Bought leaf Welfare Society	13,660.00	13,660.00
Chairman Bungalow	-	81,633.93
Emergency Advance	-	25,000.00
Hiniduma Hills Tea Factory	-	83,976.70
Labour Festival Advance 16/17	-	376,000.00
M.P.C.S.Agalawatta	249,435.65	249,435.65
Manure Debt.	114,232.55	75,840.04
Non recognize	-	-
New Cleanary Field	497,621.13	171,000.00
Pety Cash	-	1,072.47
Tea Shakthi Fund	-	-
Tea Nursury A/C 2	-	20,735.44
Prepayments	2,652,803.83	2,215,173.83
Other Advances	10,118,898.19	10,977,111.59
Eastern Trading	4,412.00	4,412.00
Kotapola MPCs	323,445.75	303,927.25
Sundry Debtors	1,814,959.96	341,162.32
Lorry JJ - 1961	91,462.51	91,462.51
Lorry - 3402	38,493.23	-
WHMU Priyantha	26,350.00	26,350.00
Baur Fertilizers	-	-
CIC Fertilizer	348,750.00	-
Stamps	1,466.50	3,265.35
Tea Nursery	-	8,820.00
SAPDA	451,547.30	451,547.30
Withholding Tax Receivable	876,142.87	-
ESC Receivable 16/17	1,188,948.87	-
Tea Board Subsidy	141,819.13	3,899,340.50
Sub Total	18,958,838.47	19,424,908.88

1.5 Non Moving Balances

Lorry 226 - 1532	42,833.93	42,833.93
Survey Department	42,511.88	42,511.88
Rice Supplier	1,100.00	1,100.00
Bank Loan Neluwa	9,370.00	9,370.00
Tea Small Holding Development Authority	18,931.25	18,931.25
T.G. Hemachandra	27,258.70	27,258.70
P A Ariyadasa	69,573.00	5,828.00
Sunil Trade Enterprises	26,920.30	26,920.30
Siripura Traders	45,457.75	45,457.75
Silk & Allied Products Development Authority	-	-
Lalitha Trade Center	4,585.00	4,585.00
Kandy Transport	-	-
Jayasekara Motors	8,260.40	8,260.40
Jayakody Filling Station	984.38	984.38
Iddamaligoda Commercial Company	174,626.00	174,626.00
Divisional Secretariat	3,238.00	3,238.00
Over Paid Insurance	1,008.24	1,008.24
Asha Agencies	63,444.51	63,444.51
Asia Siyaka Commodity Limited	434,924.00	434,924.00
Somerville & Company	798,461.15	798,461.15
Lent Labour	1,128.46	1,128.46
Staff Debts	7,516.20	8,338.39
Sub Total	1,782,133.15	1,719,210.34

1.5 Other Debit Balances

Suspense Account	55,975.66	55,975.66
Stock Purchases Suspense	687.32	687.32
Sub Total	56,662.98	56,662.98
Grand Total	65,178,147.44	52,741,483.68
Provision For Bad & Doubtful Debts	(2,834,252.56)	(2,834,252.56)
Net Total	62,343,894.88	49,907,231.12

(Contd...)

KALUBOWITTIYANA TEA FACTORY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

As At 31ST MARCH

2017

2016

(All Amounts Are In Sri Lanka Rupees)

02. CREDITORS & ACCRUED CHARGES

2.1 Bought Leaf Creditors

Bought Leaf Suppliers	35,670,658.92	18,430,891.50
Sub Total	35,670,658.92	18,430,891.50

2.2 Trade Creditors

A.W. Ranasinghe		-
A.W.Ranasighe Filling Satation	13,200.00	252,800.00
Abans Ltd		97,297.60
Abyewickrama Stores	440.00	440.00
Accounts Payable	266,900.34	2,278,750.00
CIC Fertilizer		3,239,530.87
Agstar Fertilizer	97,297.60	-
Allied Commercial	252,800.00	1,101,950.00
Ariyasiri Hardware	300.00	198,050.00
Bank Loan	3,000.00	4,123,000.00
Baurs Fertilizer	4,180,750.00	-
Ceylon Fertilizer	459,200.00	-
Ceylon Paper Sacks	97,902.64	457.00
Ceylon Petroleum Company	173,580.00	23,627.50
Chandana Engineering	30,525.00	-
CIC Fertilizer	2,857,280.87	2,020.00
CIC Poultry Farms		44,576.00
Colombo Agro Fertilizer	10,233.10	6,999,368.12
Colombo Commercial Company	18,657.40	309,179.16
CPPS Account	12,100.00	1,200.00
Eagle Traders	36,860.62	-
Eastern Trading	247,152.58	300.00
Falcan Enterprises		97,902.64
Firewood	214,725.00	173,580.00
Firewood Contractors	332,775.00	18,657.40
Hayleys Agro	1,846,211.47	10,233.10
Helix Engineering	1,381,983.44	36,860.62
Hettiarachchi Hardware	365.20	-
Hightech Engineeres	74,350.00	365.20
Jayakody Filling Station	74,569.19	294,153.84
Jayasekara Motors		74,569.19
Kala Motors		-
Kotapola Hardware	457.00	-
Kotapola MPCS		505,389.00
Lanka Sathosa	505,389.00	750,000.00
Liyanage Stores	892,900.00	3,257.00
Morawaka Hardware	23,627.50	176,500.00
Morawaka Stores	107,570.50	-
MPCS Agalawattha	14,965.00	362,051.73
P A Ariyadasa & Son		531,504.50
Quikpack (Pvt) Ltd	175,238.67	14,965.00
Rent Payable To BCC Lanka	750,000.00	13,200.00
Sandaru Products		369,790.84
Singer Sri Lanka	65,748.00	3,000.00
SLN Sangamaya	1,940.00	11,963.38
Southern Engineering Company	3,257.00	26,792.58
St Regis Packaging	190,298.16	307,225.00
Sundry Creditors	8,927,250.55	74,350.00
Thanuja Hardware	1,200.00	
Vithanage (Pvt) Ltd		-
Sub Total	24,343,000.83	22,528,857.27

2.3 Service Contractor Payments

Green Leaf Transport	2,275,702.13	1,938,074.39
Leaf Bag Unloading Contractors	53,354.40	63,458.15
Leaf Bag Loading Contractors	30,015.80	36,182.19
Sundry Contractors	67,609.12	27,480.00
Sub Total	2,426,681.45	2,065,194.73

(Contd.)

