Annual Report

Kegalle Plantations PLC

2014/15

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Corporate Information back inner cover

Our Vision

To seek excellence in all our pursuits.

Our Mission

To achieve excellence in the management of plantations by optimum utilization of resources.

To enhance the quality of life of our employees and the neighboring villagers.

To assure our shareholders optimum returns and to be an exemplary corporate citizen.

Our Objectives

We will endeavour to be the most technologically advanced producer of agricultural products and their value-added forms, by means of innovations and inventions through Research and Development.

We seek to be acknowledged in Sri Lanka and Overseas as a Producer and Supplier of quality agricultural products and their derivatives through superior customer services.

We will be a model employer in the plantation sector committed to achieve Leadership in every sphere of business activity.

We will provide our employee with the necessary training to enhance their skills and enable them to be a part of a highly motivated and dedicated workforce.

We seek to provide our shareholders with the maximum return on investment.

We intend to ensure continued liquidity and growth of the Company.

"Our Company continues to be the largest natural rubber producer in Sri Lanka, a title that we have been holding now for several years with great pride."

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COMPANY PROFILE

The Government of Sri Lanka, as part of its restructuring plan for the Plantation Industry decided to privatize this sector and in June 1992 incorporated 22 Regional Plantation Companies. The Government then assigned these Companies, Estates that had been previously vested with the Government and managed by JEDB/SLPC on a 53 year lease. Separate Managing Agents were also selected to manage each of these Companies.

Kegalle Plantations PLC (KPL) was one such Company and it was allotted 21 Estates which in total have a land base of around 10,000 ha in Kegalle, Kurunegala and Badulla Districts. Of this land base around 5,400 ha are Rubber, 1,400 ha are under Tea and another 500 ha under Coconut. The Company produces around 3.5 mn kg of Rubber and 2.1 mn kg of Tea inclusive of bought crop. It has an employee strength of 6,624.

The Managing Agent appointed by the Government was RPK Management Services (Pvt) Limited (RPK), a 50:50 joint venture Company between Richard Pieris & Company PLC and John Keells Holdings PLC. The ownership of the Company changed during the latter part of 1995 when the Government sold 20% of the shares it held to the public and the majority stake of 51% to RPK Management Services (Pvt) Limited. It also gifted 10% or 2 mn shares to over 8,000 eligible employees. In May 1997 the Government sold further 19% shares it held through the Colombo Stock Exchange (CSE), to the public and thereby, totally exited from the ownership of Kegalle Plantations PLC.

However, the Government holds through the Secretary to the Treasury one share which is called Golden Share and it gives the Government the title "Golden Shareholder" of the Company.

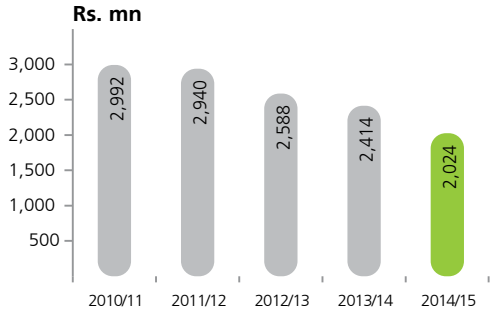
The Golden Shareholder has certain special rights than what is enjoyed by a normal shareholder and these rights are incorporated in the Articles of Association of the Company. The Prospectus offered to the public also contained these clauses. Some of the important clauses are given in this Annual Report under "Shareholder & Investor Information".

At the time it acquired the 51% stake RPK also invested Rs. 50 mn in convertible debentures of KPL. In February 1998, these debentures were converted to 5 million Ordinary Shares of Rs. 10/- each and assigned to RPK, increasing the Share Capital of the Company to Rs. 250 mn. In March 2004, Richard Pieris & Company PLC purchased the balance 50% stake in RPK from John Keells Holdings PLC, thereby making RPK, a fully owned subsidiary. Consequent to the change in the ownership, RPK was renamed as RPC Management Services (Pvt) Limited. During the year 2008 the ownership of the Company was transferred from RPC Management Services (Pvt) Limited to RPC Plantation Management Services (Pvt) Limited. Currently RPC Plantation Management Services (Pvt) Limited holds 79.08% stake in KPL.

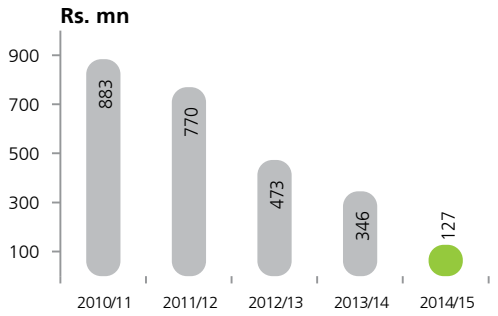
Kegalle Plantations PLC is the largest rubber producing Company among the Regional Plantation Companies accounting for 4.0 mn kg of average production per annum.

FINANCIAL HIGHLIGHTS

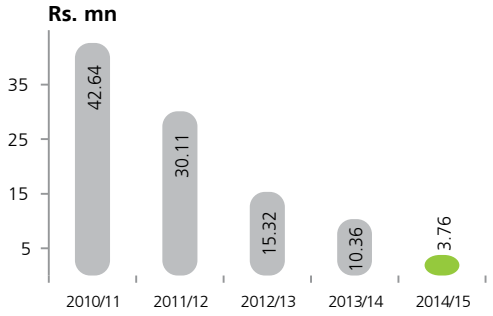
Turnover



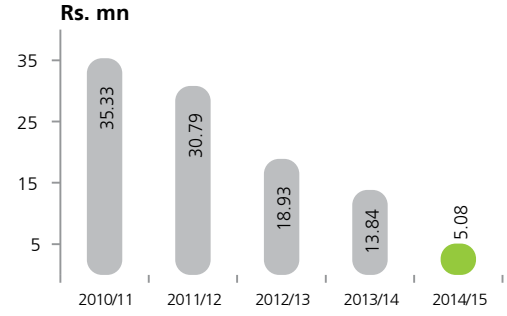
Profit After Tax



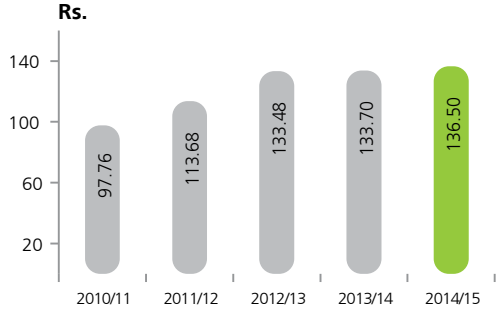
Return on Average Equity



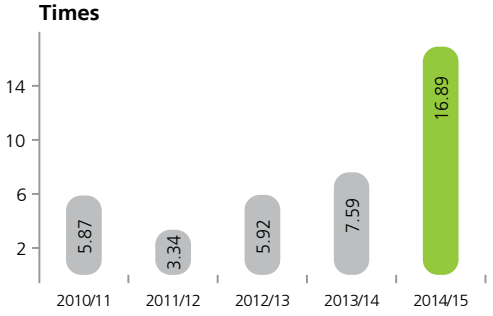
Earning Per Share



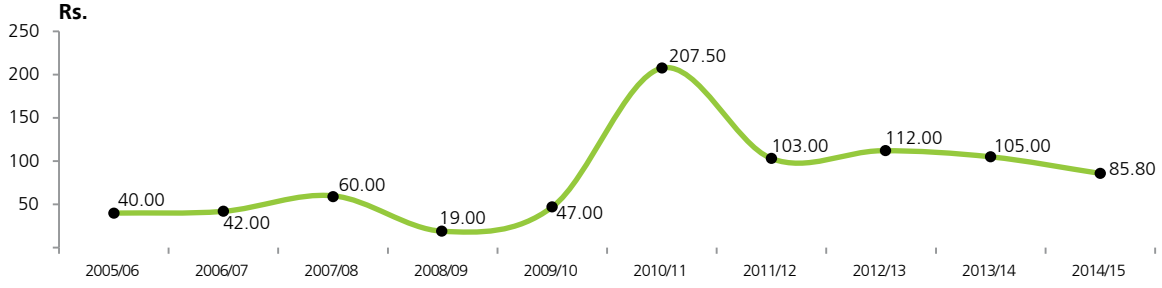
Net Assets Per Share



Price Earnings Ratio

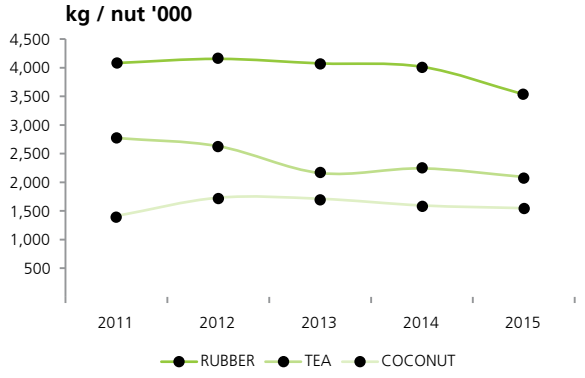


Share Price Movement

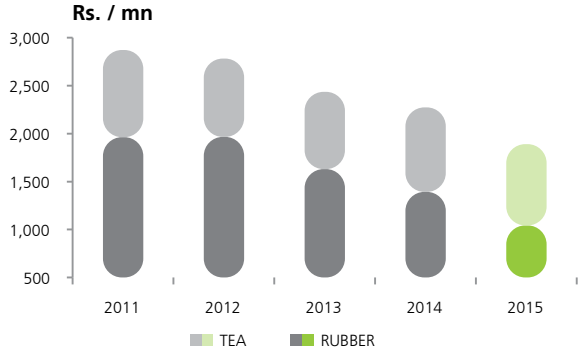


Performance – Year Ended 31 March		2015 Rs.'000	2014 Rs.'000	Variance %
Turnover		2,023,911	2,414,220	(16.17)
Profit before Interest and Tax		274,227	564,605	(51.43)
Profit After Tax		127,034	345,993	(63.28)
Gross Dividends		50,000	337,500	(85.19)
Capital Expenditure		305,851	294,468	3.87
Financial Position - As at 31 March				
Fixed Assets		4,049,045	2,843,889	42.38
Current Assets		3,078,052	4,102,606	(24.97)
Total Assets		7,127,097	6,946,495	2.60
Current Liabilities		771,499	560,053	37.75
Shareholders' Funds		3,412,393	3,342,520	2.09
Stated Capital		250,000	250,000	-
Capital Employed		5,808,139	5,673,383	2.38
Key Indicators				
Earning per share	%	5.08	13.84	(63.28)
Net Assets per share	Rs.	136.50	133.70	2.09
Dividend per share	Rs.	2.00	13.50	(85.19)
Market Price per share	Rs.	85.80	105.00	(18.29)
Return on Capital Employed	%	5.24	9.26	(43.41)
Market Capitalisation	Rs.'000	2,145,000	2,625,000	(18.29)
Return on Average Equity	%	3.76	10.36	(63.69)

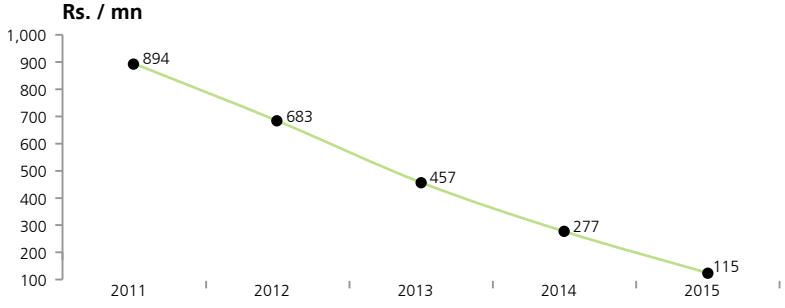
Crop



Turnover



Net Cash Generated from Operations



CHAIRMAN'S REVIEW

Dear Shareholders,

It is with great pleasure that I welcome you to the 22nd Annual General Meeting of Kegalle Plantations PLC, and present you the Annual Report and Audited Financial Statements for the financial year ended 31 March 2015. Let me once again remind you that Your Company continues to be the largest natural rubber producer in Sri Lanka, a title that we have been holding now for several years with great pride.

The reporting financial year has been a challenging year for your Company due to various external pressures having a down beating impact on the Company bottom line. Despite all these adversities in the local as well as global market sphere, financial landmarks achieved by your Company is commendable. Rubber prices in the market continued to decline as well as crops due to adverse weather conditions.

The continued success of your Company, even when macro and micro environment factors were against us, could be attributed to a number of main factors including strict adherence to best agricultural practices while greater attention was given to process and productivity improvement.

The careful and conservative expansion of the Company's existing business areas as well as effective cost management and efficient management of working capital also significantly contributed towards achieving above results under difficult circumstances.

ECONOMIC ENVIRONMENT

The Sri Lankan Economy showed great resilience in 2014, in the face of domestic as well as external challenges. Real GDP grew by 7.4% in 2014, in comparison to the growth of 7.2% in 2013. Accordingly, GDP per capita increased to US Dollars 3,625 in 2014 compared to US Dollars 3,280 in the previous year.

As in the previous years, adverse weather conditions dampened the performance of the Agriculture sector during the year. In 2014, the Agriculture sector reduced its share in the GDP to 10.1% from 10.8% in 2013. The growth of the Agriculture sector was 0.3% in 2014, compared to 4.7% recorded in the previous year. Rubber production declined for the third consecutive year, affected by weakened international demand for natural rubber as well as adverse weather conditions. The Coconut sub sector registered an output increase of 7.9% in 2014 as against a decline of 16.1% in the previous year. The tea industry performed well in 2014 backed by increased tea prices although its output declined marginally from the highest ever production levels recorded in 2013.

Sri Lanka's Unemployment Rate decreased from 4.4% to 4.3% during the year. The unemployment rate declined with increased employment opportunities as well as reduction in the Labour Force Participation Rate (LFPR). Gross official reserves increased to US Dollars 8.2 bn at end 2014 compared to US Dollars 7.5 bn recorded at the end of 2013. Gross official reserves of 2014 were equivalent to 5.1 months of goods imports and 4.3 months of goods and services imports.

Headline inflation, as measured by the year-on-year change in the Colombo Consumers' Price Index (CCPI) (2006/07=100), fell further to 2.1% in December 2014 in comparison to 4.7% in 2013. Meanwhile, the annual average rate of headline inflation decelerated to 3.3% in December 2014 from 6.9% in December 2013. The combined impact of judicious monetary management, restraint in international commodity prices, a relatively stable exchange rate, fiscal policy measures taken to address supply side disturbances and well managed inflation expectations contributed to low levels of inflation experienced throughout the year.

Annual interest rate (AWPR) beginning of the year was at 10.13% while at the end of the year it was 6.26%. The weekly average weighted prime lending rate (AWPLR) declined by 387 basis points to a historically low level of 6.26% by end 2014. The Rupee depreciated by 0.23% against USD during the year to Rs. 131.05 at end of 2014 although the rupee appreciated against all other major currencies as a result of cross currency exchange rate movements .

INDUSTRY OVERVIEW

Tea

The tea sub sector slowed marginally compared to previous year due to the unfavorable weather conditions prevailed in the island and the decline in demand from some of Sri Lanka's major export destinations. Tea prices started to decline from August 2014 as demand from Russia and the Middle East slowed down amidst geopolitical tensions and the slowdown in the Russian economy arising from the imposition of sanctions and the significant decline in international petroleum prices.

The relatively high tea prices that prevailed at the Colombo Tea Auction in the first nine months of the year were mainly due to the global supply shortages of orthodox black tea in the first quarter and the improved export demand in the second quarter. This changed rather quickly as tea prices were to come down drastically in 3rd quarter and 4th quarter of the reporting financial year.

Rubber

For the 3rd consecutive year, Sri Lanka's Rubber production declined significantly by 24.4% in 2014 affected by weakened international demand for natural rubber as well as adverse weather conditions. Rubber production for the year was 98.6 mn kg while in 2013 it was 130.4 mn kg.

The Colombo auction prices and export prices have declined by 24.2% and 6.9% respectively reflecting international developments. Global natural rubber prices showed a steep decline in 2014 due to the slowdown in global demand and large stockpiles accumulated in major consuming countries. The average price of natural rubber per metric ton in the global market declined by 30 % to US dollars 1,956 in 2014 from US dollars 2,795 recorded in 2013.

Coconut

Compared to Tea and Rubber, Coconut enjoyed a relatively better year with the coconut industry registering an increase of 14.2% in output in 2014 against a decline of 14.5% in the previous year. Total production in 2014 reached 2,870 mn nuts compared to the 2,513 mn nuts in 2013. This is a crop increase of 14.2%. The average retail price of a coconut increased to Rs. 45.60 per nut in 2014 from Rs. 43.20 per nut in 2013.

COMPANY PERFORMANCE

The Company recorded a turnover of Rs. 2.02 bn for the financial year 2014/15 compared to Rs 2.4 bn recorded last year. KPL Profit Before Tax was Rs. 97 mn, compared to Rs. 385 mn in financial year 2013/2014. The Profit After Tax was Rs. 127 mn compared to Rs. 346 mn in the previous year indicating a 63% decline. However, total assets were Rs. 7.13 bn whilst Shareholders Fund was Rs. 3.4 bn indicating an increase of 3% and 2% respectively.

Capital Expenditure of Rs. 306 mn was incurred during the year, Out of which Rs. 263 mn was incurred on field development. 143.13 hectares of Rubber was replanted and maintained at a cost of Rs. 206 mn while 8.15 hectares of Tea was replanted and maintained at a cost of Rs. 43 mn.

Rubber

Despite the adverse weather conditions which greatly affected the industry, the Company's production for the year was 3,534 metric tons which is a decrease of 12% compared to the 4,016 metric tons recorded in the previous year. Despite this drop in production, the Company still continues to be the largest natural rubber producer in Sri Lanka accounting for more than 3.5% of the national rubber production.

KPL earned revenue of Rs. 1,043 mn from the Rubber segment, a 25% decline compared to previous year's revenue of Rs. 1,391 mn.

The Rubber segment gross Profit dropped by 89% to record Rs. 36 mn compared to Rs. 322 mn recorded the previous year.

Following a negative trend in the market prices, the KPL average sale price of Rubber showed a 18% steep drop to end at Rs. 291.26 compared to the Rs. 353.16 recorded in 2013/2014. The Cost of Production increased marginally by 3% to Rs. 261.23 compared to Rs. 254.21 in 2013/2014. Due to these factors contributing, the Gross Profit Margin has come down to 3% from the previous level of 23%.

Tea

Tea recorded 2.1 mn kg, a 7% decrease in production from the 2.2 mn kg recorded in 2014. Turnover from Tea stood at Rs. 848 mn compared to Rs. 882 mn recorded in the previous year indicating a 4% decline. Tea prices were decreased by 2% in 2014/2015 to Rs. 397.61 compared to Rs. 406.14 in 2013/2014.

Coconut

Coconut production declined by 3% to record 1.5 mn nuts compared to 1.6 mn nuts produced in 2014. The turnover from Coconut recorded Rs. 49.5 mn, a 3% decrease compared to 2013/14. Profits from Coconuts decreased to Rs. 26 mn compared to Rs. 31 mn during financial year 2013/14.

WELFARE

With the firm conviction that training and skill development is an absolutely vital aspect of human resource management, the Company continued to invest in its human resources through greater training and skill development believing that it's vital for its growth. Children of staff and workers are trained and provided with employment on estates. The Company also invested in housing for the workers as well as creches & other welfare activities.

SUSTAINABILITY

The Company's estimated replanting for Tea, Rubber and Coconut by 2018 is 98 ha, 1,212 ha and 70 ha respectively. The Company is also replanting around 23 ha of timber and fuel wood to expand the forest cover. A greater emphasis on soil conservation by terracing and proliferation is consistently made by the Company. Pilot bio latex projects have been initiated in the Udapola, Eadella and Weniwella Estates and the Company aims to reduce the use of chemical fertilizer by 50% by 2018.

Financial Sustainability

Kegalle Plantations PLC has invested rather heavily in Portfolios covering the industries of Rubber, Insurance, Finance and warehousing to reduce the risk of concentrating on one sector.

Productivity Improvement

Yields are expected to increase to 1,229 kg/ha, 1,118 kg/ha and 4,690 nuts/ha for Tea, Rubber and Coconut respectively by 2018.

FUTURE OUTLOOK

The Sri Lankan Economy is expected to register a sustainable growth path in the medium term, with a real GDP growth of 7% in 2015 and an average growth of 7.8% over 2016-2018. Sri Lanka's expected graduation to the upper middle income status in terms of per capita GDP would place the country among a new group of peers, strengthening its financing ability. The government is targeting mid-single digit inflation (3% to 5%) and a moderate level interest rate over the medium term.

Next year is expected to be a challenging year with forecast that tea prices will further decline. Rubber prices will continue to remain weak due to the sluggish demand in the world market. We are anticipating a surplus rubber stock with the reduced oil prices.

Sri Lanka's cost of production of tea continues to be the highest in the world and it is absolutely essential for us to have a productivity link wage system for the industry in order to be globally competitive. A strategic approach towards wage negotiations due in 2015 will determine the survival of the industry.

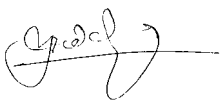
ACKNOWLEDGEMENTS

I would once again like to place on record my heartfelt gratitude to the CEO and the Management Team & loyal & dedicated staff for the strength, direction and commitment given towards navigating the Company through various challenges.

A special thank also goes out to the Board of Directors of Kegalle Plantations PLC for the outstanding guidance, business insight and prudence which continuously drives our Company to achieve greater heights every year.

Finally, I would like to extend my sincere gratitude to all the stakeholders of the Company who have assisted in many ways towards its continuous success. Our Customers, Buyers, Suppliers, Brokers, Bankers, Trade Unions, The Planters Association, Employers' Federation of Ceylon, Plantation Development Project, and The Plantation Human Development Trust for contributing towards the progress and continued success of the Company. Thank you for the continued trust and confidence while being our partners in progress.

We look forward to yet another outstanding and successful year ahead!

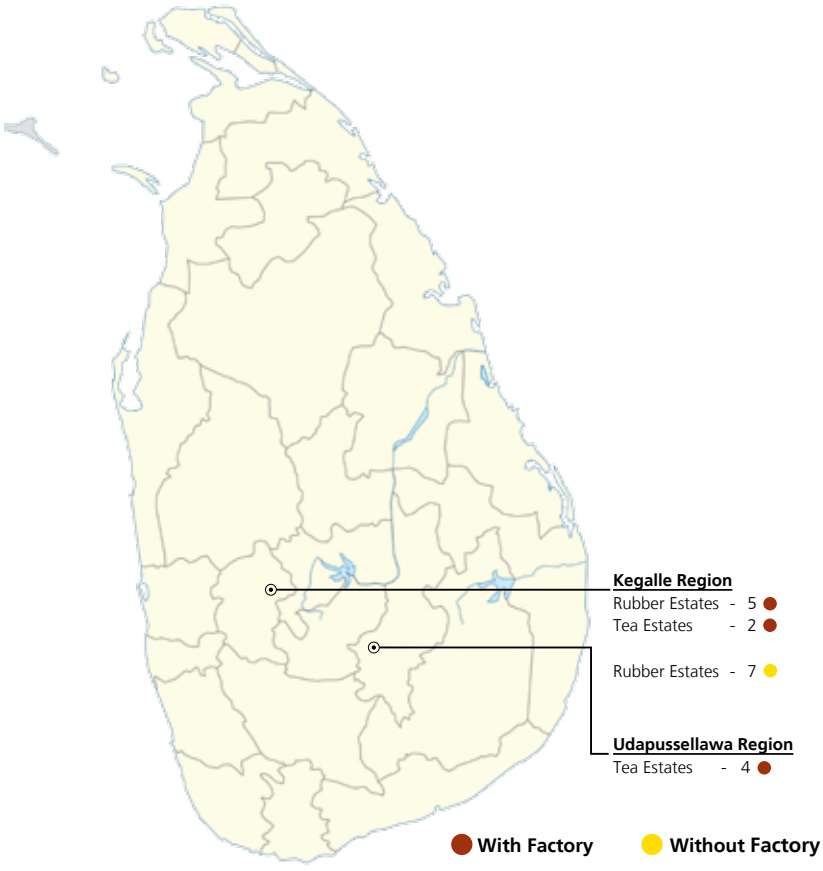


Dr. Sena Yaddehige
Chairman

28 May 2015
Colombo

OUR ESTATES

Our Estates - Locations

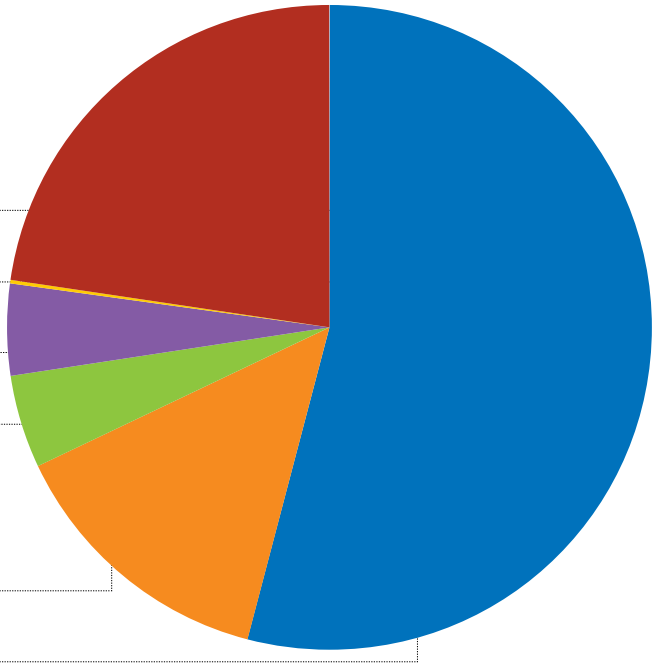


Estate	Planting District	Location	Cultivated Area (hactare)					Total Area (hactare)	Elevation (Metres)
			Rubber	Tea	Coconut	Others	Total		
Allagolla	Badulla	Udapussellawa	-	174.78	-	39.61	214.39	243.75	1311
Ambadeniya	Kegalle	Aranayake	444.14	0.52	20.60	7.97	473.23	583.25	244-355
Atale	Kegalle	Atale	940.19	-	28.66	12.45	981.30	1,150.36	119-154
Doteloya	Kegalle	Dolosbage	-	187.10	-	126.17	313.27	572.64	825-955
Eadella	Kurunegala	Polgahawela	347.12	-	325.59	10.00	682.71	801.79	91-122
Etana	Kegalle	Warakapola	373.65	-	1.82	4.04	379.51	483.26	76-244
Gampaha	Badulla	Udapussellawa	-	213.52	-	62.85	276.37	348.99	1538
Hathbawa	Kegalle	Rambukkana	261.36	-	-	5.00	266.36	477.79	122-244
Higgoda	Kegalle	Undugoda	222.29	-	-	0.80	223.09	302.23	146-411
Kirklees	Badulla	Udapussellawa	-	246.66	-	93.96	340.62	480.70	1446
Luckyland	Badulla	Udapussellawa	-	372.98	-	71.88	444.86	488.75	1500
Madeniya	Kegalle	Warakapola	440.28	-	-	10.03	450.31	551.92	80-229
Pallegama	Kegalle	Niyadurupola	692.19	-	1.88	2.12	696.19	863.91	90-200
Parambe	Kegalle	Undugoda	552.59	33.42	-	5.02	591.03	795.41	122-274
Udapola	Kurunegala	Polgahawela	358.13	-	37.36	2.73	398.22	577.78	107-195
Weniwella	Kegalle	Alawwa	507.84	-	13.19	3.00	524.03	709.90	152-183
Yataderiya	Kegalle	Undugoda	137.38	121.40	25.90	7.35	292.03	324.30	244-290
Udapola CLP	Kurunegala	Polgahawela	-	-	-	-	-	-	-
			5,277.16	1,350.38	455.00	464.98	7,547.52	9,756.73	

Our Estates - Land Base / Utilisation

TOTAL EXTENT 9,756.73 ha.

Extent	%	Cultivation
2,209.21	23%	Others
17.32	0%	Forestry
447.66	4%	Other Crops
455.00	5%	Coconut
1,350.38	14%	Tea
5,277.16	54%	Rubber



Annual Production - kg/nut'000			Factory Details			Certification				No. of	No. of	No. of
Rubber	Tea	Coconut	Crop Manufactured	Factory Type	Rated kg'000/pa	ISO 9001:2008 Rubber	EU & USDA-NOP Organic Rubber	ISO 22000 : 2005 Tea	Ethical Tea Partnership	Executives	Staff	Harvestors & Others
-	170	-	-	-	-	-	-	-	-	1	15	253
293	-	25	-	-	-	-	-	-	-	2	18	318
424	-	82	Rubber	Sole Crepe	950	√	-	-	-	3	32	558
-	523	-	Tea	Leafy/Orthodox	1,160	-	-	√	√	2	17	340
301	-	1,217	-	-	-	-	-	-	-	3	20	338
289	-	2	Rubber	Scrap	228	-	-	-	-	1	18	319
-	276	-	Tea	Leafy/Orthodox	1,010	-	-	√	√	2	18	399
203	-	-	-	-	-	-	-	-	-	1	12	184
147	-	-	-	-	-	-	-	-	-	1	8	158
-	274	-	Tea	Rotorvane	1,160	-	-	√	√	2	22	377
-	354	-	Tea	Dual Manufacture	1,130	-	-	√	√	3	34	667
240	-	-	-	-	-	-	-	-	-	1	14	332
340	-	8	Rubber	Sole Crepe	800	√	-	-	-	3	25	477
304	25	-	Rubber	Crepe	636	√	-	-	-	2	23	454
253	-	126	-	-	-	-	√	-	-	2	19	281
267	-	12	-	-	-	-	√	-	-	2	17	285
64	471	77	Tea	Leafy/Orthodox	1,160	-	-	√	√	2	20	425
411	-	-	Rubber	Centrifuged Latex	5,000	√	√	-	-	4	13	50
3,534	2,094	1,549								37	345	6,215

MILESTONES

MILESTONES

2015

- Invested Rs. 1 bn in RPC debentures at a rate of 11.25%.
- Gold Award – Plantation Sector Categary of Agri Business Awards - Conducted by the National Agri Buginess Council (NAC).

2014

- Invested 1.485 mn Ordinary Shares in Arpico Insurance PLC.
- Gold Award - Category of Rubber and Rubber Based Products initiated by CEA.

2013

- Invested 12 mn Ordinary Shares in Richard Pieris Finance Ltd.
- Invested 2.7 mn Ordinary Shares in Arpico Insurance PLC.
- Winner - Category of Best Rubber Factory of Crepe Rubber/ Centrifuged Latex Manufacturing Sectors in Sri Lanka.

2012

- Acquired 22.5 mn Ordinary Shares in Arpico Insurance PLC.

2011

- Obtained ISO 22000:2005 Certification and the Ethical Tea Partnership Certificate.
- Bronze Award – ICASL Annual Report Awards - Plantation Sector.
- 2nd Runner up – South Asian Federation of Accountants in Dhaka Bangladesh for Best Presented Annual Report Awards Ceremony 2010 – Agricultural Sector.

2010

- Acquired 15 mn Ordinary Shares in RPNF Ltd and has become an Associate of the Company.
- FSC Forestry Management Certification.
- ISO 9000: 2008 Certification for all rubber manufacturing factories.

2008

- Hamefa Kegalle (Pvt) Ltd has become a fully owned subsidiary of the Company.
- The Company invested in 7.5 mn Ordinary Shares in Richard Pieris Natural Foams Ltd.

2007

- Invested Rs. 14 mn in the equity of Hamefa Kegalle (Pvt) Ltd, a joint venture between Hamefa BV of Netherlands and KPL.

2004

- RPC acquired JKH stake in RPK and, renamed as RPC Management Services (Pvt) Ltd.

1972-1992

- The estates were originally vested in the Land Reform Commission during the period 1972-1992 in terms of the Land Reform Act and subsequently vested in the JEDB.

1992

- Formation of KPL as a Regional Plantation Company, and appointing a managing agent as RPK Management Services (Pvt) Ltd (RPK), a Joint Venture between Richard Pieris and John Keells Holdings.

1995

- Acquisition of the controlling interest by RPK Management Services (Pvt) Ltd.

1997

- The Ordinary Shares of the Company are listed with the CSE of Sri Lanka.
- At the final stage of the government's privatization programme, 10% of the Share Capital was gifted to over 8000 eligible employees.
- Winner – ICASL Annual Report Awards - Plantation Companies.

1998

- Rs. 50 mn in Debentures were converted to 5 mn Ordinary Shares of Rs. 10/- each, thus increasing the Share Capital to Rs. 250 mn.

2000

- Winner – ICASL Annual Report Awards - Plantation Companies.

2002

- KPL disposed its stake of 25.86% in Maskeliya Plantations PLC at Rs. 25/- per share through CSE.

2003

- Winner – ICASL Annual Report Awards - Plantation Companies.

"A 'no' uttered from deepest conviction is better and greater than a 'yes' merely uttered to please, or what is worse,to avoid trouble."

- Mahatma Gandhi -

Management Discussion & Analysis

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OPERATING ENVIRONMENT

It is a matter of concern to analyse the external factors that affect the smooth functioning of the Company as these demonstrate less controllability as against the internal factors which can be controlled by taking timely corrective action. Businesses are highly affected by the factors such as economic growth, Inflation, Exchange rates, Unemployment levels and Fiscal & monitory policy changes.

Last financial year was a period of economic revival, both internally and externally. In 2014, the Sri Lankan economy showed its resilience in the face of domestic as well as external challenges under review with the support of relaxing and tightening of the macroeconomic conditions in 2014 and 2013. On the external front, the recovery in United States and gradual recovery in Euro zone show favourable signs of the global economy.

Sri Lankan Economic Performance

Economic growth

Economic growth over last five years

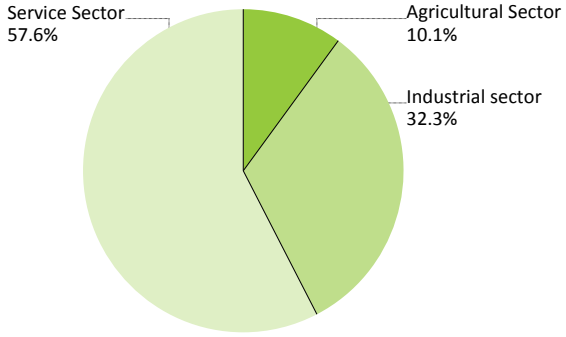
Year	2014	2013	2012	2011	2010
Agricultural Sector	0.3%	4.7%	5.2%	1.4%	7%
Industrial Sector	11.4%	9.9%	10.3%	10.3%	8.4%
Service Sector	6.5%	6.4%	4.6%	8.6%	8%
Total Economy	7.4%	7.2%	6.3%	8.2%	8%

Sri Lankan Economy recorded 7.4% growth in 2014 as compared to the 7.2% growth registered in the preceding year. Accordingly, GDP per capita increased to US dollars 3,625 in 2014 from US dollars 3,280 in the previous year. Agricultural sector registered a low growth of 0.3% which is less than the expected level as estimated by the Central bank of Sri Lanka due to the extreme weather conditions prevailed during the year. The share of the Agricultural sector in GDP declined to 10.1% which was 10.8% in 2013. Rubber production declined for the third consecutive year, affected by weakened international demand for natural rubber as well as adverse weather conditions. The coconut sub sector registered an increase of 7.9% in output in 2014 as against a decline of 16.1% in the previous year. The tea industry performed well in 2014 backed by increased tea prices although its output declined marginally from the highest ever production levels recorded in 2013.

The share of the Industry sector within GDP increased to 32.3%, with a sectoral growth of 11.4% in 2014 compared to 9.9% in the previous year with significant contribution from the Construction sub sector, while Food, beverages and tobacco and Textile, wearing apparel and leather sub sectors within Factory Industry also made substantial contribution to growth.

The Services sector accounts for 57.6% of GDP, with a growth rate of 6.5% in 2014 compared to the growth of 6.4% in 2013. Wholesale and retail trade, Transport and communication, and Banking, insurance and real estate sub sectors are the main contributors to the service sector.

Sector wise contribution to the total GDP



Interest rate, Inflation & Exchange rate

Interest rates had been declined to historically low levels during the year 2014 with low inflation expectations and liquidity surplus in the domestic money due to the easing monetary policy stance of the Central Bank. The yield rates on government securities such as Treasury bills and treasury bonds also declined to very low levels during the year.

Inflation remained at low single digit levels throughout 2014 as a result of moderate international commodity prices and prudent demand and supply management policies through Monitory and Fiscal policies.

The interest rate (AWPLR) & inflation at the beginning of the year was around 10.13% & 6.9% respectively but slipped to over 6.26% & 3.3% by the year end.

Year	2014	2013	2012	2011	2010
Inflation	3.3%	6.9%	7.6%	6.7%	6.2%
Interest rate (AWPR)	6.26%	10.13%	14.4%	10.77%	9.29%

The Sri Lankan currency, LKR depreciated against USD by 0.23% to Rs. 131.05 by the end of 2014 induced by increased demand for US dollars by importers and some outflow of short term investment during the fourth quarter of 2014 that created some pressure on exchange rate.

SLR against our major buyers' currency

Currency	Rupee depreciated/ appreciated	Amount
USD	Depreciated	0.23%
EURO	Appreciated	13.19%
Japanese Yen	Appreciated	13.48%
Sterling Pound	Appreciated	5.65%

SLR against our major competitors' currency

Currency	Rupee depreciated/ appreciated	Amount
Indian Rupee	Appreciated	2.13%
Pakistan Rupee	Depreciated	4.62%
Kenya Schilling	Appreciated	4.80%
Thailand Baht	Depreciated	0.15%
Chinese Yuan	Appreciated	2.03%

Global Economic performance

In 2014 global economic performance lagged behind its initial growth expectations of 3.7% and grew by 3.4% showing its resilience to the macroeconomic headwinds some of which created with geopolitical unrest in the Middle East, the Ukraine crisis and the Ebola outbreak. The Russian and Chinese economies showed symptoms of economic slowdown while the Indian economy continued to recover. Weakened demand with the economic slowdown resulted in commodity prices to decline sharply towards the end of the year accompanied by decline in global crude oil prices to its lowest.

US Dollar appreciated against Currencies of some advanced and emerging economies with the strong recovery of US economy and UK get back strongly with the expansionary policies implemented throughout the Euro zone.

According to the IMF, global growth is expected to rise to 3.5 per cent in 2015 and to 3.8 per cent in 2016, weighed down by high debt, high unemployment and low investment, while the anticipated interest rate hike in the US and low inflation in some advanced economies raising additional challenges.

Economic growth of five major economies

Country	2014	2013
USA	2.4%	2.2%
China	7.4%	7.8%
European Union	0.9%	-0.5%
India	7.2%	6.9%
Russia	0.6%	1.3%

In the midst of these diverse global economic conditions, Sri Lanka's external sector imbalances narrowed to some extent. Global economic conditions will determine the export demand for our agricultural product and their prices.

