Annual Report
2015 / 2016

KEGALLE PLANTATIONS PLC

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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.

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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 5,200 ha are Rubber, 1,400 ha under Tea and another 500 ha under Coconut. The Company produces around 3.4 mn kg of Rubber and 2.4 mn kg of Tea inclusive of bought crop. It has employee strength of 6,345.

The Managing Agent appointed by the Government was RPK Management Services (Pvt) Limited (RPK), which was 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".

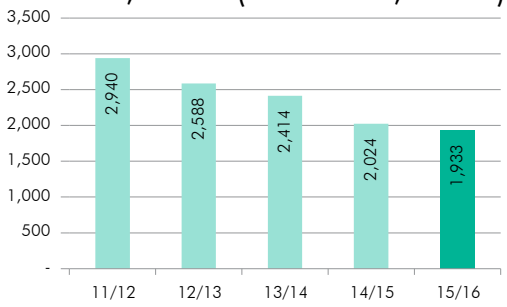
At the time it acquired the 51% stake RPK also invested Rs. 50 mn in convertible debentures of KPL. In February 1998, these debentures were converted to 5 million Ordinary Shares of Rs. 10/- each and assigned to RPK, increasing the Share Capital of the Company to Rs. 250 mn. In March 2004, Richard Pieris & 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

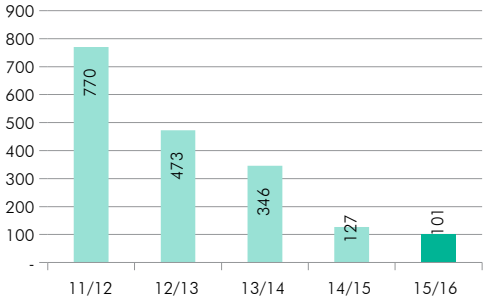
Turnover

Rs. 1,933 mn (2015 - Rs. 2,024 mn)



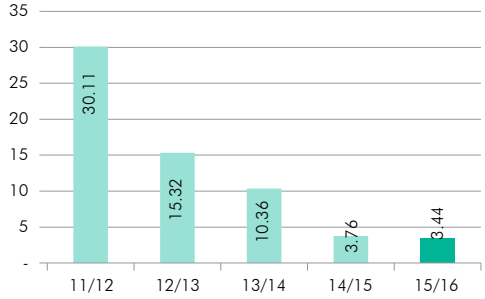
Profit After Tax

Rs. 101 mn (2015 - Rs. 127 mn)



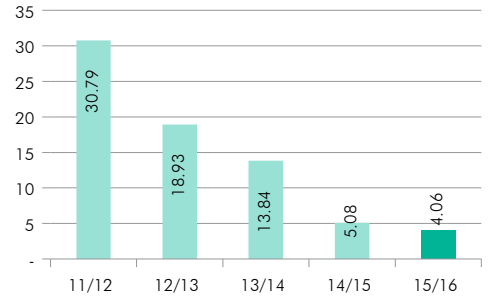
Return on Average Equity

3.44% (2015 - 3.76%)



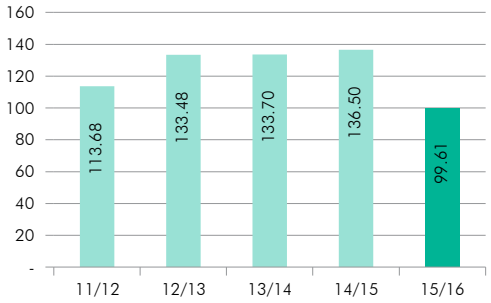
Earnings Per Share

Rs. 4.06 (2015 - Rs. 5.08)



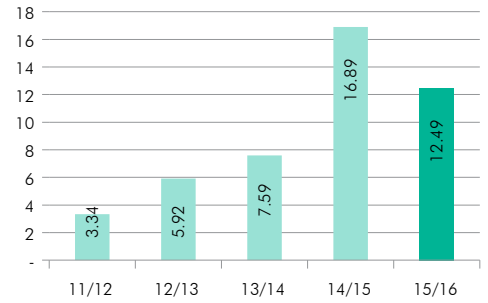
Net Assets Per Share

Rs. 99.61 (2015 - Rs. 136.50)



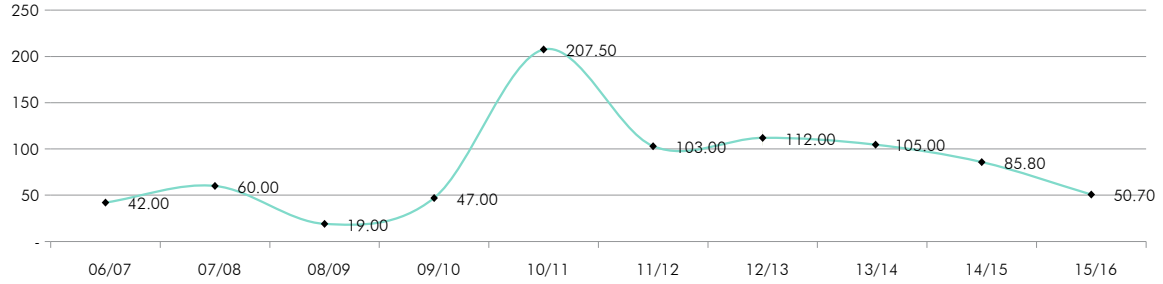
Price Earnings Ratio

12.49 Times (2015 - 16.89 Times)



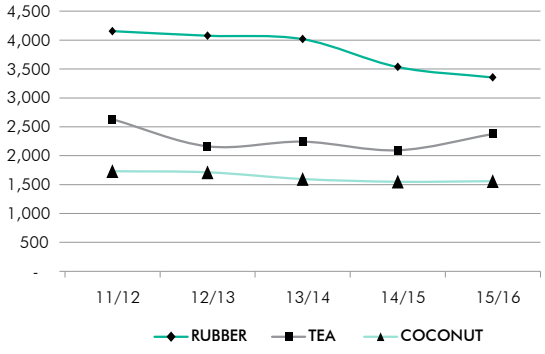
Share Price Movement

Rs. 50.70 (2015 - Rs. 85.80)

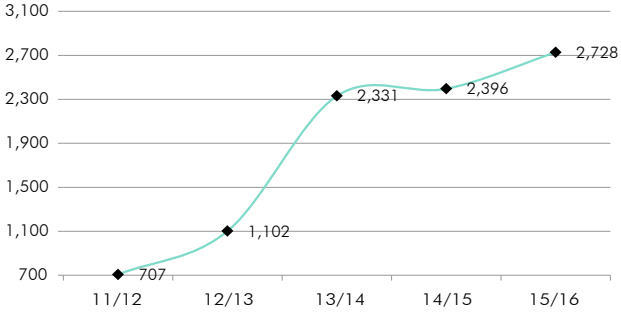


Performance - Year Ended 31 March		2016 Rs.'000	2015 Rs.'000	Variance %
Turnover		1,933,063	2,023,911	(4.49)
Profit before Interest and Tax		262,196	274,227	(4.39)
Profit After Tax		101,441	127,034	(20.15)
Gross Dividends		1,125,000	50,000	2,150.00
Capital Expenditure		220,648	305,851	(27.86)
Financial Position - As at 31 March				
Fixed Assets		4,247,090	4,049,045	4.89
Current Assets		2,165,252	3,078,052	(29.66)
Total Assets		6,412,342	7,127,097	(10.03)
Current Liabilities		1,476,510	771,499	91.38
Shareholders' Funds		2,490,296	3,412,393	(27.02)
Stated Capital		250,000	250,000	-
Capital Employed		5,217,809	5,808,139	(10.16)
Key Indicators				
Earnings per share	Rs.	4.06	5.08	(20.15)
Net Assets per share	Rs.	99.61	136.50	(27.02)
Dividend per share	Rs.	45.00	2.00	2,150.00
Market Price per share	Rs.	50.70	85.80	(40.91)
Return on Capital Employed	%	5.74	5.24	9.59
Market Capitalisation	Rs.'000	1,267,500	2,145,000	(40.91)
Return on Average Equity	%	3.44	3.76	(8.62)

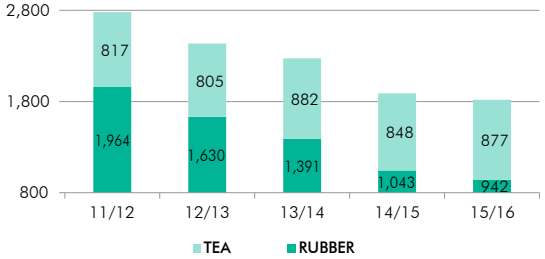
Crop
kg / nut '000



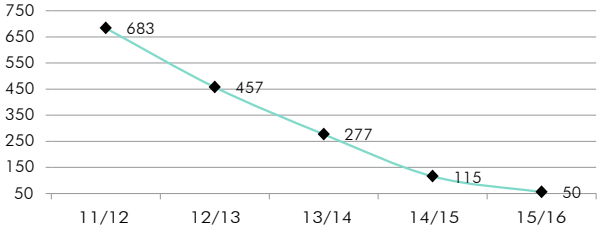
Borrowings
Rs. / mn



Turnover
Rs. / mn



Net Cash Generated from Operations
Rs. / mn



CHAIRMAN'S REVIEW

Dear Shareholders,

It is with great pleasure that I present the Annual Report and Audited Financial Statements of Kegalle Plantations PLC for the year ended 31 March 2016, and warmly welcome you to the 23rd Annual General Meeting of the Company. It is with great pride that I remind you that your Company continues to be the largest natural rubber producer in Sri Lanka, a title which we have successfully secured over the past years.

The year under review has been particularly challenging, with various external factors affecting the Company's bottom line. Geopolitical tensions reported in key export markets that led to weakening demand; adverse weather conditions and sharp decline in rubber prices were some of the external factors that had negative impact on the Company. However, your Company was able to withstand these difficulties to a greater extent due to timely focus and effective management of resources.

During the year, Kegalle Plantations PLC recorded revenue of Rs.1.93 bn and a Profit after Tax of Rs.101 mn. Effective cost and finance management enabled the Company to stand strong in yet another extremely challenging year for the plantation industry.

ECONOMIC ENVIRONMENT

The growth of the global economy has yet again fallen short of its expectation in 2015 reporting a 2.4% growth compared to 2.6% in 2014. Subdued global trade, lower commodity prices, weaker capital flows triggered deceleration of growth in emerging economies, which had been the driving force behind global growth since world financial crisis in 2007-08. The growth of BRICS is predicted to slow down at 3.9% on average. Moreover, the easing growth of the Chinese economy, and the recessions in Russia and Brazil eventually had a spill over effect on the rest of the countries as well. However, on a positive note, developing South Asian countries

spearheaded by India indicated a sturdy growth of 7% for the year 2015.

Looking forward, the global economy is projected to expand by 2.9% in 2016 on the predictions of continued gains in major developed countries, gradual realignment of focus of the Chinese economy with more concentration on domestic consumption and investment and stabilization of world commodity prices although the negative risk exposure of the world financial system and heightened geopolitical tension especially in middle-east may pose a threat to the optimism.