KALUBOWITIYANA TEA FACTORY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

As At 31ST MARCH

2017

2016

(All Amounts Are In Sri Lanka Rupees)

2.4 Staff Creditors

Check Roll/Casual Work	3,160,648.88	1,858,759.52
Provision For Holiday Wages	50,344.16	50,344.16
Staff Overtime	206,138.86	174,447.23
Sub Total	3,417,131.90	2,083,550.91

2.5 Accrued Expenses

Audit Fees	-	182,300.00
Cancelled Cheques	547,216.79	517,496.63
CCC Plantation	1,515,500.94	200.00
CESU	1,100.00	2,918,302.79
Ceylon Electricity Board	3,155,569.37	105,200.00
Co.Operative Society	244,148.00	770.00
Coconut Suppliers	770.00	200,000.00
Deposit Payable	200,000.00	22,635.71
Dialog Telecom	(1,542.59)	25,110.07
Diesel Purchases	14,203.30	424,500.00
Elka Rice Mill	328,500.00	969,058.63
ESC Payable	1,188,948.87	-
Employees' Provident Fund	1,164,589.13	137,827.11
Employees' Trust Fund	154,110.92	5,075.66
Filling Station	5,075.66	4,520.00
G.W. Sriyaratne	4,520.00	240,150.86
Gamini Engineering	144,914.75	-
General Engineering Services	240,150.86	572,758.30
Gratuity Payable	-	81,324.50
Holiday Payments	642,033.18	1,566,001.92
Head Office STN	872,210.59	4,853,837.29
Insurance	71,021.90	505,837.54
Lalaln Engineering	1,566,001.92	59,344.00
Lanka Jathika States Work	3,264.00	17,047.60
Mark Trade Shop	43,832.78	806,984.59
Marketing Federation	78,321.00	21,530.00
National Water Supply	23,321.13	12,512.50
Other Accrued Expenses	5,597,136.75	36,801.63
Outstanding Bill Head Office	-	4,306.00
PAYE Surcharge	59,344.00	16,142.22
PAYE Tax	27,001.60	473,120.25
Salaries Payable	-	354,116.00
Sanasa B'Leaf Supplier Loan	413,500.00	150,900.00
Shantha Electricals	9,560.00	688,418.00
Shantha Estates	12,512.50	40.00
Sri Lanka CO operative	660,933.40	68,385.79
Sri Lanka Telecom	32,101.33	210.75
Stamp Duty	7,761.15	11,925.00
Stamps	1,147.50	176,250.00
Sundry Abetment	80,098.85	2,069,134.82
Sundry Transport	27,690.75	7,498.40
Sunil Trade Enterprises	11,925.00	2,446,124.93
Tax Fees	41,250.00	700,850.99
Tea Board Subsidy	668,598.43	1,515,500.94
Tea Shakthi Fund	2,049,959.82	-
Unidil Paper Sacks	7,498.40	65,000.00
Welfare	5,525.00	104,770.00
Welfare Society	453,850.00	-
Welfare Society DTF	104,080.00	-
Sub Total	22,479,256.98	23,139,821.42

2.6 Other Credits

Suspense Account	468,287.47	474,287.15
Tea Short Deliveries	11,129.06	11,129.06
Sub Total	479,416.53	485,416.21

2.7 Unclaimed Balances

Checkroll Wages	84,324.50	40,707.17
Insurance	4,763.00	19,763.00
Bought Leaf Suppliers	200,830.07	196,524.07
Salaries & Wages	18,804.86	101,639.36
Staff Salaries	155,394.92	61,904.44
Staff Overtime	-	-
Cheques	3,522.25	3,522.25
Sponsorship Receipt	-	106.30
Sub Total	467,639.60	424,166.59
Grand Total	89,283,786.21	69,157,898.63

(Contd.)

FINANCIAL HIGHLIGHTS OF PRECEDING TEN YEARS										
	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017
Net Sales	491,437,212	458,241,211	498,967,014	547,568,613	638,941,282	769,483,494	779,486,292	751,044,477.30	775,730,199.81	935,591,884.34
Cost of Sales	(427,810,880)	(418,479,646)	(425,784,176)	(492,030,156)	(536,329,532)	(732,146,392)	(747,630,426)	(737,909,957.50)	(767,358,579.26)	(881,617,227.76)
Gross Profit	63,626,332	39,761,565	73,182,838	55,538,457	102,611,750	37,337,103	31,855,865	13,134,519.80	8,371,620.55	53,974,656.58
Other Income	14,154,380	23,299,933	22,502,885	18,564,382	13,697,746	18,908,625	26,770,146	42,923,956.86	43,465,176.11	19,676,356.10
Profit Before Operating Expenses	77,780,712	63,061,499	95,685,723	74,102,839	116,309,496	56,245,728	58,626,011	56,058,476.66	51,836,796.66	73,651,012.68
Administration & Establishment Expenses										
Selling & Distribution & Other Expenses	(28,432,172)	(20,713,539)	(23,794,303)	(43,324,929)	(25,279,941)	(29,231,329)	(28,971,387)	(36,183,737.86)	(31,413,579.54)	(33,262,579.21)
Profit From Operating Activities	49,348,540	42,347,960	71,891,420	30,777,909	91,029,555	27,014,399	29,654,625	19,874,738.80	20,423,217.12	40,388,433.47
Finance Expenses	(246,743)	(190,273)	(234,404)	(238,321)	(585,337)	(107,679)	(2,105,842)	(2,885,464.36)	(8,428,981.00)	(9,164,033.62)
Net Profit Before Taxation	49,101,797	42,157,687	71,657,016	30,539,589	90,444,218	26,906,720	27,548,782	16,989,274.44	11,994,236.12	31,224,399.85
Income Tax	(21,119,935)	(15,857,050)	(6,485,203)	(5,128,363)	(11,182,452)	(5,112,710)	(8,213,713)	(3,851,962.00)	(2,178,708.00)	(1,723,391.30)
Net Profit After Taxation	27,981,862	26,300,637	65,171,813	25,411,226	79,261,766	21,794,010	19,335,069	13,137,312.44	9,815,528.12	29,501,008.55

OPERATIONAL INFORMATION

Kalubowitiyana Tea Factory Ltd - Head Office

Address	: No.556, Nagahamulla,Pannipitiya Road, Palawatta,Thalangama South	
Human Resources	: Managing Director	1
	Manager Finance & Marketing	1
	Manager / Administration & HR	1
	Assistant Manager Finance	1
	Internal Audit Officer	1
	Management Assistant	10
	Peon	3
	Driver	2

Kalubowitiyana CTC Tea Factory

District	: Matara	
Sub District	: Morawaka	
Village	: Kalubowitiyana	
Elevation	: Low Country	
Trade Mark	: Kalubowitiyana	
Type of Production	: CTC Teas	
Human Resources	: Factory Manager	1
	Asst.Factory Manager	1
	Office Staff	6
	Factory Staff	16