Government Policies

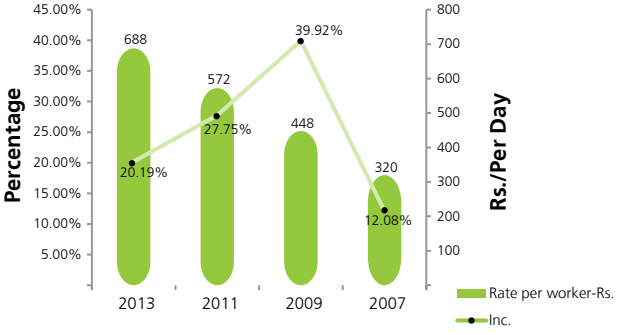
Government is a power full stakeholder with influencing power in the plantation sector since the ultimate ownership of the land belongs to the government. Plantations segment is also heavily affected by the government policies on foreign trade, value of local currency and subsidies on the plantation sector. During the year Sri Lankan Government incurred Rs 32 bn on providing fertilizer subsidy with the aim of uplifting plantation sector and that is 0.3% of the GDP. However in 2014 Sri Lankan government allowed importing low priced rubber without any restrictions. Import of rubber increased to 29,220 metric tons in 2014 from 11,150 metric tons in 2013. Therefore local demand for domestic rubber decreased and ultimate results in the drop in NSA during a period of production shortfall.

Employment and Wages

The unemployment rate has come down marginally with new job opportunities as well as a reduction in the Labour Force Participation Rate. The unemployment rate declined to 4.3 percent in 2014 from 4.4 percent in the previous year. Both male and female labour force participation rates remained at 74.6 percent and 34.8 percent, respectively, in 2014.

Plantation sector shows the labour intensive characteristics rather than technological effects. Therefore work force can be considered as a critical success factor in the industry. According to the central bank report 28.5% of the work force is employed in agricultural sector. Most of the plantation companies are struggling to have an exact balance between labour demand and supply. Majority of upcountry plantations are experiencing excess labour while low country plantations are facing a short of labour. Attitudes of people have changed over time. Young generation move away from the estate seeking better job opportunities with better titles even if the payments are low. It is clear with the declined share of the number employed in the Agriculture sector, while those of the Industry and Services sectors increased during 2014, compared to 2013. Majority of the estate labour force represents the age level above 40 years. Labour productivity & efficiency is comparatively low in this category which causes to increase COP.

Wage per employee change over last 6 years as per labour agreement



Plantation sector is affected largely by collective agreements and trade union activities. A wage hike is anticipated every other year which will increase the COP even if the prices for the products continuously decline. From the month of April 2013 wages of Estate employees which was Rs. 572.00 per day (including statutory payments) had been increased by 20% to Rs. 687.50 per day.

Technology

Frequent changes in the world of technology may not have large impacts because comparatively advanced technology doesn't play an important role in Sri Lankan Plantation industry. Machine & technology established in plantation factories were practised since colonial era compared to the use of the state of the art technology & machine in other countries which help to gain cost reductions. Therefore those countries have comparative advantage over Sri Lankan manufacturers.

Weather Conditions

Total agricultural production will be dependent mainly on the environmental factors. In the year 2014 entire plantation sector was affected by adverse weather conditions prevailed during the year. When the norm comes down due to adverse weather conditions unit production cost automatically increase because of the fixed nature of the wage payments. The decline in company production was largely due to continued dry weather conditions during the first quarter of the year and the heavy rains in the second and third quarters.

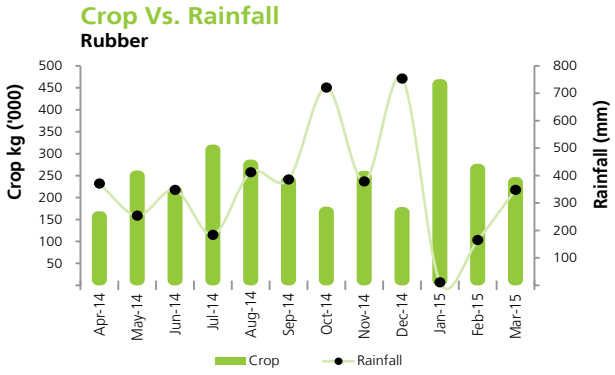
Outlook

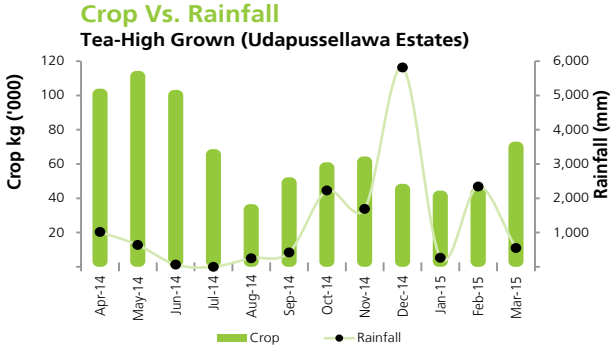
Three main elections planned to be held in regular intervals in the year 2015 and as a result of that economic growth rate is weighted down by slowdown in public sector construction activity and conservative sentiment of private investors. Economic growth is expected to accelerate thereafter with the expected new policy initiatives of the new government. The Sri Lankan economy is expected to maintain a sustainable growth in the medium term, with a real GDP growth of 7.0 percent in 2015 and an average growth of 7.8 per cent over 2016-2018.

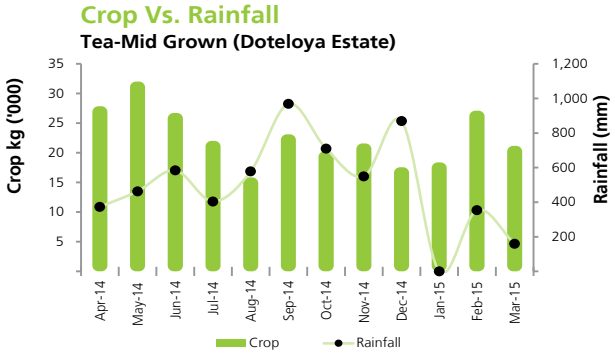
Target per capita income to reach USD 5,624 by 2018. GDP per capita is recorded as US dollars 3,625 in 2014, enabling to surpass the expected level of US dollars 4,009 per capita income in 2015.

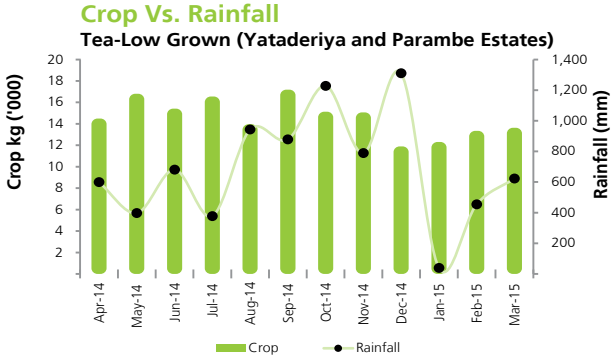
There will be another wage hike in 2015 and this will be detrimental to the plantation sector to increase wages in such a time of low NSAs and Production.

In the medium term, inflation is expected to be maintained within the mid-single digit of 3-5 percent on average, by appropriately adjusting monetary policy instruments, particularly the policy interest rate corridor of the Central Bank and guiding the operating target of overnight interbank interest rate.



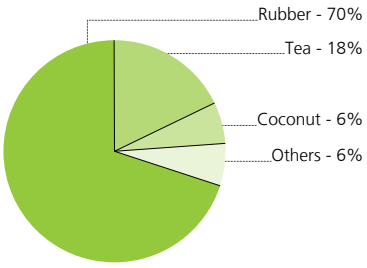




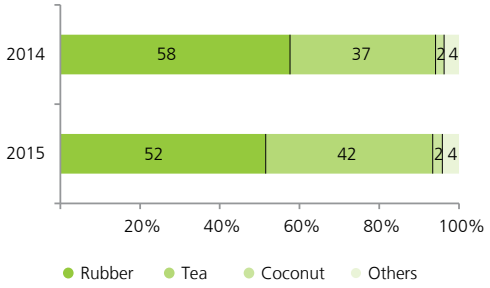


SEGMENTAL INFOMATION

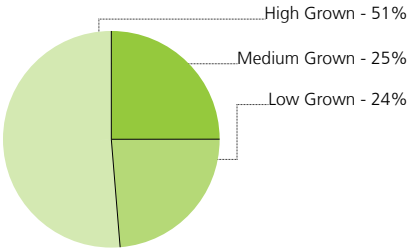
Cuiltivated Extent
As a Percentage



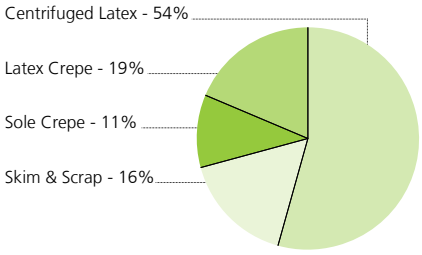
Turnover
As a Percentage



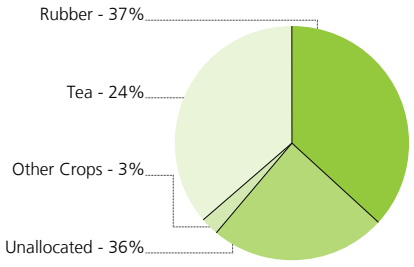
Tea Mix
As a Percentage



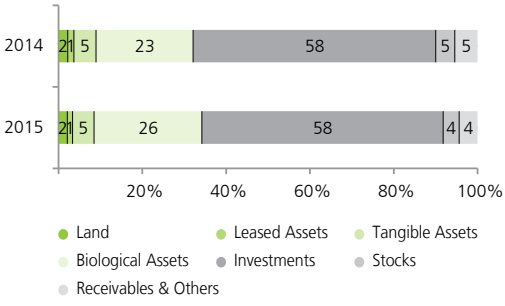
Rubber Mix
As a Percentage



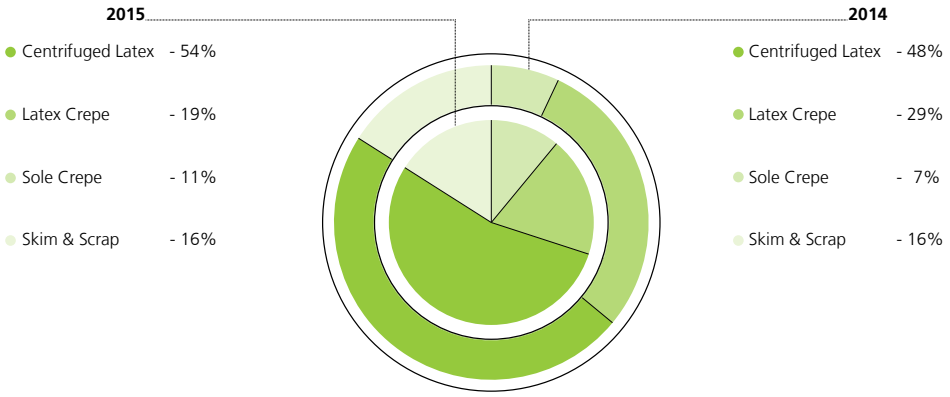
Segmental Assets
As a Percentage



Utilization of Resources
As a Percentage



Rubber Mix - 2015 Vs 2014



RUBBER

		2015	2014	2013	2012	2011	2010	2009	2008
Production	- kg'000	3,534	4,016	4,076	4,155	4,082	4,578	5,102	5,436
NSA	- Rs./ kg	291.26	353.16	415.14	459.76	481.15	279.12	237.25	245.66
COP	- Rs./ kg	261.23	254.21	257.27	247.47	207.24	177.47	152.71	143.01
Yield	- kg / ha	883	1,011	977	1,016	936	976	1,013	1,021
Revenue Extent	- ha	3,535	3,591	3,653	3,764	3,798	3,971	4,178	4,300

TEA

PRODUCTION - kg '000		2015	2014	2013	2012	2011	2010	2009	2008
Uva	Elevation	1,074	1,143	1,065	1,364	1,428	1,109	1,340	1,391
Medium		523	600	549	652	630	634	496	571
Low		496	500	548	614	715	736	653	834

NSA - Rs./ kg		2015	2014	2013	2012	2011	2010	2009	2008
Uva	Elevation	381.53	380.19	361.39	282.39	307.23	324.06	234.79	244.34
Medium		413.35	436.38	383.36	311.66	341.69	361.08	288.82	297.08
Low		416.60	427.58	375.62	323.62	356.75	368.73	288.27	302.74

COP - Rs./ kg		2015	2014	2013	2012	2011	2010	2009	2008
Uva	Elevation	449.37	415.00	405.49	353.47	289.30	316.82	236.13	225.35
Medium		368.09	374.81	329.34	291.77	285.17	287.61	245.74	224.94
Low		401.52	400.23	371.36	299.73	303.27	302.14	254.60	244.46

YIELD - kg/ha		2015	2014	2013	2012	2011	2010	2009	2008
Uva	Elevation	858	1,021	840	1,023	1,126	952	1,178	1,191
Medium		1,582	1,652	1,690	1,746	1,573	1,413	1,341	1,649
Low		1,178	1,204	1,337	1,445	1,396	1,255	1,133	1,327

REVENUE EXTENT - ha		2015	2014	2013	2012	2011	2010	2009	2008
Uva	Elevation	952	952	951	946	956.04	972.19	974.36	972.37
Medium		173	173	173	174	183.69	188.69	188.69	188.69
Low		149	149	148	148	148.58	156.58	160.93	172.83

COCONUT

		2015	2014	2013	2012	2011	2010	2009	2008
Production	- nut'000	1,549	1,596	1,713	1,731	1,413	1,572	1,610	1,472
NSA	- Rs./nut	31.71	32.62	23.31	26.78	26.45	17.99	19.31	18.46
COP	- Rs./nut	15.15	13.16	13.23	15.17	13.37	10.62	10.93	9.42
Yield	- nut / ha	3,379	3,652	4,205	4,268	3,582	3,986	4,074	3,725
Revenue Extent	- ha	458.40	436.90	407.60	405.50	394.40	394.40	395.20	395.20

REVIEW OF OPERATIONS

Rubber

The declined Global demand for natural rubber accompanied by economic downturn and large stockpiles accumulated in major buying countries such as China, Japan and Europe has pressurized the national Rubber Industry. Apart from economic downturn there were some other specific factors like increase in synthetic rubber usage induced steep decline in global rubber demand.

National rubber production disrupted for the third consecutive year witnessed a drop in 2014 by 24.4 percent to 98,573 metric tons in 2014 from 130,420 metric tons in 2013. Especially continued dry weather conditions during the first half of the year and the torrential rainfall experienced in the third quarter apart from inclement weather pattern prevailed throughout the year had a down beating impact on the latex tapping of the country. Furthermore, reflecting international market conditions, Colombo auction prices as well as export prices have declined by 24.16% and 6.9% respectively compared to the previous year. Another reason for the local market prices to drop drastically is the keenness of the local rubber based industries on the overseas market, as the rubber is cheaper there, has affected the local producers.

Production

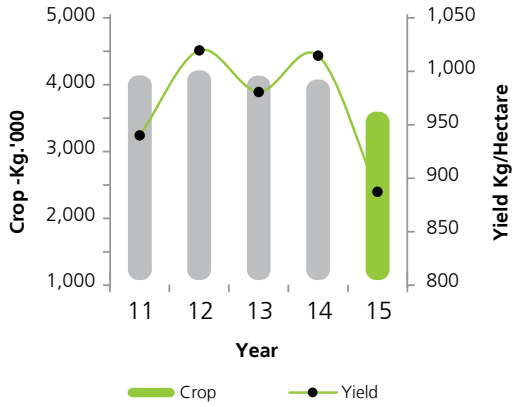
Our Company was able to maintain the drop to 12% compared to the previous season. The Company contribution to the National production is circa 4% by producing 3,534 metric tons as against 4,016 metric tons in 2013.

The average rainfall recorded in our rubber estates during the period of report is 4,200 mm on 197 wet days as against the decennial average of 3,409 mm on 195 wet days. The rainfall recorded during the same period last season was 2,984 mm on 152 wet days. Experiencing heavy rain during the cropping months made a significant impact in harvest. The YPH recorded for the year is 883 Kilo as against the YPH of 1,011 Kilo last season.

The revenue extent has been reduced by 167 ha due to the implementation of the systematic replanting program where an extent of 290 ha were programmed to uproot for replanting whilst an extent of 122.61 ha planted in the year 2008 came into bearing.

The purchase of field latex from the Small Holders was restricted to only the regular suppliers considering the market situation for rubber.

Crop Vs. Yield Rubber



Product Mix

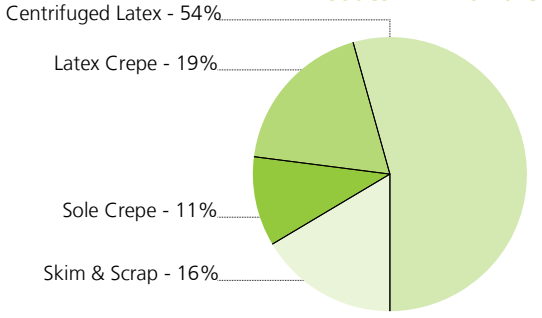
The drop in the global demand for natural rubber affected the rubber market in Sri Lanka. As a result trading conditions for Crepe Rubber continued to decline throughout the year.

Fortunately for Kegalle Plantations we had our sister Company M/s Richard Peiris Natural Foams Ltd, to supply our entire production of Centrifuged Latex. KPL produced 54% of the total production as Centrifuged Latex.

Our ability to negotiate the continuation of direct export of Sole Crepe rubber to World famous manufacturers of Shoes was another advantage of the Company to maintain the NSA favorably. The percentage of this grade of rubber was 11% of the total production.

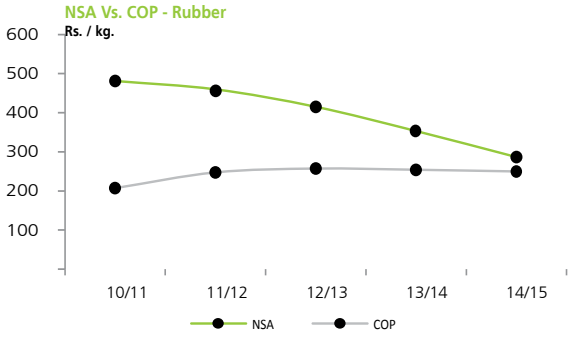
The production of Pale Crepe rubber was limited to 19%.

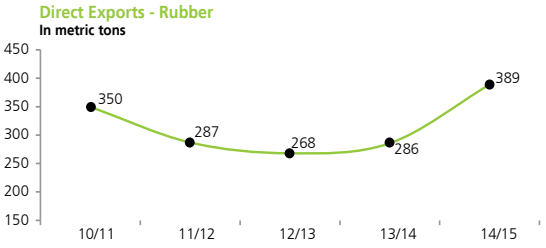
Product Mix - 2014/15

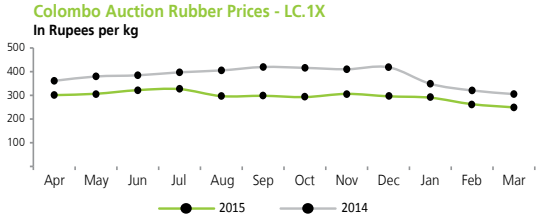


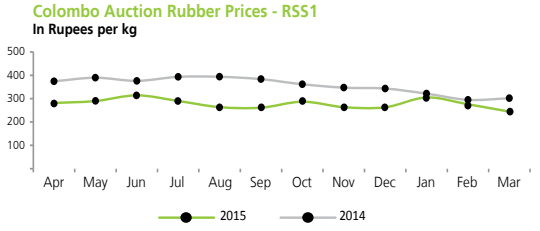
Prices - Rubber

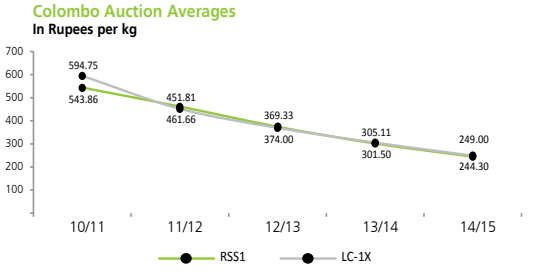
The average price of Crepe 1X in the year 2013/14 at Rs. 379.83 dropped to Rs. 295.84 in the year 2014/15. The market price of this grade of rubber which stood at Rs. 300.75 dropped to Rs. 245.00 in the month of March 2015.

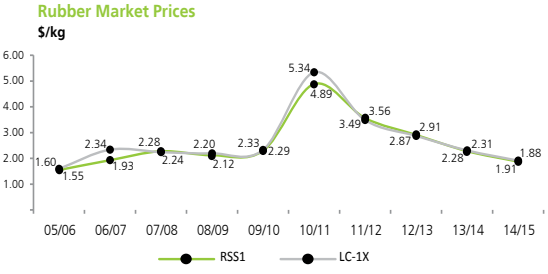










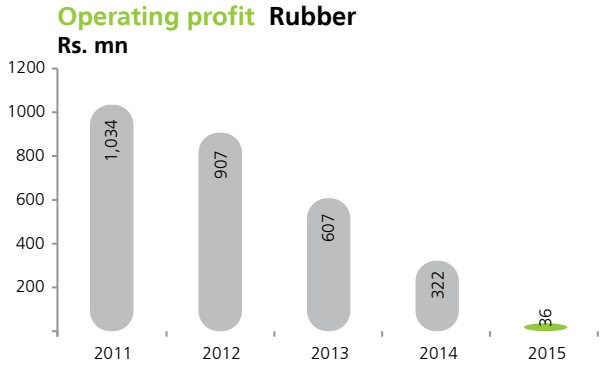


Profitability

Our ability to dispose the major product in Centrifuged latex to our sister Company M/s Richard Peiris Natural Foams Ltd gainfully; at a steady price in the local market and the export of Sole Crepe rubber to our long standing reliable customers assisted us in achieving a NSA of Rs. 291.26, notwithstanding the depleted rubber market. However Our NSA dropped by 18% from Rs.353.16 in 2013/14. As a result, revenue from the rubber segment declined from Rs. 1,391 mn in 2014 to Rs. 1,043 mn in 2015.

The cost of production was maintained at Rs. 261.23 as against Rs. 254.21 last year. The management team needs to be commended for their effort in controlling the expenditure competently.

Our Company was able to record a profit margin of Rs. 30.02 per kg for the year 2014/15 with a gross profit from Rubber segment posted at Rs. 36 mn.



Market Outlook

The declining trend in global rubber market is expected to be continued to the next period due to large stockpiles accumulated in major buying countries although their expectations were to recover within 2015. Meanwhile, weakening crude oil prices prompted the demand for synthetic rubber placing further downward pressure on natural rubber prices.The interest of the local rubber based industries in cheaper rubber in the overseas market is another aspect to drop in the local rubber prices.

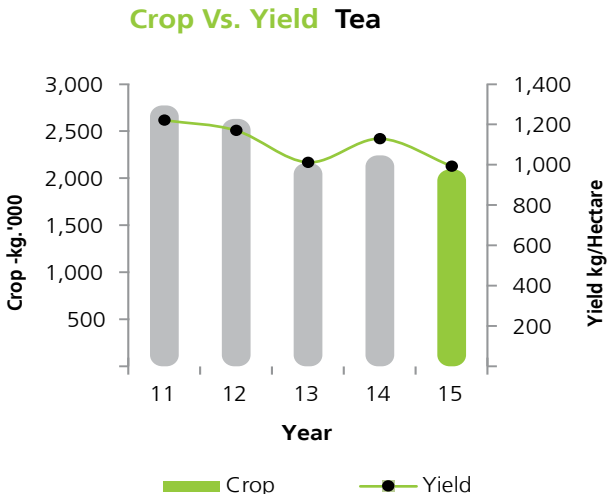
Tea

Higher demand conditions prevailed for Orthodox black tea in the first half of the year influenced global tea prices to remain at high level. Declining oil prices, geopolitical unrest and imposition of sanctions preventing major buying countries in Russia, Iran and other Middle East countries demanding large quantities resulted in tea prices to decline from August 2014.

National Tea production in 2014 at 338 million kilo was only marginally lower than the historically highest volume of 340 million kilo recorded in 2013 in the history of the tea industry. Following the global market conditions average prices in the Colombo Tea Auction picked up by 4% to Rs. 461.86 per kilo from Rs. 444.42 per kilo in 2013 even though tea prices started to decline from August 2014. However, with the increase in COP by 3%, compared to the increase in the sales price has eroded the margins of local tea manufacturers.

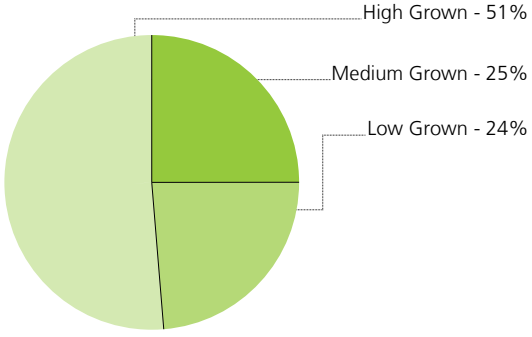
Production

The total tea production of the Company has decreased from 2.2 mn kilo in 2013/14 to 2.1 mn kilo in 2014/15. 7 percent drop to the previous year crop was mainly backed by the drought climatic conditions prevailed in the UVA region with 16% reduction in yield per hectare which was 1,021 kilo in 2013/14. It is clear that the crop reduction was completely due to the unfavorable weather conditions since the revenue extent has been unchanged over two periods.



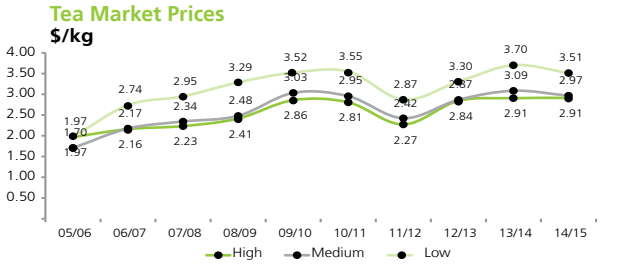
Product Mix

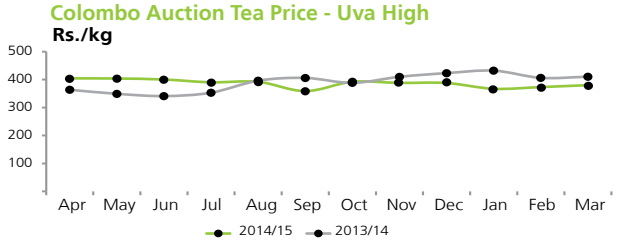
Circa 75% of KPL Tea estates lay in UVA region and as a result majority of our made tea fall in to the category of UVA high which is 51% of the total production. Medium and Low grown tea contributed to the total by 25% and 24% respectively in 2014/15.

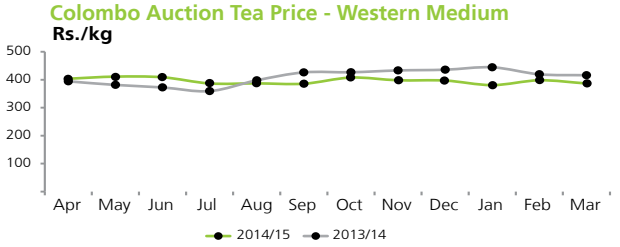


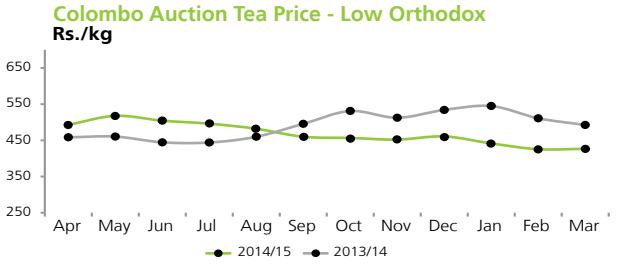
Top prices- Tea

During the year 2014/15 Kegalle Plantations PLC's "selling Mark" did hit top prices 171 times at the Tea auction. Gampaha factory obtained 86 top prices; Luckyland gained 28 top prices whilst Kirklees recording 42 top prices and Doteloya obtained 15 top prices.





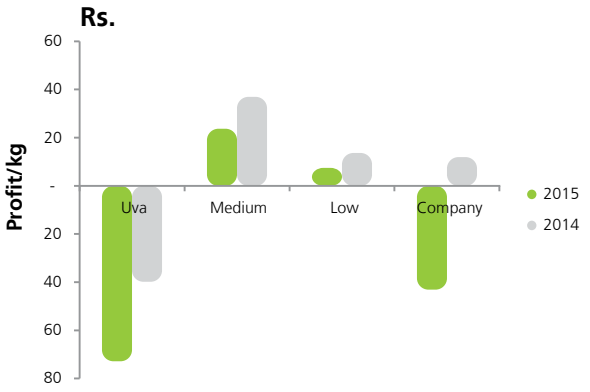




Profitability

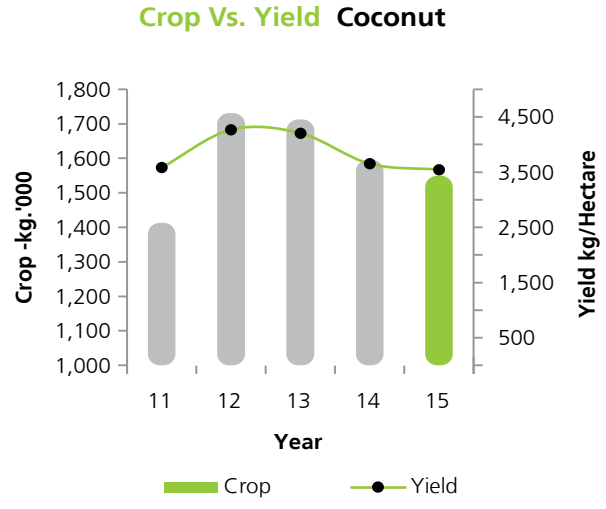
Contribution to the total revenue from the tea segment declined from Rs. 882 mn in 2013/14 to Rs. 848 mn in 2014/15. The Company was able to control the COP increase to 4% while UVA COP increase of 8% despite the unfavourable weather conditions.

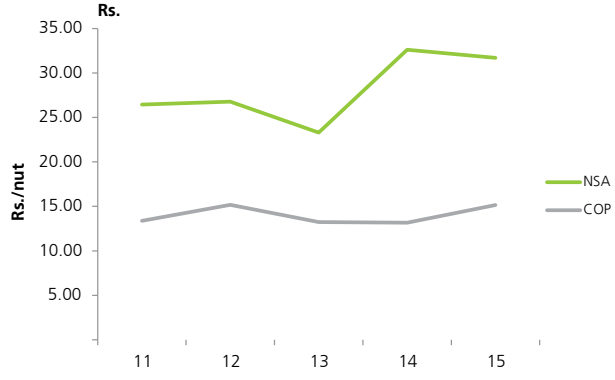
Positive margins of Rs. 45.26 and Rs. 15.08 were recorded in the Medium and Low grown regions respectively during the period 2014/15. However, the contrary margin of Rs. 67.84 recorded for in UVA region resulted the recording of an overall negative margin of Rs. 20.58 for the Company, which is Rs. 25.91 below the margin recorded in the previous year.



Coconut

Company produced 1.549 mn nuts for the year 2014/15, which is 3% below the production of last year. Average price fetched during the year was Rs. 31.71 per nut, 3% drop from previous year's Rs. 32.62 per nut. COP has increased by 15% compared to the year 2013/14. The contribution of coconut to the Company's operating profit is significant at 39%.





Investments

Despite the financial constraints, our Company continued to invest on replanting rubber. The extent replanted during the year under review was 143.13 ha. Thus the Company has replanted an extent of 1,779 ha , since the Company resumed Replanting in the year 2004. Subsidy due for Replanting from the Rubber Cess Fund has been claimed appropriately.

The extent replanted with tea during the year under review was 8.15 ha and the Company incurred field development expenditure to maintain total of 60.89 ha.

Breakdown of capital expenditure over last three years

	2015	2014	2013
Rubber	206	226	184
Tea	43	49	24
Coconut	0.25	1.2	1.9
Timber/ fuel wood & other	14	14	13
PPE	43	4	31
Total	**306**	**294**	**254**

The Company has also invested in other business opportunities in rubber exports, Insurance, Finance and Securities.

The Company has obtained Certification from the Control Union Certification (CU) of Netherlands for producing bio latex in an extent of 247 ha on our Estates.

Environment Protection

The Effluent Treatment Plants commissioned in our rubber factories to treat the toxic wastes before it leaves our estates boundaries are maintained and followed the Environmental Policy.

Harvesting of Timber

All operations of felling, clearing, extraction & transportation of timber is undertaken with the prior approval of the Plantation Management Monitoring Division of the Ministry of Plantation Industries.

Timber harvesting is also in conformity to the environmental standards stipulated under the National Environmental Act to minimize soil erosion and runoff fluctuation of the ground water table.

For the year ended 31 December	Unit	2013	2014
Gross Domestic Product			
GDP at Market Prices	Rs.bn	8,674	9,785
Real GDP Growth	%	7.2	7.4
GDP Deflator	%	6.7	5.1
Agricultural Crops			
Rubber	Rs.mn	28,819	15,066
Tea	Rs.mn	88,378	91,716
Coconut	Rs.mn	77,639	79,156
Agriculture Production Index (2007-2010=100)			
Agriculture Crops			
Rubber		97.2	73.5
Tea		109.2	108.5
Coconut		88.7	101.3
1. Tea			
1.1 Production (c)	kg mn	340.0	338.0
1.2 Total Extent	hectares '000	222	222
1.3 Extent Bearing	hectares '000	184	185
1.4 Cost of Production (d)	Rs/kg	422.70	433.97
1.5 Average Price			
- Colombo Auction	Rs/kg	444.42	461.86
- Export (f.o.b.)	Rs/kg	623.91	649.44
1.6 Replanting	hectares	1,591	1,195
1.7 New Planting	hectares	263	401
1.8 Value added as % of GDP (e)		0.9	0.9
2. Rubber			
2.1 Production	kg mn	130.4	98.6
2.2 Total extent (f)	hectares '000	134	134
2.3 Area under tapping (f)	hectares '000	105	111
2.4 Cost of Production	Rs/kg	150.00	160.00
2.5 Average Price			
- Colombo Auction (RSS 1)	Rs/kg	376.78	285.76
- Export (f.o.b)	Rs/kg	389.91	362.96
2.6 Replanting (g)	hectares	2,024	1,475
2.7 New planting (g)	hectares	2,979	1,304
2.8 Value added as % of GDP (e)		0.2	0.1
3. Coconut			
3.1 Production	nuts mn	2,513	2,870
3.2 Total Extent	hectares '000	392	418
3.3 Cost of Production	Rs/nut	13.58	13.67
3.4 Average Price			
- Producer price	Rs/nut	29.59	31.51
- Export (f.o.b.) (h)	Rs/nut	29.36	38.91
3.5 Replanting / Under Planting (i)	hectares	4,541	5,796
3.6 New Planting (j)	hectares	23,668	30,771
3.7 Value added as % of GDP (e)		0.8	0.8

Source : Annual Report 2014 - Central Bank of Sri Lanka

Training & Development

The Company continued the training of Workers, Staff and Executives on productivity, quality manufacture and agricultural practices, leadership teamwork, career growth and Development.

The following Programs were undertaken during the period under review.

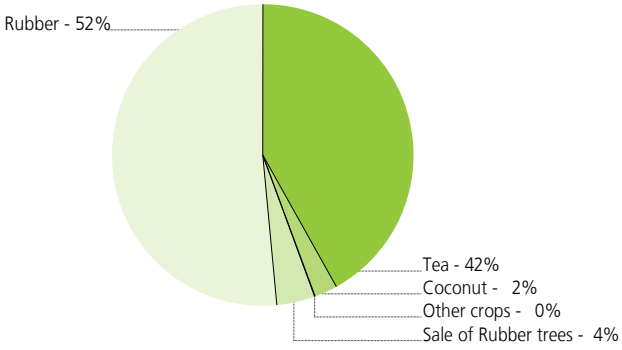
Workers - Tapping & other agricultural practices
Plucking & other agricultural practices
Rubber Manufacture & Factory practices
Low Grown tea manufacture
Inter Cropping & Cultivation of export agriculture
Institutional Development (Leadership Team & Attitude)
Fire Protection
Bud Grafting
Personal Hygiene

Staff - Leadership Teamwork & Tapping
Managing Occupational Stress
Skill Development
Energy Saving Methods
Fire Protection

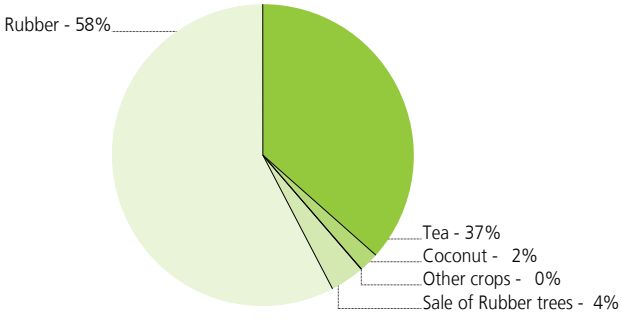
Executives - Personal Development and Career Growth
- Leadership Development Competencies
- System Certification for ISO 22000 : 2005

Revenue Drivers - Rs. ' mn	2015	2014
Rubber	1,043	1,391
Tea	848	882
Coconut	50	51
Other Crops	1	1
Sale of Rubber Trees	83	89
Total	**2,024**	**2,414**

Revenue Drivers - 2015



Revenue Drivers - 2014



FINANCIAL REVIEW

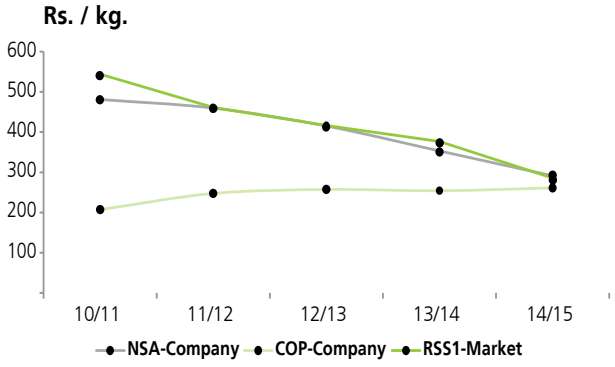
Company performance in comparison to Industry performance

Rubber

National rubber industry outperformed during the year 2014. Auction prices as well as export prices collapsed by 24.16% and 6.9% respectively while production declined compared to previous year by 24.4%.

Following suit, the rubber production of the Company also declined by 12% compared to last year and produced 3,534 metric tons which is 3.6% of the national rubber production. Revenue from the rubber segment declined from Rs. 1,391 mn in 2013/14 to Rs. 1,043 mn in 2014/15. Average sale price declined from Rs. 353.16 per kilo to Rs. 291.26 per kilo during 2014/15 whilst Cost of production increased by 3% to Rs. 261.23 per kilo. Consequently, gross profit from Rubber was posted at Rs. 36 mn for 2014/15 with a margin of 3% compared to 23% in the previous year.