In spite of the deceleration of global economy the Sri Lankan economy is projected to have grown by 4.8% in 2015. However, the external trade of the Country contracted during the period with Exports declining by 5.6% to USD 10.5 billion whilst imports falling by 2.5% to USD 18.9 bn in 2015 compared to 2014. Continuation of lower commodity prices had a negative impact on agricultural exports while weaker export demand primarily due to slow down in EU and US economies adversely affected the industrial exports. Furthermore, worker remittances stood at USD 6.9 bn while tourism continued to boom indicating a robust growth of 22.6% with an income of USD 2.9 bn in 2015.

Tightening of monetary policy stance was evident during the latter part of the financial year with increasing market interest rates across all maturities. AWPLR stood at 9.12% by end March 2016 compared to 7.01% at the corresponding point in the previous year posing a staggering increase in excess of 2 percentage points. Rupee depreciated significantly creating high volatility in the foreign exchange market.

INDUSTRY REVIEW

TEA

Adverse weather conditions and reduction of tea auction prices led to a significant drop in tea production in 2015. The production of tea during the year under review was 329 mn kg, a drop of 2.7% from the previous output of 338 mn kg in 2014. Production volumes of low grown tea and high grown tea decreased by 3.6% and 2.5% respectively, leading to a drop in overall tea production, despite production of medium grown tea increasing by 1% to 49.7 mn kg.

The average Colombo auction price decreased by 13% during the year 2015 to record Rs. 401.46 per kg. The highest drop of 14.2% was recorded in low grown tea while the average price received by tea smallholders for green leaf decreased to Rs. 59 per kg from Rs. 68 per kg last year. The decline in demand from major export destinations primarily due to economic recession experienced in Russia and Middle East prompted by lower oil prices and the sharp depreciation of currencies in countries such as Russia and Ukraine had an adverse impact on tea prices.

RUBBER

Sri Lanka's rubber production declined for the fourth consecutive year, affected by weak international demand for natural rubber and adverse weather conditions. Rubber production which was 98.6 mn kg in 2014 dropped by 10.1% in 2015, thus resulting in an output of 88.6 mn kg. The decline in rubber production was largely due to smallholders' low expectation of tapping and adverse weather conditions that prevailed during the year, which disrupted tapping.

Reflecting weakening global demand, rubber prices at the Colombo Rubber Auction plummeted to its lowest levels in 2015 continuing the decreasing trend witnessed during the recent years. The Colombo auction prices (RSS 1) declined by 13.2% while the average price of natural rubber per metric ton in the global market declined by 20.4% to US dollars 1,560 from US dollars 1,960 recorded in the previous year.

COCONUT

In comparison to Rubber and Tea, the Coconut sub sector ended the year on a positive note, recording an increase of 6.5% in total production. Total production for 2015 reached 3,056 mn nuts, compared to 2,870 mn nuts recorded in the previous year, marking the highest output on record since the year 2000. This was achieved due to favourable weather conditions and effective management of resources.

Coconut prices increased during the year reflecting higher demand from domestic manufacturers of coconut cream, coconut milk powder and liquid coconut milk. The average export price of a Coconut also increased to Rs. 54.54, from the Rs. 39.08 reported previous year. The average retail price of a coconut also increased to Rs. 50 per nut, up from Rs. 45.50 per nut recorded in 2014.

COMPANY PERFORMANCE

The Company recorded revenue of Rs. 1.93 bn during the year 2015/2016, in comparison to Rs. 2.02 bn reported last year. Profit After Tax of Kegalle Plantations PLC dropped by 20% to record Rs. 101 mn, compared to Rs. 127 mn in the previous year. Furthermore, the total assets of the Company were Rs. 6.4 bn in 2016 while the Shareholders Fund was Rs. 2.5 bn.

The Company incurred a Capital Expenditure of Rs. 221 mn during the year, out of which Rs. 219 mn was allocated for field development. Rs. 175 mn and Rs. 32 mn were incurred on Rubber and Tea respectively.

RUBBER

Reflecting the impact of mounting external challenges, your Company's rubber production also dropped by 5% to 3,353 metric tons in 2016, down from 3,534 metric tons recorded in the previous year. Despite the drop, Kegalle Plantations PLC accounted for more than 3.7% of the national rubber production, upholding its title as the largest natural rubber producer in Sri Lanka.

The Company recorded revenue of Rs. 942 mn from rubber production showing a 10% decline compared to the previous year. Following the downward trend in the market prices, average sale prices of Rubber of KPL dropped by 5%, to Rs. 274.04 in 2016, as opposed to Rs. 291.26 in the previous year.

TEA

Production of tea increased by 13% in 2015/2016, to stand at 2.4 mn kg compared to 2.1 mn kg in 2015. Turnover from Tea grew by 3%, to Rs. 877 mn compared to Rs. 848 mn recorded in 2015. However, tea prices decreased by 8.1% to Rs. 365.23 during the reporting year against Rs. 397.61 reported in 2015.

COCONUT

The Company's production of Coconut increased marginally, to record 1.56 mn nuts in comparison to 1.55 mn nuts produced in 2015. The turnover from Coconut decreased to Rs. 45.39 mn showing a decrease of 8%. However, the cost of production decreased by 3% compared to the previous year, to stand at Rs. 14.69 per nut.

SUSTAINABILITY

The estimated replanting extent of Tea, Rubber and Coconut are 100 ha, 1,200 ha and 70 ha respectively. The Company is also planning to allocate resources towards oil palm planting in its existing estates while exploring the possibility of off-shore planting.

PRODUCTIVITY & VALUE ADDITION

Your Company expects to increase the yield of Tea up to 1,250 kg/ha while increasing the yield of Rubber up to 1,100 kg/ha and Coconut up to 4,600 nuts/ha. Plans are also in place to increase harvest of tea by 30–40 % by introducing plucking shears in collaboration with the Tea Research Institute. The Company also intends to increase rubber production by 30 % by the year 2018/19.

Bio latex projects have been initiated in the Udapola, Eadella and Weniwella estates and the Company expects to reduce the usage of chemical fertilizer by 50% by 2018. The quality of the Rubber is also expected to improve through technological and agricultural enhancements.

FUTURE OUTLOOK

Looking ahead, the economy of Sri Lanka is expected to record a sustainable growth in the short term, with a real GDP growth of 5.8% in 2016. It targets a medium term growth rate of around 7%. Such growth will be made possible by creating an investor-friendly environment that will increase private sector participation across all major sectors in the economy. The government is also targeting mid-single digit inflation (3% to 5%) and moderate level interest rate over the medium term.

Sri Lanka's cost of production of tea continues to be the highest in the world and it is essential to have a productivity linked wage system for the industry in order to be globally competitive. Extent of Wage revision is the most critical factor in determining the survival of the industry.

ACKNOWLEDGMENTS

I would like to extend my sincere gratitude to the Management Team for their commitment and dedication displayed during our journey towards success amidst challenging environment. All the hard work and effort of employees across all levels are also greatly acknowledged.

I would like to thank our valued customers, suppliers and business partners for their continued loyalty and support. My sincere gratitude also goes out to all our Shareholders, for their trust and support placed on the Company. I hope you will continue to be our long term partners, who will join us to elevate our Company to greater heights. Contributions made by all other stakeholders and regulatory bodies are also greatly appreciated.

Finally, I take this opportunity to thank my Board of Directors whose foresight and commitment continue to guide our Company towards progress. Whilst I take this opportunity to warmly welcome Mr. Shaminda Yaddehige, who recently joined us as a Director on the Board, I greatly acknowledge the valuable contribution made by Mr. J. H. P. Ratnayeke, who resigned from his position in the Board of Directors and wish him all the very best in his future endeavours.

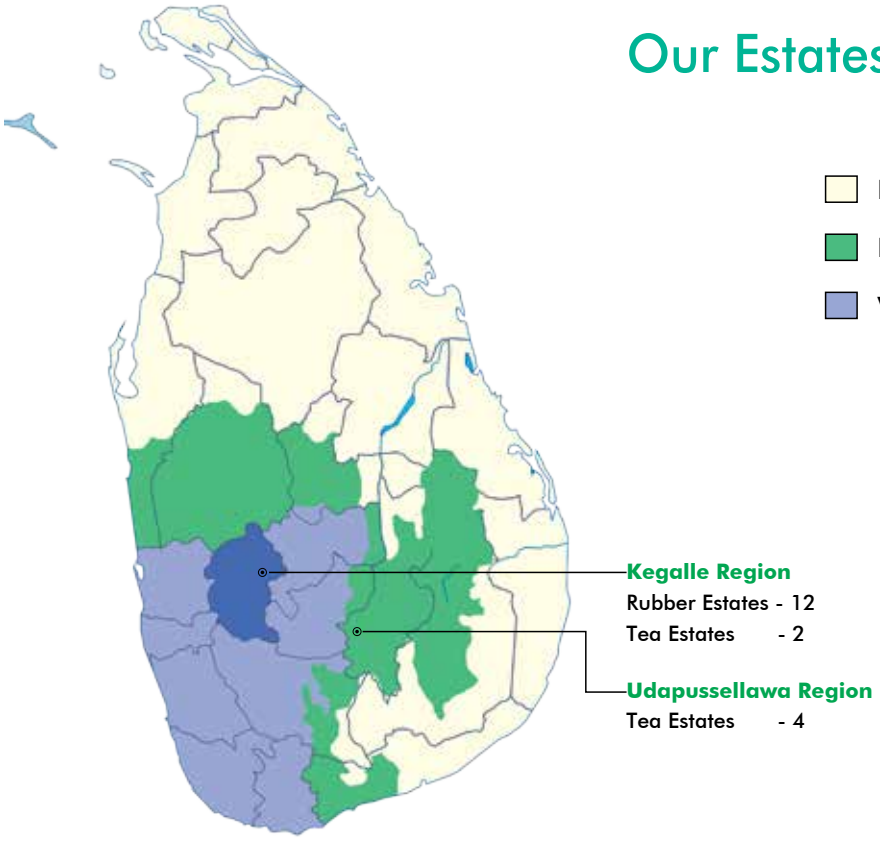
Let us look forward to another year filled with strength and determination!