Derangala Tea Factory

District	: Matara	
Sub District	: Morawaka	
Village	: Kiriwelkelle	
Elevation	: Low Country	
Trade Mark	: Derangala / Kiriwelkelle	
Type of Production	: Orthodox Teas	
Human Resources	: Factory Manager	1
	Asst.Factory Manager	1
	Office Staff	3
	Factory Staff	14

Hiniduma Hills Tea Factory

District	: Galle	
Sub District	: Thawalama	
Village	: Jasmine valley	
Elevation	: Low Country	
Trade Mark	: Hiniduma Hills / Thawalama Hills	
Type of Production	: Orthodox Teas	
Human Resources	: Asst.Factory Manager	1
	Office Staff	3
	Factory Staff	8

Manikdewela Tea Factory

District	: Kandy	
Sub District	: Yatinuwara	
Village	: Manikdewela	
Elevation	: Wentern Medium	
Trade Mark	: Manikdewela	
Type of Production	: Orthodox Teas	
Human Resources	: Factory Manager	1
	Office Staff	4
	Factory Staff	6

FACTORYWISE PROFIT / (LOSS) POSITION - 2016/2017

<u>Revenue</u>	<u>Kalubowitivana</u>		<u>Derangala</u>		<u>Hiniduma Hills</u>		<u>Manikdewela</u>	
	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>
Gross Sales		450,990,262.06		210,451,088.90		139,289,709.04		98,910,270.00
Brokerage & Sales Expenses		(5,769,851.09)		(3,493,357.64)		(1,824,936.57)		(1,742,700.10)
Net Sales		445,220,410.97		206,957,731.26		137,464,772.47		97,167,569.90
Add - Local Sales		21,418,306.07		4,899,872.67		294,979.00		779,652.00
Total Revenue		466,638,717.04		211,857,603.93		137,759,751.47		97,947,221.90
<u>Cost of Sales</u>								
Bought leaf	326,865,961.72		172,094,113.15		91,937,499.29		69,894,090.60	
Production Cost	55,265,408.78		43,284,163.18		37,804,548.79		26,740,285.53	
General Charges	28,958,244.28		21,122,036.82		10,956,160.71		16,159,347.73	
Add: Opening Stock	34,175,254.05		17,075,813.81		8,219,841.74		11,334,164.97	
Less: Closing Stock	(42,152,309.55)	403,112,559.28	(46,079,098.82)	207,497,028.14	(7,112,401.40)	141,805,649.13	(14,678,484.40)	109,449,404.43
Profit/(Loss)		63,526,157.76		4,360,575.79		(4,045,897.66)		(11,502,182.53)

FACTORYWISE PROFIT / (LOSS) POSITION - 2016/2017

Kalubowitiyana Tea Factory

During the financial year of 2016/17, Kalubowitiyana Tea Factory secured a crop of 3,941,473 kgs which recorded as 77.04% of the estimated crop of 5,116,000 kgs, in spite of unfavourable weather conditions prevailed in the region. There was heavy Competition among the Factories for Green Leaf which was inevitable as the prices was falling due to unexpected downtrend global market conditions. Kalubowitiyana continued to obtain Good Leaf the thereby improving the end product, as a result factory maintained a reasonable N.S.A of 588.98.

Kalubowitiyana Tea Factory recorded a profit of Rs. 63.5Mn during the financial year which is remarkable; one area which focused was the Cost of Production to be within the acceptable levels.

Kalubowitiyana Tea Factory contributed to support the Tea Small Holders by way of improving their income and living standards by paying a reasonable price for Green Leaf Supplied by them.

Derangala Tea Factory

Derangala Tea Factory secured 2,113,499 Kgs as against the estimated crop of 1,997,000 Kgs, which is commendable despite of competition among the Factories in the area. Although Factory focused on Good Quality Green Leaf, due to unfavourable marketing conditions N.S.A realized was far below the expectations, the factory been recorded a profit during the year.

Hiniduma Tea Factory

Due to unfavourable climatic conditions factory recorded 1,235,080 kg green leaf which is 81% only of the estimated crop. During the year management of the factory had made attempt to introduce new bought leaf lines which would ensure increase in crop intakes during ensuing period. Cost of production of Rs 560.62 considered as above expected level which was due to not achieving the estimate crop for the season.

Factory recorded Rs 33.90 below the low grown elevation average which has been a concern of the company during the year. Factory focus excepting only good quality leaf in order to produce better end product to achieve a NSA above the elevation average during the year 2016/17.