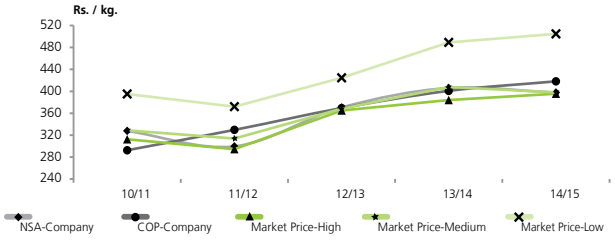
Net Sale Average Vs. Cost of Production



Tea

National tea production performed favourably during the year under review even though the annual production of 338 mn kilo was marginally lower than the historically highest volume of 340 mn kilo recorded in the previous year. Increased 4% average prices in the Colombo Tea Auction due to the global supply shortages of orthodox black tea in the first quarter started to decline from August 2014 with slowed down demand from Russia and the Middle East. Altogether the average Colombo Auction tea price in 2014 increased to Rs. 461.86 per kilo from Rs. 444.42 per kilo in 2013.

Net Sale Average Vs Cost of Production



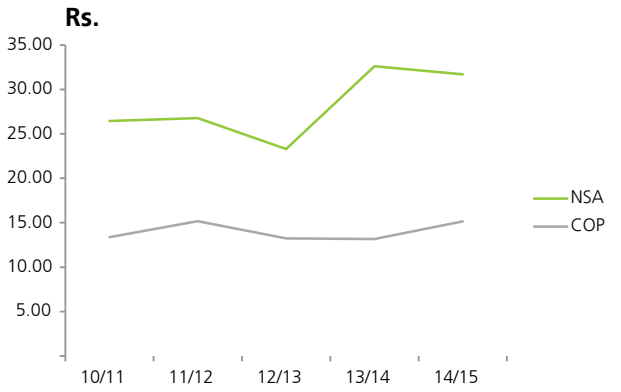
The total tea production of the Company has decreased from 2.2 mn kilo in 2013/14 to 2.1 mn kilo in 2014/15 indicating a 7% drop compared to the previous financial year. As a result loss of tea segment has increased to 79.5 mn during the year. NSA dropped by 2% to Rs. 397.61 whilst COP climbed up by 4% to Rs. 418.19 over the two periods. Tea has been the second highest contributor to the Company's revenue and was reported to be Rs. 848 mn for the current financial year with circa 4% reduction to the revenue reported in previous year.

Coconut

The Coconut industry got out from the downward trend in the annual production with 14.2% increase to record 2,870 mn nuts in 2014. Coconut prices increased from Rs. 29.59 in 2013 to Rs. 31.51 in 2014 reflecting higher demand from domestic manufacturers of coconut products and increased export demand.

In terms of gross profit margin, coconut is the most profitable crop of the Company, depicting a 52% gross profit margin declined from 60% in 2013/14. The contribution of coconut to the Company's revenue is circa 2.4% with 39% contribution to the operating profit. During the year, total production declined marginally by 3 % from 1.59 mn nuts in the previous financial year. NSA dropped by 3% to record Rs 31.71 in 2014/15. COP has increased by 15% compared to the financial year 2013/14.

Net Sales Average Vs. Cost of Production



Operating Highlights

	2014/15 Rs.'000	2013/14 Rs.'000	Variance Rs.'000	Variance %
Revenue	2,023,911	2,414,220	(390,309)	(16%)
Gross profit	66,116	429,836	(363,720)	(85%)
Net Profit	127,034	345,993	(218,959)	(63%)

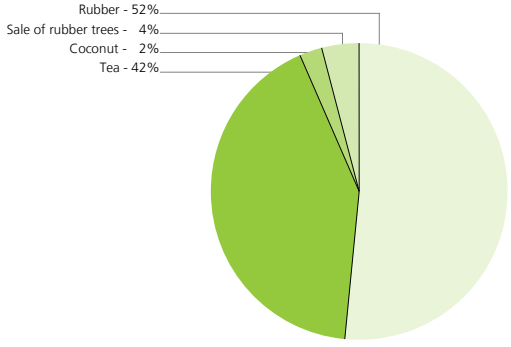
The Impact of adverse external pressures affected the Plantation Sector, resulting the Company recording a decline in Revenue & Gross profit by 16% & 85% respectively. Eventually, the Company recorded a profit of Rs. 127 mn for the year which is a 63% decline compared to the previous year.

Revenue

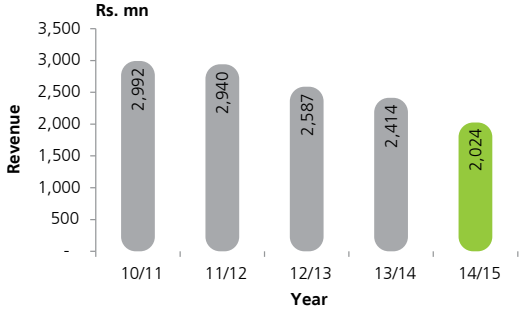
The Company recorded a revenue of Rs. 2,024 mn during the financial year 2014/15, from all crops and sale of rubber trees. Total revenue of 2013/14 was Rs. 2,414 mn and depicts a 16% decline compared to the previous year. This drop was mainly driven by a 25% decline in revenue from the rubber segment. The highest contribution to the Company revenue was derived from the rubber segment which recorded a revenue of Rs.1,043 mn for the financial year 2014/15.

Despite a reduction of 25% in revenue from Rubber, the Company was able to hold the ultimate revenue reduction to around 16% since reduction in revenue from tea & coconut was around 4% and 3% respectively compared to the previous year.

Composition of Revenue Structure - 2015



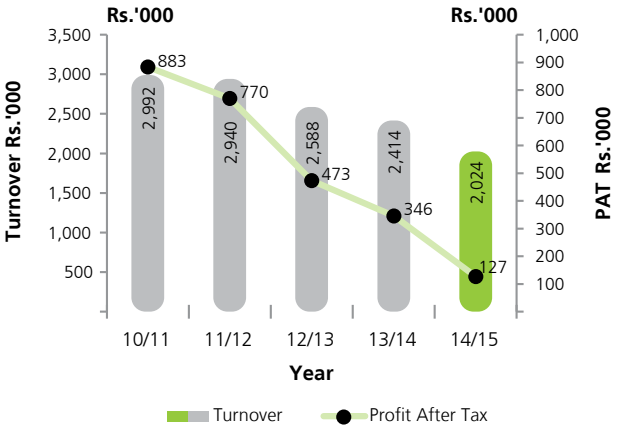
Revenue Comparison



Profitability

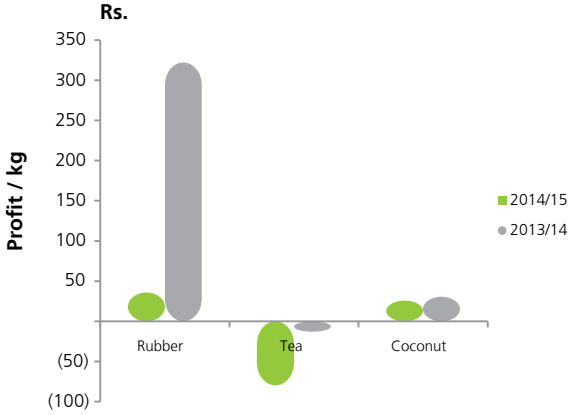
Profit before tax of the Company was Rs. 97 mn, a decline by 75% compared to the previous year which was Rs. 385 mn.

Turnover Vs. Profit after Tax



Profit for the year indicated a 63% decline over the previous year mainly due to the drilling down effect of 85% decline in gross profit margin. The decline in margin was driven by a massive drop in operating profits of all three segments. Low profits are due to low NSA and increase in COP compared to the previous year in all three crops. Despite such a challenging situation, the Company being able to record a profit of Rs. 127 mn for the year under review was creditable.

Segmental Profit



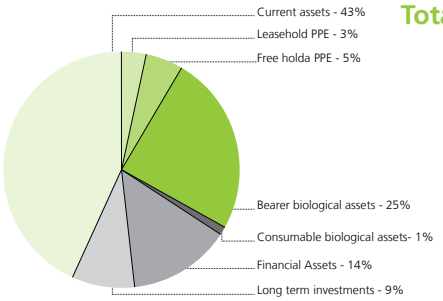
Financial Position

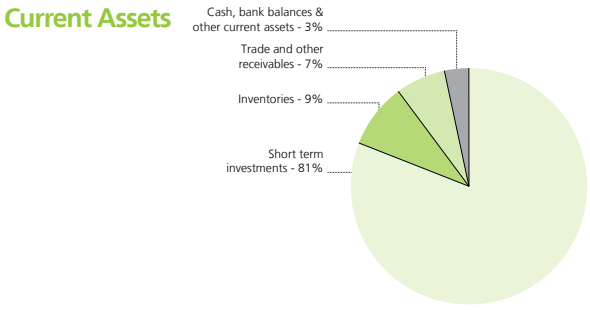
The Company's financial position has been further strengthened during the year under review.

Asset Base

The asset base of the Company at the end of the financial year recorded as Rs. 7.13 bn, which is a Rs.181 mn increase over the previous year. New investment in financial instruments by withdrawing short term investments has changed the Non-current assets and current assets values by Rs. 1 bn compared to the previous year. Other than the investments in financial instruments, Increase in non-current assets was driven by the increase in biological assets by Rs. 223 mn. Current assets have decreased by Rs. 1 bn with the new investments in 5 year listed debentures.

Composition of Assets - 2015





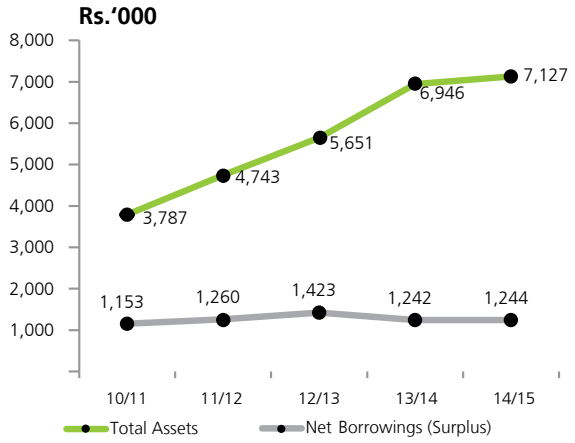
Net Assets per Share

Net asset per share at the end of the current financial year was Rs. 136.50 compared to Rs.133.70 as of 31 March 2014.

Debt Position

Total Liabilities of the Company increased by Rs. 111 mn which was induced by the increase in gross debt from Rs. 2,331 mn to Rs. 2,396 mn during the year. This was mainly due to increasing short term borrowings and dividend payable of the Company. Gearing position on gross debt stood around 41% at the end of the year for the second consecutive year. However, the Company has continued to record a positive net debt position of Rs. 119 mn which was reduced by Rs. 1 bn compared to previous year with investing in long term Financial Assets.

Total Assets & Borrowings



Liquidity Position

Net working capital position of the Company has come down from Rs. 3,543 mn at the end of 31 March 2014 to Rs. 2,307 mn at 31 March 2015 due to withdrawal of Rs.1 bn short term investments to invest in financial instruments. Consequently, the current ratio was recorded as 4 times at the end of 31 March 2015 whilst the quick assets ratio recorded at 3.6 times reflecting a healthy position of the Company in terms of liquidity backed by strong cash flows generated by the Company's operation.

Cash Flows

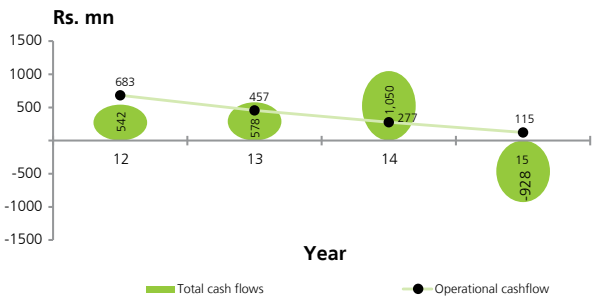
Net Operating Cash Flows

The Company recorded an operational cash flow of Rs. 115 mn against Rs. 277 mn in the previous financial year. This is mainly due to the significant reduction in Rubber proceeds which is the major cash generating source of the Company. Furthermore increased operational expenditure also resulted in reducing operational cash flows.

Cash Generated from Financing & Investments

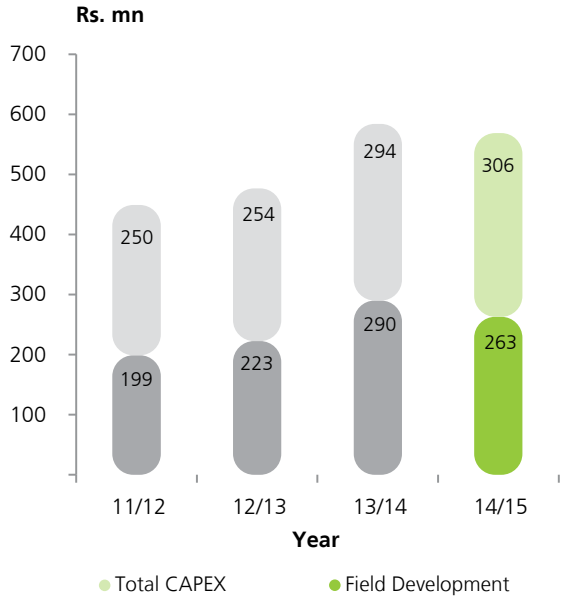
The Company ended up its 2014/2015 financial year with a cash surplus of Rs. 2,515 mn which is Rs. 928 mn less than the Rs 3,444 mn recorded in the previous year. Finance cost paid during the year was Rs. 129 mn.

Total cash flows Vs Operational cash flows



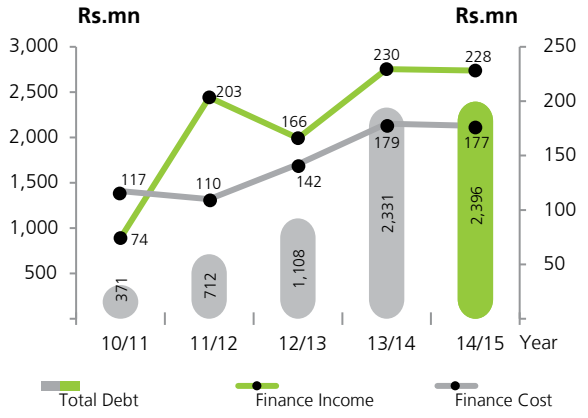
Capital Expenditure

During the year under review, the Company spent Rs. 306 mn on capital expenditure for replanting, field development & factory upgrades. The Company incurred Rs. 263 mn on replanting & field development which is 86% from the total capital expenditure and the rest incurred on factory upgrades and purchasing property, plant and equipment amounting to Rs. 43 mn.



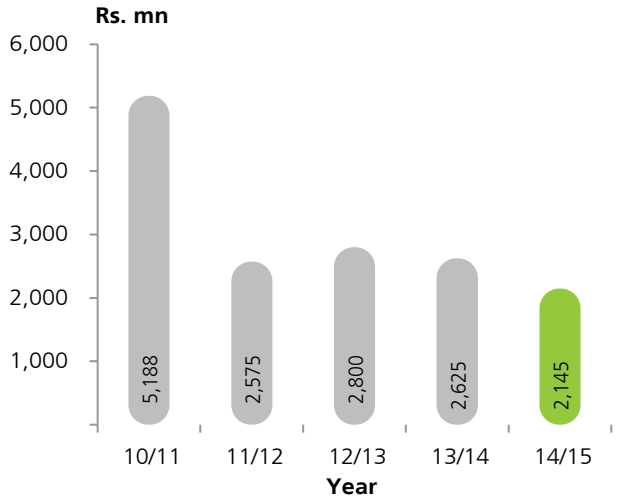
The Company was able to replant 143.13 hectares and maintain a further extent of 1,045 ha rubber land, at a cost of Rs. 206 mn whilst 8.15 hectares of tea was replanted and 30.31 ha maintained spending Rs. 43 mn. The policy of the Company is to finance these capital expenditure through combination of cash generated from operating activities and low cost debt financing.

Total Debt Vs. Finance Cost & Finance Income



Market Capitalization

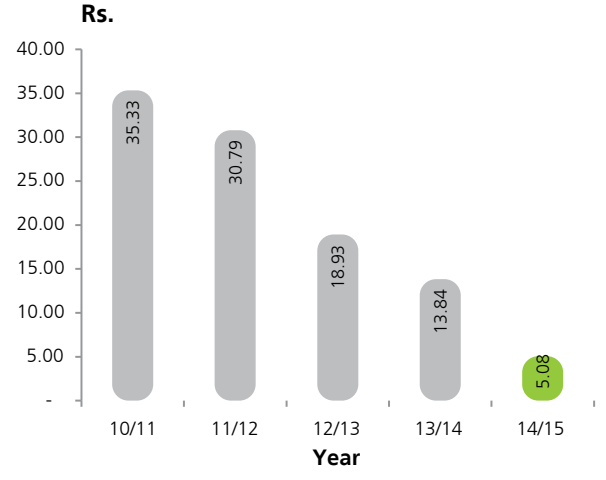
The Company's market price was Rs. 85.80 as at 31 March 2015 compared to Rs.105.00 as of 31 March 2014. Market capitalization was Rs. 2.15 bn as at the end of the financial year against Rs. 2.63 bn as of 31 March 2014. The share of the Company traded in the range of Rs. 105.00 to Rs. 82.10 during the year under review.



Earnings per Share (EPS)

Basic earnings per share has dropped by 63% from Rs. 13.84 during the year and Company has generated Rs. 5.08 profit for each unit of share. Earnings per Share has been calculated using profits generated from continuing operations as proposed by SLFRS/LKAS.

The Company shares were traded at Colombo Stock Exchange at a price multiple of 16.9 Times as of 31 March 2015.



Return on Equity (ROE) & Return on Capital Employed (ROCE)

The Company generated a ROE & ROCE of 3.7% & 5.2% respectively for the 2014/15 financial year as against 10.4% & 9.3% for the previous financial year. Reductions in ROE & ROCE are mainly due to the reduction in profitability during the year.

QUARTERLY PERFORMANCE AT A GLANCE -2014/15

Rs.'000	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Annual
Revenue	585,282	537,169	440,838	460,622	2,023,911
GP	32,123	42,205	13,143	(21,355)	66,116
PBI & T	66,242	85,001	70,766	52,218	274,227
PBT	19,443	38,534	26,155	12,743	96,875
PAT	18,859	37,062	25,663	45,450	127,034
EPS	0.75	1.48	1.03	1.82	5.08
Last Traded Market Price / Share	98.50	96.00	94.00	85.80	85.80

"Look deep into nature and then you will understand everything better"

- Albert Einsteint -

Sustainability Report

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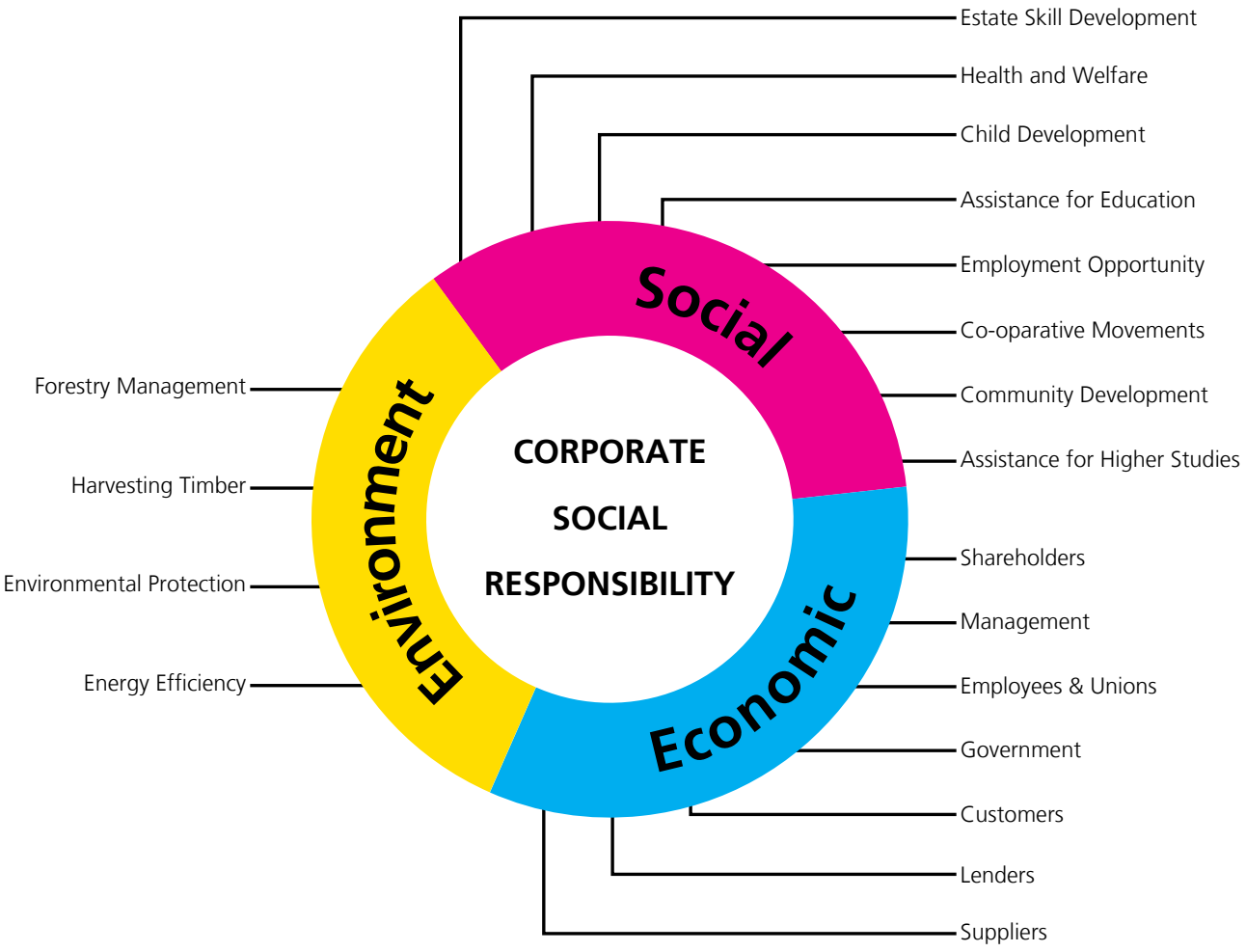
Legacy of Kegalle Plantations PLC 40
Our Achievements 45

MANAGING OUR IMPACT

Kegalle Plantations PLC continued to recognize the living sustainably in subsisting within the means of the natural systems that belong to nature and developing and meeting up the needs of the present, without compromising the ability of future generations to meet their needs. The Company also believes that as a corporate entity, owes the community and its stakeholders, assurance on how this efforts have benefited them.

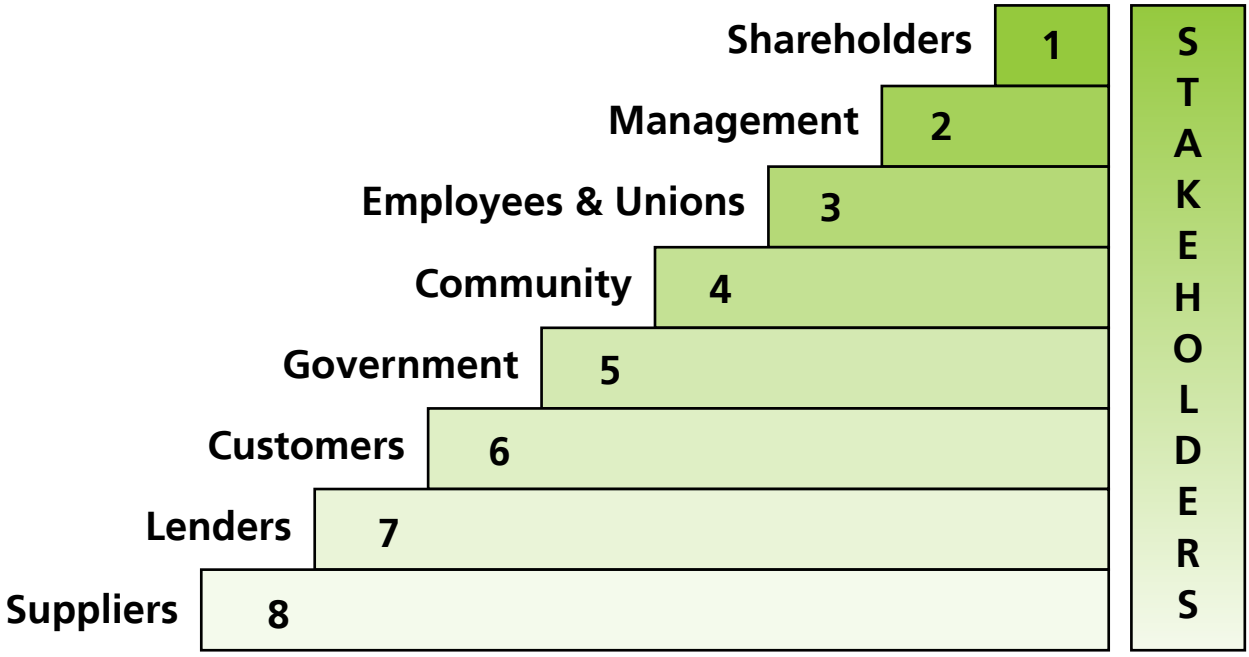


The Company continued to maintain its responsibility towards the welfare of all stakeholders, irrespective of boundaries in our areas of operation. We believe that simply by establishing and adhering to priorities, Corporate Social Responsibility should be extended towards our employees, shareholders, customers and communities in which we operate.

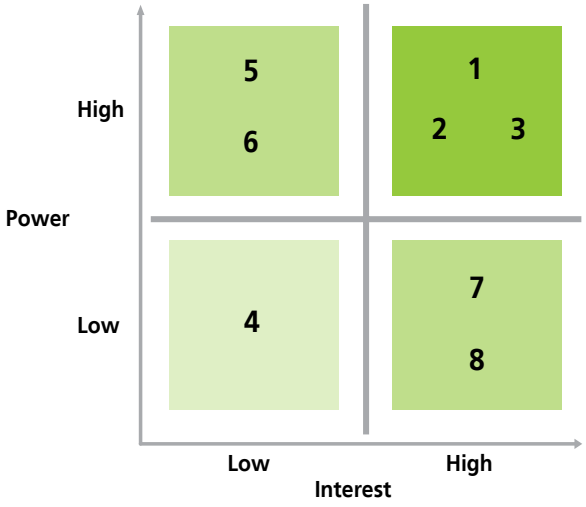
STATEMENT OF VALUE ADDED

Our Stakeholders

It is vital to understand the Implications upon KPL due to the activities and responds of stakeholders, both internal and external for the future betterment of both KPL and the stakeholders. Groups which are affected by operations of KPL or which are likely to influence KPL's operations are considered as our stakeholders. We have identified and categorized our stakeholders having legitimate interest on the Company's performance into eight key groups. Over the years we have recognized all the stakeholders equally and it's Intuitive with the reputation Kegalle Plantations PLC developed as a high value adding Company to its stakeholders.

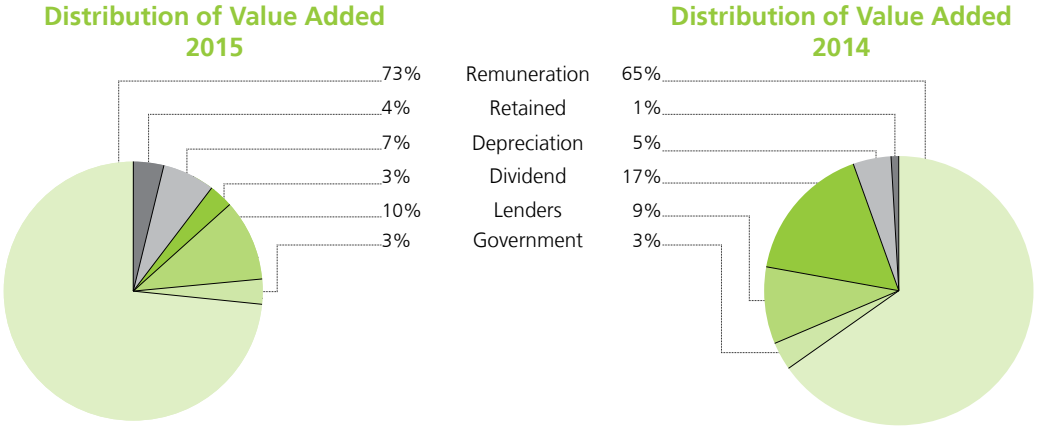


We analyse each stakeholder's expectations periodically with an ongoing dialogue with stakeholders at all stages of a process. The views and expectations of all stakeholders are obtained through an engagement process that allows them to be expressed without any restriction in order to provide maximum satisfaction as we always believe that our success depend upon their support. We classify our stakeholders as follows;



The Company created a value of Rs. 1,650 mn for all the above identified stakeholders including voiceless stakeholders such as environmental groups and community and they are to our best served either financially or socially.

Following graph exhibits the value distribution among our stakeholders.



1. Shareholders:

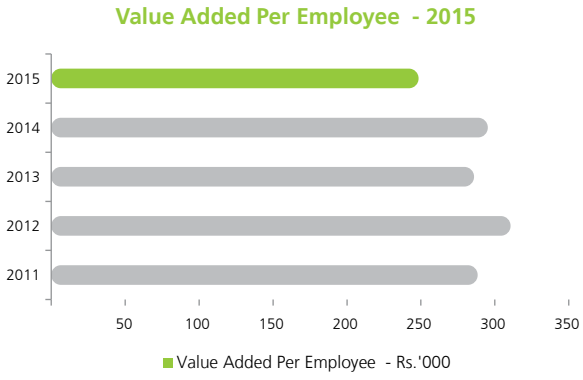
We consider institutional share holders as a party with high influencing power for our success. In spite of the current year being challenging financial year due to adverse macroeconomic changes, we were able to make our Company a profitable venture which could be depended upon. As a result we have distributed a sum of Rs. 50 mn dividend which is 3% of the total value. Our Shares trading continued at acceptable price level.

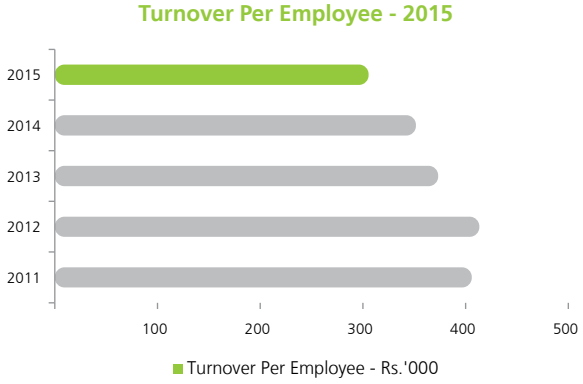
2. Management:

The Senior Management has been given the authority of strategic decisions making on operations. Therefore they are held responsible for the results and their performances are evaluated based on their results. In recognition of their skills, experience, and services Kegalle Plantations PLC has always treated them with competitive emoluments, based on their performance and the responsibility they hold.

3. Employees & Trade Unions:

Committed workforce is one of our main assets and KPL always pay attention on their development and well being. Our Company distributed Rs. 1,211 mn as remuneration which is 73% of the total value and 8% above previous year. Following graphs and Certificates provide evidence on our commitment to add high value to employees.





Ethical Tea Partnership

- Ethical Tea Partnership Certification (ETP) for all Tea Manufacturing Factories of the Company.
- Scope - Continuous improvement of the welfare and working conditions of its workers, as well as on environmental sustainability.

Employee unions are keen on the employee benefits and the Company is always in dialogue with them and carry good relations. Our activities to improve employee's health, safety levels, and welfare and skill levels has been categorized in pages 30 to 46 on our Sustainability Report.

4. Community:

Community shows less interest regarding the Company's performance and the individuals may not have influence to our operations. However, as an ethically driven organization we always endeavour to maximize the positive impacts on the community with Estate/Village integration. Our commitment in rewarding the community will be reflected in our Sustainability Report on page number 30 to 46.

5. Government:

We recognize the State Government as a main stakeholder. Due to the ownership on the land vested with the Government and due to a large number of workforce significantly contribute to the GDP the Government is committed to pay interest on business. We pay 3% of our total value to the government as taxes and lease rental.

6. Customers:

In the current competitive market we were able to handle customers strategically by offering high quality products with quality accreditations and always maintained good relations with them.

- Luckyland Estate
- Kirklees Estate
- Gampaha Estate
- Doteloya Estate
- Yataderiya Estate

- ISO 22000 : 2005 System Certification - Food Safety Management System Certification for all Tea Manufacturing Factories of the Company.

- Scope - Manufacture of Black Tea. Food Sector (Dried Goods).

7. Lenders:

With the proven history of good relations with the Bankers, our Company had no complications in obtaining financial assistance when the need arose. We have always maintained punctuality in our commitments and have preserved good relations. We have paid Rs. 167 mn as interest which is 10% of our total value during the financial year.

8. Suppliers:

Since we pay our suppliers well within the credit period, without any discrimination, the Suppliers always regard our Company with interest. Last year we paid 31% of our total revenue to suppliers.

Our financial commitment to stakeholders can be summarised as follows.

Statement of Value Added

Rupees in Millions	2015		2014	
Turnover	2,024		2,414	
Other Income	260		252	
	2,284		2,667	
Cost of Meterials and Services	(634)		(640)	
Value Added	**1,650**		**2,027**	
DISTRIBUTION OF VALUE ADDED				
To Employees as Remuneration	1,211	73%	1,322	65%
To Government as Taxes and Lease Rent	51	3%	68	3%
To Lenders of Capital as Interest	167	10%	187	9%
To Shareholders as Dividend	50	3%	338	17%
Retained in the Business as;				
Provision for Depreciation	108	7%	93	5%
Profit Retained	63	4%	19	1%
	1,650	**100%**	**2,027**	**100%**
Value Added Per Employee - Rs.	249,117		295,186	
Turnover Per Employee - Rs.	305,542		351,620	

SOCIAL RESPONSIBILITY

Skill Development - Estate Employees

The Company continued the training of Workers, Staff and Executives on productivity, quality manufacture and agricultural practices, leadership, teamwork, career growth and development.

The Company provided in-house training on Information Technology to Staff Members. Estate staff who are involved in Accounting were trained specifically on the in-house built computer package at several regions of the Plantation.

Supervisory level training by The Rubber Research Institute of Sri Lanka

Supervisory personnel and Tapping Kanganies were trained, identifying their own skills, by the Professional of the Rubber Research Institute of Sri Lanka (RRISL), with expert demonstrations.

Demonstration by Professionals and Experts of RRISL at the Training Programme held at Atale Estate with the participation of Staff Members of surrounding estates.

Training for Employees on Bud-grafting Techniques

Estate employees were trained to enhance their multi skill competency on bud grafting, conducted by RRISL, Agalawatte.

Employees who obtained Competency Certificates.

Successfully motivating estate resident youth of Atale Estate who sought employment away from the planting industry and train them on Sole Crepe manufacture for employment on the Estate Factory.

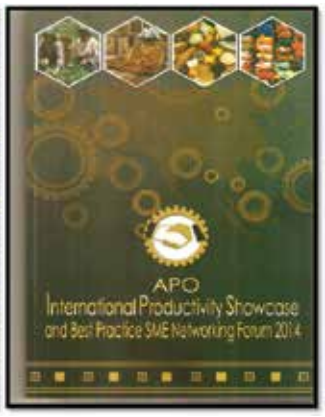
The Company provided assistance to employees to enhance their knowledge and competencies by attending to higher studies.

One such employee in Mrs. A. J. Neshakumari, Child Development Officer of Atale Estate obtained a Diploma in Child Development/Pre School Education and Management Certificate and was honored at the AGM of the PHDT, held on 27 March 2015 at Sri Lanka Foundation Institute.

Executive and Staff Members were encouraged to undergo latest concepts relevant to current management systems on Green Productivity, Lean Management and Small and Medium Entrepreneur Programme.

APO International Productivity Showcase and Best Practice Networking Forum on SMEs

The Company provided opportune for its Executives to attend International Seminars/workshops. The Superintendent of Atale Estate, Mr. G. L. H. D Amaratunga, attended an International Workshop conducted by Productivity Secretariat, where 14 Countries participated, mainly S M E participation. This was held from 15 December 2014 to 17 December 2014.



Health and Welfare

Anti Natal & Post Natal Clinic programs were conducted with the assistance of the Plantation Human Development Trust together with the staff attached to the Health and Welfare Division of our estates. Activities in the development of worker housing, medical care, welfare and crèche activities were also carried out with the assistance of the PHDT with a view to uplift the housing, childcare, health, and sanitation levels in our estates.

Health camps were also organized on estates in collaboration with the PHI of area, Health Department, MOH Officials and various other organizations paying much attention to health of the workers, especially maternal & child health. The Health Development Staff in the estates with the assistance of Plantation Human Development Trust make concerted effort in conducting these camps to be of use to all concerned.

A Health Camp at Madeniya Estate.

Assistance given to the workers/staff towards medical facilities, welfare activities, cultural and religious functions, sports etc during the year included providing necessary goods/materials and technical inputs.

Some of these Health camps conducted are on the following subject:

- Awareness Programs on HIV, AIDS
- Diabeties
- Oral Cancer
- Dental Clinic
- Blood Donation
- Eye Clinics providing spectacles
- Anti natal/Poly clinics to pregnant mothers

Issue of L.P Gas for Estate Employees

L.P. Gas Cookers with cylinders were introduced on easy payment term, which has facilitated to avoid the usage of firewood and health hazard among the plantation community.

International Women's Day 2014

International Women's Day was celebrated on Atale Estate with the participation of The Divisional Secretary of Galigamuwa Mrs. Manori Edirisinghe where female pensioners were presented with gifts.

The Houses Built for Pensioners

Nine houses were built at Pathragala Division of Udapola Estate, with the sponsorship of "Franciscan Brotherhood for Peace and Re-settlement", at a cost of Rs. 5.2 mn to families who were constantly affected by floods emanate from the "Amunuthudawa" reservoir.

In addition a water supply scheme was also constructed in the Division at a cost of Rs. 500,000/- with the sponsorship of "Leads Lanka"

The Community Hall Built

The old rubber factory of Pathragala Division was renovated and converted as a community hall for the use of estate residents, sustaining the inter-personal relationship.

Old rubber factory converted as a community hall.

Recognizing the talents of employees' children

Estate children's talents are highlighted by providing opportunity to perform in public events.

The Sanitation Development for the Workers

A total of 21 new latrines have been built on Udapola Estate with the sponsorship of "Leads Lanka".

Assistance for Religious Activities

The Company maintained the religious harmony on estates by constructing and renovating places of worship and organizing religious functions on estates.

Annual "Bana" and Almsgiving Ceremony at Udapola Estate CLP Factory.

Offerings to the Buddhist Clergy at the 'Bana' Ceremony.

A function organized by an Estate to celebrate the dawn of the new year on 1 January 2015. The event was participated by over one hundred factory employees and staff members.

Child Development and Welfare

Child Care Centres were maintained to provide a better care and maintenance for workers' and on some estates the Village children. Mid day meals and/or Milk, "Kola Kenda" are provided in most of our Child Care Centers on estates; thereby maintain better care and maintenance.

Annual Trip for Estate Employees

Atale Estate Factory workers, on an excursion to Galle, Kalutara and Hikkaduwa.

Christmas & New Year Celebrations

Christmas celebration of the Estate children.

New year celebration

Distribution of School Books

School Books and other stationary were donated to the Estate children, sponsored by the Former Deputy Minister of Livestock and Rural Community Development, Hon.H.R.Mithrapala.