Dr. Sena Yaddehige
Chairman

31 May 2016
Colombo

OUR ESTATES

Our Estates - Locations

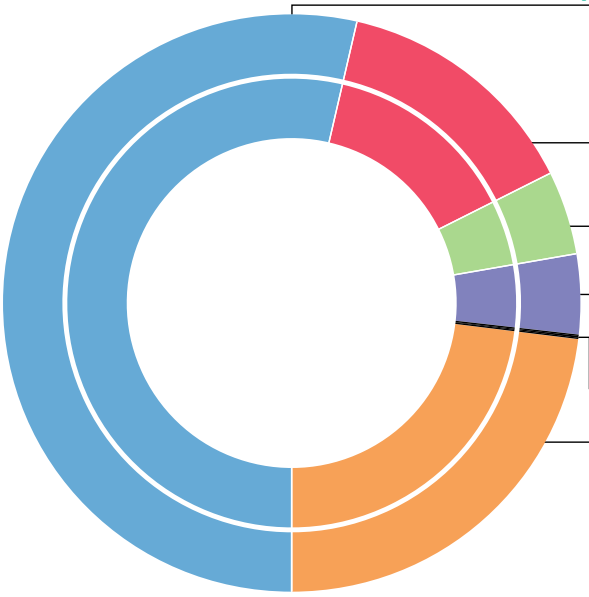


Estate	Location	Cultivated Area (hactare)					Total Area (hactare)	Elevation (Metres)	No. of Executives	No. of Staff	No. of Harvestors & Others
		Rubber	Tea	Coconut	Others	Total					
Allagolla	Udapussellawa	-	174.78	-	39.61	214.39	243.75	1311	1	14	240
Ambadeniya	Aranayake	444.14	0.52	20.60	7.97	473.23	583.25	244-355	2	18	330
Atale	Atale	940.19	-	28.66	9.06	977.91	1,150.36	119-154	3	34	513
Doteloya	Dolosbage	-	187.10	-	126.17	313.27	572.64	825-955	2	15	336
Eadella	Polgahawela	346.24	-	325.59	10.00	681.83	801.79	91-122	3	20	304
Etana	Warakapola	373.15	-	1.82	11.21	386.18	483.26	76-244	1	18	334
Gampaha	Udapussellawa	-	215.52	-	60.85	276.37	348.99	1538	2	18	384
Hathbawa	Rambukkana	259.22	-	-	5.00	264.22	477.79	122-244	1	11	181
Higgoda	Undugoda	222.29	-	-	0.80	223.09	302.23	146-411	1	8	159
Kirklees	Udapussellawa	-	246.66	-	93.96	340.62	480.70	1446	2	23	356
Luckyland	Udapussellawa	-	383.68	-	61.18	444.86	488.75	1500	3	33	635
Madeniya	Warakapola	440.28	-	-	10.03	450.31	551.92	80-229	1	15	332
Pallegama	Niyadurupola	673.37	-	1.88	2.12	677.37	863.91	90-200	2	26	414
Parambe	Undugoda	544.79	33.42	-	7.08	585.29	795.41	122-274	2	23	418
Udapola	Polgahawela	350.61	-	37.36	2.73	390.70	577.78	107-195	2	17	264
Weniwella	Alawwa	501.06	-	13.19	3.00	517.25	709.90	152-183	2	17	272
Yataderiya	Undugoda	137.38	121.40	25.90	7.35	292.03	324.30	244-290	2	18	425
Udapola CLP	Polgahawela	-	-	-	-	-	-	-	4	13	48
		5,232.72	1,363.08	455.00	458.12	7,508.92	9,756.73		36	341	5,945

Total usage of Company buildings is 3,507,810 sq.ft.

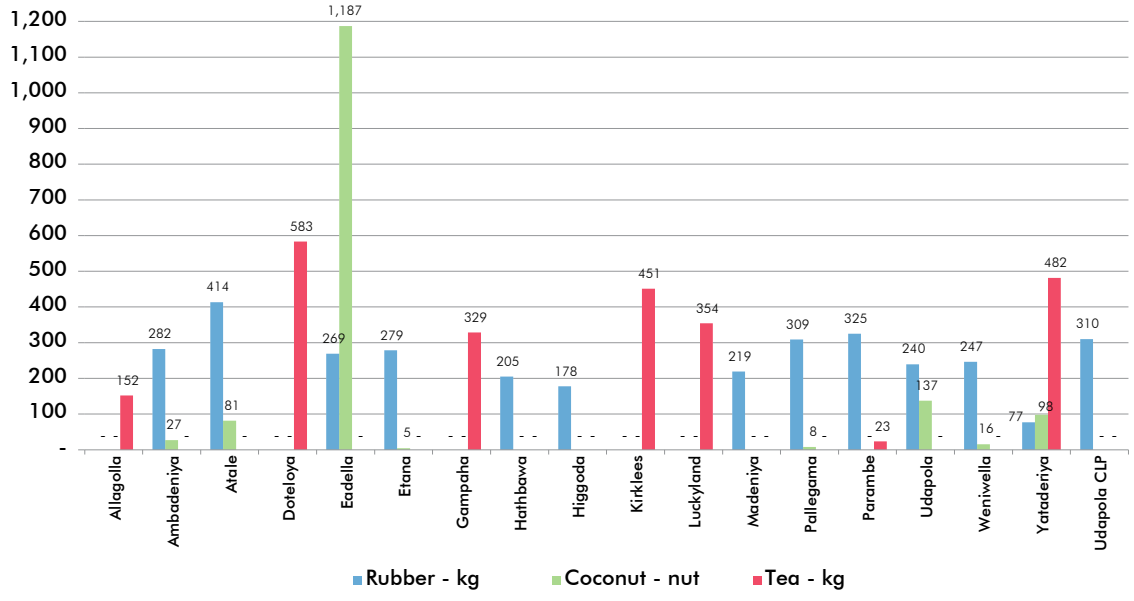
Our Estates - Land Base / Utilisation

TOTAL EXTENT 9,756.73 ha.

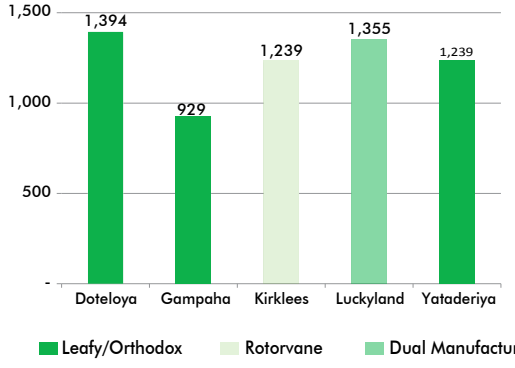


Land Base	Extent	%
Rubber	5,232.72	53.6%
Tea	1,363.08	14.0%
Coconut	455.00	4.7%
Other Crops	440.80	4.5%
Forestry	17.32	0.2%
Others	2,247.81	23.0%

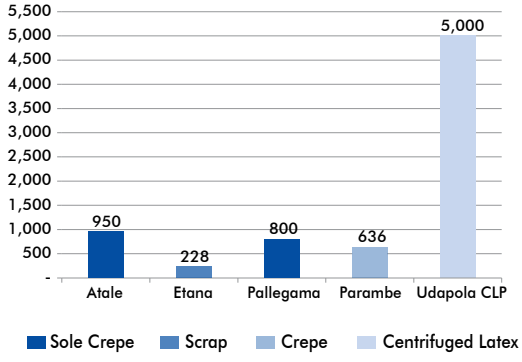
Annual Production of Estates 2015-16



Rated kg '000/pa - Tea Factories



Rated kg '000/pa - Rubber Factories



MILESTONES

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 8,000 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.

2004

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

2007

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

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.

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.

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.

2012

- Acquired 22.5 mn Ordinary Shares in Arpico Insurance PLC.

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.

2014

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

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).

2016

- Gold Award - Industrial Excellence Awards 2015 conducted by the Sri Lanka Chamber for Small and Medium Industries.

Management Discussion & Analysis

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OPERATING ENVIRONMENT

The smooth functioning of the Company is hindered by uncontrollable external environmental factors. Economic growth, Exchange rates, Unemployment levels, Fiscal & Monitory Policy changes are most impinging factors.

The factors on the global demand; low demand from major export destinations and falling prices due to declining demand led the economy to the prevailing situation. Current government activities achieve advantageous opportunities in the Euro zone and it will generate future economic developments. In the local perspective, the slowed down production due to low market prices and demand led to reduce the national production during the year under review.

Sri Lankan Economic Performance

Economic Growth

Economic Growth over Last Five Years

Sector\Year	2015	2014	2013	2012	2011
Agricultural	5.5%	4.9%	4.7%	5.2%	1.4%
Industrial	3.0%	3.5%	9.9%	10.3%	10.3%
Service	5.3%	5.2%	6.4%	4.6%	8.6%
Total Economy	4.8%	4.9%	7.2%	6.3%	8.2%

The GDP growth recorded is 4.8 per cent in 2015 as compared to the 4.9 per cent in preceding year. GDP per capita increased during the year up to USD 3,924 from USD 3,853 showing a decelerating growth of 1.6 per cent. The Agricultural sector registered 5.5 per cent during the year recording an accelerated rate of growing compared to last year, 4.9 per cent. The share of the contribution to the GDP increased marginally from 7.8 to 7.9 per cent during 2015.

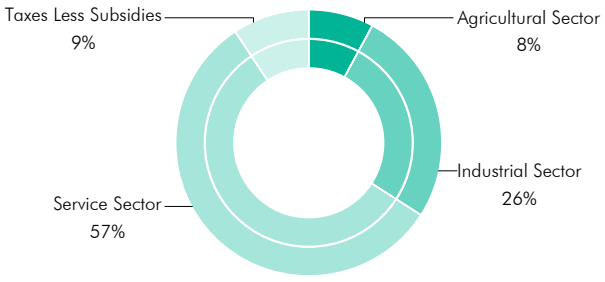
The rubber production receded for the fourth consecutive year up to 88,570 metric tons marking 10.1 per cent decline compared to last year production of 98,573 metric tons. The slowed down demand from the international market eventuated low prices for the natural rubber and it resulted low production from the rubber small holders. Unfavorable weather conditions prevailed in the second and third quarters of the year augmented the adverse national production.

National tea production depicted the same adverse picture as rubber national production. During the year under review, the tea production declined by 2.7 per cent to 329 metric tons from last year production of 338 metric tons. The industrial action of "Go Slow" and unfavorable weather condition prevailed for considerable part of the year hampered the production and unfavorable global conditions which arose from decreased oil prices and political uncertainty depleted the rubber market.

National coconut production recorded the highest performance during the year since the year 2000. It grew by 6.5 per cent from 2,870 million nuts to 3,056 million nuts resulting from favorable weather conditions in the coconut growing areas. The expansion of coconut related products; coconut oil, coconut cream, coconut milk powder, liquid coconut milk, was eventuated by the increased production.

The share of Industrial sector within GDP showed a growth of 3 per cent during the year with a contribution of 26.2 per cent to the national production. The activities of sewerage, waste, treatment and disposal activities grew significantly to 24.8 per cent compared to 11.9 per cent last year. Moreover, manufacturing activities and electricity gas steam and air conditioning activities recorded increment of 4.7 and 7.8 per cent respectively. The Service sector accounts for 56.6 per cent of GDP, with a growth rate of 5.3 per cent during the year compared to the growth of 5.2 per cent in 2014. All of the sub sectors other than public administration activities recorded accelerated growth and public administration activities recorded 1.3 per cent growth in 2015 compared to 4.3 per cent in 2014.

Sector Wise Contribution to the Total GDP



Interest, Inflation & Exchange Rate

The downtrend of the interest rates continued in the 2015 despite upward movement in the latter part of the year. The restriction over the Standard Depositary Facility Rate (SDFR) was removed after latter part of the year in order to let the Average Weighted Call Money Rate (AWCMR)

increase. Even though the interest rates did not increase as soon as predicted the expected change occurred after August 2015 due to the combine effect of decreased liquidity in the market. The AWCMR recorded 6.40 per cent at the end 2015 in comparison to 6.21 per cent at the end 2014. The yields on government securities also increased during 2015.