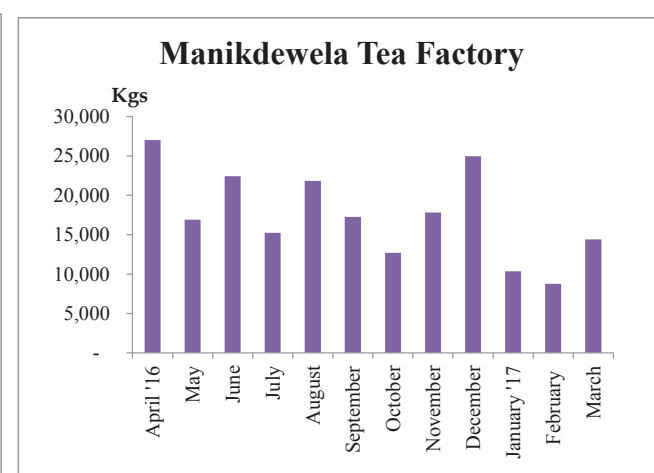
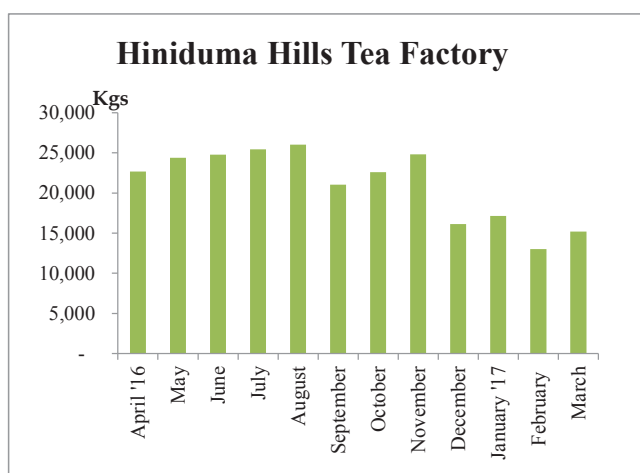
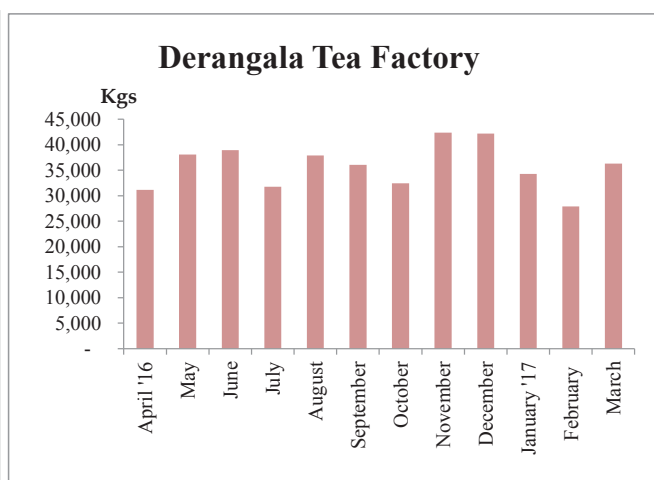
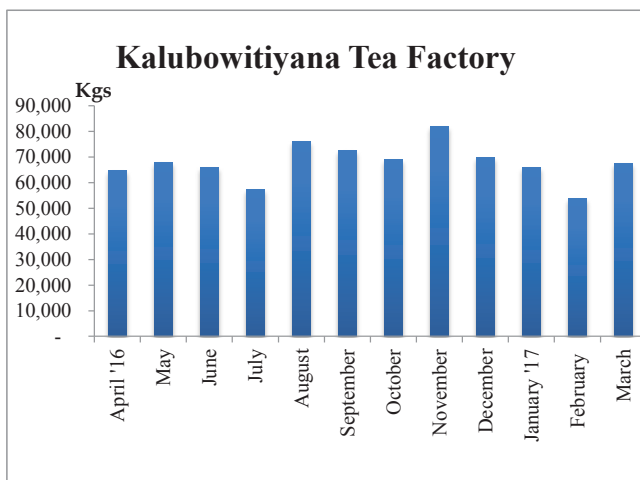
Manikdewela Tea Factory

This Factory was under Tea Shakthi Fund and May 2015 taken by Kalubowitiyana Tea Factory Ltd and started for manufacture 1st August 2015. From the time started doing lot of Properganda Meeting work to obtain good quality leaf to fulfil total factory capacity. The reason for the loss of Rs.11.5Mn was due to under capacity of green Leaf and Tea prices wise we had to maintain good NSA for the western medium category.

MONTHLY PRODUCTION OF TEA - 2016/17

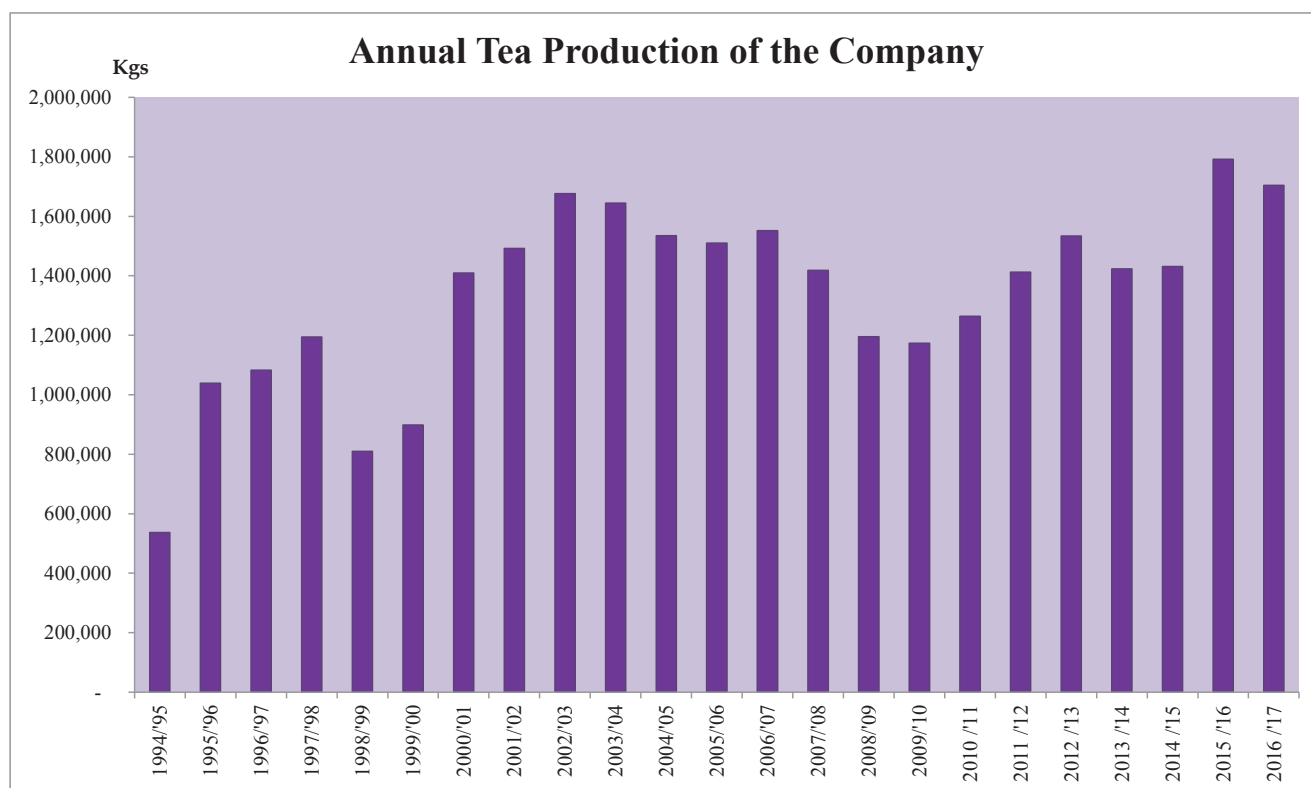
Month	Kalubowitiyana Tea Factory Kg.	Derangala Tea Factory Kg.	Hiniduma Hills Tea Factory Kg.	Manikdewela Tea Factory Kg.	Total Kg.
April '16	64,684	31,140	22,677	27,010	145,511
May	67,940	38,074	24,376	16,871	147,261
June	65,883	38,969	24,754	22,415	152,021
July	57,300	31,799	25,417	15,232	129,748
August	75,880	37,889	26,034	21,821	161,624
September	72,653	36,046	21,042	17,228	146,969
October	68,880	32,417	22,576	12,693	136,566
November	81,865	42,394	24,796	17,805	166,860
December	69,699	42,173	16,126	24,924	152,922
January '17	65,746	34,304	17,151	10,344	127,545
February	53,833	27,897	13,005	8,746	103,481
March	67,345	36,280	15,203	14,375	133,203
Total	811,708	429,382	253,157	209,464	1,703,711