Cookery Demonstration

A cookery demonstrate was held by Atale EWHCS and the E-kiosk Centre to improve the culinary skills of Estate Residents.

Assistance for Education

Provide Opportunity for educational visit to estate and factory

Opportunity provided to school children to visit estate factory for educational purposes.

A child of an estate worker parents had obtained highest aggregate in the G.C.E. (A/L) examination, among 55 schools in Kegalle Region. The student was honored as the Best Student by the PHDT at the AGM held on the 27 March 2015 and was awarded a financial grant.

Employee Safety

All the factories in the estates and other work places are equipped with necessary implements to maintain the safety standards required. Educational programs have been conducted to enlighten the employees of the need to take precautionary measures and to become more aware of the various issues relating to work place safety.

In order for the employees to perform their duties effectively boots were purchased at a concessionary rate and distributed among the field staff members, factory employees and Rubber Harvesters enabling them to walk in the field/factory without much constrain as during rainy weather it is extremely difficult to attend to the routine duties due attacks by leeches.

Employment Opportunities

As a policy of the Company, whenever an employment opportunity arises both in Estates and Head Office, priority is given to children of the existing employees before outside recruitments are made.

Co-operative Movements

The Estate Workers Co-operative Societies with the enrolment of the workers in the Society continues to function. The workers enjoy the facility of obtaining goods and equipment on easy payment schemes through Co-operative Society. In addition various types of financial assistance including short-term distress loans and housing loan etc. with minimum security requirements presented.

Atale Estate has become a winner of "Best excellence in Social Development through Estate Worker Housing Co-operative Society" awarded by the Plantation Human Development Trust.

Training Programme held on Atale Estate to Student Planter Trainees of N.I.P.M

NIPM selected Atale Estate as a model estate to conduct a Workshop on EWHCS to their Planter Trainee Students.

Community Development

Estate/Village Integration

Assistance given to the Annual Arandara Dewala Perahera

Construction of New Bridge

Construction of a bridge connecting Atale Estate and Bambaragama Village.

Former Minister of Telecommunication, Hon. Ranjith Siyambalapitiya declared open the bridge on 02 November 2014.

Rehabilitation of road leading from Madeniya Estate to Maainnoluwa and Medagoda Villages.

National e-Waste Management Week

A Project by the Estates to remove e-waste on a programme initiated by the Central Environmental Authority declaring a "National e-Waste Management Week".

A program on preserving environment

A shramadana was organized at Mylands Division on 27 January 2015 to remove all polythene dropped by school children and adults on a foot path to the village.

A Preaching on Environmental Protection

Assistance for Higher Studies

The Company continues to assist the children of the employees who pursue higher studies in the national universities. A fixed monthly scholarship is awarded to all the beneficiaries throughout the period of their higher education. Several children have been benefited by this scheme and those who have completed their studies are gainfully employed at present.

Current Scholarship Holders:

01-	P.G.M. Wimalaratne	– Pallegama Estate
02-	D.D.N. Dissanayake	– Pallegama Estate
03-	W.D.M Ratnayake	– Pallegama Estate
04-	R.R.K Wijethunga	– Pallegama Estate
05-	L.K.R Kumari	– Pallegama Estate
06-	P.W.N.L Gunawardhana	– Pallegama Estate
07-	R.A.J.T Ranasinghe	– Pallegama Estate
08-	K.S. Samarapala	– Head Office
09-	R.I.P. Harischandra	– Atale Estate
10-	D.P.S.L Jayasundara	– Atale Estate
11-	R.K.N.S. Bandara	– Atale Estate
12-	S.P.M.S. Senaka	– Atale Estate
13-	N.L.A.K.W Bandara	– Atale Estate
14-	H.A.I.Chithrani	– Atale Estate
15-	A.Yamuna Vinodhani	– Atale Estate
16-	J.K.W.D.B. Karunathilaka	– Ambadeniya Estate

LEGACY OF KEGALLE PLANTATIONS PLC

The natural Forest cover spread throughout the entire island was drastically reduced during the colonial periods by substituting self sufficient agricultural economy with the plantation economy, dominating Tea, Rubber, Coconut and spice crops. This was the turning point of high bio diversity prevalent throughout the island limiting natural forest reserves to one-fifth of the land. Diversified Ecosystems are considered a major contributor to the balanced environmental food chain and having positive effects on all living creatures, including human beings. At present the diversity of this environmental sub segment is struggling to survive due to adverse natural developments as well as the activities of the strongest creature on the earth. As a responsible chain of the Environmental ecosystem we dedicate conserving the biodiversity around us by various programmes covering Water, Forestry, Species, Eco system Management and creating Protected Areas.

Our estates spread over the wet zone covering Kegalle, Kurunagala and Badulla districts with ample annual average rainfall of 2,500 mm. Most of our rubber estates in Kegalle, wedged in between the central highlands and western southern planes varying in height from 500 feet above sea level to 1,000 feet. Other than the beautiful Doteloya tea estate, our tea plantations are situated in the Udapussellawa region, of the Uva Province on the eastern slopes of the hill country. This region is famous for endemic and rare wildlife and plant species with the Hakgalla Strict Natural Reserve, providing evidence as to how our estate areas are sensitive to bio diversity.

Doteloya Estate

Dotel Oya is one of our best bio diversity hotspots located in circa 2,750 feet above the sea level among the Dolosbage hills with immense eye catching sceneries covering an area of about 400 km^2 between Kegalle, Yatiyantota, Nawalapitiya and Gampola. The estate includes re-growth forest areas, largely in the form of abandoned cardamom cultivation. These areas act as important supplementary and/or additional habitats for native forest species, and serve as habitat corridors between the patches of remnant old-growth forest on the estate and in the surrounding area.

-Indian crested porcupine (Hystrix indica)

Birds

We commonly find many native and threatened endemic bird species in Doteloya area such as Sri Lanka Spur fowl (Galloperdix bicalcarata), Sri Lanka Chestnut backed Owlet (Glaucidium castanonotum), Sri Lanka Hanging Parrot (Loriculus beryllinus), Sri Lanka Myna (Gracula ptilogenys), Sri Lanka Grey Hornbill (Ocyceros gingalensis), Sri Lanka Scimitar Babbler (Pomatorhinus melanurus), Sri Lanka Junglefowl (Gallus lafayetii), Sri Lanka Spot-winged Thrush (Zoothera spiloptera),The Sri Lanka Orange-billed Babbler (Turdoides rufescens) and Sri Lanka Magpie (Urocissa ornata).

-Sri Lanka Magpie (Urocissa ornata)

Flora and Fauna

The wet and misty climate with the rocky mountain steeps set essential conditions to the flora and fauna which are distinctive in its nature to this area.
We commonly find the land-snail fauna, which contains species typically associated with lowland rainforest such as Beddomea albizonata, cryptozona, as well as intermediate zone species like Tortulosa colletti in this area.
Bio diversity conservation including native forest cover on the steep slopes and hill crests in Doteloya area help to prevent soil erosion and to protect water streams.

-Beddomea albizonata

Yataderiya Estate

Yataderiya Estate is another picturesque estate enriched with bio diversity with completely different forms to the Doteloya since the villages form estate boundaries, located in the Agro Climatic District of Kegalle at Bulathkohupitiya. This area belongs to the submontane region with the elevation of 1,080 feet from the sea level surrounded by a ring of hills including famous Bathalegala rock (Bible Rock) enhancing its diversity with uniquely elegant sights.
About 10 to 15 Villagers around the estate earn additional income from bee keeping deriving the benefit of home gardens.

Devadara Tree

The Devadara Tree, botanicaly named as Cedrus deodara is rarely found in Sri Lanka. As the record reveals there were only few Devadara Trees found in Sri Lanka in 1983, one is in the Peradeniya botanical garden, other one is in Gampaha and the third one is in the Yataderiya estate. University students, researchers and nature lovers frequently visited our estate to see this over hundreds of years old tree with medicinal value. The oil extracted from this tree is used for skin diseases such as eczema and psoriasis while the bark is astringent and is used for fever, diarrhoea and dysentery.

The forested area is rich in flora & fauna and several native species of bird life such as the rare Sri Lankan Hanging Parrot (Loriculus beryllinus) and Sri Lanka Jungle fowl (Gallus lafayetii). Apart from this porcupine and wild boar are usual sights in this area.
There are about 245 butterfly species living in Sri Lanka and out of that 19 species are highly extinct and 99 species are threatened. We commonly find bees and 12 varieties of butterflies some of which are native to this area reflecting the effect from home gardens because it is proven by researches even one butterfly specie needs different trees during their life cycle may be as food or hormones.

Luckyland Estate

Luckyland estate is situated in the Badulla District in the UVA province at an elevation of 1,200 to 1,600 meters lay on montane meadow closer to Hakgalla Natural Reserve with ample diversity and sceneries to consider it as our major bio diversity hotspot. In flowery season this area is full of wildflowers showing its flora diversity. Our estates in Udapussellawa region let abundant areas to grow as small copses to demonstrate the sustenance of the native amphibians, reptiles, small mammals and butterflies.

-Boiga Foresteni

Luckyland estate area is home to a variety of special fauna species like Sri Lankan Tiger, Barking Deer and Black Eagle.
We rarely see Sri Lankan Tiger (Panthera pardus kotiya) on tree canopies during latter part of the day in our estate areas whilst Black Eagles are relatively common sights in the mornings and evenings on the tree tops of the steep slopes and hill crests.

-Black Eagle (Ictinaetus malaiensis)

Barking deer is an innocent mammal with the very cautious behaviour, also known as Indian Muntjacs, red muntjac, common muntjac and their species native to South Asia can be found in our tea estates areas showing the characteristics of savannah. The name barking deer has been given to them since they generate sounds similar to barking, usually upon sensing a predator.

-Indian Muntjacs (Muntiacus muntjak)

Kegalle Plantations PLC pays special attention towards conserving bio diversity in its estate areas by taking timely action to avoid threats coming from time to time. In addition to that the company set ethical standards in dealing with environmental issues that is beyond the statutory requirement. As an example it is widely known that power generation leads to environmental pollution. Hence our commitment for energy efficient machinery reduces this environmental threat. Some of our commitment towards environmental best practices can be classified as follows,

Forestry Management & Soil Conservation

The Company's forest management plans formulated for the sustainable management of forest plantation blocks and harvestable timber extents on estates continued to be in force. Guidelines have been issued to the Superintendents pertaining to the selection of land, species, cultivation practices and the need to preserve the environment, having in mind the need to protect the environment. Planting of dendroid thermal forestry on very steep or inaccessible land have been prohibited. As a Company engaged in Plantation Agriculture, we are deeply involved in forestry conservation. The Company manages rubber plantations in an extent of 5,400 hectares; itself is in fact a forest cover. Rivers and stream banks in conservation forestry are in perpetuity. The same principle applies to sources of water for industrial and domestic purposes. We are conscious of the importance of preventing accidental or deliberate forest; fire and extreme vigilance is being exercised. Soil conservation methods, such as proliferation of leguminous cover crops, terracing including "live terraces" and draining have been undertaken in all extents replanted and in other areas on an annual basis.

Harvesting Timber

All operations including felling, clearing, extraction & transportation of timber is undertaken in conformity to the environmental standards stipulated under the National Environmental Act with all precautionary measures planned out to minimize soil erosion and runoff fluctuation of the ground water table. It is also mandatory on the part of the Company to replant the harvested extents almost immediately during the succeeding monsoon, in addition to the establishment of conservation forest extents in vulnerable areas. The Inter-Ministerial Committee under the patronage of the Minister of Plantation Industries together with the Conservator of Forests regulates all forms of tree harvesting on estates. Clear felling of trees in extents exceeding 2 hectares, felling of wind belts or any form of felling of trees in catchments areas or in lands with high gradients are totally avoided.

Bio Latex/ Organic Rubber

The vast amount of chemical and fertilizer usage in plantations has become a serious issue upon the balance of the eco system. As a solution we promote organic rubber farming in 247 ha covering our eight estates with the annual average production of circa 300,000 kilos. This demarcated area is free from any kind of fertilizer or chemicals and even transporting chemicals across this area is prohibited. Our Organic latex is readily purchased by our sister Company M/s Richard Pieris Natural Foams Ltd, at a competitive rate with the increasing global demand for this latex.

Organic Rubber field - Udapola Estate

Certificates offered for our Rubber Estates

- EU & USDA - NOP Certification (European Union & National Organic Program (NOP) of the United States Department of Agriculture) Organic Rubber.
- Scope - Organic production of agricultural products.
- ISO 9001: 2008 System Certification - Quality Management System Certification for all Rubber Manufacturing Factories of the Company. (Atale Estate, Pallegama Estate, Parambe Estate, Udapola Centrifuged Latex Project).
- Scope - Production and Sale of Sole Crepe, Pale Crepe, Brown Crepe and Centrifuged Latex.

Environmental Protection

We have commissioned Effluent Treatment Plants in our rubber factories to treat the toxic wastes before it leaves our estates boundaries. The operating cost of these treatment plants amounts to an average of over Rs. 1/- per kilo rubber produced.

Effluent Treatment Plant- Centrifuged Latex Factory, Udapola Estate

OUR ACHIEVEMENTS

ANNUAL REPORT AWARDS 2014

The Certificate of Compliance has been awarded by the Institute of Chartered Accountants to Kegalle Plantations PLC for the Annual Report of the year 2014 in the plantations sector category at 50th Annual Report Awards Ceremony. Our Company was able to obtain awards of excellence in the presentation of Annual Reports since 1997.

Plantation Sector – Certificate of Compliance Awarded by The Institute of Chartered Accountants of Sri Lanka.

Mr. GLHD Amaratunga, DGM-Rubber/Superintendent, Atale Estate receiving the Award

DGM - Rubber / Superintendent, Assistant Superintendent & Staff

NATIONAL AGRI-BUSINESS AWARDS 2014

Kegalle Plantations is also bestowed with a Gold Award in the Plantation Sector Category at the Agri-Business Awards – 2014, conducted by the National Agri-Business Council (NAC) for Atale Estate Factory performance. The importance in this award is a Plantation Company achieving this award for the first time in history. This Factory to be selected from around 400 other Plantation Factories is another achievement.

The National Agribusiness Council Certificate

The National Agribusiness Gold Award

AWARD FOR EXCELLENCE IN SOCIAL DEVELOPMENT THROUGH EWHCS 2014

A National level award for Excellence in Social Development has been awarded for Atale Estate, Estate Worker Housing Cooperative Society (EWHCS)

Mr. GLHD Amaratunga, D.G.M.-Rubber/Superintendent receiving the award from the High Commissioner of India

The Certificate

The Award

NATIONAL PRODUCTIVITY AWARDS 2012/13

In a ceremony held in September 2014 for National Productivity Awards 2012/2013 Atale Factory was awarded a Special Commendation in the Manufacturing Sector Large Scale by the National Productivity Secretariat (NPS) of Ministry of Productivity Promotion.

Mr. GLHD Amaratunga, D.G.M.-Rubber/Superintendent and Assistant Superintendent receiving the award.

The Certificate

The Award

"I am not bound to win, but I am bound to be true. I am not bound to succeed, but I am bound to live by the light that I have. I must stand with anybody that stands right, and stand with him while he is right, and part with him when he goes wrong."

- Abraham Lincoln -

Governance Review

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BOARD OF DIRECTORS

Dr. Sena Yaddehige
Chairman

Dr. Sena Yaddehige is a Sri Lankan born British Scientist/Engineer and a Swiss based industrialist. He is the Managing Director of an European Company, which was part of a group involved in the development of high technology, automated manufacturing, and export of automotive components and systems to Europe, China and the United States. He is also the Chairman, CEO of a US Company supplying automotive markets. He holds a large number of worldwide patents on radiation processing, contactless sensors and drive by wire systems along with a Sri Lankan patent for slow release fertilizer.

He is Founder, Chairman and Director of numerous Companies in Sri Lanka and abroad.

Dr. Yaddehige is the Chairman of the Richard Pieris Group of Companies comprising 7 Listed Companies, including three plantation Companies and over 50 Companies wholly or majority owned by Richard Pieris and Company PLC. He was appointed to the Board of Directors of National Development Bank PLC in December 2007 and was in the directorate until his resignation from the Bank in November 2010.

Dr. Yaddehige was conferred with Doctor of Science (D.Sc.) in consideration of his original research work in the fields of Radiation, Radiation processing, Electromechanical Sensor technology, non contact sensor technology and automotive pedal systems along with numerous patents in the above fields.

Mr.J H P Ratnayeke
Deputy Chairman

Mr. Paul Ratnayeke is a Senior Corporate Lawyer who is also the Senior Partner of Paul Ratnayeke Associates, a leading law firm in Sri Lanka which he founded in 1987 handling all areas of law and international legal consultancy work.

Mr.Ratnayeke is a Solicitor of the Supreme Court of England and Wales and an Attorney - at - Law of the Supreme Court of Sri Lanka. He holds a bachelors degree in law with honours and has been awarded a Masters Degree in Law by the University of London.

Currently Mr.Ratnayeke holds directorships in several Companies of which some are public quoted Companies. He has also been elected/appointed as Chairman/ Deputy Chairman to several of these Companies.

At Paul Ratnayeke Associates, he specializes in corporate and commercial areas of law, and also in the fields of aviation, insurance and maritime law.

Mr. S S Poholiyadda
Director/CEO

Mr. Sunil Poholiyadda currently holds the position of Managing Director of the Plantations Sector of the Richard Pieris Group and Director/Chief Executive Officer Kegalle Plantations PLC, Namunukula Plantations PLC and Maskeliya Plantations PLC. He has over three decades of experience in the Plantation Industry, having commenced his career as an Assistant Superintendent. He joined the corporate management of Kegalle Plantations PLC in 1997 after being a Senior Superintendent.

He is also a Director of Richard Pieris Natural Foams Ltd., Exotic Horticulture (Pvt) Ltd., AEN Oil Palm Processing (Pvt) Ltd., Eastern Brokers Ltd., and a member of the Rubber Research Board. He was appointed as an Honorary Member of the Advisory Council of the Ministry of Plantation Industries in February 2015. He is the current Chairman of the Plantation Services Group of the Employers' Federation of Ceylon (EFC), Deputy Chairman of the Planters' Association of Ceylon, Vice Chairman of the Colombo Rubber Traders' Association, a Council Member of the EFC, the Ceylon Chamber of Commerce, and in the Advisory Committee on Rubber & Plastics Sector of the Export Development Board. He also serves on the Wages Boards for the Rubber Growing and Manufacturing Trade, Cocoa, Cardamom & Pepper Growing & Manufacturing Trade and the Executive Committee of The Sri Lanka Society of Rubber Industry.

Prof. Nugawela joined the Rubber Research Institute in the capacity of an Assistant Botanist in 1980. He was awarded a Colombo Plan Scholarship in 1981 to read for his Masters Degree and in 1982 he successfully completed it in the field of Applied Plant Sciences at the University of London. He has extensive experience over 35 years in the capacities of a Botanist, Head of Plant Science Department, Deputy Director Research (Biology) and as a Director in Rubber Research Institute. In January 2011, Prof. Nugawela resigned from the post of Director of Rubber Research Institute to assume duties as a Professor in the Department of Plantation Management, Wayamba University of Sri Lanka.

In 1985 he was offered a scholarship by the Food and Agricultural Organization of the United Nations to obtain his professional qualifications. For his research work on Plant Physiology and Bio Productivity in Hevea brasiliensis (the natural rubber plant) he was awarded a PhD from the University of Essex, UK in 1989.

His thrust areas of research and development were on nursery and planting practices, exploitation, use of yield stimulants and rain guards. He has more than 120 publications in both local and foreign research journals and has addressed many local and international conferences on natural rubber.

For his Research and Development work he has won a National Science and Technology Award in 2009 and the Presidential Award for inventions in the category of environment in 2012. Further he has also been awarded with Presidential Awards for his research publications in reputed international journals.

Prof. Nugawela was appointed to the Board of Kegalle Plantations PLC with effect from 26 May 2008.

Prof. R C W M R A Nugawela
Director

Dr. S S B D G Jayawardena obtained his B.Sc. Degree on Agriculture with Honours from University of Ceylon. His M.Sc. on Agronomy was obtained in Kyoto, and his Ph.D. on Agronomy & Physiology from University of Kyoto.

Dr. Jayawardena is the Chairman of the Tea Research Board and a member of the Governing Boards of Sri Lanka Tea Board, Tea Small Holdings Development Authority, Tea Shakthi. In addition, he is a member of the National Salaries & Cadre Commission of the Government, the National Science Foundation National Committee and the Advisory Committee on Plantation Industry appointed by the Honorable Minister of Plantation Industries. In August 2010 he was appointed as a Director to the Board of Directors of Kegalle Plantations PLC.

He has joined the Department of Agriculture as a Research Officer in 1968 and was promoted as the Deputy Director (Research) in 1997. Director General of Agriculture, Director, Tea Research Institute, Chairman, Coconut Research Institute, Advisor to the Honorable Minister of Plantation Industries, Advisor to the Honorable Minister of Agriculture, Chairman, National Institute of Plantation Management, Chairman, Tea Research Board in 2006.

In addition to the above, Dr. Jayawardena was the FAO Consultant to the Consultative Group in International Agriculture Research on Bio-diversity and JICA Consultant to the Government of Ghana on Horticulture Sector Development.

He has over 44 years professional experience covering agricultural research and development activities, human resource development, development of foreign funded projects, direct involvement in food security and poverty, alleviation programs of the country.

He has participated in more than 80 International Conferences related to agriculture, development, research management, food security, bio-diversity, environmental etc., in many Countries in the world.

Dr. S S B D G Jayawardena
Director

MANAGEMENT TEAM

Senior Management

S S Poholiyadde	– Director/Chief Executive Officer
Sudheera Epitakumbura	– Financial Controller
Y S Nagahawatte	– Deputy General Manager– Marketing - Tea
I S Doranegama	– Deputy General Manager–Tea/ Administration
G L H D Amaratunga	– Deputy General Manager–Rubber
S C Bandaranayeke	– Engineer

Middle Management

T I Kodithuwakku	– Accountant
S Santha	– Manager – Plantations
R M S S Herath	– Manager – Information Systems
U P Jayasinghe	– Assistant Manager
M J Fajr Deen	– Corporate Manager
E S D D Perera	– Corporate Manager
BHMGS Katugaha	– Corporate Manager
Maleeha Amit	– Administration Executive
W E Ranjan	– Secretary
A Wickrama Arachchi	– Assistant Accountant
N H S K Munasinghe	– Accounts Executive
K M A Kaushan	– Management Trainee

Estate Managers & Others

Allagolla Estate – Udapussellawa

B P D Mahesh	– Superintendent

Ambadeniya Estate – Aranayake

A S de Wijethunge	– Superintendent
M R Vaidyakularatne	– Assistant Superintendent

Atale Estate – Atale

G L H D Amaratunga	– DGM – Rubber/Superintendent
B P S M Cooray	– Assistant Superintendent
N A Liyanagedara	– Assistant Superintendent

Doteloya Estate – Dolosbage

L M C Priyashantha	– Superintendent
G M B Samaranayake	– Assistant Superintendent

Eadella Estate – Polgahawela

A C S Munaweera	– Superintendent
C A Jayaratne	– Assistant Superintendent
H M L C Warakaulle	– Assistant Superintendent

Etana Estate – Warakapola

S D Munasinghe	– Superintendent

Gampaha Estate – Udapussellawa

Vinoda de Silva	– Superintendent
S M A B Samarathunge	– Assistant Superintendent

Hathbawe – Rambukkana

M W Liyanasekera	– Superintendent

Higgoda Estate – Undugoda

H S B Aluvihare	– Superintendent

Kirklees Estate – Udapussellawa

V S Athauda	– Superintendent
R N Gunasekara	– Assistant Superintendent

Luckyland Estate – Udapussellawa

S R Aluwihare	– Superintendent
D M A B Dewagiri	– Assistant Superintendent
A A Kamiss	– Assistant Superintendent

Madeniya Estate – Warakapola

D V M de Runn	– Superintendent

Pallegama Estate – Niyadurupola

B M J A Moonamale	– Superintendent
U M U L P Udagedara	– Assistant Superintendent
N A M O M Navaratne	– Assistant Superintendent

Parambe Estate – Undugoda

S A A P Jayatilake	– Superintendent
A A M D V Mediwake	– Assistant Superintendent

Udapola Estate – Polgahawela

N B Ranatunga	– Superintendent
W L Dananja	– Assistant Superintendent

Centrifuged Latex Project – Udapola Estate - Polgahawela

N B Ranatunga	– Superintendent
C N Wickremasinghe	– Quality Control Officer
M T S Krishantha	– Senior Technical Assistant
K R S D Wijethilake	– Technical Assistant
I M P D Illankoon	– Technical Assistant

Weniwella Estate – Alawwa

N D Madawala	– Superintendent
D S R Jayasinghe	– Assistant Superintendent

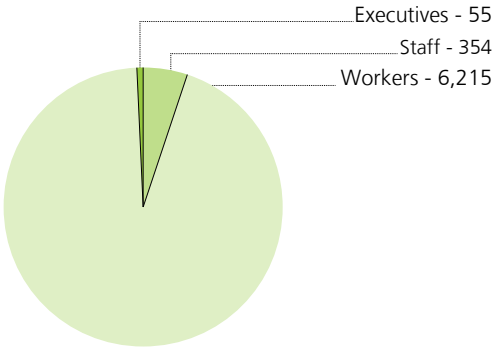
Yataderiya Estate – Undugoda

U K Wanniarachchi	– Superintendent
C S Aluthge	– Assistant Superintendent

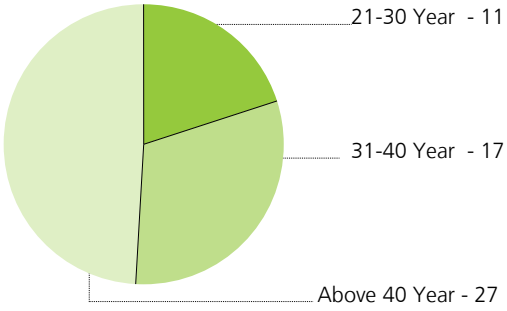
Employment Strength

Year/No of Members	Senior Management	Middle Management	Estate Managers & Executives	Head Office Staff	Staff Estate	Harvestors & Others	Total
2014	5	11	32	9	347	6,462	6,866
2015	6	12	37	9	345	6,215	6,624

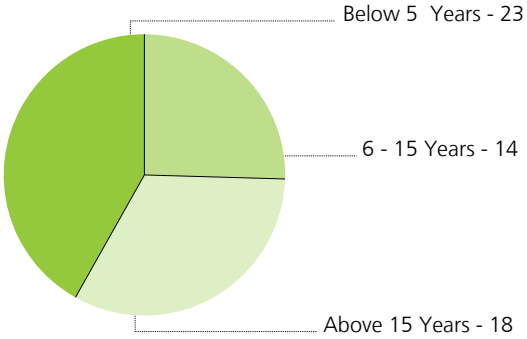
Employment Categorization 2015



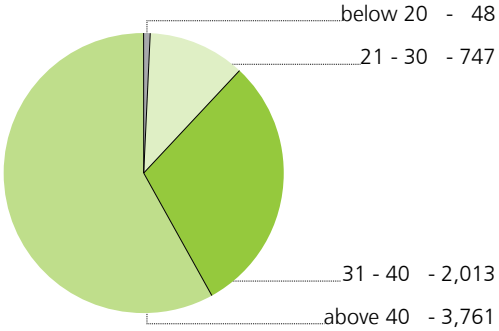
Age Analysis - Executive



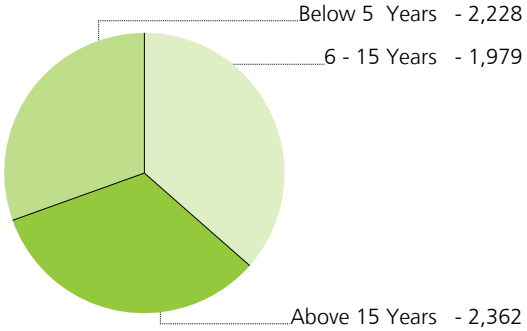
Service Analysis - Executive



Age Analysis - Staff and Workers



Service Analysis - Staff and Workers



CORPORATE GOVERNANCE

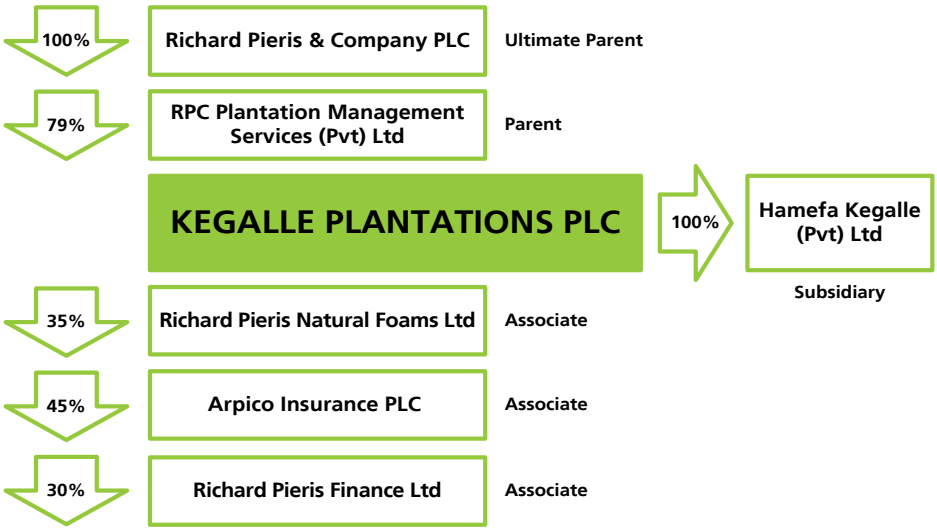
The Board of Directors of Kegalle Plantations PLC is committed and takes responsibility to maintain the highest standards of Corporate Governance.

Kegalle Plantations PLC has designed its Corporate Governance policies and practices to ensure that the Company is focused on its responsibilities to its stakeholders and on creating long term shareholder value. The Company recognizes the interests of all its stakeholders including shareholders, employees, customers, suppliers, consumers and the other communities in which it operates. The Company complies with the rules on Corporate Governance, included in the Listing Rules of the Colombo Stock Exchange, and is guided by the principles included in the Code of Best Practice on Corporate Governance issued jointly by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka. This statement sets out the Corporate Governance policies, practices and processes adopted by the Board.

The Board of Directors

The Company is governed by its Board of Directors, who directs and supervises the business and affairs of the Company on behalf of the shareholders.The Board comprises five Directors, of which three are Executive Directors whilst two are Non-Executive Directors who are Independent, ensuring an independent outlook to temper the expediency of the experts. Brief profiles of the Directors are set out on pages 48 and 49. The Board has assessed the independence of the Non-Executive Directors.

Group Structure



Name of Directors	Executive	Non-Executive	Independent
Dr. Sena Yaddehige	✓	-	-
Mr. J H P Ratnayeke	✓	-	-
Mr. S S Poholiyadde	✓	-	-
Prof. R C W M R A Nugawela	-	✓	✓
Dr. S S B D G Jayawardena	-	✓	✓

During the year the Board met on two occasions. Prior to each meeting, the Directors are provided with all relevant management information and background material relevant to the agenda to enable informed decisions. Board Papers are submitted in advance on Company performance, new investments, capital projects and other issues which require specific Board approval. A separate information memorandum is provided on statutory payments at each Board Meeting.

The Chairman is responsible for matters relating to policy, maintaining regular contact with the other Directors, shareholders and external stakeholders of the Company. He is responsible for overall commercial, operational and strategic development and assisted by an Executive Management Committee comprising Executive Directors and Heads of Companies of the Strategic Business Units (SBU) of the Ultimate Parent Company. The Finance function devolves on the Group Chief Financial Officer and the Financial Controller, who is present by invitation at board meetings when financial matters are discussed. The Board of Directors has access to independent professional advice as and when deemed necessary for decision making.

The main functions of the Board are to:

- Direct the business and affairs of the Company.
- Formulate short and long term strategies, as a basis for the operational plans of the Company and monitor implementation.
- Report on their stewardship to shareholders.
- Identify the principal risks of the business and ensure adequate risk management systems in place.
- Ensure internal controls are adequate and effective.
- Approve the annual capital and operating budgets and review performance against budgets.
- Approve the interim and final Financial Statements of the Company.
- Determine and recommend interim and final dividends for the approval of shareholders.
- Ensure compliance with laws and regulations.
- Sanction all material contracts, acquisitions or disposal of assets and approve capital projects.

All Non-Executive Directors are independent with no direct or indirect material relationship with the Company. Their wide range of expertise and significant experience in commercial, corporate and financial activities bring an independent view and judgment to the Board.

Corporate Governance Structure

The Company's Governance Framework is depicted in bottom of the page 54.

Sub Committees of the Board

The Board is responsible for the establishment and functioning of all Board Committees, the appointment of members to these committees and their compensation. The Board has delegated responsibilities to two Board Sub Committees which operate within clearly defined terms of reference.

Audit Committee

Kegalle Plantations PLC is one of the Group Companies of the Richard Pieris & Company PLC. Richard Pieris & Company is also the majority shareholder and as such the Group Audit Committee acts as the Audit Committee of the Company. Audit Committee Report on Page 55 to 56 describes the activities carried out during the Financial Year.

Remuneration Committee

The Report of the Remuneration Committee is on Page 57 and highlights its main activities.

Appointment of Directors

The Company does not have a Nomination Committee to recommend additions to the Board. The Board as a whole decides on the appointments of new members.

Relationship with Shareholders

The Board maintains healthy relationships with its key shareholders (individual and institutional) while maintaining a dialogue with potential shareholders as well. The Annual General Meetings are held to communicate with the shareholders and their participation is encouraged. Apart from this, its principal methods of communication include the Corporate Website, the Annual Report, Quarterly Financial Statements and press releases. Further telephone lines of the Company Secretaries is published in both Quarterly Statements Accounts as well as in the Annual Report & the Shareholders are able to contact the Senior Management at any given time.

Internal Controls

The Board is responsible for instituting on effective internal control system to safeguard the assets of the Company and ensure that accurate and complete records are maintained from which reliable information is generated. The system includes all controls including financial, operational and risk management. Strategies adopted by the Company to manage its risk are set out in its report on Risk Management on pages 58-63.

Apart from the strategic plans covering a three year time horizon, a comprehensive budgetary process is in place, where annual budgets, identifying the critical success factors and functional objectives, prepared by the Company are,

approved by the Board, at the commencement of a financial year, and its achievement monitored monthly, through a comprehensive monthly management reporting system. Clear criteria and benchmarks have also been set out for the evaluation of capital projects and new investments.

The Internal Audit Division reporting to the Chairman, regularly evaluates the internal control system across the organization and its findings are reviewed first by the Audit Committee and significant issues are thereafter reported to the Board. The Board reviewed the internal control procedures in existence and are satisfied with its effectiveness.

Relationship with Other Stakeholders

The Board identifies the importance of maintaining a healthy relationship with its key stakeholders and ensures the Company inculcates this practice. Internal communication is mainly conducted through the quarterly newsletter, e-mails, memos and circulars.The Board also ensures that the Group policies and practices are in line with the Company's values and its social responsibilities. The Company promotes protection of the environment, health and safety standards of its employees and others within the organization. The relevant measures taken are given in detail in the Sustainability Report on pages 30-46.

Compliance

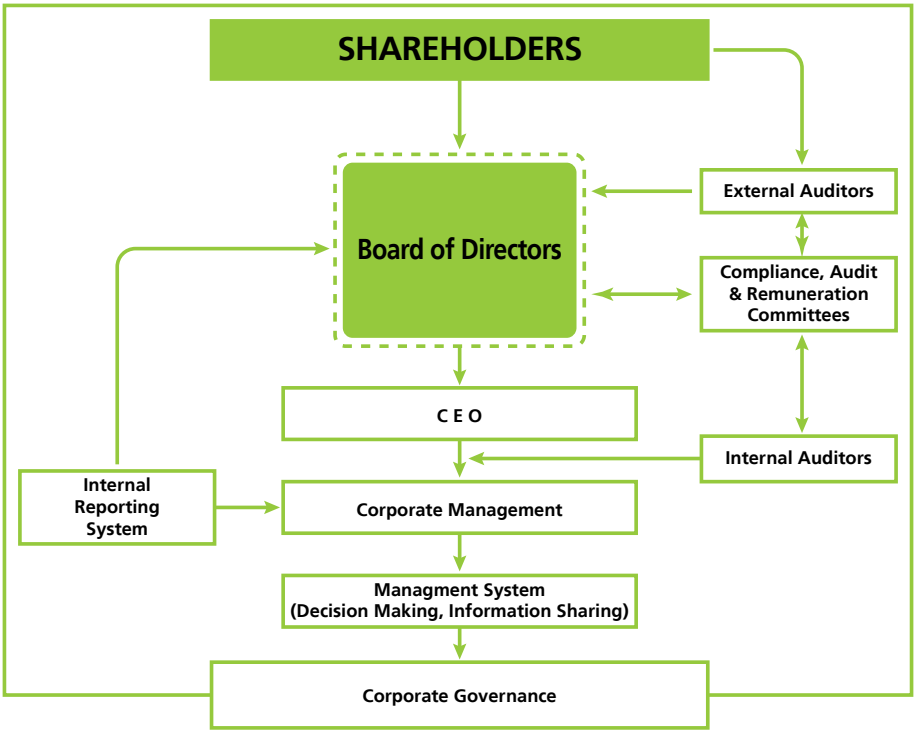
The Board places significant emphasis on strong internal compliance procedures. The Financial Statements of the Company are prepared in strict compliance with the guidelines of the Sri Lanka Accounting Standards and other statutory regulations. Financial statements are published quarterly in line with the Listing Rules of the Colombo Stock Exchange through which all significant developments are reported to shareholders quarterly. The Board of Directors, to the best of their knowledge and belief, are satisfied that all statutory payments have been made to date.

Corporate Governance Requirements listed under Section 7 of the Listing Rules issued by the Colombo Stock Exchange (CSE);

CSE Section Reference	Requirement	Status of Kegalle Plantations PLC
7.10.1 (a) to (c)	Non Executive Directors	In Compliance
7.10.2 (a) & (b)	Independent Directors	In Compliance
7.10.3	Disclosures relating to Directors	In Compliance
7.10.4	Criteria for defining "Independence"	In Compliance
7.10.5	Remuneration Committee	In Compliance
7.10.6	Audit Comamittee	In Compliance

Going Concern

The Directors have continued to use the 'Going Concern' basis in the preparation of the Financial Statements, after careful review of the financial position and cash flow status of the Company. The Board of Directors believes that the Company has adequate resources to continue its operation for the foreseeable future.



REPORT OF THE AUDIT COMMITTEE

The Audit Committee Charter, approved by the Board of Directors defines the purpose, authority, composition, meeting and responsibilities of the Committee.