The Year-on-year inflation based on CCPI recorded 0.6 per cent in the beginning of the year and due to price revisions in the interim budget. It remained below 1 per cent up to September 2015 and recorded negative inflation during July to September demonstrating notable effect on economy and recorded 2.8 per cent at the end of the year 2015.

Year	2015	2014	2013	2012	2011
Inflation	2.80%	3.30%	6.90%	7.60%	6.70%
Interest Rate (AWPR)	7.53%	6.26%	10.13%	14.40%	10.77%

Sri Lankan currency depreciated substantially in the last quarter due to Central Bank decision to allow greater flexibility in determining exchange rate. It eventuated with 9.03 per cent depreciation in Sri Lankan Rupee compared to US Dollar in 2015 and recorded Rs 144.06 for $1. The resultant situation occurred from reversal of foreign investments in the government securities and increased demand for foreign exchange for non oil imports and foreign debt service payments.

LKR Against Major Buyers' Currencies

Currency	Rupee Depreciated/ Appreciated	Amount As %
USD	Depreciated	9.03
EURO	Appreciated	1.30
Japanese yen	Depreciated	8.20
Pound sterling	Depreciated	4.46

LKR Against Our Major Competitors' Currencies

Currency	Rupee Depreciated/ Appreciated	Amount As %
Indian Rupee	Depreciated	4.85
Pakistan Rupee	Depreciated	5.84
Kenyan Schilling	Appreciated	2.68
Thailand Baht	Depreciated	0.17
Chinese Yuan	Depreciated	4.94

Global Economic Performance

The global economy recorded decelerated growth of 2.4 per cent in 2015, which was 2.6 per cent in 2014. The growth was not at the phase as predicted by World Bank and International Monitory Fund (IMF). The continuous declines in commodity prices; mainly oil prices, subdued global trade, bout of financial market volatility and weakening capital flows contribute the pertaining global economic growth. Moreover, the deceleration of economic activities of the emerging and developing countries and gradual tightening in monetary policy of United States contributed the prevailing situation.

The World Bank has predicted the global economic growth as 2.9 per cent in 2016 and 3.1 per cent in 2017-2018. But the slowing down major emerging and developing economies arising from sudden increase in borrowing costs, the dollar appreciation due to tightening monetary policy in US and impact on Japan of slowing trade in Asia have the major dominant effect of affecting the forecasted global growth. However, the expected moderate increase in the global inflation next year, recovery of high income countries, a gradual slowdown rebalancing in China and an increase in global interest rates are expected occurrences during the next year, 2016.

Economic Growth of 5 Major Economies

Country	2015	2014
USA	2.50%	2.40%
China	6.90%	7.30%
European Union	1.50%	0.90%
India	7.30%	7.30%
Russia	(3.80%)	0.60%

These effects on global economic growth, low commodity prices, strengthening of US dollar due to current monetary policy etc disturbed Sri Lankan economy in 2015 and will continue in the next year since no drastic changes are expected in the next year. These will also affect the Sri Lankan agricultural exports and its price determination.

Government Policies

The government is planning to improve productivity, value addition and competitiveness of tea industry while concentrating on expansion to nontraditional cultivation areas and improving productivity through promoting good agricultural practices. As a powerful stakeholder who is holding the ownership of the land on which the company holds its prosperity, the government continued the subsidy schemes for rubber, tea and coconut new

planting and replanting to encourage the traditional export productions. The short term working capital loan schemes provided for the registered tea factory holders helped them to muddle through short term financial difficulties. New technological practices of improved tapping knives, power mats, single day drying system and new, high yielding clones in the smallholder sector have been introduced to improve the product quality.

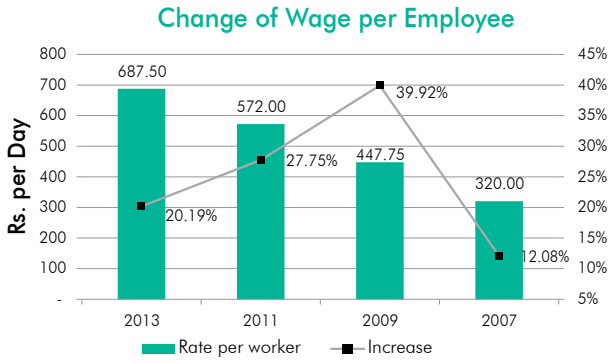
Nevertheless, removing fertilizer subsidies and imposing subsidies only on paddy cultivation negatively affected the industry as a whole and increased the cost of production. Indirectly, impose of Supper Gain tax affected the plantation companies which are subsidiaries of large parent companies.

Employment & Wages

The labor force participation rate increased to 53.8 per cent in 2015 from 53.3 per cent in 2014 due to increased participation of rural sector females. Hence the labor force participation of females increased from 35.2 to 36 percent and male participation recorded 74.7 per cent. Nonetheless the unemployment rate increased from 4.3 to 4.6 per cent during 2015 indirectly eventuated from the 12.4 per cent sharp decline in departures for foreign employment. Despite the increase in the unemployment rate, the labor productivity has increased by 3.7 per cent from Rs 410.20 per hour in 2014 to Rs 425.52 per hour in 2015.

More than activities of machines the plantation industry predominantly relies on the activities done through labor forces. Therefore investments and expenses on labor force will change the quality and quantity production of the organizations. Despite the importance of the labor force, plantation companies face dominant dilemma due to imbalance of adequate level of labor forces balancing to the production level. Most of the plantation companies in the upcountry region encounter excess labor supply while low country region companies face short supply. Moreover, the attitude change of the estate workforce is impacting the current and future performance. The young people of the estates are moving from estates to cities seeking better employment opportunities with better titles. The employment in the agricultural sector has reduced to 28.2 per cent from 28.5 per cent out of total employment of Sri Lanka. Majority of the labor force in the plantation sector is above the age limit of 40 years. Furthermore, the productivity of the agricultural sector has recorded the lowest level out of major economic sectors. Hence, the cost of production has recorded significant amount compared to other economic sectors.

Change of Wage per Employee over Last 4 Years as per Labor Agreement



The labor wages in the plantation sector is decided by the Collective Agreements and Trade union activities. The industrial activities, such as "Go slow", asking for wage hikes hindered the national tea production last year. The increase of wage rates directly affects the profitability through increase in cost of sales and also affects the cash flow of the company. The wage rate has not been changed from 2013 due to agreements with trade unions and workers and it held at Rs 687.50 per day.

Technology

The technological changes in the international plantation industry lead the organizations to cost effective, efficient and quality production process. These changes have not impacted heavily on the Sri Lankan plantation sector due to less likely hood to changing behavior and, dominantly, the high level of labor power over the plantation sector. Resulting through these the Sri Lankan plantation companies still use the technology implemented in colonial era. Hence the other countries who use new technology have the competitive advantage over the Sri Lankan products in terms of cost effectiveness.

Weather Conditions

Since the plantation sector affixed with the agricultural environment the natural environment plays a vital role. Even though there is no drought condition prevailed during the year 2015 according to Department of Meteorology's findings, the weather conditions were not favorably occurred for tea and rubber throughout the year. These uncontrollable situations occurring due to climate changes affect the natural environment favorable for crops. Hence, the production has been hindered and led to decrease the margin to cover the costs. The costs which are fixed in nature; labor costs and overheads, obstruct the organizations being highly lucrative.

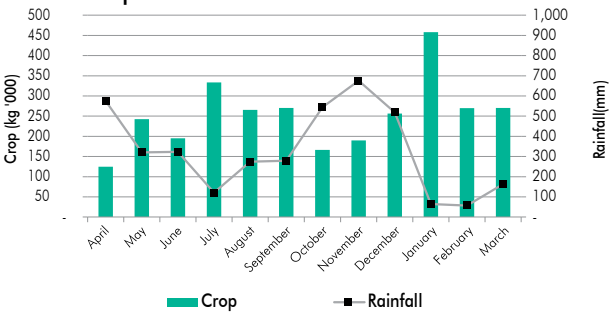
Outlook

The prevailing government which appointed in 2015 expects to sustain a real GDP growth of 5.8 per cent in 2016 and trajectory of around 7 per cent growth in medium term. The future growth plans will be initiated through improvements of investor sentiments and new policy initiatives to increase private sector participation in all major sectors in the economy via investor friendly environments.

With the adverse effect of the structural transition of the Sri Lankan economy, it is expected to achieve and sustain high growth trajectory in the medium term and it will open several opportunities to uplift the standard of living. In the medium term, inflation is expected to be maintained within the desired range of 3-5 per cent on average, by appropriately adjusting monetary policy instruments, particularly maintaining broad liquid money market, high exchange rate flexibility and public monetary concentration.