Monthly Made Tea Production 2016/17



DETAILS OF ANNUAL PRODUCTION OF TEA

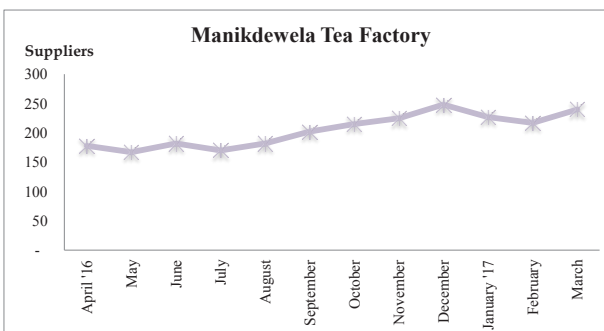
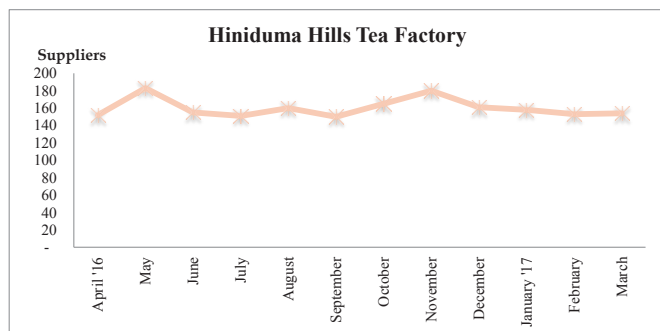
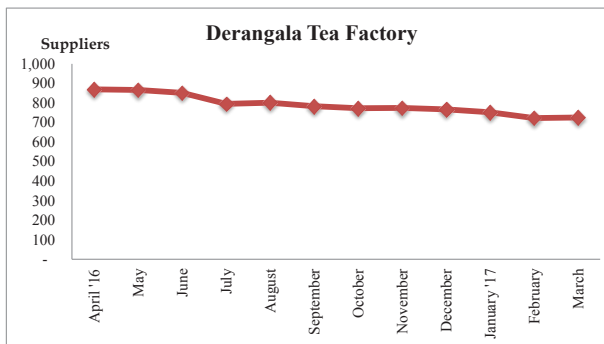
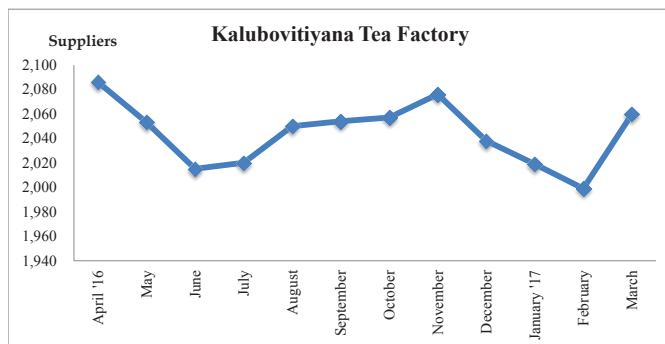
Year	Kalubowitiyana Tea Factory Kg	Derangala Tea Factory Kg	Hiniduma Hills Tea Factory Kg	Manikdewela Tea Factory Kg	Total Kg
1994/'95	536,780	-	-	-	536,780
1995/'96	1,038,739	-	-	-	1,038,739
1996/'97	1,082,973	-	-	-	1,082,973
1997/'98	1,194,418	-	-	-	1,194,418
1998/'99	809,741	-	-	-	809,741
1999/'00	884,197	14,584	-	-	898,781
2000/'01	914,433	494,894	-	-	1,409,327
2001/'02	954,905	536,601	-	-	1,491,506
2002/'03	1,039,447	636,762	-	-	1,676,209
2003/'04	1,154,969	488,915	-	-	1,643,884
2004/'05	1,173,659	361,154	-	-	1,534,813
2005/'06	1,161,031	348,651	-	-	1,509,682
2006/'07	1,272,903	278,828	-	-	1,551,731
2007/'08	1,097,681	320,512	-	-	1,418,193
2008/'09	967,631	227,617	-	-	1,195,248
2009/'10	950,347	222,824	-	-	1,173,171
2010 /'11	994,746	269,314	-	-	1,264,060
2011 /'12	1,170,972	240,901	-	-	1,411,873
2012 /'13	1,110,907	254,706	168,425	-	1,534,038
2013 /'14	995,844	281,666	146,031	-	1,423,541
2014 /'15	943,706	315,854	171,751	-	1,431,311
2015 /'16	994,541	460,860	219,765	117,017	1,792,183
2016 /'17	811,708	429,382	253,157	209,464	1,703,711
Total	23,256,278	6,184,025	959,129	326,481	30,725,913