The purpose of the Audit Committee is to:

1. Assist the Board of Directors in fulfilling its overall responsibilities for the financial reporting process
2. Review the system of internal control and risk management
3. Monitor the effectiveness of the internal audit function
4. Review the Company's process for monitoring compliance with laws and regulations
5. Review the independence and performance of the external auditors
6. To make recommendations to the board on the appointment of external auditors and recommend their remuneration and terms of engagement

The Audit Committee consisted of two Independent and Non Executive Directors of the Richard Pieris & Company PLC, the Ultimate Parent Company, namely Prof. Lakshman R. Watawala, Chairman and Dr. S. A. B. Ekanayake. The Chairman of the Committee is a Senior Chartered Accountant. The Company Secretary functions as Secretary to the Audit Committee.

The principal activities of the Committee are detailed below;

Meetings

The Audit Committee held four meetings during the year under review.

The Group Chief Financial Officer, Chief Executive Officer, Financial Controller and Group Internal Audit Manager were invited if deemed necessary for audit committee meetings.

Meetings were held with the external auditors regarding the scope and the conduct of the annual audits.

Internal Audit and Risk Management

The Internal Audit Programme was reviewed by the Committee to ensure that it covered the major operational aspects of the Company.

The Chief Internal Auditor was invited to be present at all Audit Committee deliberations. He presented a summary of the salient findings of all internal audits and investigations carried out by his department for the period. The responses from the Chief Executive Officer of the Company to the internal audit findings were reviewed and where necessary corrective action was recommended and implementation monitored.

The Committee also had the responsibility to review the loss making Estates of the Company and strategies for turning round these Estates and recommending suitable corrective action.

Internal Controls

During its meetings, the Committee reviewed the adequacy and effectiveness of the internal control systems and the Company's approach to its exposure to the business and financial risks. Processes are in place to safeguard the assets of the organization and to ensure that the financial reporting system can be relied upon in the preparation and presentation of Financial Statements. A comprehensive Management Report and Accounts are produced at month end highlighting all key performance criteria pertaining to the Kegalle Plantations PLC and its Subsidiary which is reviewed by the Senior Management on a monthly basis.

Board of Directors review performance on a quarterly basis or more often, if required.

Financial Statements

The Committee reviewed the Company's Quarterly Financial Statements, the Annual Report and Accounts for reliability, consistency and compliance with the Sri Lanka Financial Reporting Standards and other statutory requirements, including the Companies Act, No 7 of 2007, prior to issuance. It also reviewed the adequacy of disclosure in published Financial Statements.

The Group has adopted the new Sri Lanka Accounting Standards (new SLAS) comprising LKAS and SLFRS applicable for financial periods commencing from 01 April 2012 as issued by the Institute of Chartered Accountants of Sri Lanka.

External Auditors

The Audit Committee has reviewed the other services provided by the External Auditors to the Company to ensure their independence as Auditors has not been compromised.

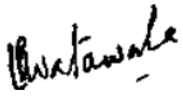
The Committee reviewed the Management Letters issued by the External Auditors, the Management response thereto and also attended to matters specifically addressed to them. The

external auditors kept the audit committee informed on an ongoing basis of all matters of significance. The Committee met with the Auditors and discussed issues arising from the audit and corrective action taken where necessary.

The Audit Committee has recommended to the Board of Directors that Messrs. Ernst & Young be re-appointed as Auditors for the financial year ending 31 March, 2015 subject to the approval of the shareholders at the next Annual General Meeting.

Conclusion

The Audit Committee is satisfied that the control environment prevailing in the organization provides reasonable assurance regarding the reliability of the financial reporting of the Company, the assets are safeguarded and that the Listing Rules of the Colombo Stock Exchange have been met.



Prof. Lakshman R Watawala
Chairman

28 May 2015

REPORT OF THE REMUNERATION COMMITTEE

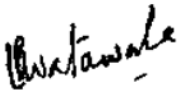
The Remuneration Committee of the Ultimate Parent Company acted as the Remuneration Committee of Kegalle Plantations PLC.

The Remuneration Committee, appointed by and responsible to the Board of Directors, consists of two independent Non Executive Directors, Prof. Lakshman R Watawala and Dr. S. A. B. Ekanayake. The Committee is chaired by Prof. Lakshman R Watawala. The Committee met on several occasions during the financial year.

The Remuneration Committee has reviewed and recommended the following to the Board of Directors:

1. Policy on remuneration of the Executive Staff
2. Specific remuneration package for the Executive Directors

In a highly competitive environment attracting and retaining high caliber executives is a key challenge faced by the Company. In this context, the Committee took into account, competition, market information and business performance in declaring the overall remuneration policy of the Company.



Prof. Lakshman R Watawala
Chairman

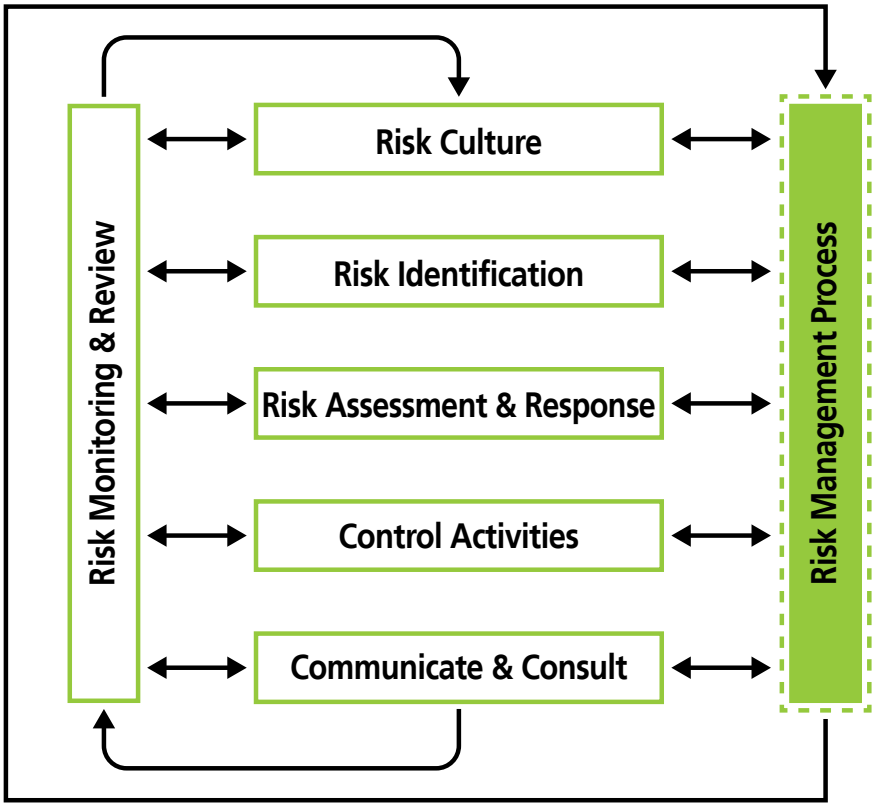
28 May 2015

RISK MANAGEMENT

Kegalle Plantations PLC is exposed to a multitude of risks as any other organisation & risks which are specific to the plantation sector. This specific risk is associated with the cultivation and processing of Rubber, Tea and the economic environment in which it operates. The Board of Directors therefore places special attention on the management of business risks together with the risk management Committee to ensure sound Financial & operational control systems are put in place. Internal auditors & management team time to time review the systems' viability to address prevailing risks to eliminate down side of risks & make the use of upside of risks, in order to safeguard shareholders' investment and assets.

Risk Management Process

The Company's risk management process comprises of risk identification, risk assessment, controls to mitigate or eliminate risk, risk monitoring and reviewing of uncertainty in business decision-making. The diagram below shows the above steps of risk management in the overall context of Kegalle Plantations PLC.

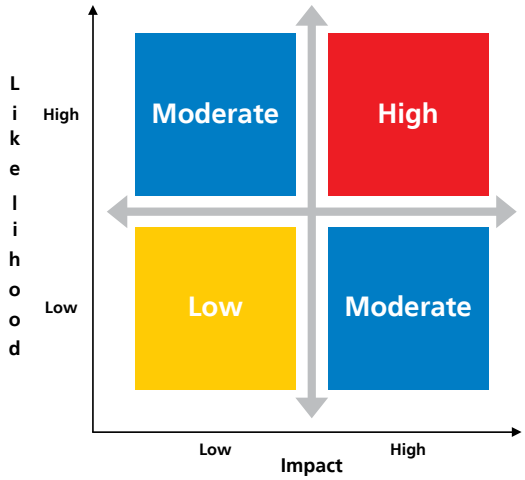


Risk identification:

Our Company's top management has committed to create risk culture within the company & sufficient risk awareness among employees. Company is following Bottom-up-approach to identify internal risks and this will encourage even operational level employees to identify risk arising within their respective functional areas. Top management is always conscious about the external developments to identify external risks. Company would be exposed to wide range of risks, some are specific to the plantations sector and some of them are common for every organisation. These identified risks are categorised basically under four main headings for effective control purposes.

Risk Assessment & Response:

This allows Kegalle Plantations PLC to consider the extent to which potential events might have an impact on achievement of objectives and base on that determine how the identified risk will respond. Following diagram depicts previously identified risks upon their likelihood of occurrence & the Monitory impact to the company.



Top management may decide the appropriate actions depending on the tolerance of risk to address the different types of risks identified as above.

- High Risks : Risk avoidance by not undertaking risky activities.
- Moderate Risks : Risk reduction by establishing internal controls & Risk transfer to third parties who are more capable of handling those such as taking insurance policies.
- Low risk : Risk acceptance since it is worthwhile rather trying to mitigate these risks.

The Company is willing to take even high risks after careful investigation if these activities add competitive edge to the Company. However ultimated risk acceptability will depend on the risk appetite therefore management is required to operate within the limits to avoid surpassing risk appetite.

Control activities:

Control activities are the policies & procedures that help ensure that management risk responses are carried out. KPL's control activities occurs throughout the organisation, at all levels covering all functions. Basically controls include a range of activities such as segregation of duties, personal controls, approvals & authorization, management controls, supervision, organisational controls, accounting & arithmetic checks and physical controls. Company has placed following controls for each risks identified at the early stage.

Index

- **Risk Exposure**
- **Company Objectives**
- **Risk Minimisation Strategy**

Risk Rating

L	M	H
Low	Moderate	High

Economic Risk

Global Economic Changes

To minimize the risk associated with Changes due to Global Recession, sanctions on countries or change in international Markets.

- Spread the risk by attempting to market the products in different global markets and finding reliable new customers.
- Continues to match the supply with global demand. For an example concentrate more on bio rubber

	2014/15	2013/14
Probability	↑	↑
Impact	↑	↑
Rating	H	H

Fiscal Policy Changing Risk

To minimize risks associated with changing government policies on international trade and plantation sector.

- Company has employed tax & legal consultants to advice on these issues.
- Government lobbying through the minister by maintaining good formal relationship.
- Willing to deal with financial risk arising with government policy changes.

	2014/15	2013/14
Probability	↑	↑
Impact	↑	↑
Rating	H	H

Operational Risk

Inventory & Asset Risk

To reduce stock obsolescence, risks from fire, theft and manage stock holding costs and to minimize machinery & equipment breakdown.

- Reducing the risk associated with theft and shrinkage by frequent physical check.
- Adopting a monthly declaration policy.
- Identifying show moving stocks and effectively laying out a channel for these to be sold off.
- Obtaining comprehensive insurance covers for all tangible assets.
- Adoption of stringent procedures with regard to the moving of assets from one location to another.
- Carrying out mandatory preventive maintenance programs.
- Carrying out frequent employee training programs in areas such as fire prevention.

	2014/15	2013/14
Probability	↑	↓
Impact	↑	↑
Rating	H	M

Human Capital & Labour Risk

	2014/15	2013/14
Probability	↑	↓
Impact	↑	↑
Rating	H	M

- To ensure a smooth flow of operations without any undue disruptions.
  - Maintaining healthy relationships with trade unions through regular dialogues.
  - Entering in to collective agreements with trade unions.
  - Ensure compliance with all regulatory requirements with regard to the benefits applicable to workers at estates.
  - To protect our self as a human employer being successful in motivating, developing, retaining and attracting the best of human capital.
  - Improving employee benefits by way of financial incentives and welfare activities.
  - Arrange in-house and external training in order to develop the human resources.

Product & Risk of Competition

	2014/15	2013/14
Probability	↓	↓
Impact	↑	↑
Rating	M	M

- To maximize our market share and maintain leadership in the respective industries.
  - Ensuring high standards of quality in the eyes of the customer.
  - Increasing productivity and efficiency in order to ensure an adequate margin despite increasing wage, energy and transportation cost.
  - Carrying out Research & Development activities whenever necessary in order to identify key areas to be focused.

Procurement Risk

	2014/15	2013/14
Probability	↓	↓
Impact	↓	↓
Rating	L	L

- To minimize risk associated with price and availability of materials.
  - Continuous replanting activities of all crops.
  - Establishing relationships with many suppliers for latex and bought leaf in order to reduce over-dependency on a single supplier.
  - Entering into forward contracts for purchases of certain raw material items.

Information Systems Risk

	2014/15	2013/14
Probability	↓	↓
Impact	↓	↓
Rating	L	L

- To minimize risk associated with Date Security, Hardware, Communication and Software.
  - Maintaining of spare servers.
  - Mirroring of hard disks with critical data.
  - Data back-ups stored in off site locations.
  - Vendor agreements for support service and maintenance.
  - Regular updating of Virus scanners, Firewalls etc.
  - Compliance with statutory requirements for environmental preservations.
  - Carrying out Application Control Audits.

Strategic Risks

Environmental Risk

	2014/15	2013/14
Probability	↑	↑
Impact	↑	↑
Rating	H	H

- Company cannot completely eliminate the risk arising with climate changes and natural disasters. Following actions have been taken by the management in order to minimise the impacts on product quality & prices due to adverse weather conditions.
  - Having in place Sustainable agricultural practices.
  - Planting shady trees for tea.
  - Diversified crop in Rubber, Tea, Cardamom & Timber.
  - Ensure Close monitoring of crop & price variance during extreme weather conditions.

Reputation Risk

	2014/15	2013/14
Probability	↓	↓
Impact	↑	↑
Rating	M	M

- To prevent the causes that damages our reputation.
  - Having in place a budgetary process & a budgetary control mechanism on a monthly basis to ensure that the Company's performance is continuously in line with its targets.
  - Adopting stringent quality assurance policies with regard to raw and packing materials bought out from third parties.
  - Ensure quality in manufacturing process and compliance with the standards. Work towards obtaining at least HACCP standard in every factory.
  - Ensuring effective communication with various stakeholders such as employees, bankers, regulators, customers, suppliers and the shareholders.

Technological Risk

	2014/15	2013/14
Probability	↓	↓
Impact	↓	↓
Rating	L	L

- To keep pace with the current technological developments and safeguard against obsolescence.
- The continuous investments in new machineries and experiments on new methods.
  - Mechanization of estate functions up to the highest possible extent.
  - Investing in Research & Development activities whenever necessary.
  - Implementation of the new computer system in head office and the estates.
  - Investing in hardware resources.

Financial Risk

Currency Risk

	2014/15	2013/14
Probability	↑	↑
Impact	↓	↓
Rating	M	M

- To minimize risk associated with the fluctuation in foreign currency rates in relation to export proceeds, import payments and foreign currency debt transactions.
- Ensuring effective utilization by coordinating with treasury operations act as a natural hedge. such as forward bookings, forward sales, swaps etc
  - Export proceeds exceeding the import payments and foreign currency debt payments through various hedging techniques.

Interest Rate Risk & Gearing Risk

	2014/15	2013/14
Probability	↑	↑
Impact	↓	↓
Rating	M	M

- To minimize adverse effects of interest rate volatility and currency denominated borrowings.
  - Structuring the loan portfolio to combine foreign currency and local.
  - Minimize interest rate risk through internal hedging techniques such as matching by having balance between variable & fixed portion of interest income & expense.
  - Effective utilization of external hedging techniques such as interest rate swaps.
  - Maximum utilization of the concessionary funding available to Plantation Companies.
  - To ensure cost of borrowing is at the optimum level, appropriate gearing ratio will be maintained with the assistance of Group Treasury.

Liquidity & Cash Management Risk

	2014/15	2013/14
Probability	↓	↓
Impact	↑	↑
Rating	M	M

- Capitalize on opportunities to raise funds at lowest possible cost.
  - Funding of long term assets through Equity and Long Term Loans.
  - Ensure availability and effective utilization of short term facilities where necessary.
  - To ensure a strong liquidity position.
  - Ensuring proper management of working capital.
  - Maximum utilization of the concessionary funding available to Plantation Companies.

Capital Investments Risk

- To minimise risk of not meeting profit expectations.
  - Adopting a stringent approval procedure for Capital expenditure based on the level of investment and the expected pay back.

	2014/15	2013/14
Probability	↓	↓
Impact	↑	↑
Rating	M	M

Credit Risk

- To minimize risks associated with debtor defaults.
  - Obtaining insurance covers for export debtors.
  - Sales are made through auction and brokers assure the settlement.
  - Work towards obtaining collaterals from major local customers with high outstanding.
  - Follow stringent assessment procedures to ensure credit worthiness of the customers prior to the granting of credit.

	2014/15	2013/14
Probability	↓	↓
Impact	↓	↓
Rating	L	L

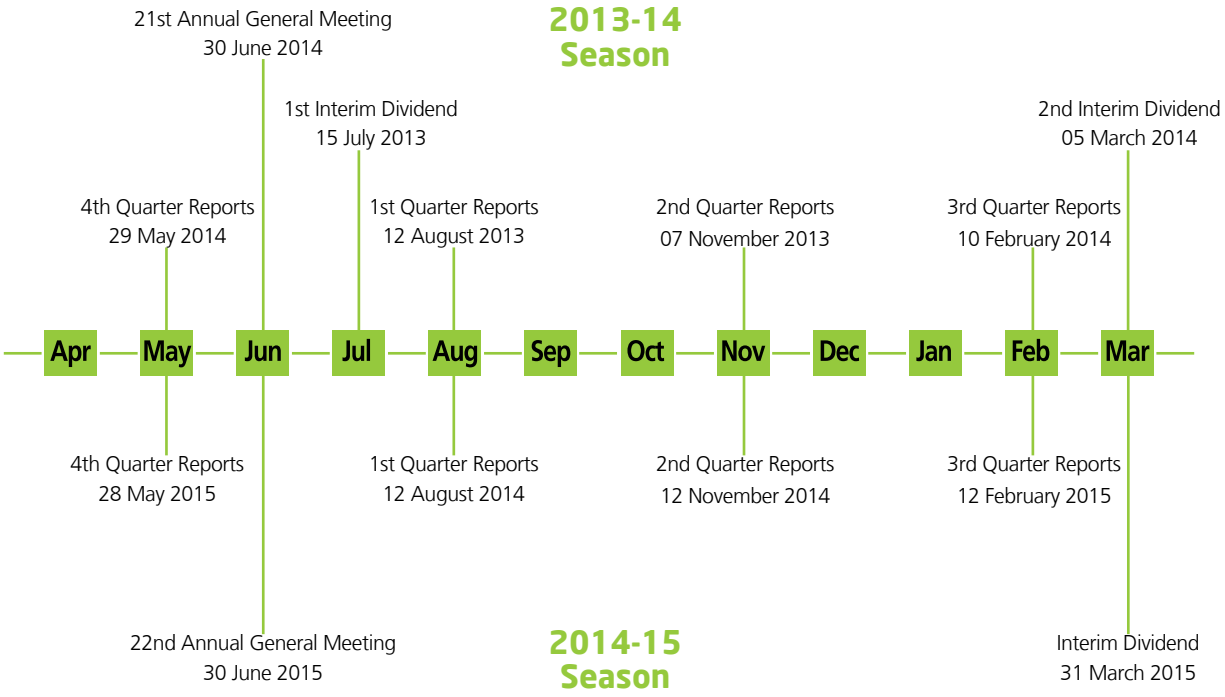
Risk monitoring:

This is the process of assessing the presence & functioning of Company's risk management components over time with the purpose of identifying weaknesses in the controls in addressing to internal & external changes. The ultimate responsibility for ongoing monitoring activities or separate evaluations lies with the top management & audit committee. Our group internal audit team carries out frequent system base audits by visiting to each estate and reporting to the risk management committee on matters require immediate responses.

Risk review:

Effectiveness of the above risk management process will be reviewed annually & make adjustments to the current process by the risk management committee. At this stage relevant information is identified and communicated in order to facilitate the people who are responsible for risk management within the Company.

FINANCIAL CALENDER



Meetings

Annual Report	Published	Meetings	Date
2003/04	27 May 2004	11th Annual General Meeting	28 June 2004
2004/05	26 May 2005	12th Annual General Meeting	27 June 2005
2005/06	29 May 2006	13th Annual General Meeting	29 June 2006
2006/07	21 May 2007	14th Annual General Meeting	29 June 2007
2007/08	15 May 2008	15th Annual General Meeting	23 July 2008
2008/09	09 June 2009	16th Annual General Meeting	28 July 2009
2009/10	19 May 2010	17th Annual General Meeting	29 June 2010
2010/11	27 May 2011	18th Annual General Meeting	30 June 2011
2011/12	29 May 2012	19th Annual General Meeting	29 June 2012
2012/13	30 May 2013	20th Annual General Meeting	28 June 2013
2013/14	29 May 2014	21st Annual General Meeting	30 June 2014
2014/15	28 May 2015	22nd Annual General Meeting	30 June 2015

"Every financial worry you want to banish and financial dream you want to achieve comes from taking tiny steps today that put you on a path toward your goals."

- Suze Orman -

Financial Reports

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Statement of Comprehensive Income 74
Statement of Cash Flow 75
Statement of Changes in Equity 77
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ANNUAL REPORT OF THE BOARD OF DIRECTORS

The Directors of Kegalle Plantations PLC have pleasure in presenting to the Members, their report together with the Audited Financial Statements of the Company and its subsidiary for the year ended 31 March 2015 and the Auditor's Report thereon.

The Board of Directors approved this report at the Board meeting held on 28 May 2015.

The details set out herein provide pertinent information required by the Companies Act No. 7 of 2007, Listing Rules of the Colombo Stock Exchange, Securities and Exchange Commission and are guided by recommended best Accounting Practices. The Company's new registration number is PQ 135.

Principal Activities and Operational Review

The principal activity of Kegalle Plantations PLC is cultivation and processing of Rubber, Tea, Coconut and other crops and remains unchanged from the previous year. The number of estates manage remained the same as last year - 17 estates with a total extent cultivated being 7,547 hectares (7,598 hectares in 2014).

The Company continues to be managed by RPC Plantation Management Services (Pvt) Ltd. The basis of computation of Management Fees was same as that of the previous year and was in accordance with the Agreement signed between both parties.

Future Development

Profound changes take place in the global commodity market. In order to stay ahead of its competitors, the strategic direction of the Company is regularly monitored by the Board of Directors in the key areas of operations and financial management, in pursuit of improving yields, value addition, diversification and product differentiation to reduce price sensitivity, to improve quality and get the best return on investment.

Review of the Company Performance

The Chairman's Review, Review of Operations, the Financial Review and other reports attached, briefly describe the performance of the Company and the Group in the current financial year. These Reports together with the Financial Statements reflect results and the state of affairs of the Company and its subsidiary.

Turnover

The Turnover of the Company was Rs. 2,023,911,276/- (2014 - Rs. 2,414,220,024/-) which is a 16% decrease over last year, Composition of the Revenue is given in Note 23 to the Accounts.

Financial Results

Year Ended 31 March	2015 Rs.'000	2014 Rs.'000
Profit from operations after deducting all expenses, depreciation and all known liabilities	96,875	385,209
(-) Taxation	30,159	(39,216)
Profit After Tax	127,034	345,993
(+) Other Comprehensive Income	(7,161)	(2,929)
Total Comprehensive Income	119,873	343,064
(+) Un-appropriated profit brought forward	2,867,520	2,861,956
Profit available for distribution	2,987,393	3,205,020
Appropriation		
Dividends paid	(50,000)	(337,500)
Un-appropriated profit carried forward	2,937,393	2,867,520

Investments

The Company invested in 10.00 mn, Rs. 100/- each five year Fixed Rated Listed Debentures (11.25% p.a.) interest payable Semi Annually Issued by the Ultimate Parent Company (Richard Pieris & Company PLC) amounting to Rs. 1.0 bn in May 2014. Information relating to the movement of this investment is given in Note 9.1 to the Accounts.

The Board of Directors of Hamefa Kegalle (Pvt) Ltd decided to discontinue commercial operations with effect from April 2009 and information relating to the discontinued operations of this Company is given in Note 30 to the Accounts.

Property, Plant and Equipment

The total capital expenditure incurred on the acquisition of fixed assets during the year amounted to Rs. 305,851,234/- (2014 - Rs. 294,467,886/-), out of which expenditure on Biological Assets amounts to Rs. 263,194,900/- (2014 - Rs. 290,312,837/-). Further information relating to the movement of Fixed Assets is given in Notes 6 to 8 of the Accounts. Capital expenditure has been financed by either long or short term borrowings depending on the pay- back period and or internally generated funds.

Loans & Borrowings

A breakdown of the total loans outstanding as at the Statement of Financial Position date is given in Note 15 to the Accounts.

Stated Capital

The Stated Capital of the Company as at 31 March 2015 was Rs. 250,000,010/-. A detail of the Stated Capital is given in Note 14 to the Financial Statements.

Reserves

The Reserves of the Company as at 31 March 2015 was Rs. 3,162,393,242/- (2014 - Rs. 3,092,519,936/-). The details are given in the Statement of Changes in Equity on Page 77 to the Financial Statements.

Donations

The Donations made during the year by the Company amounted to Rs. 15,000/- (2014 – Rs. 23,333/-).

Taxation

The Company is liable for income tax at the rate of 28% on profits from manufacture & 10% on profits from agriculture beginning from the year of assessment 2011/12. In terms of Section 16 of the Inland Revenue Act No. 10 of 2006, profits from agriculture of the Company has been exempted from income tax for a period of 5 years which expired in the year 2010/11. Further details of Taxation are given in Note 29 to the Financial Statements.

Share Information

Information on Earnings, Dividend, Net Assets and Market Value per share is given on Pages 129 to 131 of this report.

Major Shareholders

The twenty largest shareholders of the Company as at 31 March 2015 together with percentages held are given under the caption "Shareholder & Investor Information" on Page 130.

Directors

The Names of the Directors who held Office during the year are given below. Their brief profile appears on Pages 48 to 49.

Name	
Dr. Sena Yaddehige	Chairman
J H P Ratnayeke	Deputy Chairman
S S Poholiyadde	Director/CEO
Prof. R C W M R A Nugawela	Director
Dr. S S B D G Jayawardena	Director

In accordance with the Provisions of the Article 92 of the Articles of Association of the Company, Prof. R C W M R A Nugawela, who retires by rotation at the AGM will offer himself for re-election.

In accordance with the Provisions of the Article 92 of the Articles of Association of the Company, Dr. S S B D G Jayawardena, who retires by rotation at the AGM will offer himself for re-election.

Directors' Interest in Contracts

Directors' interest in Contracts in relation to transactions with related entities, transactions with Key Management Personnel and other related disclosures are stated in Note 36 (Related party disclosures) to the Financial Statements. In addition, the Company carried out transactions in the ordinary course of business with the following entities having one or more directors in common is shown in Page 68.

Transactions with related undertakings;

Company	Name of Director	Position	Nature of Transaction	Amount Rs. '000 2015	2014
Eastern Brokers Ltd	Mr. S S Poholiyadde	Director	Lot Money	377	387
			Brokerage	8,541	8,861

Directors' Interest in Shares

Shareholding of Directors who held office during the financial year is as follows:-

Name of Director	2015 No. of Shares	2014 No. of Shares
Mr. S S Poholiyadde	3,307	3,307

Directors' Remuneration and Other Benefits

The Remuneration of the Directors for the year ended 31 March 2015 is given in Note 25 of the Financial Statements.

Environmental Protection

The Companies activities can have both direct and indirect effects on the environment. It is the policy of the Company to minimize any adverse effects by recycling resources as much as possible and creating awareness among staff on current global environmental threats.

The Company's efforts in relation to environmental protection are set out on Page 30 under "Sustainability Report".

Employment Policy

The Company's recruitment and employment policy is non discriminatory. Appraisals of individual employees are carried out by the respective departmental heads in order to evaluate their performances and realise their potential and through this process to benefit the Company and themselves.

Statutory Payments

The Directors, to the best of their knowledge and belief, are satisfied that all statutory payments have been made up to date.

Post Balance Sheet Events

No circumstances have arisen since the Statement of Financial Position date, which would require adjustment or disclosure in the Accounts.

Board Committees

Information on Board Committees is given in Pages 52 to 54 under Corporate Governance. Audit Committee and Remuneration Committee Reports are given on Pages 55 to 57 respectively.

Corporate Governance and Internal Control

The policies adopted by the Company in relation to Best Practices and Good Corporate Governance are given on Page 52 to 54.

The Board has overall responsibility for the Group's system of Internal Financial Control. Although no system of Internal Control can provide absolute assurance against material misstatement or loss the Company's internal control system has been designed to provide the Directors with reasonable assurance that assets are safeguarded, transactions authorized and properly recorded and material errors and irregularities either prevented or detected within a reasonable period of time.

Directors' Responsibility for Financial Reporting

The Statement of Directors' Responsibility is given on Page 70 of this report.

Compliance with Laws and Regulations

The Directors, to the best of their knowledge and belief, confirm that the Company has not engaged in any activities that contravene the Laws and the regulations applicable in Sri Lanka. Financial Statements are published quarterly in line with the Listing Rules of the Colombo Stock Exchange.

Auditors

The Financial Statements for the year ended 31 March 2015 have been audited by Messrs. Ernst & Young, Chartered Accountants. The Auditors Report is given on Page 71.

In accordance with the Companies Act No. 7 of 2007, a resolution proposing their re-appointment as Auditors to the Company and authorizing the Directors of the Company to fix their remuneration will be proposed at the Annual General Meeting.

The Audit Fee of Messrs. Ernst & Young for the current year was Rs. 2,483,600/- (2014 Rs. 2,278,914/-). In addition Rs. 459,467/- (2014 Rs. 1,216,096/-) was paid by the Company for non-audit related work which consists mainly of certifications issued to the Department of Inland Revenue and Tax related work. As far as the Directors were aware the Auditors do not have any relationship other than that of an Auditor with the Company.

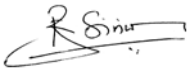
Annual General Meeting

The Annual General Meeting will be held on 30 June 2015 at the registered office of the Company at 310, High Level Road, Nawinna, Maharagama. The notice of the Annual General Meeting is on Page 134 of the report.

On behalf of the Board,

S S Poholiyadde
Director

J H P Ratnayeke
Director



Mrs. R J Siriweera
Company Secretary
Richard Pieris Group Services (Pvt) Ltd
Secretaries
310, High Level Road
Nawinna
Maharagama.

28 May 2015

STATEMENT OF DIRECTORS' RESPONSIBILITY

In keeping with the provisions under the Companies Act No.7 of 2007, the Directors of Kegalle Plantations PLC, acknowledge their responsibility in relation to financial reporting of both, the Company and that of its Group. These responsibilities differ from those of its Auditors, Messrs. Ernst & Young, which are set out in their report, appearing on page 71 of this report.

The Financial Statements of the Company and its subsidiary for the year ended 31 March 2015 included in this report have been prepared and presented in accordance with the Sri Lanka Financial Reporting Standards. They provide the information as required by the Companies Act No. 7 of 2007, Sri Lanka Accounting Standards and the Listing Rules of the Colombo Stock Exchange. The Directors confirm that suitable accounting policies have been used and applied consistently and that all applicable accounting standards have been followed in the preparation of the Financial Statements given on pages from 72 to 124 inclusive. All material deviations from these standards if any have been disclosed and explained. The judgments and estimates made in the preparation of these Financial Statements are reasonable and prudent.

The Directors confirm their responsibility for ensuring that all Companies within the Group maintain adequate accounting records, which are sufficient enough to prepare Financial Statements that disclose with reasonable accuracy, the financial position of the Company and its subsidiary. They also confirm their responsibility towards ensuring that the Financial Statements presented in the Annual Report give a true and fair view of the state of affairs of the Company and its subsidiary as at 31 March 2015 and that of the profit for the year then ended.

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

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

The Directors have provided the Auditors Messrs. Ernst & Young, Chartered Accountants, with every opportunity to carry out reviews and tests that they consider appropriate and necessary for the performance of their responsibilities. The Company's Auditors, Messrs. Ernst & Young, Chartered Accountants have examined the Financial Statements together with all financial records and related data and express their opinion which appears as reported by them on page 71 of this report. In arriving at their opinion, they have carried out reviews and sample checks on the system of internal controls.

On behalf of the Board,

Mr. S S Poholiyadde
Director

Mr. J H P Ratnayeke
Director

28 May 2015
Colombo

INDEPENDENT AUDITORS' REPORT

EY
Building a better working world

Ernst & Young
Chartered Accountants
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Colombo 10
Sri Lanka

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Tax : +94 11 5578180
eysl@lk.ey.com
ey.com

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF KEGALLE PLANTATIONS PLC

Report on the Financial Statements

We have audited the accompanying Financial Statements of Kegalle Plantations PLC ("The Company") and the consolidated Financial Statements of the Company and its subsidiary ("Group") which comprise the Statement of Financial Position as at March 31, 2015, Statement of Profit or Loss and Comprehensive Income, Statement of Changes in Equity and Cash Flow Statement for the year then ended, and a summary of significant Accounting Policies and other explanatory notes.

Board's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the Financial Statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of Accounting Policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the Financial Statements.

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

Opinion

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

Report on Other Legal and Regulatory Requirements

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

a) The basis of opinion and scope and limitations of the audit are as stated above.

b) In our opinion:

- We have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company,
- The Financial Statements of the Company give a true and fair view of its financial position as at March 31, 2015, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards, and
- The Financial Statements of the Company and the Group comply with the requirements of sections 151 and 153 of the Companies Act No.07 of 2007.

Ernst & Young

28 May 2015
Colombo

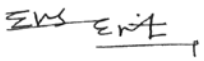
Partners: A D B Talwatte FCA FCMA M P D Cooray FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva FCA Ms. Y A De Silva FCA W R H Fernando FCA FCMA
W K B S P Fernando FCA FCMA Ms. L K H L Fonseka FCA A P A Gunasekera FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLB (Lond) H M A Jayesinghe FCA FCMA
Ms.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

A member firm of Ernst & Young Global Limited

STATEMENT OF FINANCIAL POSITION

As at 31 March		Company		Group	
ASSETS	**Notes**	**2015 Rs.'000**	**2014 Rs.'000**	**2015 Rs.'000**	**2014 Rs.'000**
Non Current Assets					
Lease hold Property, Plant and Equipment	6	239,983	255,811	239,983	255,811
Free hold Property, Plant and Equipment	7	365,251	366,996	414,245	423,196
Bearer Biological Assets	8.1	1,753,216	1,549,826	1,753,216	1,549,826
Consumable Biological Assets	8.2	78,746	59,406	78,746	59,406
Financial Assets	9.1	1,000,000	-	1,000,000	-
Long Term Investments	9.2	611,850	611,850	802,918	701,737
Total Non Current Assets		4,049,045	2,843,889	4,289,108	2,989,976
Current Assets					
Inventories	10	272,365	313,890	271,693	313,498
Trade and Other Receivables	11	210,176	248,953	215,776	254,552
VAT Recoverable		25,340	24,461	28,183	30,080
Income Tax Recoverable		5,772	8,722	5,772	8,722
Amounts due from Related Companies	12	49,213	63,043	11,489	21,035
Short Term Investments	13	2,492,297	3,409,177	2,492,297	3,409,177
Cash and Bank Balances		22,888	34,360	22,900	34,370
Total Current Assets		3,078,052	4,102,606	3,048,111	4,071,434
TOTAL ASSETS		7,127,097	6,946,495	7,337,218	7,061,410
EQUITY AND LIABILITIES					
Equity					
Stated Capital	14	250,000	250,000	250,000	250,000
General Reserve	14.1	225,000	225,000	225,000	225,000
Timber Reserves		2,758	(4,398)	2,758	(4,398)
Retained Earnings		2,934,636	2,871,918	3,126,188	2,963,885
Shareholders' Fund		3,412,393	3,342,520	3,603,946	3,434,487
Non Current Liabilities					
Loans & Borrowings	15	1,901,956	2,013,096	1,901,956	2,013,096
Retiring Benefit Obligations	16	486,075	446,412	486,169	446,506
Deferred Income	17	207,126	197,074	212,704	207,002
Deferred Tax Liability	18	79,555	114,035	79,555	114,035
Liability to make Lease Payment after one year	19	268,493	273,305	268,493	273,305
Total Non Current Liabilities		2,943,205	3,043,922	2,948,877	3,053,944
Current Liabilities					
Trade and Other Payables	20	221,621	218,534	229,405	226,358
Loans & Borrowings	15	493,790	317,767	493,790	317,767
Liability to make Lease Payment within one year	19	4,812	4,627	4,812	4,627
Dividend Payable	21	49,038	5,980	49,038	5,980
Amounts due to Related Companies	22	2,237	13,145	7,351	18,247
Total Current Liabilities		771,499	560,053	784,396	572,979
TOTAL EQUITY AND LIABILITIES		7,127,097	6,946,495	7,337,218	7,061,410

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



Sudheera Epitakumbura
Financial Controller

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.
Signed for and on behalf of the Board of Directors of Kegalle Plantations PLC.

S S Poholiyadde
Director

J H P Ratnayeke
Director

The accounting policies and notes on Pages 78 through 124 form an integral part of the Financial Statements.

28 May 2015
Colombo

STATEMENT OF PROFIT OR LOSS

Year Ended 31 March	Notes	Company		Group	
		2015 Rs.'000	2014 Rs.'000	2015 Rs.'000	2014 Rs.'000
Continuing Operations					
Revenue	23	2,023,911	2,414,220	2,023,911	2,414,220
Cost of Sale		(1,957,796)	(1,984,384)	(1,957,796)	(1,984,384)
Gross Profit		66,116	429,836	66,116	429,836
Gain/(Loss) on fair value of Biological Assets		7,155	5,750	7,155	5,750
Other Income	24	31,886	22,861	23,097	22,861
Administrative Expenses		(42,447)	(49,032)	(42,447)	(49,032)
Management Fee		(16,624)	(74,332)	(16,624)	(74,332)
Profit from Operations	25	46,086	335,084	37,298	335,084
Finance Income	26	228,141	229,522	228,141	229,522
Finance Cost	27	(177,352)	(179,396)	(177,352)	(179,396)
Share of Result of Equity Accounted Investees	28	-	-	140,429	86,575
Profit Before Taxation		96,875	385,209	228,516	471,785
Tax Expenses	29.1	30,159	(39,216)	515	(42,173)
Profit for the year from Continuing Operations		127,034	345,993	229,031	429,612
Discontinued Operations					
Loss after tax for the year from discontinued operations	30	-	-	(1,597)	(466)
Profit for the year		127,034	345,993	227,434	429,146
Basic Earnings Per Share	31	5.08	13.84	9.10	17.17
Basic Earnings Per Share from Continuing Operations		5.08	13.84	9.16	17.18

The accounting policies and notes on Pages 78 through 124 form an integral part of the Financial Statements.