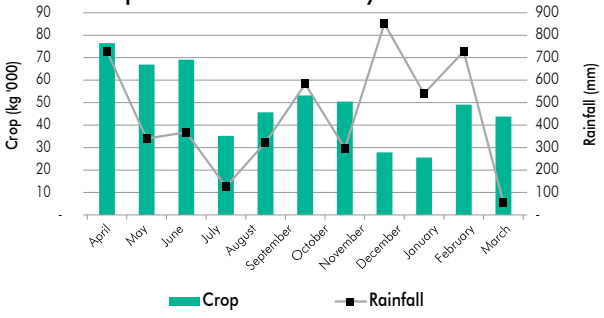
Rubber

Crop Vs Rainfall



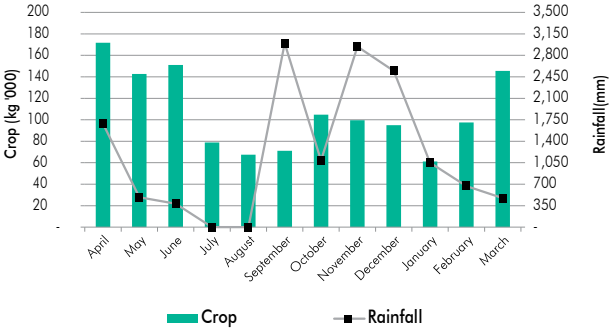
Tea

Crop Vs Rainfall - Doteloya Estate



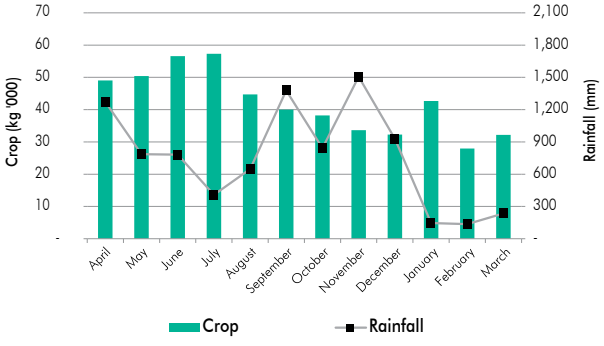
Tea

Crop Vs Rainfall - Udapussellawa Region



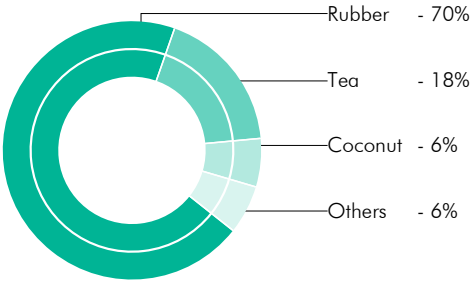
Tea

Crop Vs Rainfall - Yataderiya & Parambe Estates

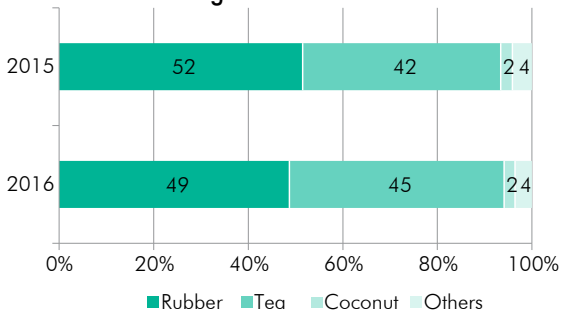


SEGMENTAL INFORMATION

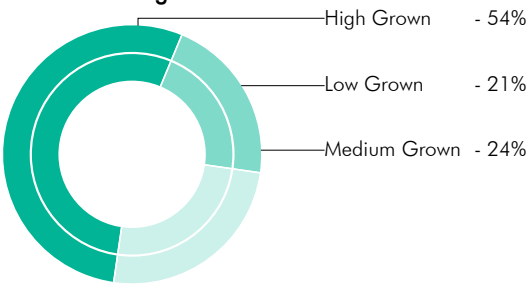
Cultivated Extent
As a Percentage



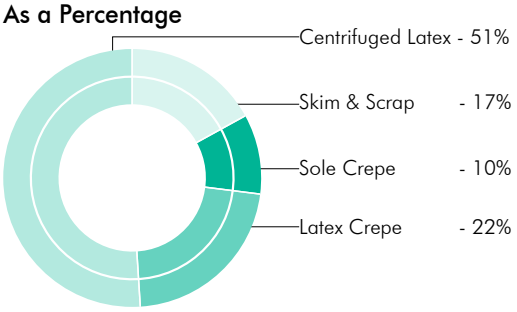
Turnover
As a Percentage



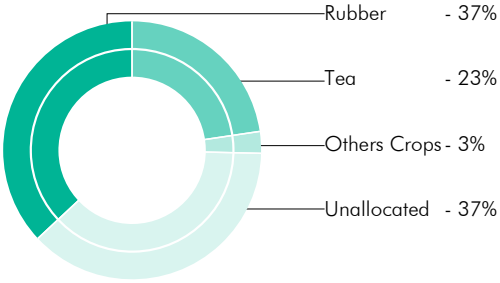
Tea Mix
As a Percentage



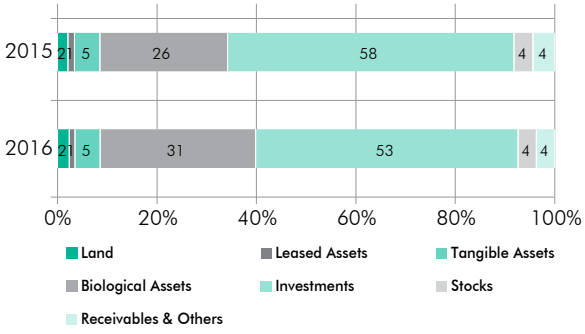
Rubber Mix
As a Percentage



Segmental Asset
As a Percentage



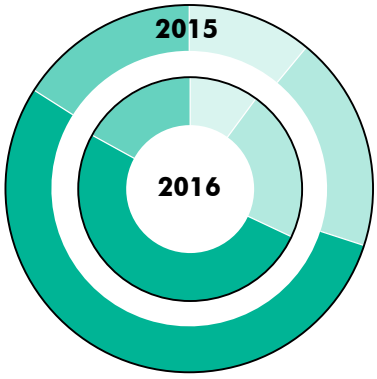
Utilization of Resources
As a Percentage



RubberMix - 2016 Vs 2015

2016

Sole Crepe	- 10%
Latex Crepe	- 22%
Centrifuged Latex	- 51%
Skim & Scrap	- 17%



2015

Sole Crepe	- 11%
Latex Crepe	- 19%
Centrifuged Latex	- 54%
Skim & Scrap	- 16%

RUBBER

		2016	2015	2014	2013	2012	2011	2010	2009
Production	- kg'000	3,353	3,534	4,016	4,076	4,155	4,082	4,578	5,102
NSA	- Rs./kg	274.04	291.26	353.16	415.14	459.76	481.15	279.12	237.25
COP	- Rs./kg	249.26	261.23	254.21	257.27	247.47	207.24	177.47	152.71
Yield	- Rs./kg	872	883	1,011	977	1,016	936	976	1,013
Revenue Extent	- ha	3,489	3,535	3,591	3,653	3,764	3,798	3,971	4,178

TEA

PRODUCTION - Kg '000		2016	2015	2014	2013	2012	2011	2010	2009
Uva	Elevation	1,286	1,074	1,143	1,065	1,364	1,428	1,109	1,340
Medium		583	523	600	549	652	630	634	496
Low		505	496	500	548	614	715	736	653

NSA - Rs./Kg		2016	2015	2014	2013	2012	2011	2010	2009
Uva	Elevation	365.93	381.53	380.19	361.39	282.39	307.23	324.06	234.79
Medium		356.95	413.35	436.38	383.36	311.66	341.69	361.08	288.82
Low		373.23	416.60	427.58	375.62	323.62	356.75	368.73	288.27

COP - Rs./Kg		2016	2015	2014	2013	2012	2011	2010	2009
Uva	Elevation	409.88	449.37	415.00	405.49	353.47	289.30	316.82	236.13
Medium		360.25	368.09	374.81	329.34	291.77	285.17	287.61	245.74
Low		381.36	401.52	400.23	371.36	299.73	303.27	302.14	254.60

YIELD - Kg/ha		2016	2015	2014	2013	2012	2011	2010	2009
Uva	Elevation	806	858	1,021	840	1,023	1,126	952	1,178
Medium		1,265	1,582	1,652	1,690	1,746	1,573	1,413	1,341
Low		1,068	1,178	1,204	1,337	1,445	1,396	1,255	1,133

REVENUE EXTENT - ha		2016	2015	2014	2013	2012	2011	2010	2009
Uva	Elevation	952	952	952	951	946	956	972	974
Medium		177	173	173	173	174	184	189	189
Low		150	149	149	148	148	149	157	161

COCONUT

		2016	2015	2014	2013	2012	2011	2010	2009
Production	- nut'000	1,559	1,549	1,596	1,713	1,731	1,413	1,572	1,610
NSA	- Rs./nut	31.95	31.71	32.62	23.31	26.78	26.45	17.99	19.31
COP	- Rs./nut	14.69	15.15	13.16	13.23	15.17	13.37	10.62	10.93
Yield	- Rs./nut	3,569	3,379	3,652	4,205	4,268	3,582	3,986	4,074
Revenue Extent	- ha	437	458	437	408	406	394	394	395

REVIEW OF OPERATIONS

Rubber

For the continuous fourth year Rubber market was taking a downward trend denoting one of the lowest selling prices of all grades. The RSS prices were unquoted continuously in the public auction and resulted poor prices for centrifuged latex. The government subsidies that were in offer to the small holder sector made things worse for the rubber prices. BOI projects continue to import cheap rubber from Thailand and Indonesia was some of the negative factors resulted sustaining the natural rubber prices in Sri Lanka. KPL highly depends on the rubber sector was adversely effected by this trend.

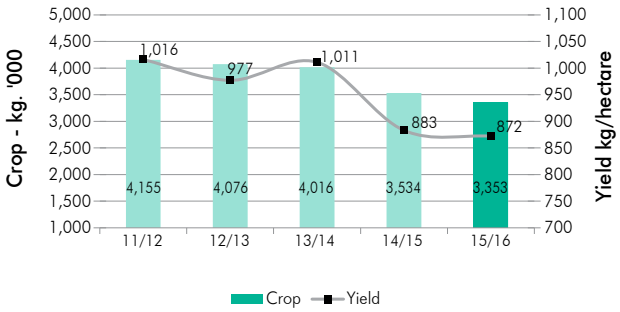
The "La-Nina" that prevailed during the 2nd, 3rd and 4th quarters of the season affected tapping operations. The number of normal tapping days recorded for the season is 171 days against the budget of 285 Days denoting 60% drop. This resulted with the improving trend of intakes and land productivity. However, with stringent controls of all outgoings KPL control their COP to make a marginal profit in spite of all challenges.

Production

Due to the facts elaborated above, the Company achieved a crop of 17% below the budget and 5% below that of the previous season. The YPH recorded for the year was 872 kilos against the budget of 1,049 kilos and that of last year 883 kilos. Therefore, it reveals due to adverse weather this indicator has shown negative variances. Despite the inadequate completion of budgets the Company has contributed to the national production by 3,353 metric tons which is 3.7 per cent of the national production.

The revenue extent of rubber was 3,535 hectares last year and it is reduced by 46 hectares during the year up to 3,489 hectares, eventuated with the downtrend in the production. Moreover, the bought crop also was decreased by 25 per cent during the year matching the market opportunities.

Crop Vs Yield - Rubber



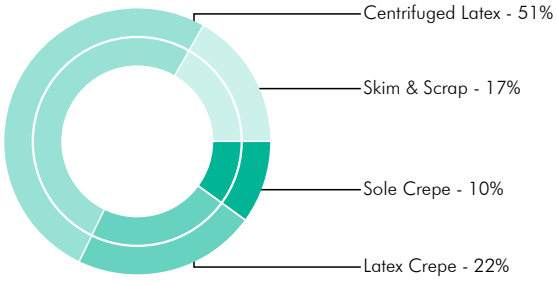
Product Mix

Due to all grades of Rubber were showing a decline market, the Company did not have a choice to deviate from the same percentages of the previous season. The pie chart given below exhibits the behavior of the grade mix.

Even though there was downtrend in the global natural rubber, KPL was not affected at a significant rate since the majority of centrifuge latex production was bought by its sister Company, Messrs. Richard Pieris Natural Foams Ltd. Moreover, the direct export of sole crepe supported to increase the NSA during the year with the fluctuation of currency.