DETAILS OF MONTHLY GREEN LEAF INTAKES 2016/17

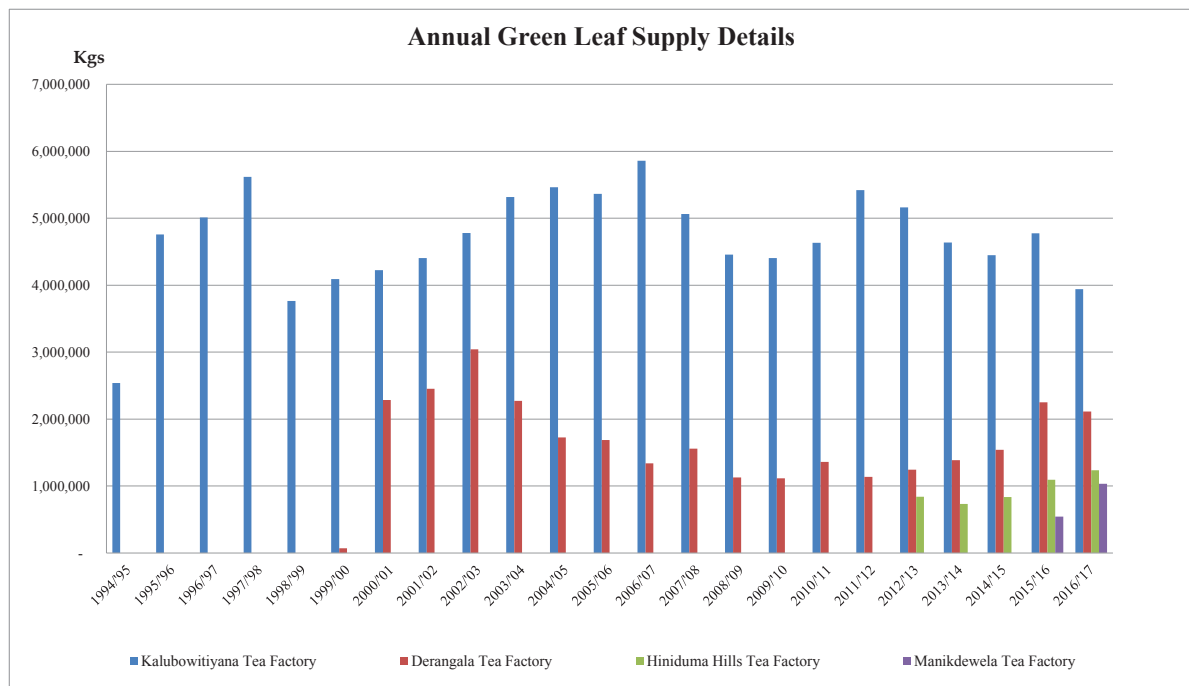
Month	Kalubovitiyana Tea Factory		Derangala Tea Factory		Hiniduma Hills Tea Factory		Manikdewela Tea Factory		Total	
	No. of Suppliers	Qty - supplied kg	No. of Suppliers	Qty - supplied kg	No. of Suppliers	Qty - supplied kg	No. of Suppliers	Qty - supplied kg	No. of Suppliers	Qty - supplied kg
April '16	2,086	349,662	869	153,399	152	110,505	178	125,163	3,285	738,729
May	2,053	349,072	867	190,366	183	118,952	167	82,904	3,270	741,294
June	2,015	320,128	851	190,086	155	121,348	182	109,453	3,203	741,015
July	2,020	276,815	796	151,423	151	121,050	170	73,656	3,137	622,944
August	2,050	361,372	801	180,420	160	126,149	182	106,047	3,193	773,988
September	2,054	345,472	783	166,096	150	101,526	202	83,914	3,189	697,008
October	2,057	327,833	773	158,129	165	112,341	215	60,573	3,210	658,876
November	2,076	401,299	774	210,913	180	122,112	225	85,839	3,255	820,163
December	2,038	335,660	767	209,811	161	80,439	248	123,691	3,214	749,601
January '17	2,019	310,804	752	180,452	158	85,711	227	55,849	3,156	632,816
February	1,999	250,264	723	143,061	153	62,175	217	46,813	3,092	502,313
March	2,060	313,432	725	179,343	154	72,772	240	79,671	3,179	645,218
Total		3,941,813		2,113,499		1,235,080		1,033,573		8,323,965

MONTHLY GREEN LEAF SUPPLY



DETAILS OF ANNUAL GREEN LEAF INTAKES

Year	Kalubowitiyana Tea Factory			Derangala Tea Factory			Hiniduma Hills Tea Factory			Manikdewela Tea Factory		
	Quantity kg	Rate Rs.	Amount Paid Rs.	Quantity kg	Rate Rs.	Amount Paid Rs.	Quantity kg	Rate Rs.	Amount Paid Rs.	Quantity kg	Rate Rs.	Amount Paid Rs.
1994/95	2,539,978	11.65	29,587,982.13	-	-	-	-	-	-	-	-	-
1995/96	4,758,850	13.50	64,251,776.63	-	-	-	-	-	-	-	-	-
1996/97	5,011,298	16.76	83,946,849.41	-	-	-	-	-	-	-	-	-
1997/98	5,619,161	21.49	120,746,103.55	-	-	-	-	-	-	-	-	-
1998/99	3,764,498	20.99	79,009,251.87	-	-	-	-	-	-	-	-	-
1999/00	4,092,958	20.54	84,059,716.54	68,377	21.00	1,435,917.00	-	-	-	-	-	-
2000/01	4,225,019	24.73	104,493,119.37	2,283,999	23.21	53,001,315.79	-	-	-	-	-	-
2001/02	4,406,549	25.76	113,531,489.13	2,452,187	23.33	57,224,296.34	-	-	-	-	-	-
2002/03	4,779,581	27.06	129,321,153.69	3,042,878	22.67	68,985,911.36	-	-	-	-	-	-
2003/04	5,316,428	29.28	155,642,831.99	2,274,012	23.82	54,158,850.23	-	-	-	-	-	-
2004/05	5,464,753	34.08	186,241,089.52	1,727,312	27.70	47,847,765.77	-	-	-	-	-	-
2005/06	5,362,732	36.30	194,683,064.10	1,688,298	29.11	49,302,770.60	-	-	-	-	-	-
2006/07	5,859,734	38.43	225,182,103.24	1,339,562	32.28	43,239,914.14	-	-	-	-	-	-
2007/08	5,061,084	51.08	258,498,237.53	1,559,138	46.93	73,165,311.51	-	-	-	-	-	-
2008/09	4,455,756	53.57	238,716,305.27	1,129,629	46.22	52,214,017.57	-	-	-	-	-	-
2009/10	4,406,749	62.57	275,722,181.37	1,114,004	57.22	63,746,050.83	-	-	-	-	-	-
2010/11	4,634,137	66.28	307,172,293.98	1,359,341	59.29	80,593,192.05	-	-	-	-	-	-
2011/12	5,421,437	69.59	377,269,886.08	1,136,937	58.20	64,713,552.59	-	-	-	-	-	-
2012/13	5,161,301	71.16	367,260,153.59	1,243,421	64.55	80,264,641.77	838,887	65.05	54,569,118.77	-	-	-
2013/14	4,638,578	80.13	374,733,726.05	1,386,298	74.78	103,673,719.50	731,251	75.77	55,409,906.20	-	-	-
2014/15	4,446,200	76.98	342,285,327.53	1,539,561	72.58	111,742,927.78	834,380	72.16	60,205,968.18	-	-	-
2015/16	4,774,872	65.73	313,847,559.85	2,249,785	61.38	138,094,577.16	1,095,511	59.46	65,134,943.29	542,106	58.77	31,857,497.17
2016/17	3,941,813	83.24	328,101,039.57	2,113,499	81.96	173,224,141.40	1,235,080	81.32	100,442,354.51	1,033,573	67.62	69,894,090.60