STATEMENT OF COMPREHENSIVE INCOME

Year Ended 31 March	Notes	Company 2015 Rs.'000	Company 2014 Rs.'000	Group 2015 Rs.'000	Group 2014 Rs.'000
Profit for the year		127,034	345,993	227,434	429,146
Other Comprehensive Income					
Other Comprehensive income not to be reclassified to profit or loss in Subsequent periods (net of tax)					
Actuarial Gains / (Losses) on Defined Benefit Plans	16	(8,501)	(3,477)	(8,501)	(3,477)
Income tax effect	29.2	1,340	548	1,340	548
		(7,161)	(2,929)	(7,161)	(2,929)
Share of Other Comprehensive Income of Equity Accounted Investees					
Other Comprehensive income to be reclassified to profit or loss in Subsequent periods (net of tax)					
Net (Loss) / gain on available for sale financial assets		-	-	(12)	(3,750)
Income tax effect		-	-	-	-
		-	-	(12)	(3,750)
Other Comprehensive income not to be reclassified to profit or loss in Subsequent periods (net of tax)					
Actuarial Gains / (Losses) on Defined Benefit Plans		-	-	(909)	193
Income tax effect		-	-	106	-
		-	-	(803)	193
Other Comprehensive Income for the year, net of tax		(7,161)	(2,929)	(7,976)	(6,486)
Total Comprehensive Income for the year, net of tax		**119,873**	**343,064**	**219,458**	**422,660**

The accounting policies and notes on Pages 78 through 124 form an integral part of the Financial Statements.

STATEMENT OF CASH FLOW

Year Ended 31 March	Notes	Company 2015 Rs.'000	Company 2014 Rs.'000	Group 2015 Rs.'000	Group 2014 Rs.'000
CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES					
Net Profit before Taxation from Continuing Operations		96,875	385,209	228,516	471,785
Net Loss before Taxation from Discontinuing Operations		-	-	(1,597)	(466)
ADJUSTMENTS FOR					
Interest Income	26	(228,141)	(229,522)	(228,141)	(229,522)
Depreciation/Amortisation	25	107,850	92,945	107,850	92,945
Provision For Defined Benefit Plan Costs	16	83,787	77,313	83,787	77,313
Amortisation of Grants	17	(5,238)	(5,768)	(9,589)	(10,119)
Finance Cost	27	177,352	179,396	177,352	179,396
Dividend Received from Associates		(8,789)	-	-	-
Impairment of Property Plant & Equipment		-	-	7,206	5,800
(Profit)/Loss on disposal of Assets		-	(2,850)	-	(2,850)
Gains/(Losses) on Fair Value of Biological Assets		(7,155)	(5,750)	(7,155)	(5,750)
Share of result of Associates		-	-	(140,429)	(86,575)
Operating Profit before Working Capital Changes		216,542	490,974	217,800	491,956
(Increase)/Decrease in Inventories		41,525	(72,149)	41,805	(72,058)
(Increase)/Decrease in Trade and Other Receivables		37,896	(8,570)	40,674	(7,044)
Increase/(Decrease) in Trade and Other Payables		(1,913)	23,637	(1,953)	23,783
(Increase)/Decrease in amounts due from Related Companies		13,830	59,908	9,546	57,062
Increase/(Decrease) in amounts due to Related Companies		(10,907)	(403)	(10,896)	(403)
Cash Generated from / (used in) Operations		296,973	493,397	296,976	493,297
Finance Cost Paid		(128,914)	(134,112)	(128,914)	(134,112)
Defined Benefit Plan Costs Paid	16	(52,625)	(42,187)	(52,625)	(42,187)
Income Tax Paid		(31)	(40,351)	(31)	(40,351)
Net Cash from / (used in) Operating Activities		115,404	276,746	115,407	276,646
CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES					
Long Term Investment		(1,000,000)	(14,850)	(1,000,000)	(14,850)
Interest Income	26	228,141	229,522	228,141	229,522
Grant Received	17	15,291	5,239	15,291	5,239
Proceeds from Disposal of Property, Plant & Equipment		-	2,850	-	2,850
Field Development Expenditure	Note A	(263,195)	(290,313)	(263,195)	(290,313)
Purchase of Property, Plant & Equipment	Note B	(42,656)	(4,155)	(42,656)	(4,155)
Net Cash from / (used in) Investing Activities		(1,062,420)	(71,707)	(1,062,420)	(71,707)
CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES					
Dividend Paid		(1,942)	(334,131)	(1,942)	(334,131)
Dividend Received from Associates		8,789	-	8,789	-
Payment of Government lease rentals - Interest		(48,439)	(45,284)	(48,439)	(45,284)
Payment of Government lease rentals - Capital		(4,627)	(4,449)	(4,627)	(4,449)
Proceed from loans		326,250	1,372,665	326,250	1,372,665
Repayment of loans		(261,367)	(143,778)	(261,367)	(143,778)
Net Cash from / (used in) Financing Activities		18,664	845,023	18,664	845,023
Net Increase / (Decrease) in Cash & Cash Equivalents		(928,352)	1,050,061	(928,349)	1,049,961
Cash & Cash Equivalents at the beginning of the year	Note C	3,443,537	2,393,476	3,443,547	2,393,586
Cash & Cash Equivalents at the end of the year	Note D	2,515,185	3,443,537	2,515,198	3,443,547

The accounting policies and notes on Pages 78 through 124 form an integral part of the Financial Statements.

Notes to the Statement of Cash Flow

Year Ended 31 March	Company		Group	
	2015 Rs.'000	2014 Rs.'000	2015 Rs.'000	2014 Rs.'000
NOTE A				
Investment in Field Development Expenditure				
Investment in Immature Plantations				
Rubber	205,988	225,946	205,988	225,946
Tea	42,807	48,785	42,807	48,785
Coconut	251	1,199	251	1,199
Unallocated	14,149	14,383	14,149	14,383
	263,195	290,313	263,195	290,313
NOTE B				
Investment in Property, Plant & Equipment				
Rubber	21,263	1,028	21,263	1,028
Tea	13,439	3,044	13,439	3,044
Coconut	-	-	-	-
Unallocated	7,955	82	7,955	82
	42,656	4,155	42,656	4,155

	Company		Group	
	2015 Rs.'000	2014 Rs.'000	2015 Rs.'000	2014 Rs.'000
NOTE C				
Cash & Cash Equivalents at the beginning of the year				
Cash & Bank Balances	34,360	26,416	34,370	26,525
Bank Overdrafts	-	(5,945)	-	(5,945)
Short Term Investments	3,409,177	2,373,005	3,409,177	2,373,005
	3,443,537	2,393,476	3,443,547	2,393,586
NOTE D				
Cash & Cash Equivalents at the end of the year				
Cash & Bank Balances	22,888	34,360	22,900	34,370
Short Term Investments	2,492,297	3,409,177	2,492,297	3,409,177
	2,515,185	3,443,537	2,515,198	3,443,547

STATEMENT OF CHANGES IN EQUITY

Year Ended 31 March Company	Stated Capital Rs.'000	General Reserve Rs.'000	Retained Earnings Rs.'000	Timber Reserve Rs.'000	Total Rs.'000
As at 01 April 2013	250,000	225,000	2,853,357	8,600	3,336,956
Profit for the year	-	-	345,993	-	345,993
Other Comprehensive Income	-	-	(2,929)	-	(2,929)
Timber Reserve	-	-	12,997	(12,997)	-
Dividends paid	-	-	(337,500)	-	(337,500)
Balance as at 31 March 2014	250,000	225,000	2,871,918	(4,398)	3,342,520
Profit for the year	-	-	127,034	-	127,034
Other Comprehensive Income	-	-	(7,161)	-	(7,161)
Timber Reserve	-	-	(7,155)	7,155	-
Dividends	-	-	(50,000)	-	(50,000)
Balance as at 31 March 2015	**250,000**	**225,000**	**2,934,636**	**2,758**	**3,412,393**

Group	Stated Capital Rs.'000	General Reserve Rs.'000	Retained Earnings Rs.'000	Timber Reserve Rs.'000	Total Rs.'000
As at 01 April 2013	250,000	225,000	2,865,728	8,600	3,349,327
Profit for the year	-	-	429,146	-	429,146
Other Comprehensive Income					
Actuarial Gains / (Losses) on Defined Benefit Plans	-	-	(2,929)	-	(2,929)
Share of Other Comprehensive Income of Equity Accounted Investees					
Actuarial Gains / (Losses) on Defined Benefit Plans	-	-	193	-	193
Net (Loss) / Gain on available for sale financial assets	-	-	(3,750)	-	(3,750)
Timber Reserve	-	-	12,997	(12,997)	-
Dividends paid	-	-	(337,500)	-	(337,500)
Balance as at 31 March 2014	250,000	225,000	2,963,885	(4,398)	3,434,487
Profit for the year	-	-	227,434	-	227,434
Other Comprehensive Income					
Actuarial Gains / (Losses) on Defined Benefit Plans	-	-	(7,161)	-	(7,161)
Share of Other Comprehensive Income of Equity Accounted Investees					
Actuarial Gains / (Losses) on Defined Benefit Plans	-	-	(11)	-	(11)
Net (Loss) / Gain on available for sale financial assets	-	-	(803)	-	(803)
Timber Reserve	-	-	(7,155)	7,155	-
Dividends	-	-	(50,000)	-	(50,000)
Balance as at 31 March 2015	**250,000**	**225,000**	**3,126,188**	**2,758**	**3,603,946**

The accounting policies and notes on Pages 78 through 124 form an integral part of the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

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Notes to the Financial Statements

1. REPORTING ENTITY

1.1 Domicile and Legal Form

Kegalle Plantations PLC is a limited liability Company incorporated and domiciled in Sri Lanka, under the Companies Act No. 17 of 1982 (The Company was re-registered under the Companies Act No. 07 of 2007) in terms of the provisions of the Conversion of Public Corporations or Government Owned Business Undertaking into Public Companies Act No. 23 of 1987.

The registered office of the Company is located at No. 310, High Level Road, Nawinna, Maharagama, and Plantations are situated in the planting districts of Kegalle, Kurunegala & Badulla.

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

All Companies in the Group are limited liability Companies incorporated and domiciled in Sri Lanka.

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

1.2 Principal Activities and Nature of Operations

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

Principal activities of other Companies in the Group are as follows.

Company	Relationship	Nature of the business
Hamefa Kegalle (pvt) Ltd	Subsidiary	Discontinued the operations with effect from April 2009
Richard Pieris Natural Foams Ltd	Associate	Manufacture of best latex foam products
Arpico Insurance PLC	Associate	Providing life insurance services
Richard Pieris Finance Ltd	Associate	Leasing, hire purchasing and other financial Services

1.3 Parent Enterprise and Ultimate Parent Enterprise

The Company's parent undertaking is RPC Plantation Management Services (Pvt) Ltd. In the opinion of the directors, the Company's ultimate parent undertaking and controlling party is Richard Pieris & Co. PLC., which is incorporated in Sri Lanka.

1.4 Date of Authorization for issue

The Consolidated Financial Statements of Kegalle Plantations PLC and its Subsidiary for the year ended 31 March 2015 were authorized for issue in accordance with a resolution of the board of directors on 28 May 2015.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The Financial Statements of the Company and the Group which comprise the Statement of Profit or Loss and Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, and Cash Flows Statement together with Accounting Policies and Notes to the Financial Statements (The "Consolidated Financial Statements") have been prepared in accordance with Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, which requires compliance with Sri Lanka Accounting Standards promulgated by The Institute of Chartered Accountants of Sri Lanka (CASL), and with the requirements of the Companies Act No. 07 of 2007.

2.2 Basis of Measurement

These Consolidated Financial Statements have been prepared in accordance with the historical cost

Notes to the Financial Statements

convention other than following items in the Financial Statements.

- Right to Use of Land and leased assets of JEDB/ SLSPC at revalued amount
- Managed Consumable biological assets are measured at fair value
- Financial instruments (including those carried at amortised cost)

Where appropriate, the specific policies are explained in the succeeding Notes.

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

2.3 Functional and Presentation Currency

The Financial Statements are presented in Sri Lankan Rupees (Rs.), which is the Group's functional and presentation currency. All financial information presented in Sri Lankan Rupees has been given to the nearest thousand, unless stated otherwise.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Accounting Policies set out below are consistent with those used in the previous year. Accounting Policies of subsidiary and associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

3.1 Going Concern

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

3.2 Basis of Consolidation

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

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

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

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

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

Profit or Loss and each component of Other Comprehensive Income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the Financial Statements of subsidiaries to bring their accounting policies into line with the Group's Accounting Policies. All intra-group assets and liabilities, equity, income,

Notes to the Financial Statements

expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

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

3.2.1 Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any Non-Controlling Interest in the acquiree. For each business combination, the Group elects whether it measures the Non-Controlling Interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

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

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

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

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

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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

3.2.2 Investment in Associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control over those policies.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associate are accounted for using the equity method.

Notes to the Financial Statements

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment individually.

The statement of profit or loss reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The Financial Statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the Accounting Policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss as 'Share of profit of an associate in the statement of profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

3.3 Current Versus Non-Current Classification

The Group presents assets and liabilities in Statement of Financial Position based on current/non-current classification. An asset as current when it is:

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

  Or

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

All other assets are classified as non-current.

A liability is current when:

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

  Or

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

The Group classifies all other liabilities as non-current.

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

3.4 Fair Value Measurement

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

- Managed Consumable biological assets Note 8.2
  Fair value is the price that would be received to sell an asset or paid to transfer a liability

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

- In the principal market for the asset or liability

  Or

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

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

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

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

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

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

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

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

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

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

3.5 Foreign Currency Translation

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary assets and liabilities which are carried in terms of historical cost in a foreign currency are retranslated at the exchange rate that prevailed at the date of the transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when

Notes to the Financial Statements

the fair value is determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

3.6 Property, Plant and Equipment

The Group applies the requirements of LKAS 16 on 'Property Plant and Equipment' in accounting for its owned assets which are held for and use in the provision of the services, for rental to other or for administration purpose and are expected to be used for more than one year.

3.6.1 Basis of Recognition

Property Plant and Equipment is recognised if it is probable that future economic benefit associated with the assets will flow to the Group and cost of the asset can be reliably measured.

3.6.2 Measurement

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

3.6.3 Owned Assets

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

Purchased software that is integral to the functionality of the related equipment is capitalized as a part of that equipment.

When significant parts of Property, Plant and Equipment are required to be replaced at intervals, the entity recognises such parts as individual assets (major components) with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the Statement of Profit or Loss as incurred. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Capital work-in-progress is transferred to the respective asset accounts at the time of first utilisation or at the time the asset is commissioned.

3.6.4 Leased Assets

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

Group as a lessee

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

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

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

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3.6.5 Derecognition

An item of Property, Plant and Equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Statement of Profit or Loss when the asset is derecognized and gains are not classified as revenue. When revalued assets are sold, any related amount included in the Revaluation Reserve is transferred to Retained Earnings.

3.6.7 Land Development Cost

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

These costs have been capitalised and amortised over the remaining lease period.

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

3.6.8 Biological Assets

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

Biological assets are further classified as bearer biological assets and consumable biological assets. Bearer biological assets include Tea, Rubber and Coconut plants, those that are not intended to be sold or harvested, however used to grow for harvesting agricultural produce. Consumable biological assets include managed timber trees those that are to be harvested as agricultural produce from biological assets or sold as biological assets.

The entity recognize the biological assets when, and only when, the entity controls the assets as a result of past event, it is probable that future economic benefits associated with the assets will flow to the entity and the fair value or cost of the assets can be measured reliably. Permanent impairments to Biological Assets are charged to the Statements of Profit or Loss in full and reduced to the net carrying amounts of such asset in the year of occurrence after ascertaining the loss.

(a) Bearer Biological Assets

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

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

(b) Consumable Biological Assets

Consumable biological assets include managed timber that are to be harvested as agricultural produce or sold as biological assets.

The managed timber trees are measured on initial recognition and at the end of each reporting period its fair value less cost to sell in terms of LKAS 41.The cost is treated as approximation to fair value of young plants as the impact on biological transformation of such plants to price during this period is immaterial. The fair value of timber trees are measured using DCF method taking in to consideration the current market prices of timber, applied to expected timber content of a tree at the maturity by an independent professional valuer. All other assumptions and sensitivity analysis are given in Note 8.2.

Notes to the Financial Statements

The Main Variadles in DCF Model Concerns

Variable	Comment
Timber content	Estimate based on physical verification of girth, height and considering the growth of the each spices in different geographical regions. Factor all the prevailing statutory regulations enforced against harvesting of timber coupled with forestry plan of the Company.
Economic useful life	Estimated based on the normal life span of each spices by factoring the forestry plan of the Company.
Selling price	Estimated based on prevailing Sri Lankan market prices. Factor all the conditions to be fulfilled in bringing the trees into saleable condition.
Planting cost	Estimated costs for the further development of immature areas are deducted.
Discount rate	Future cash flows are discounted at 13%

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

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

(c) Infilling Cost on Bearer Biological Assets

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

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

(d) Borrowing Cost

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

Borrowing costs that are not capitalised are recognised as expenses in the period in which they are incurred and charged to the Statement of Comprehensive Income.

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

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

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

3.6.9 Depreciation and Amortization

(a) Depreciation

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

Notes to the Financial Statements

Category	No. of years	Rate (%)
Buildings	40 years	2.50
Plant & Machinery	12.5 years	8.00
Colour Separators	20 years	5.00
Furniture & Fittings	10 years	10.00
Vehicles	5 years	20.00
Equipments	8 years	12.50
Sanitation, Water Supply & Electricity	20 years	5.00
Computers/Computer Software	8 years	12.50
Lines & Latrines	40 years	2.50

Mature Plantations - Replanting and New Planting

Category	No. of years	Rate (%)
Rubber	20 years	5.00
Tea	33 years	3.33
Coconut	50 years	2.00

Depreciation of an asset begins when it is available for use and ceases at the earlier of the date on which the asset is classified as held for sale or is derecognised.

Depreciation methods, useful lives and residual values are reassessed at the reporting date and adjusted prospectively, if appropriate. Mature plantations are depreciated over their useful lives or unexpired lease period, whichever is less.

No depreciation is provided for immature plantations.

(b) Amortisation

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

Category	No. of years	Rate (%)
Leasehold Property	53 years	1.89
Mature Plantations	30 years	3.33
Buildings	25 years	4.00
Machinery	15 years	6.67
Improvements to Land	30 years	3.33

3.7 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

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

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

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3.8 Research and Development Costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

3.9 Financial Instruments

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

3.9.1 Financial Assets

3.9.1.1 Initial Recognition and Measurement

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

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

The Group's financial assets include cash and short-term deposits, short term investments, trade and other receivables, loans and other receivables, quoted and unquoted financial instruments.

3.9.1.2 Subsequent Measurement

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

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

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

Financial assets at fair value through profit and loss are carried in the Statement of Financial Position at fair value with net changes in fair value presented as finance income or finance costs in the Statement of Profit or Loss.

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

(b) Loans and receivables

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

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

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(c) Held-to-maturity investments

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

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

(d) Available-for-sale financial investments

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

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

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

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

3.9.1.3 Derecognition

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

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

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

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

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3.9.1.4 Impairment of financial assets

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

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

3.9.1.4.1 Financial assets carried at amortised cost

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

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

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income (recorded as finance income in the statement of profit or loss) continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the statement of profit or loss.

3.9.1.4.2 Available for sale financial assets

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

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

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

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

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Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss, the impairment loss is reversed through the statement of profit or loss.

3.9.2 Financial liabilities

3.9.2.1 Initial recognition and measurement

Financial liabilities are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables net of directly attributable transaction costs.

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

3.9.2.2 Subsequent measurement

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

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

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

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

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

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

(b) Loans and borrowings

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

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

3.9.2.3 Derecognition

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

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

3.9.3 Offsetting of financial instruments

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

3.10 Financial Risk Management objectives and policies

The Group's principal financial liabilities comprise with loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. Further the Group has loans and other receivables, trade and other receivables and cash and short term deposits that arrive directly from its operations. Accordingly,

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the Group has exposure to namely Credit Risk, Liquidity Risk, and Interest Risk from its use of Financial Instruments.

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

Credit Risk

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

Trade and Other Receivables

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

The Group reviews external ratings and bank references of the customer when available. Purchase limits are established for each customer, which are reviewed quarterly. In monitoring credit risk, customers are categorised according to their credit characteristics, including whether they are an individual or legal entity, whether they are a wholesale or retail customer, geographical location, industry, aging profile, maturity and existence of previous financial difficulties. The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables.

The maximum exposure to credit risk for trade and other receivables at the reporting date is Rs. 141 mn (2014 - Rs. 188 mn).

Kegalle plantations PLC has a minimal credit risk of its trade receivables as the repayment is guaranteed within seven days by the Tea and Rubber auction systems.

Liquidity Risk

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

Interest Rate Risk

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

3.11 Inventories

Finish Goods Manufactured from Agricultural Produce of Biological Assets

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

Input Material, Spares and Consumables

At actual cost on weighted average basis.

Agricultural Produce Harvested from Biological Assets

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

Notes to the Financial Statements

3.12 Trade and Other Receivables

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

3.13 Cash and Cash Equivalents

Cash and Cash Equivalents are defined as cash in hand, call deposits and short-term highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purpose of Cash Flow Statement Cash and Cash Equivalent consists of cash in hand and deposits in banks net of outstanding bank overdrafts. Investments with short term maturities i.e. three months or less from the date of acquisitions are also treated as Cash Equivalents.

3.14 Provisions

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

3.15 Employees' Benefits

a) Defined Benefit Plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The liability recognised in the Financial Statements in respect of defined benefit plan is the present value of the defined benefit obligation at the Reporting date. The defined benefit obligation is calculated annually using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using the interest rates that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in other comprehensive income in the period in which they arise. Actuarial gains & losses recognised in other comprehensive income are recognised immediately in retained earnings and are not reclassified to profit or loss. Past service costs are recognised immediately in Statement of Profit or Loss.

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

The Liability is not externally funded.

The key assumptions used in determining the retirement benefit obligations include the followings:

No	Key Assumption	2014	2015
i)	Rate of Discount	11% (per annum)	10.25%(per annum)
ii)	Rate of Salary Increase		
	Workers	16% (every two years)	16% (every two years)
	Staff	10% (per annum)	8% (per annum)
iii)	Retirement Age		
	Estate Workers	60 years	60 years
	Estate Staff	58 years	58 years
	Head office Staff	55 years	55 years
iv)	Daily wage rate	Rs. 450/-	Rs. 450/-
v)	The Company will continue as a going concern.		

The actuarial present value of the accrued benefits as at 31 March 2015 is Rs. 486,074,536/- (2014 – Rs. 446,411,656/-). This item is grouped under retirement benefit obligations in the Statement of Financial Position.

b) Defined Contribution Plans – Provident Funds & Employees' Trust Fund

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

Notes to the Financial Statements

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

All the employees of the Group are members of the Employees' Trust Fund (ETF), to which the Company contributes 3% on the consolidated salary of such employees.

3.16 Deferred Income - Grants and Subsidies

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

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

Grants related to Property, Plant & Equipment other than grants received for forestry are initially deferred and allocated to income on a systematic basis over the useful life of the related Property, Plant & Equipment as follows: Assets are amortised over their useful lives or unexpired lease period, whichever is less.

Buildings	40 years

Grants received for forestry are initially deferred and credited to income once when the related blocks of trees are harvested.

3.17 Trade and Other Payables

Trade and other payables are stated at their costs.

3.18 Capital Commitments and Contingencies

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

3.19 Events Occurring after the Statement of Financial Position Date

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

3.20 Earnings Per Share

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

3.21 Impairment of Non Financial Assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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

Notes to the Financial Statements

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

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

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

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

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

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

3.22 Statement of Profit or Loss

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

3.22.1 Revenue Recognition

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

(a) Sale of Goods

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

(b) Interest

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

(c) Dividends

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

(d) Rental income

Rental income is recognized on an accrual basis.

(e) Royalties

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

(f) Others

Other income is recognized on an accrual basis.

Net Gains and losses of a revenue nature on the disposal of property, plant & equipment and other

Notes to the Financial Statements

noncurrent assets including investments have been accounted for in the Statement of Comprehensive Income, having deducted from proceeds on disposal, the carrying amount of the assets and related selling expenses. On disposal of revalued property, plant and equipment, amount remaining in Revaluation Reserve relating to that asset is transferred directly to Retained Profit / (Loss).

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

3.22.2 Expenditure Recognition

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

a) Financing Income and Expenses

Finance income comprises interest income on funds invested, and gains on translation of foreign currency. Interest income is recognised in the Statement of Profit or Loss as it accrues.

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

b) Taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, when it is recognised in equity.

Current Income Tax

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

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

Deferred Tax

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

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

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures,

Notes to the Financial Statements

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

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

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

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

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

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

3.23 Statement of Cash Flow

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

3.24 Segment Reporting

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

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

The activities of the segments are described on pages 114 and 116 in the Notes to the Financial Statement.

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

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

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

4 USE OF JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

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

Notes to the Financial Statements

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

- Note 18 - Deferred Taxation
- Note 29 - Income Taxes
- Note 16 - Measurement of the Defined Benefit Obligations
- Note 8.2 - Biological Assets

4.1 Taxation

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. Unused tax losses as of 31 March 2015 are given in Note 29.3.

4.2 Retirement Benefit Obligations

The present value of the retirement benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Key assumptions used in determining the retirement benefit obligations are given in according policy Note 3.15. Any changes in these assumptions will impact the carrying amount of retirement benefit obligations.

4.3 Biological Assets

The fair value of managed timber trees depends on a number of factors that are determined on a discounted method using various financial and non financial assumptions. The growth of the trees is determined by various biological factors that are highly unpredictable. Any change to the assumptions will impact to the fair value of biological assets. Key assumptions and sensitivity analysis of the biological assets are given in the Note 8.2.

5 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

SLFRS 9 - Financial Instruments: Classification and Measurement

SLFRS 9, as issued reflects the first phase of work on replacement of LKAS 39 and applies to classification and measurement of financial assets and liabilities. This standard was originally effective for annual periods commencing on or after 01 January 2015. However the effective date has been deferred subsequently.

SLFRS 14 - Regulatory Deferral Accounts

The scope of this standard is limited to first-time adopters of SLFRS that already recognise regulatory deferral account balances in their Financial Statements. Consequently, the Financial Statements of rate regulated entities that already apply SLFRS, or that do not otherwise recognise such balances, will not be affected by this standard. This standard is effective for the annual periods beginning on or after 01 January 2016.

SLFRS 15 - Revenue from Contracts with Customers

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including LKAS 18 Revenue, LKAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. This standard is effective for the annual periods beginning on or after 01 January 2017.

Amendment to LKAS 41; Agriculture & LKAS 16; Property, Plant & Equipment

This amendment define a bearer plant and accordingly, require bearer plants to be accounted for as property, plant and equipment and include within the scope of LKAS 16, instead of LKAS 41. Entities are required to apply the amendments for annual periods beginning on or after 1 January 2016. However, this amendment has no impact on group's current accounting treatment on recognition and measurement, which is based on CASL ruling issued on 2 March 2012.

None of these new standards and interpretations are expected to have an effect on the Consolidated Financial Statements of the Group, except for SLFRS 9 and 15. Pending the detailed review of such standards and interpretations, the extent of the impact has not been determined by the Management.

Notes to the Financial Statements

6. LEASEHOLD PROPERTY, PLANT & EQUIPMENT

As at 31 March	Notes	Company 2015 Rs.'000	Company 2014 Rs.'000	Group 2015 Rs.'000	Group 2014 Rs.'000
Right-to-use of land	6.1	148,403	153,311	148,403	153,311
Immovable leased bearer biological assets	6.2	86,751	95,507	86,751	95,507
Immovable Leased assets (other than right-to-use land and bearer biological assets)	6.3	4,829	6,992	4,829	6,992
		239,983	255,811	239,983	255,811

6.1. Right-To-Use of Land (Revaled)

"Right-To-Use of Land on Lease" as above was previously titled "Leasehold Right to Bare Land". The change is in order to comply with Statement of Recommended Practice (SoRP) issued by the Institute of Chartered Accountants of Sri Lanka dated 21 August 2013. Such leases have been executed for all estates for a period of 53 years.

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

	Company 2015 Rs.'000	Company 2014 Rs.'000	Group 2015 Rs.'000	Group 2014 Rs.'000
Capitalised Value As at 22.06.1992	260,142	260,142	260,142	260,142
Accumulated Amortization				
At the beginning of the Year	106,831	101,922	106,831	101,922
Amortization charge for the year	4,908	4,908	4,908	4,908
As at 31 March	111,739	106,831	111,739	106,831
Carrying amount	148,403	153,311	148,403	153,311

6.2 Immovable Leased Bearer Biological Assets

In terms of the ruling of the UITF of the Institute of Chartered Accountants of Sri Lanka prevailed at the time of privatisation of Plantation Estates, all immovable assets in these estates under finance leases have been taken into the books of the Company retroactive to 22 June 1992. For this purpose the Board decided at its meeting on March 8, 1995 that these assets would be taken at their book values as they appear in the books of the SLSPC, on the day immediately preceding the date of formation of the Company. These assets are taken into the 22 June 1992 Statements of financial position and the amortisation of immovable estate assets to 31 March 2015 are as follows.

	Company Mature Plantations 2015 Rs.'000	Company Mature Plantations 2014 Rs.'000	Group Mature Plantations 2015 Rs.'000	Group Mature Plantations 2014 Rs.'000
Capitalised Value as at 22.06.1992	262,680	262,680	262,680	262,680
Accumulated Amortisation				
At the beginning of the Year	167,174	158,417	167,174	158,417
Amortisation for the year	8,756	8,756	8,756	8,756
As at 31 March	175,930	167,174	175,930	167,174
Carrying amount	86,751	95,507	86,751	95,507

Notes to the Financial Statements

Investment in Immature Plantations at the time of handing over to the Company as at 22 June, 1992 by way of estate leases were shown under Immature Plantations.

However, since then all such investments in Immature Plantations attributable to JEDB/SLSPC period have been transferred to Mature Plantations. These mature tea and rubber were classified as bearer biological assets in terms of LKAS 41 - Agriculture. The carrying value of the bearer biological assets leased from JEDB/SLSPC is recognised at cost less amortisation. Further investments in such plantations to bring them to maturity are shown in Note 8.1

6.3 Immovable Leased assets (other than right-to-use of land and bearer biological assets)

	Company				Group			
	Improvement to Land Rs.'000	Buildings Rs.'000	Plant & Machinery Rs.'000	2015 Total Rs.'000	Improvement to Land Rs.'000	Buildings Rs.'000	Plant & Machinery Rs.'000	2015 Total Rs.'000
Capitalised Value as at 22.06.1992	192	53,935	24,289	78,415	192	53,935	24,289	78,415
Amortisation								
Accumulated Amortisation as at 01.04.2014	139	46,995	24,289	71,423	139	46,995	24,289	71,423
Amortisation for the year	6	2,157	-	2,164	6	2,157	-	2,164
Accumulated Amortisation as at 31.03.2015	145	49,153	24,289	73,587	145	49,153	24,289	73,587
Written down value as at 31.03.2015	46	4,782	-	4,829	46	4,782	-	4,829
Written down value as at 31.03.2014	53	6,940	-	6,992	53	6,940	-	6,992

Note:

Mature plantations/improvement to land	30 years
Buildings	25 years
Machinery	15 years

Notes to the Financial Statements

7. FREEHOLD PROPERTY, PLANT AND EQUIPMENT

	Company				Group			
Cost/Valuation	Balance as at 01.04.2014 Rs.'000	Additions for the year Rs.'000	Disposals during the year Rs.'000	Balance as at 31.03.2015 Rs.'000	Balance as at 01.04.2014 Rs.'000	Additions for the year Rs.'000	Disposals during the year Rs.'000	Balance as at 31.03.2015 Rs.'000
Buildings	71,063	193	-	71,255	111,612	193	-	111,805
Motor Vehicles	105,048	24,216	-	129,264	105,048	24,216	-	129,264
Furniture & Fittings	5,535	20	-	5,556	5,612	20	-	5,633
Equipment	56,850	1,968	-	58,818	57,523	1,968	-	59,491
Water Sanitation	2,150	-	-	2,150	2,150	-	-	2,150
Computers & Computer Software	15,232	446	-	15,678	15,610	446	-	16,056
Plant & Machinery	319,227	15,936	-	335,163	388,258	15,936	-	404,194
Other Assets on Grants	214,585	327	-	214,911	214,585	327	-	214,911
	789,689	43,105	-	832,795	900,398	43,105	-	943,503

	Company				Group			
Depreciation	Balance as at 01.04.2014 Rs.'000	Charge for the Year Rs.'000	Accumulated depreciation on disposal Rs.'000	Balance as at 31.03.2015 Rs.'000	Balance as at 01.04.2014 Rs.'000	Charge for the Year Rs.'000	Disposal/ Impairment Loss during the year Rs.'000	Balance as at 31.03.2015 Rs.'000
Buildings	12,896	1,740	-	14,636	28,196	1,740	3,030	32,966
Motor Vehicles	88,150	8,460	-	96,610	88,150	8,460	-	96,610
Furniture & Fittings	3,638	26	-	3,664	3,689	26	-	3,716
Equipment	51,095	1,081	-	52,176	51,388	1,081	-	52,469
Water Sanitation	1,697	30	-	1,727	1,697	30	-	1,727
Computers & Computer Software	13,579	385	-	13,964	14,086	385	-	14,471
Plant & Machinery	188,384	23,996	-	212,380	226,741	23,996	4,176	254,912
Other Assets on Grants	66,693	8,053	-	74,746	66,693	8,053	-	74,746
	426,132	43,770	-	469,902	480,641	43,770	7,206	531,617
Written Down Value	363,557			362,892	419,757			411,886
Assets acquired on Finance Leases								
Cost								
Plant & Machinery	8,417	-	-	8,417	8,417	-	-	8,417
	8,417	-	-	8,417	8,417	-	-	8,417
Depreciation								
Plant &Machinery	6,960	631	-	7,591	6,960	631	-	7,591
	6,960	631	-	7,591	6,960	631	-	7,591
Written Down Value	1,457	-	-	825	1,457	-	-	825

	Company				Group			
	Balance as at 01.04.2014 Rs.'000	Additions for the Year Rs.'000	Capitalised during the Year Rs.'000	Balance as at 31.03.2015 Rs.'000	Balance as at 01.04.2014 Rs.'000	Additions for the Year Rs.'000	Capitalised during the Year Rs.'000	Balance as at 31.03.2015 Rs.'000
Capital Work-in-Progress	1,982	(449)	-	1,533	1,982	(449)	-	1,533
Total Written Down Value	366,996			365,251	423,196			414,245

The assets shown above are those movable assets vested in the Company by Gazette Notification at the date of formation of he Company (22 June 1992) and all investments in tangible assets by the Company since its formation. The assets taken over by way of estate leases are set out in Notes 6.

Further, the valuation of immovable JEDB estate assets on finance lease (other than leasehold land) and tangible assets other than immature/mature plantations taken over as at June 22, 1992 is based on net book value as at such date. These values were not available to Company by individual asset.

No borrowing costs have been capitalised into Capital Work-in-Progress.

Notes to the Financial Statements

8. BIOLOGICAL ASSETS - COMPANY/ GROUP

8.1 BEARER BIOLOGICAL ASSETS - COMPANY/GROUP

	Immature Plantations				Mature Plantations				Total
	Tea	Rubber	Coconut	Others	Tea	Rubber	Coconut	Others	
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cost									
At the beginning of the year 01.04.2014	179,191	664,851	28,498	57,273	112,201	803,823	15,069	13,510	1,874,416
Additions	42,807	205,988	251	1,965	-	-	-	-	251,010
Transfers	(25,124)	(92,527)	(12,890)	(863)	25,124	92,527	12,890	863	-
At the end of the year 31.03.2015	196,873	778,312	15,860	58,374	137,325	896,350	27,958	14,374	2,125,426
Depreciation									
At the beginning of the year 01.04.2014	-	-	-	-	45,500	273,535	343	5,213	324,590
Charge for the year	-	-	-	-	4,955	41,816	558	292	47,621
At the end of the year 31.03.2015	-	-	-	-	50,454	315,351	901	5,504	372,211
Written Down Value - as at 31.03.2015	196,873	778,312	15,860	58,374	86,870	580,999	27,058	8,869	1,753,216
Written Down Value - as at 31.03.2014	179,191	664,851	28,498	57,273	66,701	530,288	14,726	8,298	1,549,826

These are investments in immature/ mature plantations since the formation of the Company. The assets (including plantation assets) taken over by way of estate leases are set out in Notes 6. Further investment in immature plantations taken over by way of these leases are shown in the above note. When such plantations become mature, the additional investments, since initial investment to bring them to maturity, will be moved from immature to mature under this note.

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

Specific borrowings have been obtained to finance the planting expenditure. Hence, borrowing costs Rs. 38,503,195/- (2013/14 - Rs. 52,866,161/-) were capitalized during the year under Immature Plantations.

8.2 CONSUMABLE BIOLOGICAL ASSETS - TIMBER PLANTATIONS

	Company/Group	
	2015	2014
	Rs.'000	Rs.'000
As at 1 April	59,406	39,571
Increase due to development	12,185	14,085
Gain/(loss) fair value of Biological Assets	7,155	5,750
As at 31 March	78,746	59,406

Notes to the Financial Statements

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

The fair value of managed trees was ascertained since the LKAS 41 is only applicable for managed agricultural activity in terms of the ruling issued by The Institute of Chartered Accountants of Sri Lanka. The valuation was carried by Messers Ariyathillaka & co , accredited chartered valuers, using Discounted Cash Flow (DCF) methods. In ascertaining the fair value of timber a physical verification was carried covering all the estates.

The future cash flows are determined by reference to current timber prices without considering the future increase of timber price. Following associated factors are taken into consideration in determining the present value of timber prices.

8.2.1 Information about Fair Value Measurements using Significant Unobservable Inputs (Level 3)

Non Financial Asset	Valuation Technique	Unobservable Inputs	Range of Unobservable Inputs (Probability weighted average)	Relationship of Unobservable Inputs to Fair Value
Consumable Managed Biological Assets	DCF	Discounting Rate	13.0%	The higher the discount rate, the lesser the fair value
		Optimum rotation (Maturity)	20-25 Years	Lower the rotation period, the higher the fair value
		Price per cu.ft.	Rs. 132/- to Rs. 850/-	The higher the price per cu. ft., the higher the fair value

Other key assumptions used in valuation;

1. The harvesting is approved by the Plantation Management Monitoring Division (PMMD) and Forest Department based on the forestry development plan.
2. The prices adopted are net of expenditure.
3. Though the replanting is a condition precedent for harvesting, yet the cost are not taken in to consideration.

The valuations, as presented in the external valuation models based on net present values, take into account the long term exploitation of the timber plantations. Because of the inherent uncertainty associated with the valuation at fair value of the biological assets due to the volatility of the variables, their carrying value may differ from their realisable value. Hence, the sensitivity analysis regarding selling price and discount rate variations as included in this note allows every investor to reasonably challenge the financial impact of the assumptions used in the LKAS 41 against his own assumptions.