Rubber Prices

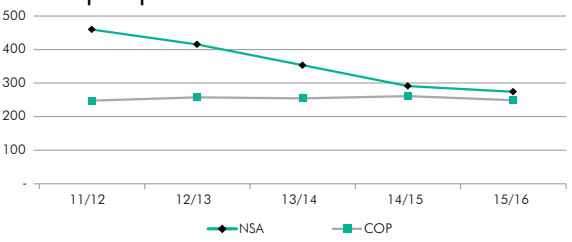
Product Mix - 2015/2016



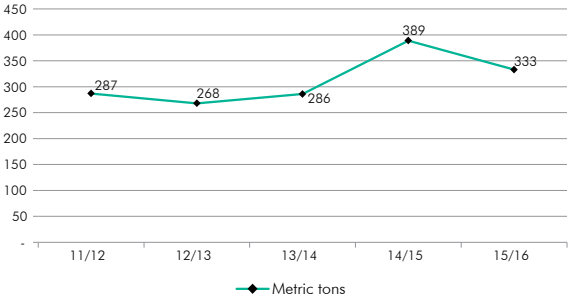
The net sales average obtained by the Company during the year decreased from Rs. 291.26 per kg to Rs. 274.04 by 6 per cent during the year 2016. Moreover, price for Latex Crepe 1X in the rubber auction increased by 15 per cent, from Rs. 249 to Rs. 287.14 per kg while value of RSS1 decreased further by 15 per cent, from Rs. 244.30 to Rs. 208.67 per kg during the year under review, 2016.

The individual grades actual price realization for the last five years given here below will denote how the prices taken by individual grades against its historical values on monthly.

NSA Vs COP - Rubber
In Rupees per kilo

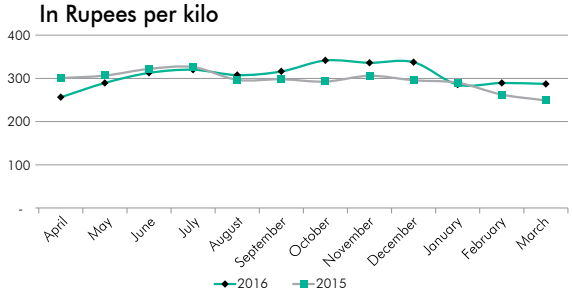


Direct Export - Rubber
In metric tons

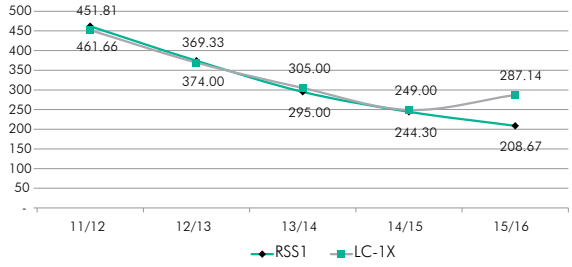


Colombo Auction Rubber Price - LC.1X
In Rupees per kilo

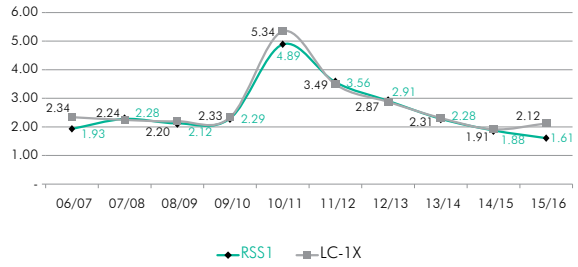
Colombo Auction Rubber Price - RSS.1X
In Rupees per kilo



Colombo Auction Averages
In Rupees per kilo



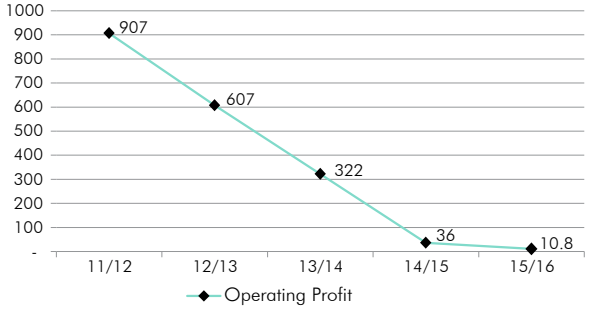
Rubber Market Prices
In Dollars per kilo



Profitability

As stated earlier due to poor market prices, production drop due to adverse weather and unforeseen price escalation of input costs affected the Cost of Production and the dropped NSA resulted with low profit margin when compared to the last five years. Furthermore, the decreased crude oil prices led to be more lucrative to use synthetic rubber over natural rubber resulting further decline of local and global demand for natural rubber.

Operating Profit - Rubber



Market Outlook

With petroleum prices dropping rapidly and the current price is low as US$35 per barrel is affecting the natural rubber prices contrary. In the near future there is no indication to show that the petroleum prices getting back to its original price.

Although the US$ appreciated by 15% against the Sri Lankan rupee the producers have not gained these benefits although the producers have to bear the high imported cost of fertilizer and chemical to produce the natural rubber.

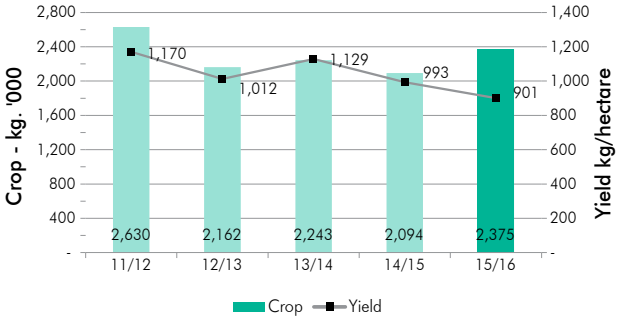
TEA

The Tea industry is facing some serious issues due to Russian and Middle East economic crisis followed by declining oil prices, which resulted in major Tea buying Countries unaffordable to pay the real value price of Tea resulted with a serious price decline in Tea market of Sri

Lanka. The national average of tea in 2015 dropped by Rs. 59.72 compared to the year 2014. The situation was further aggravated due to the severe drought during the season, which had a negative impact on the crop.

The national tea production in 2015 was at 328 million kilos which is marginally lower than 338 million kilos of 2014. Following the Global market trend average price in the Colombo auction dropped by 11% to Rs. 402.14 compared to a Nett Sale Average of Rs. 461.81 in 2014. However, the Company was able to reduce its cost of production by 6% by having strict control of outgoings and procuring more bought leaf.

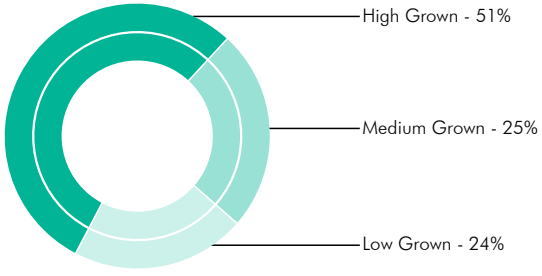
Crop Vs Yield - Tea



Production

The total production of the Company had an increase to 2.4 million kilos in 2015/16 from 2.1 million kilos of 2014/15. This was possible due to procuring an increased quantity of bought leaf which is an increase of 48%. The drought combined with heavy rains resulted in a drop in estate production by 9% over the estimate. It was clear that the drop in crop was due to unfavorable weather conditions since the revenue extent has been unchanged over the previous season. Nevertheless there had been no reduction of any inputs.

Product Mix - Tea - 2015/2016



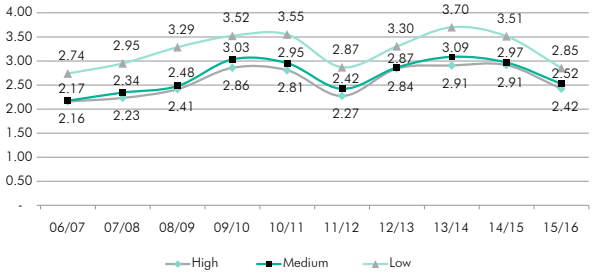
Market Outlook

The Tea market behaved similar to that of Rubber showing a negative trend. The oil prices affected the purchasing power of most Middle East Countries, persisting war in the region also resulted the mobility of this product. One of the major buying Countries Russia also faced economic crisis and drop in natural gas prices which resulted in their currency (Ruble) drop.

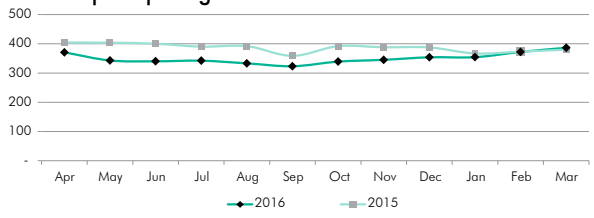
Top Prices

During the year 2015/16, Kegalle Plantations PLC selling marks did achieve top prices for 199 times at the Colombo Auction. Kirklees Factory obtained 115 top prices; Gampaha gained 61 top prices, whilst Luckyland recording 15 top prices and Doteloya obtained 8 top prices, during the period under review.

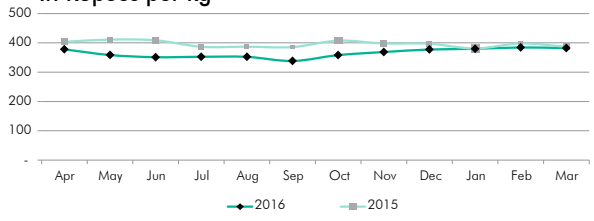
Tea Market Prices
In Dollars per kg



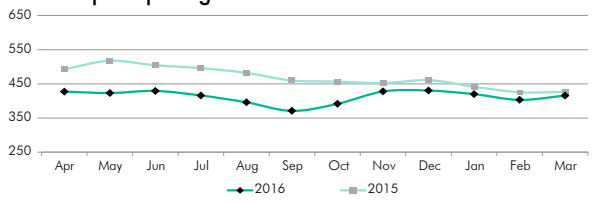
Colombo Auction Tea Price - Uva High
In Rupees per kg



Colombo Auction Tea Price - Western Medium
In Rupees per kg



Colombo Auction Tea Price - Low Orthodox
In Rupees per kg

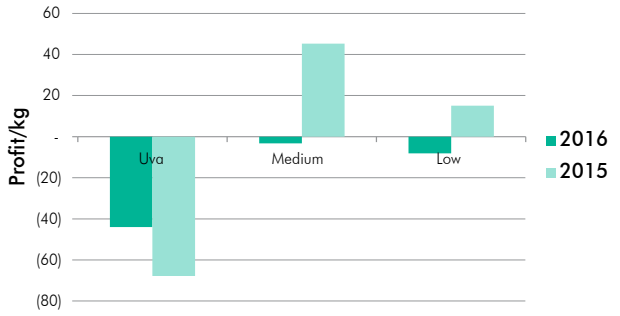


Profitability

Revenue from the tea segment increased from Rs. 848 million to Rs. 877 million - by 3 per cent, during the year representing 45 per cent of the total Company revenue. Moreover, the management has achieved its objective on decreasing the cost of production effectively. Hence, the COP has decreased by 6 per cent, from Rs. 418.19 to Rs. 391.05 per kg during the year eventuating with the reduction in COP in all regions.

Despite the decreased in the COP, the margin from NSA to cover the expenses was insufficient. Hence, the profit margins of all regions were recorded as losses during the year under review.