COMPARISON DETAILS - PRODUCTION

Contribution to Low Grown CTC Production & National CTC Production

Month	CTC		Production of KTF *	Contribution to the production	
	Low Grown	National		Low Grown	National
	kg 000,	kg 000,		%	%
April '16	1,007	1,802	64.68	6.42	3.59
May	1,092	2,002	67.94	6.22	3.39
June	1,097	1,670	65.88	6.01	3.95
July	870	1,384	57.30	6.59	4.14
August	1,032	1,542	75.88	7.35	4.92
September	611	1,038	72.65	11.89	7.00
October	723	1,101	68.88	9.53	6.26
November	905	1,628	81.87	9.05	5.03
December	992	1,697	69.70	7.03	4.11
January '17	950	1,383	65.75	6.92	4.75
February	717	1,161	53.83	7.51	4.64
March	1,182	1,912	67.35	5.70	3.52
Total	11,178	18,320	811.71	7.26	4.43

* Kalubowitiyana Tea Factory

Contribution to Low Grown Orthodox Production & National Orthodox Production

Month	Orthodox Production			Production		Contribution to the production		
	Low Grown	Medium	National	DTF,HHTF	MTF	Low Grown	Medium	National
	kg 000,	kg 000,	kg 000,	kg 000,	kg 000,	%	%	%
April '16	14,915	3,636	24,437	53.8	27.0	0.36	0.74	0.33
May	16,226	4,240	28,324	62.5	16.9	0.38	0.40	0.28
June	15,485	3,348	23,476	63.7	22.4	0.41	0.67	0.37
July	12,736	2,785	19,767	57.2	15.2	0.45	0.55	0.37
August	14,803	2,724	21,318	63.9	21.8	0.43	0.80	0.40
September	12,293	2,578	18,615	57.1	17.2	0.46	0.67	0.40
October	12,149	1,984	17,351	55.0	12.7	0.45	0.64	0.39
November	16,878	3,144	25,504	67.2	17.8	0.40	0.57	0.33
December	15,502	3,821	25,142	58.3	24.9	0.38	0.65	0.33
January '17	13,017	2,346	19,716	51.5	10.3	0.40	0.44	0.31
February	11,050	2,326	17,168	40.9	8.7	0.37	0.38	0.29
March	14,767	3,813	24,215	51.5	14.4	0.35	0.38	0.27
Total	169,821	36,745	265,033	682.5	209.5	0.40	0.57	0.34

* Derangala, Hiniduma Hills & Manikdewela Tea Factory

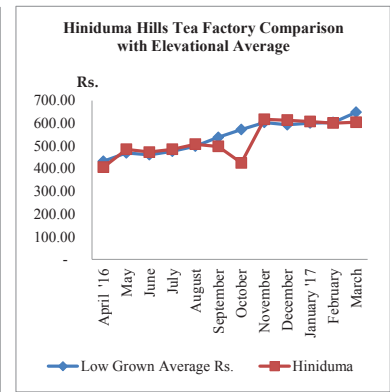
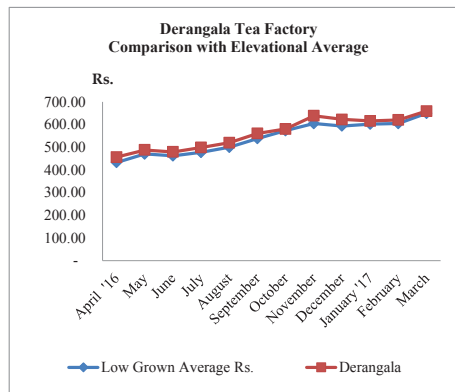
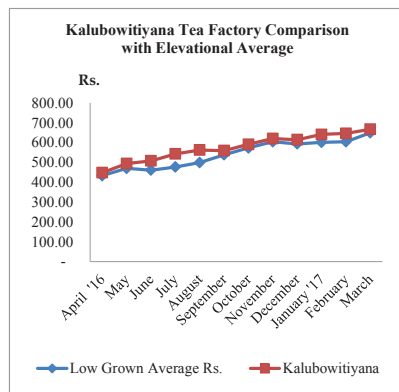
Contribution to Low Grown Tea Production & National Tea Production by the Company

Month	Total Production			Total Production Company kg 000,	Contribution to the production		
	Low Grown	Medium	National		Low Grown	Medium	National
	kg 000,	kg 000,	kg 000,		%	%	%
April '16	15,922	3,636	26,239	145.5	0.91	0.74	0.55
May	17,318	4,240	30,326	147.3	0.85	0.40	0.49
June	16,582	3,348	25,146	152.0	0.92	0.67	0.60
July	13,606	2,785	21,151	129.7	0.95	0.55	0.61
August	15,835	2,724	22,860	161.6	1.02	0.80	0.71
September	12,904	2,578	19,653	147.0	1.14	0.67	0.75
October	12,872	1,984	18,452	136.6	1.06	0.64	0.74
November	17,783	3,144	27,132	166.9	0.94	0.57	0.61
December	16,494	3,821	26,839	152.9	0.93	0.65	0.57
January '17	13,967	2,346	21,099	127.5	0.91	0.44	0.60
February	11,767	2,326	18,329	103.5	0.88	0.38	0.56
March	15,949	3,813	26,127	133.2	0.84	0.38	0.51
Total	180,999	36,745	283,353	1,703.7	0.94	0.57	0.60

COMPARISON OF SALES AVERAGES WITH ELEVATIONAL

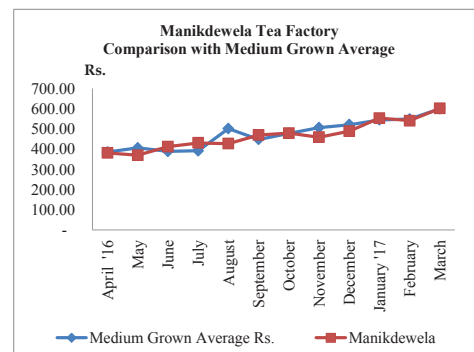
COMPARISON WITH LOW GROWN ELEVATIONAL AVERAGE

Month	Low Grown Average Rs.	Monthly Average					
		Kalubowitiyana Rs.	Variance	Derangala Rs.	Variance	Hiniduma Rs.	Variance
April '16	432.66	448.05	15.39	455.86	23.20	406.52	(26.14)
May	469.94	494.29	24.35	487.71	17.77	485.55	15.61
June	461.30	508.08	46.78	478.91	17.61	473.12	11.82
July	477.14	542.90	65.76	498.39	21.25	485.59	8.45
August	499.22	562.80	63.58	519.23	20.01	507.99	8.77
September	538.25	559.53	21.28	560.77	22.52	498.32	(39.93)
October	572.64	590.97	18.33	580.18	7.54	425.76	(146.88)
November	603.91	620.36	16.45	638.70	34.79	617.25	13.34
December	593.36	614.48	21.12	621.85	28.49	613.99	20.63
January '17	601.38	640.91	39.53	614.97	13.59	608.21	6.83
February	604.22	645.80	41.58	620.35	16.13	601.25	(2.97)
March	648.90	666.78	17.88	658.64	9.74	605.06	(43.84)