Sensitivity Analysis

Sensitivity Variation on Sales Price

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

Notes to the Financial Statements

Company	Rs.'000	Rs.'000	Rs.'000
Managed Timber	-10%	0%	+10%
As at 31 March 2015	70,834	78,746	86,691
As at 31 March 2014	53,202	59,406	65,535

Sensitivity Variation on Discount Rate

Values as appearing in the Statement of Financial Position are very sensitive to changes of the discount rate applied. Simulations made for timber trees show that a rise or decrease by 1.5% of the discount rate has the following effect on the net present value of biological assets:

Company	Rs.'000	Rs.'000	Rs.'000
Managed Timber	11.50%	13.00%	14.50%
As at 31 March 2015	85,473	78,746	73,304
As at 31 March 2014	64,781	59,406	55,098

9. FINANCIAL ASSETS/LONG TERM INVESTMENTS

9.1 FINANCIAL ASSETS
HELD-TO-MATURITY INVESTMENTS

Quoted Debt Securities Held by the Company		Company		Group	
Quoted Debentures - Richard Pieris and Company PLC		2015	2014	2015	2014
Year of Maturity		2019	-	2019	-
No of Debentures		10,000,000	-	10,000,000	-
Face Value per Debenture	Rs.	100	-	100	-
Carrying Value	Rs.'000	1,000,000	-	1,000,000	-
Fair Value	Rs.'000	1,000,000	-	1,000,000	-

In May 2014, the Company invested in 10.0 mn, Rs. 100/- each five year Fixed Rated Listed Debentures (11.25% p.a.) Payable Semi Annually Issued by the Ultimate Parent Company (Richard Pieris & Company PLC) amounting to Rs. 1.0 bn.

9.2 LONG TERM INVESTMENTS

9.2.1 Investments in Subsidiaries

Company

Unquoted Investments

Hamefa Kegalle (Pvt) Ltd

Initial Investment in Hamefa Kegalle (Pvt) Ltd stated at cost of Rs. 14 mn. Since it was provided for diminishing in value of Rs. 14 mn upto 2008, the carrying amount of investment shows no balance at the end of the year.

9.2.2 Investments in Associates

Unquoted Investments	Company		Group	
	2015	2014	2015	2014
% Holding	%	%	%	%
Richard Pieris Natural Foams Ltd	35.11	35.11	35.11	35.11
Arpico Insurance PLC	44.73	44.73	44.73	44.73
Richard Pieris Finance Ltd	30.00	30.00	30.00	30.00

Notes to the Financial Statements

	Company		Group	
	2015	2014	2015	2014
No of Shares	**Nos**	**Nos**	**Nos**	**Nos**
Richard Pieris Natural Foams Ltd	22,500,000	22,500,000	22,500,000	22,500,000
Arpico Insurance PLC	26,685,001	26,685,001	26,685,001	26,685,001
Richard Pieris Finance Ltd	12,000,001	12,000,001	12,000,001	12,000,001
Company investments in associates	61,185,002	61,185,002	61,185,002	61,185,002
Value	**Rs.'000**	**Rs.'000**	**Rs.'000**	**Rs.'000**
Richard Pieris Natural Foams Ltd	225,000	225,000	391,919	327,015
Arpico Insurance PLC	266,850	266,850	245,958	237,195
Richard Pieris Finance Ltd	120,000	120,000	165,041	137,527
Company investments in associates (at cost)	611,850	611,850	802,918	701,737

9.2.3 Other Long Term Investments

	Company		Group	
	2015	2014	2015	2014
% Holding	**%**	**%**	**%**	**%**
Maskeliya Tea Garden Ceylon Ltd	-	-	-	-
Exotic Horticulture (Pvt) Ltd	-	-	-	-
Total Investment	-	-	-	-
No of Shares	**Nos**	**Nos**	**Nos**	**Nos**
Maskeliya Tea Garden Ceylon Ltd	1	1	1	1
Exotic Horticulture (Pvt) Ltd	1	1	1	1
Total Investment	2	2	2	2
Value	**Rs.'000**	**Rs.'000**	**Rs.'000**	**Rs.'000**
Maskeliya Tea Garden Ceylon Ltd	-	-	-	-
Exotic Horticulture (Pvt) Ltd	-	-	-	-
Total long Term Investment	-	-	-	-
Long Term Investments - Total	611,850	611,850	802,918	701,737

9.2.4 Summarised Financial Information of Associates

	2015	2014
Richard Pieris Natural Foams Ltd	**Rs.'000**	**Rs.'000**
Revenue	1,441,656	1,456,878
Profit / (Loss) Before Tax	239,925	194,360
Group's Share of Profit / (Loss) Before Tax	84,238	68,240
Group's Share of Other Comprehensive Income	880	36
Profit / (Loss) After Tax	210,774	215,294
Other Comprehentive Income	(2,204)	91
Total Comprehentive Income	208,570	215,385
Dividends Received	7,493	-
Current Assets	733,513	739,610
Non Current Assets	416,559	235,936
Total Assets	1,150,072	975,546
Current Liabilities	476,985	485,424
Non Current Liabilities	19,225	21,119
Total Liabilities	496,210	506,543

The Group can influance upto 35.11% of the voting rights of the Richard Pieris Natural Foams Ltd with effective date from 31 March 2010.

Notes to the Financial Statements

Arpico Insurance PLC	2015	2014
	Rs.'000	Rs.'000
Revenue	354,214	311,076
Profit / (Loss) Before Tax	19,684	(28,745)
Group's Share of Profit / (Loss) Before Tax	8,804	(12,858)
Group's Share of Other Comprehensive Income	(41)	(3,801)
Group's Share of Profit understated previously	-	3,572
Profit / (Loss) After Tax	19,684	(28,606)
Other Comprehentive Income	(91)	(8,568)
Total Comprehentive Income	19,592	(37,174)
Dividends Received	-	-
Current Assets	96,737	260,466
Non Current Assets	904,238	523,528
Total Assets	1,000,975	783,994
Current Liabilities	64,313	61,234
Non Current Liabilities	309,185	194,440
Total Liabilities	373,498	255,674

The Group can influence upto 44.73% of the voting rights of the Arpico Insurance PLC with effective date from 30 June 2011.

Richard Pieris Finance Ltd	2015	2014
	Rs.'000	Rs.'000
Revenue	717,162	253,661
Group's Share of Profit / (Loss) Before Tax	157,957	77,221
Group's Share of Profit / (Loss) Before Tax	47,387	23,166
Group's Share of Other Comprehensive Income	-	207
Group's Share of Profit understated previously	-	4,456
Profit / (Loss) After Tax	96,513	48,726
Other Comprehentive Income	-	575
Total Comprehentive Income	96,513	49,300
Dividends Received	1,296	-
Current Assets	5,098,609	298,963
Non Current Assets	1,007,409	2,271,592
Total Assets	6,106,018	2,570,555
Current Liabilities	2,798,763	1,898,340
Non Current Liabilities	1,975,559	208,062
Total Liabilities	4,774,322	2,106,402

The Group can influence upto 30% of the voting rights of the Richard Pieris Finance Ltd with effective date from 10 August 2012.

Notes to the Financial Statements

10. INVENTORIES

	Company		Group	
	2015	2014	2015	2014
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Input Materials	32,112	25,459	38,940	32,568
Growing Crop - Nurseries	10,091	12,420	10,091	12,420
Produce Stock	228,533	273,564	228,533	273,564
Spares and Consumables	1,628	2,446	1,628	2,446
	272,365	313,890	279,193	320,998
(-) Provision for slow moving stocks	-	-	(7,500)	(7,500)
	272,365	313,890	271,693	313,498

11. TRADE AND OTHER RECEIVABLES

		Company		Group	
		2015	2014	2015	2014
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Produce Debtors	- Related Companies (11.1)	97,787	139,377	97,787	139,377
	- Others	44,118	49,075	44,118	49,075
Advances & Prepayments		13,691	15,770	13,691	15,770
Other Debtors		54,580	44,730	60,179	50,330
		210,176	248,953	215,776	254,552

11.1 TRADE RECEIVABLES FROM RELATED COMPANIES

		Company		Group	
		2015	2014	2015	2014
	Relationship	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Richard Pieris Natural Foams Ltd	Associate Company	82,422	123,900	82,422	123,900
Arpico Natural Latex Foam (Pvt) Ltd	Related Company	32,055	32,055	32,055	32,055
Richard Pieris Exports PLC	Related Company	13,616	12,478	13,616	12,478
Richard Pieris Rubber Compounds Ltd	Related Company	312	-	312	-
Arpitech (Pvt) Ltd	Related Company	1,438	3,000	1,438	3,000
		129,842	171,432	129,842	171,432
(-) Provision for doubtful receivables		(32,055)	(32,055)	(32,055)	(32,055)
		97,787	139,377	97,787	139,377

Notes to the Financial Statements

12. AMOUNTS DUE FROM RELATED COMPANIES

		Company		Group	
	Relationship	2015 Rs.'000	2014 Rs.'000	2015 Rs.'000	2014 Rs.'000
Namunukula Plantations PLC	Related Company	2,207	620	2,207	620
Maskeliya Plantations PLC	Related Company	-	64	-	64
Hamefa Kegalle (Pvt) Limited	Subsidiary Company	92,615	96,898	-	-
RPC Plantation Management Services (Pvt) Ltd	Parent Company	8,695	-	8,695	-
Richard Pieris & Company PLC	Ultimate Parent Company	-	19,912	-	19,912
RPC Management Services (Pvt) Ltd	Related Company	305	158	305	158
Exotic Horticulture (Pvt) Ltd	Related Company	281	281	281	281
		104,104	117,934	11,489	21,035
(-) Provision for doubtful receivables		(54,891)	(54,891)	-	-
		49,213	63,043	11,489	21,035

13. SHORT TERM INVESTMENTS

	Company		Group	
	2015 Rs.'000	2014 Rs.'000	2015 Rs.'000	2014 Rs.'000
Investment in Treasury Bills, REPO & Others	2,492,297	3,409,177	2,492,297	3,409,177
	2,492,297	3,409,177	2,492,297	3,409,177

14. STATED CAPITAL

		Company		Group	
		2015	2014	2015	2014
Issued and Fully Paid Number of Ordinary Shares					
Ordinary Shares including one golden share held by the Treasury which has special rights	Numbers	25,000,001	25,000,001	25,000,001	25,000,001
Value of issued and Fully Paid Shares					
Ordinary Shares including one golden share held by the Treasury which has special rights	Rs.'000	250,000	250,000	250,000	250,000

The holders of Ordinary Shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. Special rights of the Golden share are given in the Annual Report to the Board of Directors on the Affairs of the Company.

14.1. General Reserve

General Reserve represents amounts set-aside from time to time by the Directors of the Company for purpose of general application. These have been appropriated by the Board in compliance with the Articles, which provides for such amounts being set-aside for future and utilized after appropriate Board Approvals.

Notes to the Financial Statements

15. LOANS AND BORROWINGS

Company/Group	2015 Repayable within 1 year Rs.'000	2015 Repayable after one year less than five years Rs.'000	2015 Repayable after five year Rs.'000	2015 Sub Total Rs.'000	2015 Total as at 31.03.2015 Rs.'000	2014 Total as at 31.03.2014 Rs.'000
Long Term Loans 15.1	493,790	1,797,692	104,264	1,901,956	2,395,746	2,330,863
Bank Overdraft	-	-	-	-	-	-
Total Loans and Borrowings	493,790	1,797,692	104,264	1,901,956	2,395,746	2,330,863

15.1 LONG TERM LOANS (Secured)

		2015 Repayable within 1 year Rs.'000	2015 Repayable after one year less than five years Rs.'000	2015 Repayable after five year Rs.'000	2015 Sub Total Rs.'000	2015 Total as at 31.03.2015 Rs.'000	2014 Total as at 31.03.2014 Rs.'000
(a)	Seylan Bank PLC Received 2003/04	-	-	-	-	-	7,921
(b)	LOLC Term Loan	1,136	-	-	-	1,136	2,650
(c)	NDB/DFCC Disbursement 1 Field Development	9,432	13,083		- 13,083	22,515	31,947
(d)	Disbursement 2 Factory Consolidation	4,892	7,338	-	7,338	12,230	17,122
(e)	HNB E-Friend Credit Line	-	-	-	-	-	1,072
(f)	ADB/NDB Field Development & Factory Consolidation	34,601	57,665	-	57,665	92,265	126,866
(g)	NDB Field Development & Factory Consolidation	73,857	221,573	-	221,573	295,430	369,287
(h)	NDB E-Friend Credit Line	-	-	-	-	-	1,333
(i)	IOB/IB/SBI Field Development	79,800	300,250	-	300,250	380,050	400,000
(j)	IOB-Dollar Field Development	156,796	731,048	104,264	835,312	992,109	1,045,840
(k)	Commercial-Dollar Field Development	133,277	466,735	-	466,735	600,012	326,825
	Total Long Term Loans (Secured)	493,790	1,797,692	104,264	1,901,956	2,395,746	2,330,863

Notes to the Financial Statements

Ref.	Rate of interest	Terms of Repayment
(a)	12.91%	1 Month Installment @ Rs. 464,107 and 119 Installments @ Rs. 464,097 commencing from 30.09.2005
(b)	14.06%	1 Month Installment @ Rs. 126,147 and 83 Installments @ Rs. 126,191 commencing from 31.01.2009
(c)	10.99%	1 Month Installment @ Rs. 507,091 and 71 Installments @ Rs. 786,000 commencing from 30.09.2011
(d)	11.30%	1 Month Installment @ Rs. 407,645 and 71 Installments @ Rs. 407,668 commencing from 31.10.2011
(e)	6.50%	1 Month Installment @ Rs. 283,000 and 59 Installments @ Rs. 263,000 commencing from 31.08.2009
(f)	AWPLR+0.5%	1 Month Installment @ Rs. 2,880,209 and 59 Installments @ Rs. 2,883,395 commencing from 31.12.2012
(g)	AWPLR+0.25%	1 Month Installment @ Rs. 6,550,000 and 83 Installments @ Rs. 6,150,000 commencing from 31.05.2012
(h)	8.50%	1 Month Installment @ Rs. 222,230 and 83 Installments @ Rs. 222,222 commencing from 31.10.2011
(i)	AWPLR+0.9%	1 Month Installment @ Rs. 7,650,000 and 59 Installments @ Rs. 6,650,000 commencing from 31.01.2015
(j)	6 Months LIBOR+5.5%	1 Month Installment @ Rs. 17,256,610 and 71 Installments @ Rs. 14,487,090 commencing from 31.01.2015
(k)	1 Month LIBOR+5.0%	1 Month Installment @ Rs. 5,575,634.50 and 59 Installments @ Rs. 5,444,904.50 commencing from 31.10.2014

LIQUIDITY RISK

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

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

As at 31 March 2015	On Demand	Less than 3 Months	3 to 12 Months	2 to 5 years	> 5 years	Total
Group	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Interest bearing loans & borrowing	-	125,326	394,480	2,403,155	113,043	3,036,003
Trade & other payables	229,405	-	-	-	-	229,405
	229,405	125,326	394,480	2,403,155	113,043	3,265,408
Company						
Interest bearing loans & borrowing	-	125,326	394,480	2,403,155	113,043	3,036,003
Trade & other payables	221,621	-	-	-	-	221,621
	221,621	125,326	394,480	2,403,155	113,043	3,257,624

As at 31 March 2014	On Demand	Less than 3 Months	3 to 12 Months	2 to 5 years	> 5 years	Total
Group	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Interest bearing loans & borrowing	-	108,361	225,006	2,247,819	359,524	2,940,710
Trade & other payables	226,358	-	-	-	-	226,358
	226,358	108,361	225,006	2,247,819	359,524	3,167,068
Company						
Interest bearing loans & borrowing	-	108,361	225,006	2,247,819	359,524	2,940,710
Trade & other payables	218,534	-	-	-	-	218,534
	218,534	108,361	225,006	2,247,819	359,524	3,159,244

Notes to the Financial Statements

16. RETIRING BENEFIT OBLIGATIONS

	Company		Group	
	2015 Rs.'000	2014 Rs.'000	2015 Rs.'000	2014 Rs.'000
Provision for retiring gratuity				
At the beginning of the year	446,412	407,809	446,506	407,904
Interest Cost	49,105	44,774	49,105	44,774
Current Service Cost	34,682	32,538	34,682	32,538
Gratuity Payments for the year	(52,625)	(42,187)	(52,625)	(42,187)
Actuarial (Gain) / Loss	8,501	3,477	8,501	3,477
At the end of the year	486,075	446,412	486,169	446,506

The actuarial valuations had been carried out, Messrs. Actuarial & Management Consultants (Pvt) Ltd, for retiring gratuity for all the employees of the Company as at 31 March 2015, which amounts to Rs. 486,074,536/-. If the Company had provided for gratuity for workers on the basis of 14 days wages and for staff and executive a half month salary for each completed year of service as at 31 March 2015, in line with the Gratuity Act No.12 of 1983 the liability would have been Rs. 531,420,419/-. Hence, there is a contingent liability of Rs. 45,345,883/- which would crystalise only if the Company ceases to be a going concern, or the resignation or termination of employees which ever is earliest.

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

The Present Value of Retirement Benefit Obligation is carried on annual basis.

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

As at 31 March	Company 2015 Rs.'000
Within the next 12 months	64,796
Between 2 and 5 years	103,841
Beyond 5 years	317,438
Total RBO	486,075

The weigted average duration of the Defind Benefit plan obligation at the end of the reporting period is 5.22 years and 8.12 Years for staff and workers respectively.

The key assumptions used by Messers. Actuarial & Management Consultants (Pvt) Ltd when determining the retirement benefit obligations are given in Accounting Policy Note 3.15 (a).

Sensitivity Analysis - Salary/ Wage Escalation Rate

Values appearing in the Financial Statements are very sensitive to the changes of financial and non financial assumptions used. The sensitivity was carried for both the rate of wage increment and the salary increment. Simulation made for retirement benefit obligation show that a rise or decrease by 1% of the rate of wage and salary has the following effect on the retirement benefit obligation.

Company	Workers			Staff		
As at 31 March 2015	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Rate of wage increment (Workers-every two Years/Staff-per annum)	15%	16%	17%	7%	8%	9%
Retirement benefit obligation						
As at 31 March 2015	396,672	413,236	430,788	69,408	72,838	76,677
As at 31 March 2014	353,181	366,019	379,577	76,498	80,392	84,747

Sensitivity Analysis - Discount Rate

Values appearing in the Financial Statements are very sensitive to the changes of financial and non financial assumptions used. The sensitivity was carried for the discount rate. Simulation made for retirement benefit obligation show that a rise or decrease by 1% of the rate of the discount rate has the following effect on the retirement benefit obligation.

Company	Workers			Staff		
As at 31 March 2015	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Rate of discount	9.25%	10.25%	11.25%	9.25%	10.25%	11.25%
Retirement benefit obligation of staff/workers						
As at 31 March 2015	448,371	413,236	382,793	76,510	72,838	69,593
As at 31 March 2014	395,794	366,019	340,126	84,601	80,392	76,674

Notes to the Financial Statements

17. DEFERRED INCOME

	Company		Group	
	2015 Rs.'000	2014 Rs.'000	2015 Rs.'000	2014 Rs.'000
Deferred Grants and Subsidies				
Balance at the beginning of the year	197,074	197,603	207,002	211,883
Add : Grants received / (refunded) during the year	15,291	5,239	15,291	5,239
Less : Amortisation for the year	(5,238)	(5,768)	(9,589)	(10,119)
Balance at the end of the year	207,126	197,074	212,704	207,002

The Company has received funding from the Plantation Human Development Trust and Asian Development Bank for the development of worker facilities such as re-roofing of line rooms, latrines, water supply and sanitation etc. The amounts spent are included under the relevant classification of Property, Plant & Equipment and the grant component is reflected under Deferred Grants and Subsidies. Further, rebates were received from Ceylon Electricity Board on procurement of generators.

18. DEFERRED TAX ASSETS AND LIABILITIES

	Company		Group	
	2015 Rs.'000	2014 Rs.'000	2015 Rs.'000	2014 Rs.'000
Temporary Differences,				
At the beginning of the year	1,241,352	1,059,187	1,241,352	1,059,187
Amount originating / (Reversal) during the year	(136,568)	182,165	(136,568)	182,165
At the end of the year	1,104,784	1,241,352	1,104,784	1,241,352
Temporary Differences of,				
Property, Plant & Equipment (including Biological Assets)	2,040,192	1,811,219	2,040,192	1,811,219
Retirement Benefit Obligations	(486,075)	(446,412)	(486,075)	(446,412)
Carried forward Tax Losses	(449,333)	(123,455)	(449,333)	(123,455)
At the end of the year	1,104,784	1,241,352	1,104,784	1,241,352
Tax Effect,				
At the beginning of the year	114,035	98,532	114,035	98,532
Transfer from/ (to) Income Statement	(34,480)	15,503	(34,480)	15,503
At the end of the year	79,555	114,035	79,555	114,035
Deferred Tax Liabilities				
Property, Plant & Equipment (including Biological Assets)	226,975	203,846	226,975	203,846
	226,975	203,846	226,975	203,846
Deferred Tax Assets				
Retirement Benefit Obligations	(76,605)	(70,354)	(76,605)	(70,354)
Carried forward Tax Losses	(70,815)	(19,456)	(70,815)	(19,456)
	(147,420)	(89,811)	(147,420)	(89,811)
Deferred Tax (Asset)/ Liability	79,555	114,035	79,555	114,035

18.1 Reconciliation of deferred tax charge / (reversal)

	Company		Group	
	2015 Rs.'000	2014 Rs.'000	2015 Rs.'000	2014 Rs.'000
At the beginning of the year	114,035	98,532	114,035	98,532
Tax charge/(reversal) during the period recognised in Statement of profit or loss	(33,141)	16,051	(33,141)	16,051
Tax charge/(reversal) during the period recognised in other Comprehensive Income	(1,340)	(548)	(1,340)	(548)
At the end of the year	79,555	114,035	79,555	114,035

Notes to the Financial Statements

19. LIABILITY TO MAKE LEASE PAYMENT

	Company		Group	
	2015 Rs.'000	2014 Rs.'000	2015 Rs.'000	2014 Rs.'000
Gross Liability				
At the beginning of the year	491,462	507,206	491,462	507,206
Repayment during the year	(15,744)	(15,744)	(15,744)	(15,744)
At the end of the year	475,718	491,462	475,718	491,462
Finance cost allocated to future periods	(202,412)	(213,530)	(202,412)	(213,530)
Net Liability	273,305	277,932	273,305	277,932
Payable within one year				
Gross liability	15,744	15,744	15,744	15,744
Finance cost allocated to future periods	(10,932)	(11,117)	(10,932)	(11,117)
Net liability transferred to current liabilities	4,812	4,627	4,812	4,627
Payable within two to five years				
Gross liability	62,976	62,976	62,976	62,976
Finance cost allocated to future periods	(41,724)	(42,542)	(41,724)	(42,542)
Net liability	21,252	20,434	21,252	20,434
Payable after five years				
Gross liability	396,998	412,742	396,998	412,742
Finance cost allocated to future periods	(149,756)	(159,870)	(149,756)	(159,870)
Net liability	247,242	252,872	247,242	252,872
Net liability payable after one year	268,493	273,305	268,493	273,305

The lease of the estates have been amended, with effect from 11 June 1996 to an amount substantially higher than the previous lease rental of Rs. 500/- per estate per annum. The first rental payable under the revised basis is Rs. 15,744,000 from 11 June 1997. This amount is to be inflated annually by the Gross Domestic Product (GDP) deflator, and is in the form of Contingent rental.

The contingent rental during the current year charged to the Statement of Profit or Loss, amounted to Rs. 37,321,296/- which in based on GDP deflator of 6.7% (2014 - 33,989,172 - 8.9%)

The Statement of Recommended Practice (SoRP) for Right-to-use of Land on Lease was approved by the Council of the Institute of Chartered Accountants of Sri Lanka on 19 December 2012. Subsequently, the amendments to the SoRP along with the modification to the title as Statement of Alternative Treatment (SoAT) were approved by the Council on 21 August 2013. The Company has not reassessed the Right-to-use of Land because this is not a mandatory requirement.

However, if the liability is reassessed according to the alternative treatment (SoAT) on the assumption that the lease rent is increased constantly by GDP deflator of 4% and discounted at a rate of 13% , liability would be as follows.

		Rs.'000
Gross Liability	=	3,148,276
Finance Charges	=	(2,133,460)
Net Liability	=	1,014,816

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

Notes to the Financial Statements

20. TRADE AND OTHER PAYABLES

	Company		Group	
	2015 Rs.'000	2014 Rs.'000	2015 Rs.'000	2014 Rs.'000
Trade creditors	196,740	191,032	201,789	196,081
Others creditors	24,881	27,502	27,616	30,277
	221,621	218,534	229,405	226,358

21. DIVIDEND PAYABLE

	Company		Group	
	2015 Rs.'000	2014 Rs.'000	2015 Rs.'000	2014 Rs.'000
Dividend Payable	49,038	5,980	49,038	5,980
	49,038	5,980	49,038	5,980

22. AMOUNTS DUE TO RELATED COMPANIES

	Relationship	Company		Group	
		2015 Rs.'000	2014 Rs.'000	2015 Rs.'000	2014 Rs.'000
Maskeliya Plantations PLC	Related Company	22	-	22	-
Arpico Interiors (Pvt) Ltd	Related Company	20	-	20	-
RPC Logistics (Pvt) Ltd	Related Company	1,134	143	1,134	143
Richard Pieris & Company PLC	Ultimate Parent Company	990	-	6,104	5,102
Richard Pieris Plantations (Pvt) Ltd	Related Company	-	-	-	-
Richard Pieris Distributors Ltd	Related Company	16	35	16	35
Maskeliya Tea Garden Ceylon Ltd	Related Company	54	49	54	49
RPC Plantation Management Services (Pvt) Ltd	Parent Company	-	12,918	-	12,918
		2,237	13,145	7,351	18,247

23 REVENUE

23.1 Summary

	Company		Group	
	2015 Rs.'000	2014 Rs.'000	2015 Rs.'000	2014 Rs.'000
Sale of Goods				
Rubber	1,042,795	1,391,089	1,042,795	1,391,089
Tea	847,613	881,934	847,613	881,934
Coconut	49,507	51,235	49,507	51,235
Other Crops	1,394	683	1,394	683
Sale of Rubber Trees	82,603	89,280	82,603	89,280
Total Revenue	2,023,911	2,414,220	2,023,911	2,414,220

23.2 Operating Segments

Geographical Segments - Revenue	Company		Group	
	2015 Rs.'000	2014 Rs.'000	2015 Rs.'000	2014 Rs.'000
Local Revenue	1,841,393	2,257,462	1,841,393	2,257,462
Export Revenue	182,518	156,758	182,518	156,758
Total Revenue	2,023,911	2,414,220	2,023,911	2,414,220

Notes to the Financial Statements

23.3 Business Segments

	Company		Group	
Rubber	**2015 Rs.'000**	**2014 Rs.'000**	**2015 Rs.'000**	**2014 Rs.'000**
Revenue	1,042,795	1,391,089	1,042,795	1,391,089
Revenue Expenditure	(887,856)	(958,279)	(887,856)	(958,279)
Depreciation & Amortisation	(71,114)	(67,387)	(71,114)	(67,387)
Other Non Cash Expenditure - Gratuity	(47,445)	(43,034)	(47,445)	(43,034)
Segment Result - Gross Profit	36,380	322,389	36,380	322,389
Tea				
Revenue	847,613	881,934	847,613	881,934
Revenue Expenditure	(855,139)	(836,081)	(855,139)	(836,081)
Depreciation & Amortisation	(35,682)	(24,341)	(35,682)	(24,341)
Other Non Cash Expenditure - Gratuity	(36,342)	(34,279)	(36,342)	(34,279)
Segment Result - Gross Profit	(79,549)	(12,768)	(79,549)	(12,768)
Coconut				
Revenue	49,507	51,235	49,507	51,235
Revenue Expenditure	(23,645)	(20,668)	(23,645)	(20,668)
Segment Result - Gross Profit	25,861	30,567	25,861	30,567
Other Crop				
Revenue	1,394	683	1,394	683
Revenue Expenditure	(333)	(179)	(333)	(179)
Segment Result - Gross Profit	1,061	504	1,061	504
Sale of Rubber Trees				
Revenue	82,603	89,280	82,603	89,280
Revenue Expenditure	(240)	(135)	(240)	(135)
Segment Result - Gross Profit	82,363	89,144	82,363	89,144
Total Segments				
Revenue	2,023,911	2,414,220	2,023,911	2,414,220
Revenue Expenditure	(1,767,212)	(1,815,343)	(1,767,212)	(1,815,343)
Depreciation & Amortisation	(106,796)	(91,728)	(106,796)	(91,728)
Other Non Cash Expenditure - Gratuity	(83,787)	(77,313)	(83,787)	(77,313)
Total Segment Results - Gross Profit	66,116	429,836	66,116	429,836

	Company		Group	
	2015 Rs.'000	**2014 Rs.'000**	**2015 Rs.'000**	**2014 Rs.'000**
Total Segment Results - Gross Profit	66,116	429,836	66,116	429,836
Gains/(Loss) on fair value of biological assets	7,155	5,750	7,155	5,750
Other Income	31,886	22,861	23,097	22,861
Administrative Expenses	(42,447)	(49,032)	(42,447)	(49,032)
Management Fee	(16,624)	(74,332)	(16,624)	(74,332)
Finance Income	228,141	229,522	228,141	229,522
Finance Cost	(177,352)	(179,396)	(177,352)	(179,396)
Share of Result of Associates	-	-	140,429	86,575
Profit for the year from Continuing Operations	96,875	385,209	228,516	471,785
Loss after tax for the year from Discontinued Operations	-	-	(1,597)	(466)
Profit Before Tax	96,875	385,209	226,919	471,319

Notes to the Financial Statements

23.4 Business Segments - Assets

	Company		Group	
	2015 Rs.'000	2014 Rs.'000	2015 Rs.'000	2014 Rs.'000
Non Current Assets				
Rubber	1,521,129	1,418,779	1,521,129	1,418,779
Tea	679,628	633,899	679,628	633,899
Other Crops	139,077	129,719	139,077	129,719
Unallocated	1,709,211	661,492	1,949,274	807,578
Total Non Current Assets	4,049,045	2,843,889	4,289,108	2,989,976
Current Assets				
Rubber	1,102,019	1,468,834	1,102,019	1,468,834
Tea	1,055,228	1,406,469	1,055,228	1,406,469
Other Crops	40,357	53,790	40,357	53,790
Unallocated	880,448	1,173,512	850,506	1,142,341
Total Current Assets	3,078,052	4,102,606	3,048,111	4,071,434

23.5 Business Segments - Liabilities

	Company		Group	
	2015 Rs.'000	2014 Rs.'000	2015 Rs.'000	2014 Rs.'000
Non Current Liabilities				
Rubber	1,258,160	1,301,214	1,258,160	1,301,214
Tea	624,551	645,923	624,551	645,923
Other Crops	62,628	64,771	62,628	64,771
Unallocated	997,866	1,032,013	1,003,538	1,042,036
Total Non Current Liabilities	2,943,205	3,043,922	2,948,877	3,053,944
Current Liabilities				
Rubber	348,903	253,935	348,903	253,935
Tea	176,229	128,262	176,229	128,262
Other Crops	17,293	12,586	17,293	12,586
Unallocated	229,074	165,270	241,971	178,196
Total Current Liabilities	771,499	560,053	784,396	572,979

23.6 Segment Capital Expenditure

Rubber	227,250	226,974	227,250	226,974
Tea	56,245	51,829	56,245	51,829
Other Crops	251	1,199	251	1,199
Unallocated	22,104	14,465	22,104	14,465
Total Capital Expenditure	305,851	294,468	305,851	294,468

24. OTHER INCOME

	Company		Group	
	2015 Rs.'000	2014 Rs.'000	2015 Rs.'000	2014 Rs.'000
Amortisation of Capital Grants	5,238	5,768	5,238	5,768
Dividend Income	8,789	-	-	-
Sundry Income	17,860	14,244	17,860	14,244
Sale of Property, Plant & Equipment	-	2,850	-	2,850
	31,886	22,861	23,097	22,861

25. PROFIT BEFORE TAXATION IS STATED AFTER CHARGING FOLLOWINGS

	Company		Group	
	2015 Rs.'000	2014 Rs.'000	2015 Rs.'000	2014 Rs.'000
Auditors' Remuneration	2,484	2,279	2,484	2,279
Depreciation & Amortization	107,850	92,945	107,850	92,945
Directors' Remuneration	800	800	800	800
Defined Benefit Plan Cost	83,787	77,313	83,787	77,313
Defined Contribution Plans - EPF& ETF	128,985	135,758	128,985	135,758
Others - Staff Cost	997,400	1,104,967	997,400	1,104,967

Notes to the Financial Statements

26. FINANCE INCOME

	Company		Group	
	2015 Rs.'000	2014 Rs.'000	2015 Rs.'000	2014 Rs.'000
Interest Income	228,141	229,522	228,141	229,522
Total Interest Income	228,141	229,522	228,141	229,522

27. FINANCE COST

	Company		Group	
	2015 Rs.'000	2014 Rs.'000	2015 Rs.'000	2014 Rs.'000
Overdraft Interest	1,339	5	1,339	5
Interest on Government Lease	11,117	11,295	11,117	11,295
Variable Lease Rental	37,321	33,989	37,321	33,989
Interest to Related Companies	228	-	228	-
Term Loan Interest	165,850	186,974	165,850	186,974
Total	215,855	232,263	215,855	232,263
Less : Interest Capitalised	(38,503)	(52,866)	(38,503)	(52,866)
Total Finance Cost	177,352	179,396	177,352	179,396

Interest Rate Sensitivity

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

	Increase/ decrease in Interest rate	Effect on Profit Before Tax Rs.'000
Group		
2014/15	1%	(16,182)
	-1%	16,182
2013/14	1%	(8,902)
	-1%	8,902
Company		
2014/15	1%	(16,182)
	-1%	16,182
2013/14	1%	(8,902)
	-1%	8,902

Foreign Currency Sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in the USD exchange rates, with all other variables held constant. The impact on the Group's Profit Before Tax is due to changes in fair value of monetary assets and liabilities.

	Increase/ decrease in basis points	Effect on Profit Before Tax Rs.'000
Company/Group		
2014/15		
USD	5%	(3,058)
USD	-5%	3,058
Company/Group		
2013/14		
USD	5%	(1,899)
USD	-5%	1,899

Notes to the Financial Statements

28. SHARE OF RESULT OF ASSOCIATES

The Group can influance upto 35.11% of the voting rights of the Richard Pieris Natural Foams Ltd, upto 44.73% of the voting rights of the Arpico Insurance PLC, & upto 30% of the voting rights of the Richard Pieris Finance Ltd.

The Group's share of the income of the entities for the years ending 31 March 2015 and 2014, which are accounted under the equity method are as follows.

28.1 Statement of Profit or Loss

	Group	
	2015	2014
	Rs.'000	Rs.'000
Richard Pieris Natural Foams Ltd		
Group's Share of Profit / (Loss) Before Tax	84,238	68,240
Tax on associate results	(10,235)	7,346
Group Share of Profit / (Loss) After Tax	74,003	75,586
Arpico Insurance PLC		
Group's Share of Profit / (Loss) Before Tax	8,804	(12,858)
Tax on associate results	-	-
Group's Share of Profit understated previously	-	3,572
Group Share of Profit / (Loss) After Tax	8,804	(9,286)
Richard Pieris Finance Ltd		
Group's Share of Profit / (Loss) Before Tax	47,387	23,166
Tax on associate results	(18,433)	(10,302)
Group's Share of Profit understated previously	-	4,456
Group Share of Profit / (Loss) After Tax	28,954	17,320
Total Group Share of Result		
Group's Share of Profit / (Loss) Before Tax	140,429	78,548
Tax on associate results	(28,668)	(2,956)
Group Share of Profit / (Loss) After Tax	111,761	75,592
Group's Share of Profit understated previously	-	8,027

28.2 Statement of Comprehensive Income (SOCI)

	Group	
	2015	`2014
	Rs.'000	Rs.'000
Richard Pieris Natural Foams Ltd		
Gain/Loss on Acturial Valuation	(880)	36
Income Tax Effect	106	-
	(774)	36
Arpico Insurance PLC		
Gain/Loss on Acturial Valuation	(29)	32
Net Gain/Loss on Available for Sales financial Assets	(12)	(3,832)
	(41)	(3,801)
Richard Pieris Finance Ltd		
Gain/Loss on Acturial Valuation	-	125
Net Gain/Loss on Available for Sales financial Assets	-	83
	-	207
Total Group Share of Result		
Gain/Loss on Acturial Valuation	(909)	193
Income Tax Effect	106	-
Net Gain/Loss on Available for Sales financial Assets	(12)	(3,750)
Total	(815)	(3,557)

Notes to the Financial Statements

29. Current Tax Expenses

	Company		Group	
	2015 Rs.'000	2014 Rs.'000	2015 Rs.'000	2014 Rs.'000
29.1 Statement of Profit or Loss				
(I) Current Income Tax:				
Current income tax charge	2,981	23,166	31,649	26,122
Tax on dividend paid by Group Companies	-	-	977	-
(II) Deferred Tax:				
Relating to origination and (reversal) of temporary defferences (Note 18.1)	(33,141)	16,051	(33,141)	16,051
Income Tax charge/(reversal) reported in Statement of Profit or Loss	(30,159)	39,216	(515)	42,173

29.2 Statement of Comprehensive Income (SOCI)

Deferred tax relating to items (charges)/credited directly to SOCI during the year:

Net gain/(loss) on actuarial gains and losses on defined Benefit Plans (Note 18.1)	1,340	548	1,340	548
Income Tax charge directly to Comprehensive Income	1,340	548	1,340	548

29.3 Reconciliation between Current Tax Expense and Accounting Profit

	Company		Group	
	2015 Rs.'000	2014 Rs.'000	2015 Rs.'000	2014 Rs.'000
Accounting Profit Before Tax	96,875	385,209	228,516	471,785
Aggregate Disallowed Items	240,752	231,456	240,752	231,456
Aggregate Allowable Items	(649,063)	(660,087)	(780,704)	(746,663)
Tax Exempt Income	(7,155)	(5,750)	(7,155)	(5,750)
Total Statutory Income	(318,592)	(49,171)	(318,592)	(49,171)
Interest Income	10,647	82,735	10,647	82,735
	(307,945)	33,563	(307,945)	33,563
Tax Losses Utilized During the Year	-	-	-	-
Total Assessable Income / Taxable Income	(307,945)	33,563	(307,945)	33,563
Assessable Income / Taxable Income from Agriculture	(318,592)	(49,171)	(318,592)	(49,171)
Assessable Income / Taxable Income from Manufacture	10,647	82,735	10,647	82,735
Total Assessable Income / Taxable Income	(307,945)	33,563	(307,945)	33,563
Income Tax @ 10%	-	-	-	-
Income Tax @ 28%	2,981	23,166	2,981	23,166
Income Tax on Current Year Profits	2,981	23,166	2,981	23,166
Share of Equity Accounted Investees' Income Tax	-	-	28,668	2,956
Current Income Tax Expenses	2,981	23,166	31,649	26,122
Details of Business Losses Carried Forward				
Loss Brought Forward	121,367	72,196	121,367	72,196
Loss incurred during the year	318,592	49,171	318,592	49,171
Loss Appropriate during the year	-	-	-	-
Loss Carried Forward	439,959	121,367	439,959	121,367

Notes to the Financial Statements

30. Discontinued Operations

During the year 2009/10 the group has discontinued the operation of its subsidiary Hamefa Kegalle (Pvt) Ltd.