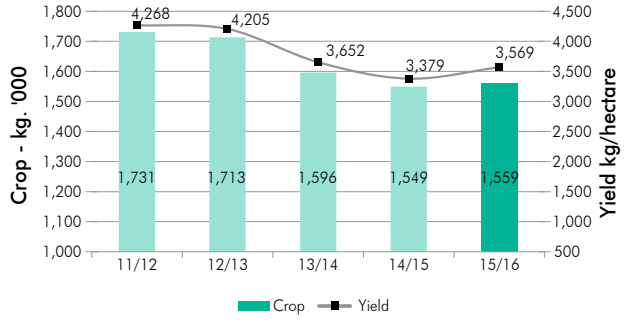
Regional Profit/Loss - Rs.



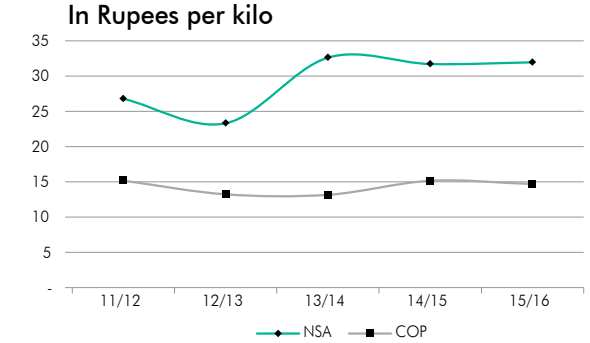
COCONUT

Coconut is the 3rd largest crop in Kegalle Plantations PLC accounts for 437 ha. It has shown a marginal 5% drop in extent due to uprooting for future re-plantings.

Crop Vs Yield - Coconut



NSA Vs. COP - Coconut
In Rupees per kilo



Production

Coconut crop denotes annual crop of 1.56 mn nuts during the season denoting a 1% increase over that of the previous year. This was mainly due to better agricultural practices administrating full quantity of fertilizer during the season. However, the final quarter with high day temperatures followed with dry weather resulted with marginal crop drop than expected.

Prices

The market prices maintained at an average of Rs. 31.95 during the season which is once again recording a 1% improvement over that of the previous year.

Cost of Production

KPL maintains a Cost of Production of Rs. 14.69 per nut keeping up to the budget and also achieving below that of last year by 3%. This was possible due to stringent control adopted in all outgoings and increase of crop by 1%.

Profitability

The profit per nut was maintained at Rs. 17.26 which is a 4% improvement over the previous year's margin mainly as a result of well controlled COP. With the above performance the coconut sector has made a net profit of Rs. 24.5 mn for the season with a profit per hectare of Coconut recording as Rs. 56, 000/-.

Investments

The main business of the Company relates with rubber, tea and coconut production. Therefore, the Company's objective is to maintain the respective fields as per the standards. Fulfilling this objective the management has invested Rs. 221 million on fixed assets – Field Development, property, plant and equipment.

Rs. 175 million on rubber, Rs. 32 million on tea and Rs. 1.3 million on coconut were invested on replanting & maintenance in the year under review. Furthermore, Rs. 11 million was invested on the timber plantations and Rs. 1.6 million was spent on property, plant and equipments of the Company

Breakdown of Capital Expenditure over Last Three Years- Rs. Million

Sector	2016	2015	2014
Rubber	175	206	226
Tea	32	43	49
Coconut	1	0.25	1.2
Timber/Fuel Wood	11	14	14
PPE	2	43	4

Additionally, KPL is keen to find new business opportunities related to plantations overseas. Fortifying this objective, the Company has done feasibility studies on planting Oil Palm & Agar wood. Accordingly 1,125 hectares of Rubber fields been identified, which were over 25 years to be diversified into Oil Palm.

Environment Protection

All of the rubber estates with factories have their own purification plants and every drop of water used in the factory is treated before it leaves the estates as per the Environmental Policy.

Harvesting of Timber

The timber planting areas are managed with the intension to harvest in order to obtain a profit. All steps in timber harvesting - felling, clearing, extraction and transportation of timber are undertaken with the prior approval of the Plantation Management Monitoring Division of the Ministry of Plantation Industries.

The harvesting of timber is done in conformity to the environmental standards under Environmental Act to minimize soil erosion and runoff fluctuation of the ground water table.

Comparative Economic Indicators

For the Year Ended 31 December		2014	2015	Change %
Gross Domestic Product				
GDP at Market Prices	Rs. bn	10,448	11,183	7.0
Real GDP Growth	%	4.9	4.8	(2.0)
GDP Deflator	%	3.9	2.1	(46.2)
Agriculture Crops				
Rubber	Rs.mn	17,438	14,045	(19.5)
Tea	Rs.mn	91,544	75,042	(18.0)
Growing of Oleaginous Fruits	Rs.mn	79,821	91,863	15.1
Agriculture Production Index (2007-2010 = 100)				
Agriculture Crops				
Rubber		73.5	66.0	(10.2)
Tea		108.5	105.6	(2.7)
Coconut		101.3	107.9	6.5
Agriculture Crops				
Rubber				
Production	kg mn	98.6	88.6	(10.1)
Total Extent	ha'000	134	135	0.7
Extent under Tapping	ha'000	111	116	4.5
Cost of Production	Rs./kg	160.00	170.00	6.3
Average Price				
Colombo Auction - RSS1	Rs./kg	286.05	248.17	(13.2)
Export - fob	Rs./kg	362.83	342.03	(5.7)
Replanting	hectares	2,096	621	(70.4)
New Planting	hectares	1,428	769	(46.1)
Value added as % GDP		0.3	0.3	-
Tea				
Production	kg mn	338.0	329.0	(2.7)
Total Extent	ha'000	203	203	-
Extent Bearing	ha'000	195	195	-
Cost of Production	Rs./kg	475.11	478.23	0.7
Average Price				
Colombo Auction	Rs./kg	459.01	401.46	(12.5)
Export - fob	Rs./kg	649.44	593.08	(8.7)
Replanting	hectares	1,195	806	(32.6)
New Planting	hectares	401	479	19.5
Value added as % GDP		0.9	0.8	(11.1)
Coconut				
Production	nuts mn	2,870	3,056	6.5
Total Extent	ha'000	441	455	3.2
Cost of Production	Rs./nut	13.67	15.25	11.6
Average Price				
Producer Price	Rs./nut	31.51	33.88	7.5
Export - fob (h)	Rs./nut	39.08	54.54	39.6
Replanting / Under Planting	hectares	5,796	4,919	(15.1)
New Planting	hectares	30,771	14,408	(53.2)
Value added as % GDP		0.8	0.8	-

Source: Annual Report 2015 - Central Bank of Sri Lanka

Training & Development

The productivity of the Company is highly behaved based on the labor forces. Hence, it is the Company responsibility to maintain the standards of the production and enhance the labor skills on employment. Therefore the Company continues the training of workers, staff and executives on productivity, quality manufacturing and agricultural practices, leadership teamwork, career growth and development.

The following programs are undertaken annually during each financial year to achieve the Company objectives on employee development and enhancing skills.

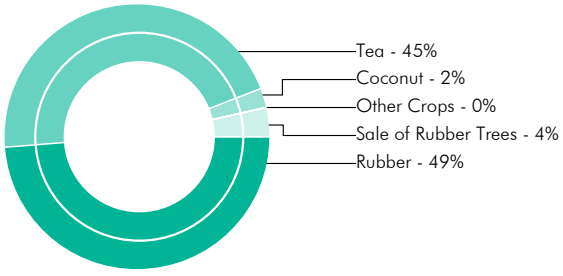
Workers
- Tapping & other agricultural practices
- Plucking & other agricultural practices
- Rubber Manufacture & Factory practices
- Low Grown tea manufacture
- Inter Cropping & Cultivation of export agriculture
- Institutional Development (Leadership Team & Attitude)
- Fire Protection
- Bud Grafting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

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

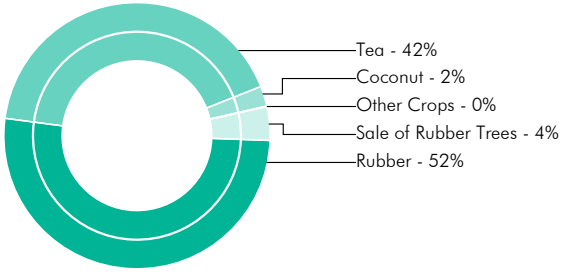
Executives
- Personal Development and Career Growth
- Leadership Development Competencies
- System Certification for ISO 22000 : 2005

Revenue Drivers - Rs. Million	2016	2015
Rubber	942	1,043
Tea	877	848
Coconut	45	50
Other Crops	1	1
Sale of Rubber Trees	68	83
Total	**1,933**	**2,024**

Revenue Drivers - 2016



Revenue Drivers - 2015



FINANCIAL REVIEW

The year under review, operations of Kegalle Plantations PLC was adversely affected due to hostile weather conditions as well as current developments in geo-political and economic environment.

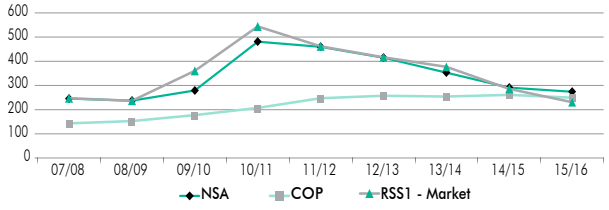
Rubber

The national rubber production faltered for the fourth consecutive year. Annual rubber production has declined by 10.1per cent and rupee value of RSS 1 by 13.2 per cent. The unfavorable weather conditions prevailed in the second and third quarters resulted in the decline of production of the Company. The average sale price for a rubber metric ton in the global market has been reduced by 20.4 per cent from USD 1,960 to USD1, 560.

The company performance too followed the national behavior. In spite of the unfavorable weather conditions, the company recorded 3,353 metric ton of rubber during the year with a 5 per cent reduction compared to the year 2014/2015 production of 3,534 metric tons. Net sales average of rubber too declined to Rs. 274.04 per kg by 6 per cent from Rs. 291.26 last year. The accumulated impacts of reduced production and prices, contributed to the total revenue of Rs. 942mn, recording 9.7 per cent reduction compared to 2014/2015 revenue of Rs. 1,043mn.

Despite all other negative results, the Company managed to reduce the cost of production by 5 per cent from Rs. 261.23 per kg last year to Rs. 249.26 per kg this year. Thus KPL recorded Rs. 10.8 million of gross profit from rubber, which is 70 per cent decline against last year profit of Rs. 36.4 million.

NSA Vs COP Vs RSS1 Price
In Rupees per kilo



Tea

The national tea production also declined marginally for the second consecutive year up to 329 million kg from 338 million kg showing 2.7 per cent reduction due to hostile weather conditions, industrial actions demanding a wage hike and lower demand from major export destinations. The average auction prices too declined continuously starting from September 2014.

Contrary to the national tea sector behavior, the company tea production increased to 2.4 million kg in 2015/2016 by reporting 13 per cent increase compared to 2.1 million kg last year. This was possible due to the increased intake of bought leaf by 48 per cent above last season. The benefit of the increased tea production was unable to be derived due to the tea auction prices decreased from Rs. 397.61 per kg to Rs. 365.23 per kg in 2015/2016 by 8 per cent against previous year. The cost of production at Rs. 391.05 per kg recorded a 6 per cent decrease compared to previous year of Rs. 418.19 per kg. Even though cost of production were propitiously managed, the net loss after overhead charges of lease rent, depreciation and interest increased to Rs. 95 million in 2015/2016 from Rs. 80 million last year due to decrease in net sales average owing to the depleted tea market.