COMPARISON WITH MEDIUM GROWN ELEVATIONAL AVERAGE

Month	Medium Grown Average Rs.	Monthly Average	
		Manikdewela Rs.	Variance
April '16	385.40	381.59	(3.81)
May	405.65	370.00	(35.65)
June	388.22	412.33	24.11
July	391.32	430.66	39.34
August	501.36	427.25	(74.11)
September	448.00	470.09	22.09
October	478.14	478.64	0.50
November	506.14	458.60	(47.54)
December	520.98	488.87	(32.11)
January '17	544.42	552.83	8.41
February	548.69	540.46	(8.23)
March	599.32	601.16	1.84



Training & Development

Training and development forms a cornerstone of our efforts to build our human capital. The management continually assesses skill gaps and the Training & Development requirement is then driven by the results of the skill assessments to ensure staffs is unskilled at regular intervals. During the year under review, the Company provided diverse training opportunities to employees in order to enhance their professional and technical skills.

On-the-job training is one of the key methods followed for training and development of our employees. Further, we have cross-trained our staff in order to empower them to operate in multiple divisions of the Company. Such development procedures have enhanced the flexibility of the Company and enabled it to leverage on skill utilisation and maximisation. In return, our employees have been given several opportunities for mobility across the Company and prominence has been given to career development prospects.

Training Programmes for Executives/ Staff/ Workers during the year:

- Rain Forest Alliance Training Programme for staff to adhere to sustainable practices (Conducted by Mr.Giri Kadurugamuwa)
- Manufacturing Programme , Conducted by Mr.Upali Premalal, Tea Field and Extension Management Programme (TRI – Deniyaya) , Fire Demonstration Programme (Britex Safety House), Certificate Course in Scientific Tea Manufacturing and Quality Management & Certificate Course in Book Keeping & Plantation Accounting (NIPM).
- Skill Development & Motivation Programme (NIPM) to enhance employee engagement in the systems and processes required in the tea industry

Capital Investments

The Company periodically undertakes capacity enhancements in systems, processes and infrastructure to maintain its competitiveness. During the period under review, several projects were embarked on:

- The company went ahead with its plans to repair & modification increasing capacity of No.01 CFU and fabricating Rolling manure stores at the Kalubowitiyana Tea Factory.
- Embarked on the Tea Plant Nursery Project wherein plants were distributed at the Factories.

CSR Activities

The Company considers Tea small Holders, Staff & Workers to be its key stakeholders and ensures that it remains closely engaged with these valued stakeholders. Its strong stakeholder engagement means that the Company understands the challenges faced by them and in turn has conducted a host of Corporate Social Responsibility (CSR) projects to benefit the stakeholders and uplift them:

➤ Healthcare

The health and well-being of the Company's stakeholders is a pivotal concern and several projects are carried out every year to benefit them, such as:

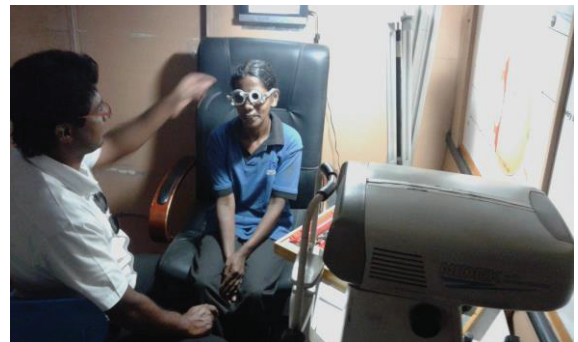
Providing spectacles and conducting Medical Clinic for Small Holders, Staff & Workers to enhance their lives.

The company conducted Blood Donation Campaign for Small Holders, Staff & Workers. In order to promote camaraderie and cooperation, the Company supports all social activities of the Tea Small Holders.

➤ Educational & Religious projects

As a knowledge-based Company, it gives us pride to help underprivileged students to sustain their education without worrying about financial hardship. During the year, we provided scholarships for children of Tea Growing families & Staff, Financial Sponsorship for Schools.

The Randalu Welfare Society has been formed for the improvement of quality standards for the welfare of all stakeholders. The Company organizes periodic educational trips for staff.



An Awareness Programme on Tea Cultivation Holders was also held.

Keeping in mind the religious nature of our local communities, the Company understands that religion occupies an important part of its stakeholders' lives and therefore it facilitates this by organizing pilgrimages for Staff & workers. During the year, a 'SIL' was observed along with almsgiving & Pirith Ceremony. Moreover, a shramadana programme was also carried out.



TOP PRICES & AWARD OF ACHIEVEMENT 2016/'17

Date	Grade					Broker
	KTF				DTF	
	BP1 RS.	PF1 RS.	P.DUST RS.	PFGS RS.	OP RS.	
18-Apr-2016		460.00				MBSL
18-Apr-2016		460.00				Bartleet
26-May-2016	440.00					Bartleet
1-Jun-2016	435.00					Bartleet
8-Jun-2016	435.00					Bartleet
16-Jun-2016					740.00	Bartleet
4-Oct-2016		600.00				MBSL
5-Oct-2016		600.00				Bartleet
18-Oct-2016		610.00				MBSL
19-Oct-2016		620.00				LCBL
9-Nov-2016			660.00			LCBL
16-Nov-2016		640.00				MBSL
29-Nov-2016		640.00				ASIA
14-Dec-2016		640.00				Bartleet
20-Dec-2016		630.00				ASIA
21-Dec-2016		630.00				Bartleet
3-Jan-2017			670.00			CTB
4-Jan-2017			670.00			CTB
1-Mar-2017			670.00			MBSL
8-Mar-2016			680.00			Bartleet
22-Mar-2016			700.00			CTB
22-Mar-2016			700.00			MBSL
28-Mar-2016			670.00			MBSL
29-Mar-2016			670.00			CTB

ASIA : Asia Siyaka Commodities (Pvt) Ltd

FW : Forbes & Workers Tea Brokers (Pvt) Limited

LCBL : Lanka Commerdity Brokers

MBSL : Mercantile Produce Brokers

CTB : Ceylon Tea Brokers

Ceylon Speciality Estate Tea of the Year - China 2016/2017

Merit Winner - PF1 - CTC Regin

Annual Tea Awards 2016 - Forbes & Walker

Highest Elevational Average (Black Tea) in the CTC Low Category Recording an Average of Rs.528.48