The results of discontinued operation for the current year is given below.

	Group	
	2015 Rs.'000	2014 Rs.'000
Revenue	-	-
Cost of Sales	-	-
Gross Profit	-	-
Other Income	6,032	5,752
Expenses	(406)	(402)
Provision for Impairment Loss	(7,206)	(5,800)
Finance Cost	(17)	(16)
Loss from discontinued operations	(1,597)	(466)
Taxation	-	-
Loss for the year from discontinued operations	(1,597)	(466)
Earnings / (Loss) per share - Basic	(0.57)	(0.17)

Operating and investing cash flows for the year are presented below:

	2015 Rs.'000	2014 Rs.'000
Net cash flows from / (used in) operating activities	2	(100)
Net cash flows from investing activities	-	-

Assets and Liabilities

The Financial Statements of the Hamefa Kegalle (Pvt) Ltd stated above have been prepared on a basis other than on a going concern reflecting the closure of operations. The aggregated amount of assets and liabilities of the above company as at 31 March 2015 are as fallows;

	2015 Rs.'000	2014 Rs.'000
Total Assets	57,705	67,967
Total Liabilities	105,606	109,919

Accordingly, adjustments have been made for the diminution in value of all property plant & equipment so as to reduce their carrying value to their estimated realisable amount, and for any further liabilities which will arise.

Notes to the Financial Statements

31. EARNINGS PER SHARE

31.1 The calculation of the basic earnings per share is based on after tax profit for the year divided by the weighted average number of ordinary shares outstanding during the period.

31.2 The following reflects the income and share data used in the basic earnings per share computations.

	Company		Group	
	2015 Rs.'000	2014 Rs.'000	2015 Rs.'000	2014 Rs.'000
Amounts used as the Numerator :				
Net profit/ (loss) applicable to Ordinary Shareholders for basic earnings per share	127,034	345,993	227,434	429,146
	127,034	345,993	227,434	429,146
	Nos'000	Nos'000	Nos'000	Nos'000
Amounts used as the Denominator :				
Weighted average number of Ordinary Shares in issue applicable to basic earnings per share	25,000	25,000	25,000	25,000
	25,000	25,000	25,000	25,000
Earnings/ (Loss) Per Share - Rs.	5.08	13.84	9.10	17.17

Notes to the Financial Statements

32. ASSETS PLEDGED AS SECURITIES

The following assets have been pledged as securities for liabilities.

Name of Bank / Leasing Company	Loan Facility Rs/USD (mn)	Security	Nature of Liability	Carrying Amount Pledged 2015 Rs.'000	2014 Rs.'000
Bank of Ceylon	35.0 mn	Primary mortgage over leasehold rights of Gampaha Estate.	Overdraft	112,509	109,030
Hatton National Bank PLC	50.0 mn	Primary mortgage over leasehold rights of Luckyland Estate.	Overdraft	179,766	163,440
Hatton National Bank PLC	15.8 mn		Term Loan		
Asian Development Bank / National Development Bank PLC	1,051.7 mn	Corporate Guarantee by Richard Pieris and Company PLC for Rs. 33 mn. Primary and secondary mortgage over leasehold rights of Atale, Pallegama, Parambe, Weniwella, and Yataderiya Estates. Further mortgage over Pallegama, Parambe, Weniwella, and Yataderiya Estates.	Term Loan	924,733	825,859
Asian Development Bank / Seylan Bank PLC	55.7 mn	Primary mortgage over leasehold rights of Eadella Estate.	Term Loan	132,740	128,455
Lanka Orix Leasing Company PLC	10.6 mn	Pledged over a Colour Sorter of Luckyland Estate.	Term Loan	1,916	3,832
Indian Overseas Bank (IOB) State Bank of India (SBI)/ Indian Bank (IB)	400.0 mn	Primary mortgage over leasehold rights of Madeniya and Higgoda Estates.	Term Loan	190,313	172,909
Indian Overseas Bank (IOB)	USD 8.0 mn	Primary mortgage over leasehold rights of Ambadeniya, Hathbawa and Udapola Estates.	Term Loan	428,856	391,474
Commercial Bank of Ceylon PLC	USD 5.0 mn	Primary mortgage over leasehold rights of Etana, Doteloya, and Kirklees Estates.	Term Loan	324,068	303,849

Note:

1. Corporate Guarantee by the Company for Rs. 25 mn given to Maskeliya Tea Garden Ceylon Ltd.
2. Corporate Guarantee to HSBC by the Company for USD 450,000 on behalf of Richard Peiris Natural Forms Ltd.

Notes to the Financial Statements

33. CAPITAL COMMITMENTS

Followings are the capital commitments as at the Statement of Financial Position date;	Company		Group	
	2015 Rs.'000	2014 Rs.'000	2015 Rs.'000	2014 Rs.'000
Approved by the Board & Contracted for	-	-	-	-
Approved by the Board & not Contracted for	437,236	575,479	437,236	575,479
	437,236	575,479	437,236	575,479

34. COMMITMENTS AND CONTINGENCIES

(i) No known contingent liabilities exist as at the statement of Financial position, other than those disclosed in Notes 16 & 19 to the Financial Statements. Contingent Assets that may result, depending on the timing of the taxability of certain fair value adjustments amount to approximately Rs. 715,546/-.

(ii) The Minister of Finance announced at the interim budget proposal on 29 January 2015, an additional one off tax (super gain tax) of 25% to be charged on profits of entities earned in excess of Rs. 2,000 mn for the year of assessment 2013/2014. It will also apply to Group of Companies, where aggregate before income tax profits of the Holding Company and all subsidiaries exceed Rs. 2,000 mn. Richard Pieris & Company PLC being the Ultimate Holding Company of Kegalle Plantations PLC made a pre-tax profit exceeding the above threshold for the year of assessment 2013/2014 and accordingly may be liable to pay such additional tax in the future. However, in the absence of clarity on the computation of such taxes and the portion applicable to Kegalle Plantations PLC is not determinable as at the date these Financial Statements were authorized for issue.

35. POST BALANCE SHEET EVENTS

No circumstences have arisen since the Statement of Financial Position date, which would require adjustment or disclosuer in the Financial Statements.

36. RELATED PARTY DISCLOSURES

36.1 Transaction with related entities

	Nature of Transaction	Company		Group	
		2015 Rs.'000	2014 Rs.'000	2015 Rs.'000	2014 Rs.'000
36.1.1	**Parent Company**				
	Amount Payable as at 31 March	8,695	(12,918)	8,695	(12,918)
	Managing Agent's Fee	(16,806)	(74,854)	(16,806)	(74,854)
	Settlement of Management Fee	38,151	69,167	38,151	69,167
	Recovery of expenses	269	295	269	295
36.1.2	**Subsidiaries**				
	Amount Receivable as at 31 March	92,615	96,898	-	-
	Administration Expenses	(4,284)	(2,846)	-	-
36.1.3	**Associates**				
	Amount Receivable as at 31 March	(378,023)	(336,545)	(378,023)	(343,901)
	Amount Payable as at 31 March				-
	Investment in Ordinary Shares	-	14,850	-	14,850
	Sale of Latex	466,823	589,774	466,823	589,774
	Settlement Amount	(508,301)	(569,736)	(508,301)	(569,736)
	Insurance Premium	(1,733)	(1,745)	(1,733)	(1,745)
	Insurance Premium Settlements	1,733	1,745	1,733	1,745
	Dividend Receivable	8,789	-	8,789	-
	Dividend Settlement	(8,789)	-	(8,789)	-

Notes to the Financial Statements

	Company		Group	
	2015 Rs.'000	2014 Rs.'000	2015 Rs.'000	2014 Rs.'000
36.1.4 Related Companies				
Amount Receivable as at 31 March	1,050,214	68,568	1,050,214	68,568
Amount Payable as at 31 March	(2,237)	(227)	(2,237)	(227)
Salaries, Rent, Vehicle repairs & other Expenses	(4,490)	(2,806)	(4,490)	(2,806)
Purchase of Goods	(76,755)	(77,922)	(76,755)	(77,922)
Settlement of Dues	73,746	57,086	73,746	57,086
Sale of Goods	182,736	186,600	182,736	186,600
Sales Cash Receipts	(182,848)	(177,699)	(182,848)	(177,699)
Secretarial Fees	(200)	(200)	(200)	(200)
Freight Charges	(5,786)	(4,233)	(5,786)	(4,233)
Investment in Debentures	(1,000,000)	-	(1,000,000)	-
Repo/Debenture Interest Receivable	102,662	68,369	102,662	68,369
Repo/Debenture Interest settlement	(109,146)	(76,404)	(109,146)	(76,404)

36.1.5 Terms and conditions

Transactions with related parties are carried out in the ordinary course of business. Outstanding balances at the year end are unsecured and net settlement occurs in cash.

36.1.6 Management Fees

As per the agreememt is made and entered into at Colombo as of 10 September 2013, the managing agent shall be paid for each fiscal year fifteen percent (15%) of the earnings of the Company before interest received/paid, corporate tax, depreciation and amortization of land and managment fees (EBIDTA) applicable in that fiscal year.

36.2 Transactions with key management personnel of the Company

There were no transactions with the key management personnel of the Company and its parent for the year ended 31 March 2015. Further there were no key management compensation paid during the year other than those disclosed in Note 25.

36.3 Other related party disclosures

Legal fees amounting to Rs. 711,611/- (2014 - Rs. 673,344/-) by the Company was paid to an entity in which a key management personnel was a partner.

36.4 Related Party Transactions

There are no related party transactions other than those disclosed in Notes 9, 11.1, 12, 22, 25, 27, 28, 29, 30, 32 & 36 to the Financial Statements.

"Pearls don't lie on the seashore. If you want one, you must dive for it."

- Chinese proverb -

Supplementary Reports

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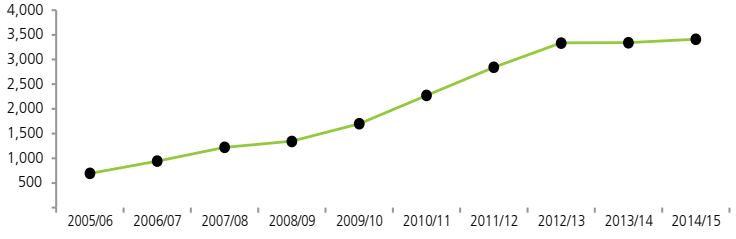
DECADE AT A GLANCE

Year Ended 31 March		2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Rs. '000											
Operating Results											
Turnover		2,023,911	2,414,220	2,587,558	2,940,027	2,991,762	2,216,497	1,927,762	2,163,030	1,819,020	1,513,578
Operating Profit before Mgt Fee		62,710	409,416	670,346	930,179	1,150,845	492,193	423,185	589,392	480,736	333,147
Profit before Interest and Tax		274,227	564,605	710,927	990,709	1,031,593	410,000	351,436	481,984	393,599	250,466
Profit After Tax		127,034	345,993	473,186	769,842	883,127	376,030	177,411	427,597	311,323	191,447
Dividends		50,000	337,500	-	200,000	75,000	75,000	25,000	125,000	75,000	62,500
Capital Expenditure		305,851	294,468	253,721	249,656	200,244	183,036	165,940	119,209	94,448	107,168
Financial Position											
Fixed Assets		2,437,195	2,232,039	2,024,766	1,872,057	1,707,820	1,814,679	1,564,998	1,466,538	1,333,664	1,295,555
Investments		1,611,850	611,850	597,000	450,000	225,000	225,000	80,298	75,000	2,401	8,709
Current Assets		3,078,052	4,102,606	3,028,955	2,421,056	1,847,793	1,325,104	946,549	863,732	674,825	516,227
Current Liabilities		771,499	560,053	373,638	347,441	366,372	317,718	196,801	214,234	269,562	422,592
Shareholders' Funds		3,412,393	3,342,520	3,336,956	2,841,915	2,272,074	1,698,311	1,347,281	1,219,870	942,273	692,118
Share Capital		250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000
Reserves		3,162,393	3,092,520	3,086,956	2,591,915	2,022,074	1,448,311	1,097,281	969,870	692,273	442,118
Key Financial Indicators											
Current Ratio	Times	3.99	7.33	8.11	6.97	5.04	4.17	4.81	4.03	2.50	1.22
Quick Asset Ratio	Times	3.64	6.76	7.46	6.39	4.39	3.39	4.07	3.09	1.73	0.82
Debt Equity Ratio	Times	0.41	0.41	0.25	0.20	0.14	0.19	0.21	0.19	0.25	0.38
Interest Cover	Times	1.55	3.15	5.02	9.21	9.01	6.22	5.90	10.53	5.65	4.01
Equity /Asset Ratio	Times	0.48	0.48	0.59	0.60	0.60	0.54	0.54	0.52	0.47	0.38
Earnings per Share	Rs.	5.08	13.84	18.93	30.79	35.33	15.04	7.10	17.10	12.45	7.66
Market Price of a Share	Rs.	85.80	105.00	112.00	103.00	207.50	47.00	19.00	60.00	42.00	40.00
Price Earning Ratio	Times	16.89	7.59	5.92	3.34	5.87	3.12	2.68	3.51	3.37	5.22
Dividend Cover	Times	2.54	1.03	-	3.85	11.78	5.01	7.10	3.42	4.15	3.06
Dividend Pay Out Ratio	%	39.36	97.55	-	25.98	8.49	19.95	14.08	29.24	24.09	32.64
Annual Production											
Rubber	kg '000	3,534	4,016	4,076	4,155	4,082	4,578	5,102	5,436	5,375	5,688
Tea	kg '000	2,094	2,243	2,162	2,630	2,773	2,479	2,492	2,797	3,126	3,422
Coconuts	nuts '000	1,549	1,596	1,713	1,731	1,413	1,572	1,610	1,472	1,788	1,406

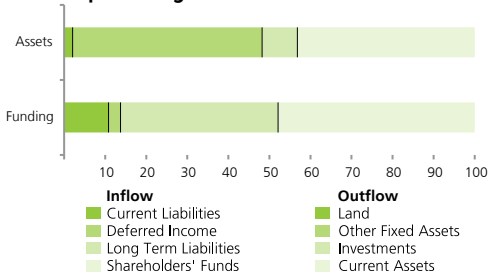
Shareholders' Funds

Rs. '000



Assets & Funding

In percentage



HISTORICAL NOTE

YATADERIYA ESTATE - UNDUGODA

Yataderiya Estate is situated at an elevation of 1,080 Feet in the Kegalle District between the suburbs of Kegalle and Bulathkohupitiya. The estate consists of a total extent of 324.30 hectares with a work force of around 400. It is 95 km away from Colombo and 17 km away from Kegalle.

The property was initially established in the year 1911 as a tea plantation, managed by Messrs. Carson & Company under the Superintendent of Mr. W. Wallond Buhie.

The estate was vested with the Government in the year 1973 and was managed by the Land Reform Commission (LRC). With the implementation of Land Reform Act in 1976, this estate was managed by one of the Statutory Boards, the Janatha Estates Development Board (JEDB) and was under the Kegalle Regional Board of the JEDB. With the privatization of estates on the 22 June 1992 the estate was vested with Kegalle Plantations PLC; the ultimate Parent Company of which is Messrs. Richard Peiris and Company PLC.

The estate comprises of five divisions as follows.

Division wise

Division	Extent - Hectares
Northbrook	82.70
Matalawa	81.95
Rangalla	75.50
Yataderiya	58.55
Waharaka	25.60
	324.30

Crop wise

Crop	Extent - Hectares
Rubber	137.98
Tea	120.80
Coconut	25.90
Other Cultivations	7.35
Not Suitable for Cultivation	32.27
	324.30

Superintendent's Bungalow

Assistant Superintendent's Bungalow

Factory Staff & Workers of Yataderiya Estate led by Mr. U.K.Wanniarachchi, the Superintendent.

Packed Tea ready to be dispatched

The estate consists of 100% Vegetative Propagated (VP) Tea and has the potential of 1,500 kilo of yield per hectare per annum.

Yataderiya factory produces around 600,000 kilo of high quality orthodox low grown type of black tea and are sold through Colombo Tea auctions through the brokers Messrs. Eastern Brokers Ltd; and is globaly recognized for its quality.

The main destinations of these teas are Russia, Iran, Syria and others Middle East Countries.

The estate continues its contribution to the rural economy by purchasing the bought leaf from around 3,500 small holders in the area.

The factory has obtained ISO 22000:2005 Food Safety Management System Certifications along with Ethical Tea Partnership Certificate. The estate continues in factory and land development and on worker welfare activities as well as environmental sustainability programs etc.

Yataderiya Tea Factory

SUPERINTENDENTS

The estate was in the hands of Senior Superintendents for management whose names are listed below.

Name of Superintendent	Period	Firm
01. Mr. W. Wallond Buhie	1911 - 1925	Carson & Co.
02. Mr. W.H. Webster	1954 – 1957	Carson & Co.
03. Mr. R.C.H. Price	1957 - 1965	Carson & Co.
04. Mr. G. Wickramasinghe	1965 – 1966	Carson & Co.
05. Mr. W.S. Rajamani	1966 – 1971	Carson & Co.
06. Mr. D.S. Raddalgoda	1971 - 1972	Carson & Co.
07. Mr. K. Arunagirinathan	1972 – 1973	Carson & Co.
08. Mr. M. Hansa	1973 - 1974	Measham & Co.
09. Mr. J. Senaviratne	1974 - 1975	Measham & Co.
10. Mr. K.C.G. Kavisekara	1975 - 1977	
JEDB		
11. Mr. R.M.H. Ranasinghe	1977 - 1985	
12. Mr. N.E.D. Croos	1985 - 1986	
13. Mr. L.J.D. Croos	1986 - 1987	
14. Mr. A.R. Arnolda	1987 - 1988	
15. Mr. K.B. Etipola	1988 - 1991	
16. Mr. T. Mutukumarana	1991 – 1994	
KEGALLE PLANTATIONS PLC		
17. Mr. K.B. Etipola	1994 - 1995	
18. Mr. K.D.R. Perera	1996 - 2000	
19. Mr. U. Mahalekam	2000 - 2000 Dec	
20. Mr. K.D.A..T. Gunasena	2001 - 2001 Aug.	
21. Mr. D.W.M.M.R.B. Madawala	2001 - 2004 Nov	
22. Mr. A.C.P. Ranasinghe	2004 - 2006 Mar	
23. Mr. U.K. Wanniarachchi	2006 - todate	

Richard Pieris Plantations honours "Exceptional People - Traditional Champions"

Best Cash Flow Improvement Category Award -2010
Yataderiya Estate of Kegalle Plantations PLC
Mr. Ugesh Wanniarachchi, Superintendent

Lowest Cost of Production Category Award -TEA -2010
Yataderiya Estate of Kegalle Plantations PLC
Mr. Ugesh Wanniarachchi, Superintendent

SHAREHOLDER & INVESTOR INFORMATION

1. Stock Exchange Listing

The issued Ordinary Share of Kegalle Plantations PLC, are listed with Colombo Stock Exchange (CSE) of Sri Lanka.

2. Distribution of Shareholders

No of Shares Held	2015 No of Share Holders	2015 No of Shares	2015 % Holdings	2014 % Holdings
1 - 1,000	8,589	1,849,639	7.40%	7.51%
1,001 - 5,000	223	588,668	2.35%	2.05%
5,001 - 10,000	50	376,631	1.51%	1.59%
10,001 - 50,000	36	795,443	3.18%	2.80%
50,001 - 100,000	7	402,015	1.61%	2.56%
100,001 - 500,000	7	1,217,128	4.87%	4.40%
500,001 - 1,000,000	-	-	-	2.45%
1,000,001 - & above	1	19,770,477	79.08%	76.62%
Total	8,913	25,000,001	100.00%	100.00%
Resident Investors	8,878	24,278,494	97.11%	98.15%
Non Resident Investors	35	721,507	2.89%	1.85%
Total	8,913	25,000,001	100.00%	100.00%
Individual Investors	8,807	3,594,227	14.38%	13.84%
Institutional Investors	106	21,405,774	85.62%	86.16%
Total	8,933	25,000,001	100.00%	100.00%
Related Company	3	19,783,877	79.14%	76.68%
Company Directors Holding	1	3,307	0.01%	0.01%
General Public including Employees	8,929	5,212,817	20.85%	23.31%
Total	8,933	25,000,001	100.00%	100.00%

Public Holding: The percentage of shares held by the public is 20.85% of the issued Share Capital of the Company as at 31 March 2015 (31 March 2014 - 23.31%).

3. The Golden Shareholder

The Golden Share of Rs.10/- is currently held by the Secretary to the Treasury and should be owned either directly by the Government of Sri Lanka or by a 100% Government owned Public Company. In addition to the rights of the normal ordinary shareholder, the Golden Shareholder has the following rights;

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

2) The concurrence of the Golden Shareholder will be required to amend any clause in the article of association of the Company which grants special rights to the Golden Shareholder.

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

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

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

4. Share Information

Market Value		2015		2014	
Highest Price	- Rs.	105.00	(01 April & 10 July 2014)	121.90	(08 April 2013)
Lowest Price	- Rs.	82.10	(31 March 2015)	90.00	(09 September 2013)
Closing Price	- Rs.	85.80	(31 March 2015)	105.00	(31 March 2014)

Share Trading		2015	2014
No. of Shares Traded	-	1,743,226	2,292,818
No. of Trades	-	2,058	2,388
Value of Shares Traded	- Rs.	168,524,889	245,723,346

Key Ratios	2015	2014
Earnings per Share	5.08	13.84
Net Assets per Share	136.50	133.70
Dividends per Share	2.00	13.50

5. Twenty Largest Shareholders of the Company

As at	31 March 2015		31 March 2014	
Name of the Shareholder	Number of Shares	% of the Holding	Number of Shares	% of the Holding
RPC Plantation Management Services (Pvt) Ltd	19,770,477	79.08%	19,155,477	76.62%
Almar Trading Co. (Pvt) Ltd	243,600	0.97%	243,600	0.97%
HSBC International Nominees Ltd - SSBT - Deustche Bank	200,000	0.80%	200,000	0.80%
Mubasher Financial Services BSC	187,892	0.75%	96,356	0.39%
Tranz Dominion, L.L.C	185,000	0.74%	185,000	0.74%
Mr. A. K. Kumarasena	173,251	0.69%	125,151	0.50%
Employees Provident Fund	122,300	0.49%	122,300	0.49%
Sandwave Limited	105,085	0.42%	-	-
Mr. M. J. Fernando	85,500	0.34%	85,500	0.34%
Cocoshell Activated Carbon Company Limited	61,189	0.24%	90,131	0.36%
Dr. W. P. Somasiri	52,375	0.21%	52,500	0.21%
Mr. D. M. Kodikara	51,151	0.20%	-	-
Mr. N. Balasingam	50,600	0.20%	50,600	0.20%
Bank of Ceylon - No. 1 Account	50,600	0.20%	50,600	0.20%
Mrs. P. C. Cooray	50,600	0.20%	50,600	0.20%
Harnam Holdings SDN BHD	50,000	0.20%	50,000	0.20%
Mr. J. G. De Mel	46,493	0.19%	-	-
Dhanasiri Recreation (Pvt) Ltd	45,841	0.18%	-	-
Mr. P. Subasinghe	42,784	0.17%	-	-
Alliance Finance Company PLC	37,100	0.15%	-	-
Sub Total	**21,611,838**	**86.45%**	-	-
Balance held by 8,893 Shareholders (31 March 2014 - 8,913 Shareholders)	3,388,163	13.55%	3,394,282	13.58%
Total Shares	25,000,001	100.00%	25,000,001	100.00%

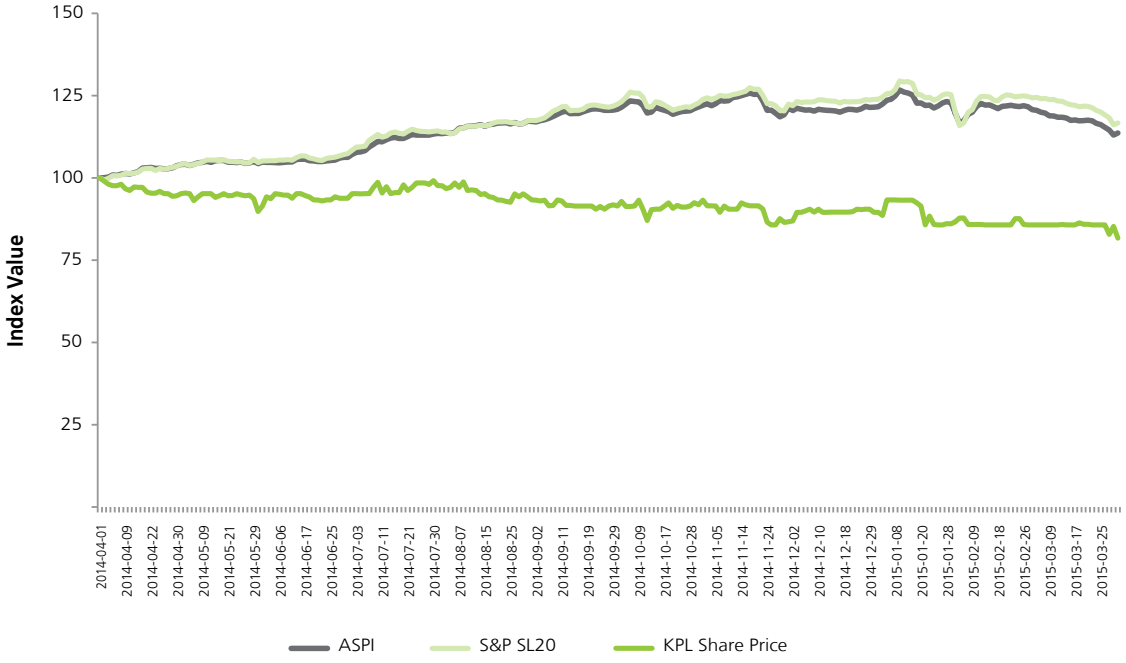
6. Exchange Rates - US $ (Selling)

	2015	2014	2013	2012
As at 31 March (Rs.)	134.73	132.17	128.47	129.57

7 Other Share Information

The performance of Kegalle Plantations PLC's share is as follows compared to the performances of All Share Price Index (ASPI) and Standard & Poor's Sri Lanka 20 Index (S&P SL20) in the Share Market during the year.

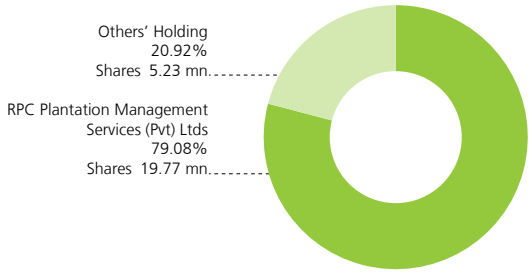
KPL Share Price Vs Market Indices



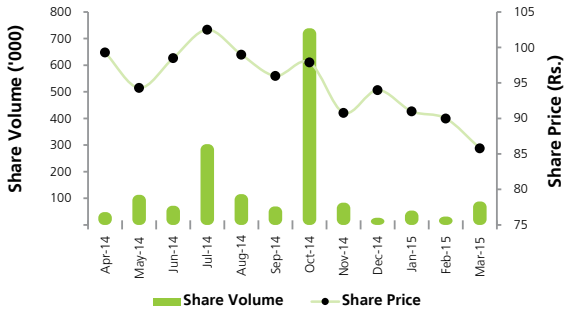
Kegalle Plantations PLC's share information from Colombo Stock Exchange (CSE) website:

- Log on to Colombo Stock Exchange - website: www.cse.lk
- Enter Company Code (KGAL.N000) in the search box at the top right hand corner of CSE home page and go to the Company description.

Shareholder Structure As At March 2015



KPL Share Price & Transaction Volume



GLOSSARY OF FINANCIAL TERMINOLOGY

Financial Terms

Accounting Policies
The specific principles, bases, conventions, rules, and practices adopted by an enterprise in preparing and presenting Financial Statement.

Agricultural Activity
Agricultural activity is the management by an entity of the biological transformation and harvest of biological assets for sale or for conversion into agricultural biological assets.

Amortisation
The systematic allocation of the depreciable amount of an intangible asset over its useful life.

Associate
An associate is an entity, including an unincorporated entity such as a partnership, over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

AWPLR
Average Weighted Prime Lending Rate.

Bearer Biological Assets
Biological assets those are not to be harvested as agricultural produce or sold as biological assets. The biological assets other than the consumable biological assets.

Biological Assets
Is a living animal or plant.

Borrowing Costs
Borrowing Costs are interest and other costs incurred by an enterprise in connection with borrowing of funds.

Capital Employed
The sum of Shareholders' Funds, Long Term & Short Term Interest bearing Borrowings.

Consumable Biological Assets
The biological assets those that are to be harvested as agricultural produce or sold as biological assets.

Contingent Liabilities
Condition or situations at the Balance Sheet date, the financial effects of which are to be determined by future events, which may or may not occur.

Current Ratio
Current Assets divided by Current liabilities.

Deferred Taxation
The Tax effect of timing differences deferred to/ from other periods, which would only qualify for inclusion on a tax return at a future date.

Dividend Cover
Profits after tax divided by Dividends.

Earnings Per Share
Profit after Tax divided by weighted average number of Ordinary Shares outstanding during the period.

EBITDA
Abbreviation for Earnings before Interest, Tax, Depreciation, and Amortization.

Enterprise Value
Market Capitalization plus net debt.

Equity/Assets Ratio
Shareholders' Funds divided by Long Term Assets plus Current Assets.

Fair Value
Fair value is the amount for which an asset could be exchanged between a knowledgeable, willing buying and a knowledgeable willing seller in arm's length transaction.

Gearing (D/E ratio)
Long Term Interest bearing Borrowings/Liabilities as a percentage of Shareholders' Funds plus Long Term Interest bearing Borrowings/Liabilities.

General Reserve
Reserve available for distribution and investment.

IFRS
International Financial Reporting Standards

Interest Cover
Profit before Tax plus Interest Charges divided by Interest Charges, including Interest Capitalized.

Market Capitalization
Number of shares in issue, multiplied by the market value of each shares at the year end.

Net Assets
Sum of Fixed Assets and Current Assets less Total Liabilities.

Net Assets per Share
Shareholders' funds divided by the number of Ordinary Shares.

Net price Per Share
Net Assets at the end of period divided by the number of Ordinary Shares issued.

Price Earnings Ratio
Market price of a share divided by Earnings per Share.

Related Parties
Parties who could control or significantly influence the financial and operating policies of the Company.

Return on Average Equity
Net income expressed as a percentage of Average Shareholders' Funds.

Return on Capital Employed (ROCE)
Profit after Tax plus Interest on Loans divided by the Equity Funds, Long Term Loans and Short Term Loans.

RSS-1
Ribbed Smoked Sheet - Grade 1

Shareholders' Funds
Funds attributable to Shareholders which consist of Share Capital, Reserves and Retained Profit.

SLAS
Sri Lanka Accounting Standards.

SLFRS/LKAS
Sri Lanka Financial Reporting Standards.

SoAT
Statement of Alternative Treatment issued by the Institute of Chartered Accountants of Sri Lanka.

SoRP
Statement of Recommended Practices issued by the Institute of Chartered Accountants of Sri Lanka.

Subsidiary
A subsidiary is an entity, including in unincorporated entity such as a partnership, that is controlled by another entity.

Turnover per Employee
Consolidated turnover of the Company for the year divided by the number of employees at the year end.

UITF
Urgent Issues Task Force of the Institute of The Chartered Accountants Of Sri Lanka.

Value Addition
The quantum of wealth generated by the activities of the Company and its application.

Working Capital
Current assets exclusive of liquid funds and interest-bearing financial receivables less operating liabilities and non-interest-bearing provisions.

Non - Financial Terms

COP
Cost of Production. Generally refers to the cost of producing one kilo of produce (Tea/Rubber).

Crop
The total produce harvesyed during a financial year.

Extent in bearing
The extent of a land from which crop is being harvested. Also see "Immature Plantation".

Field
A unit extent of land. Estates are divided into fields in order to facilitate management.

GSA
Gross Sale Average. Average sale price obtained (over a period of time, for a kilo of produce) before any deductions such as brokerage, etc.

HACCP
Hazard Analysis and Critical Control Point System, Internationally accepted food safety standard.

Immature Plantation
The extent of plantation that is under development and is not being harvested.

Infilling
A method of field development whereby planting of individual plants is done in order to fill the vacancies of existing revenue fields.

ISO
International Standards Organization.

Mature Plantation
The extent of plantation from which crop is being harvested.

NSA
Net Sales Average per kilo.

Replanting
A method of field development where an entire unit of land is taken out of "bearing" and developed by way of uprooting the existing trees/bushes and replanting with new trees/bushes.

Yield (YPH)
Average yearly output of produce from a hectare of plantation.

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Twenty Second (22nd) Annual General Meeting of Kegalle Plantations PLC will be held at the Registered Office, No. 310, High Level Road, Nawinna, Maharagama on Tuesday, 30 June 2015 at 10.00 a.m. and the business to be brought before the meeting will be as follows;

1. To consider the Report of the Directors and the Statement of Accounts for the year ended 31 March 2015 with the Report of the Auditors thereon.

2. To re-elect Prof. Asoka Nugawela , who retires by rotation in terms of Article 92 at the Annual General Meeting, a Director.

3. To re-elect Dr. Gerry Jayawardena, who retires by rotation in terms of Article 92 at the Annual General Meeting, a Director.

4. To re-appoint Messrs. Ernst & Young, Chartered Accountants as Auditors of the Company and to authorize the Directors to determine their remuneration.

5. To authorize the Directors to determine contributions to charities.

6. To consider any other business of which due notice has been given.

By Order of the Board

(Sgd.)
Richard Pieris Group Services (Private) Limited
Secretaries

No. 310, High Level Road, Nawinna, Maharagama

28 May 2015

Notes:

a) A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him/her.

b) A proxy need not be a member of the Company. The form of proxy will be found inserted in the Annual Report

c) The completed form of proxy should be deposited at No. 310, High Level Road, Nawinna, Maharagama., not less than 48 hours before the time appointed for the holding of the meeting.

FORM OF PROXY

I/We* (in block letters) ..... of .....
..... being a member /members of the KEGALLE PLANTATIONS PLC, hereby appoint ..... of .....
.....
whom failing DR. SENA YADDEHIGE whom failing JAMES HENRY PAUL RATNAYEKE whom failing SUNIL SOMINDRANATH POHOLIYADDE whom failing PROF. ASOKA NUGAWELA whom failing DR. GERRY JAYAWARDENA * as my/our proxy to represent me/us and to vote on my/our behalf at the 22ND ANNUAL GENERAL MEETING of the Company to be held on 30 June 2015 and any adjournment thereof, and at every poll which may be taken in consequence thereof to vote:-

	In favour	Against
1. To consider the Report of the Directors and the Statement of Accounts for the year ended 31 March 2015 with the Report of the Auditors thereon.		
2. To re-elect Prof. Asoka Nugawela, who retires by rotation in terms of Article 92 at the Annual General Meeting, a Director.		
3. To re-elect Dr. Gerry Jayawardena , who retires by rotation in terms of Article 92 at the Annual General Meeting, a Director.		
4. To re-appoint Messrs Ernst & Young, Chartered Accountants as Auditors of the Company and to authorise the Directors to determine their remuneration.		
5. To authorize the Directors to determine contributions to charities.		
6. To consider any other business of which due notice has been given.		

Dated this ..... day of 2015

.....
Signature of Shareholder

Notes:

(i) Please delete the inappropriate words
(ii) A proxy need not be a member of the Company.
(iii) Instruction as to completion appear on the reverse of this form.

INSTRUCTIONS AS TO COMPLETION OF PROXY FORM

To be valid, this Form of Proxy must be deposited at No. 310, High Level Road, Nawinna, Maharagama., not later than 10.00 a.m. on Sunday, 28 June 2015.

In perfecting the Form of Proxy, please ensure that all details are legible.

In the case of a Company/Corporation, the proxy must be under its Common Seal, which should be affixed and attested in the manner prescribed by its Articles of Association.

Please indicate with an 'X' in the space provided how your proxy is to vote on each resolution. If no indication is given the proxy at his/her discretion will vote as he/she thinks fit.

This Form of Proxy shall in the case of an individual be signed by the appointor or his/her Attorney. Where the Form of Proxy is signed under a Power of Attorney, which has not been registered with the Company, the original Power of Attorney together with a photocopy of same or a copy certified by a Notary Public must be lodged with the Company, along with the Form of Proxy.

CORPORATE INFORMATION

Name of the Company	:	KEGALLE PLANTATIONS PLC
Legal Form	:	A Quoted Public Company with limited liability, Incorporated in Sri Lanka under the Companies Act No. 07 of 2007.
Date of Incorporation	:	22 June 1992
Company Registration No	:	New registration No. P Q 135 [Old No. N(PBS/CGB) 140]
Head/Registered Office	:	No. 310, High Level Road, Nawinna, Maharagama, Sri Lanka.
Principal Business Activities	:	Cultivation, Manufacture and Sale of Rubber, Tea, Coconut, Cardamom & other agricultural Produce.
Ultimate Parent Enterprise	:	Richard Pieris & Company PLC No. 310, High Level Road, Nawinna, Maharagama, Sri Lanka.
Board of Directors	:	Dr. Sena Yaddehige - Chairman Mr. J H P Ratnayeke - Deputy Chairman Mr. S S Poholiyadde - Chief Executive Officer Prof. R C W M R A Nugawela - Director Dr. S S B D G Jayawardena - Director
Stock Exchange Listing	:	The Ordinary Shares of the Company are listed with the Colombo Stock Exchange of Sri Lanka.
Management	:	Mr. S S Poholiyadde - Managing Director - Plantations Mr. Sudheera Epitakumbura - Financial Controller Mr. Y S Nagahawatta - Deputy General Manager - Marketing Mr. I S Doranegama - Deputy General Manager - Tea & Administration Mr. G L H D Amaratunga - Deputy General Manager - Rubber Mr. N B Ranatunga - Group Manager Mr. B M J A Moonamale - Group Manager Mr. S C Bandaranayake - Engineer Mr. T I Kodithuwakku - Accountant Mr. R M S S Herath - Manager - Information Systems
Secretaries	:	Richard Pieris Group Services (Pvt) Limited No. 310, High Level Road, Nawinna, Maharagama, Sri Lanka Telephone : + (94) 11 4310500
Auditors	:	Messrs. Ernst & Young, Chartered Accountants, 201, De Saram Place, Colombo 10.
Bankers	:	National Development Bank PLC Bank of Ceylon - Corporate Branch & Regional Branches Hatton National Bank PLC Peoples Bank Seylan Bank PLC Commercial Bank of Ceylon PLC Indian Overseas Bank/Indian Bank/State Bank of India
Legal Advisors	:	Paul Ratnayeke Associates International Legal Consultants, Solicitors and Attorneys-at-Law, No. 59, Gregory's Road, Colombo 7, Sri Lanka.
Contact Details	:	Telephone : + (94) 11 4310500 Facsimile : + (94) 11 4310799 Website : www.arpico.com E-mail : kpl.rpk@arpico.com

Kegalle Plantations PLC

No. 310, High Level Road, Nawinna, Maharagama, Sri Lanka.