Operating Highlights

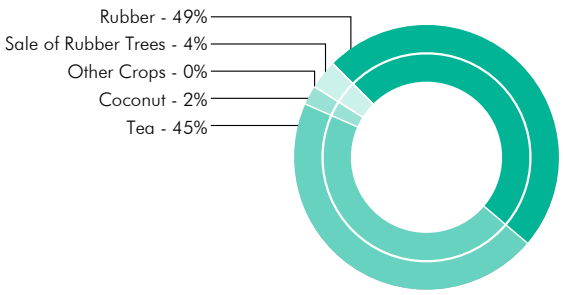
	2015/16 Rs. '000	2014/15 Rs. '000	Variance Rs. '000	Variance %
Revenue	1,933,063	2,023,911	(90,848)	(4.49)
Cost of Sales	1,924,776	1,957,796	(33,019)	(1.69)
Gross Profit	8,287	66,116	(57,829)	(87.47)
Net Profit - Group	135,125	227,434	(92,309)	(41)
Net Profit - Company	101,441	127,034	(25,593)	(20)

The gross profit of the company recorded 87 per cent decrease in 2015/2016. The decline in revenue by 4.5% mainly caused the reduction in gross profit in spite of the reduction of 1.7 per cent witnessed in cost of sales. The gross profit margin reduced to 0.43 per cent from 3.27 per cent in 2016 and Net Profit of the company has reduced by 20 per cent.

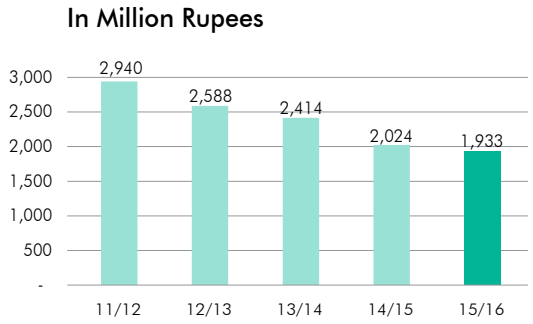
Revenue

In spite of the local and global environmental changes, the Company achieved revenue of Rs. 1.9 billion in 2015/2016 which is a 4.5 per cent below last year. Whilst rubber contributed a decrease of 9.7% % against previous year, Tea recorded an increase of 3%.

Revenue Composition 2016



Revenue Overlook

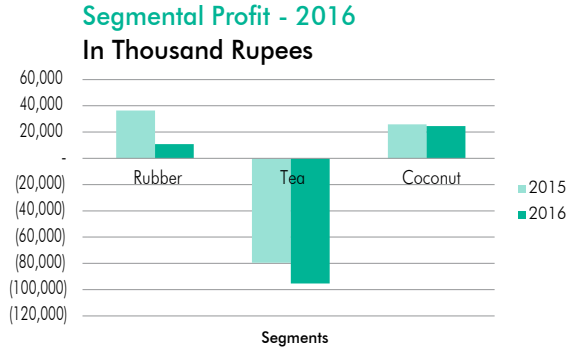


Profitability

Gross profit for the year indicated an 88 % decline over the previous year as a result of drilling down of gross profit of all three segments (Tea, Rubber & Coconut)

In spite of the revenue loss together with gross margin loss compared to previous year the operating profit has risen to Rs. 79 million which is 71 per cent above last year as a result of increase in other income. The finance income recorded is Rs. 183 million whereas finance cost of the company increased by 12 per cent from Rs. 177 last year to Rs. 198 million this year mainly due to utilization of short term bank facilities. Net Interest income has been decreased sharply against previous year after dividend distribution of Rs. 45 per share.

Segmental Profit - 2016

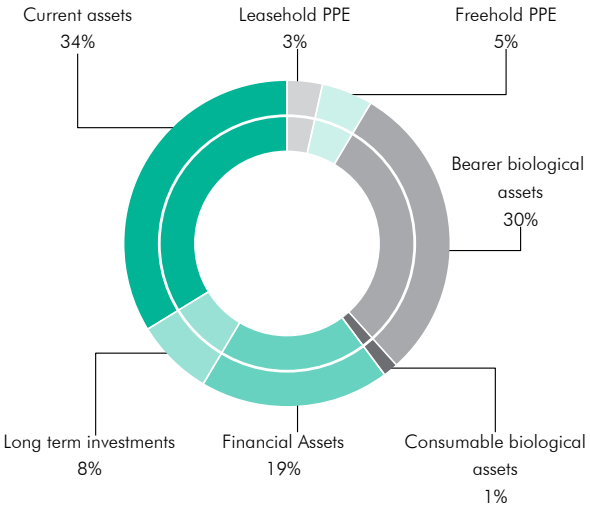


Assets Base

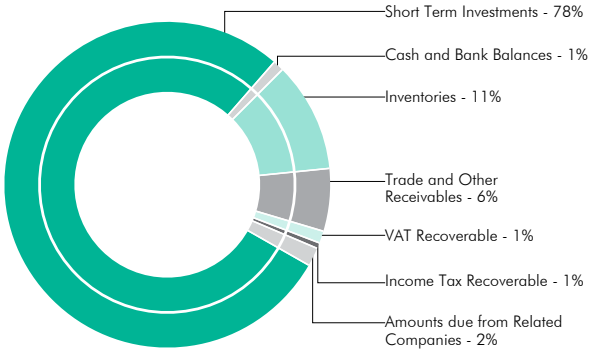
The assets base of KPL reduced to Rs. 6.4 billion from Rs. 7.13 billion by 10 per cent during the year 2015/ 2016. Non-current assets of KPL have increased by 5 per cent to Rs. 4.25 billion from Rs. 4.05 billion. The largest portion of the non-current assets consists of bearer biological assets recording Rs. 1.91 billion which have increased by 9 per cent compared to last year due to investment in field development activities which lead to increase yield of the company in the future.

The current assets of the company have reduced to Rs. 2.16 billion from Rs. 3.1 billion during the year marking 30 per cent reduction.

Composition of Assets



Current Assets



Net Assets per Share

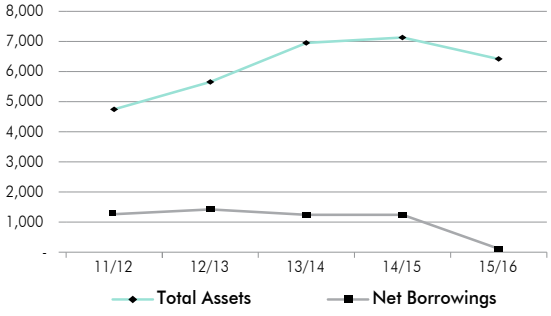
During the year under review, net assets per share decreased from Rs. 136.50 to Rs. 99.61.The total assets decreased by 10 per cent and consequently current liabilities increased by 91 per cent.

Debt Position

Total debt (Gross borrowings) position of the company increased by 14 per cent to Rs. 2,728 million from Rs. 2,396 million reported in the prior year. Despite the 17 per cent reduction in non-current liabilities, the current liabilities increased by 91% to Rs. 1,476 million.

Total Assets Vs Net Borrowings

In Million Rupees



Liquidity Position

The working capital of the company recorded Rs. 689 million which is 70 per cent reduction compared to last year amount of Rs. 2,307 million, after distributing dividend of Rs. 1.125 billion.

Cash Flows

Net Operating Cash Flows

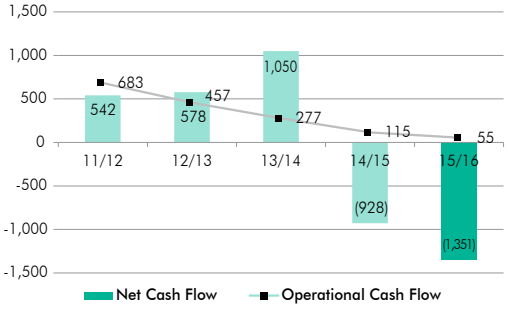
The Company achieved Rs. 49.6 million net cash flow from operations during the financial year 2015/2016. Even though the net cash flow from operations recorded 57 per cent drop during the year compared to Rs. 115.4 million last year, the cash flows generated from operations has reduced by only 7 per cent amounting to Rs. 277million from Rs. 297 million last year

Cash Generated After Investing and Financing

The company has recorded Rs. 1,164 million cash balance at the year-end after spending Rs. 18 million and Rs. 1,382 million for investing and financing activities respectively.

Total Cash flow Vs Operational Cash flows

In Million Rupees

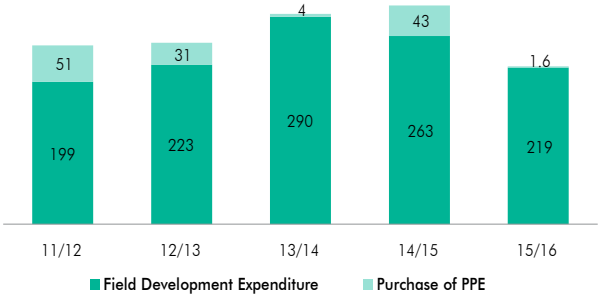


Capital Expenditure

During the year the Company has invested Rs. 219 million in field developments inclusive of upkeep of immature plantation. During the year, company invested Rs. 175 million on 218.2 hectares of rubber fields, Rs. 32 million on 30 hectares of tea fields' developments. The investments on factory developments and acquisitions of property, plant and equipment amounted to Rs. 1.6. Company has reduced the investments on property, plants and equipment during the year since significant investment has done during the previous year.

Capital Expenditure

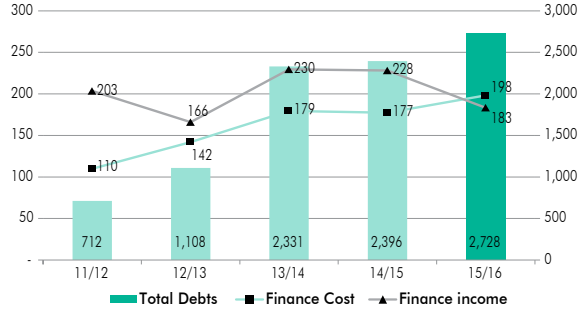
In Million Rupees



KPL has financed the above investments mainly through combination of cash flows from operations and borrowings. The company has not obtained new loans facilitates during the year other than money market facility of Rs. 150 million.

Total Debts Vs Finance Cost and Finance Income

In Million Rupees



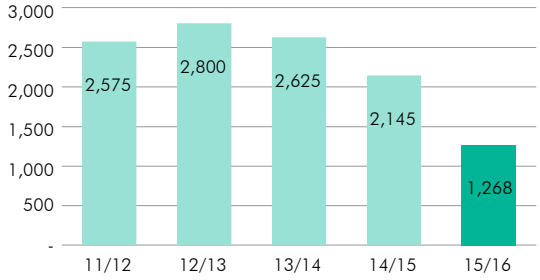
Market Capitalization

The Market price of the KPL share stood at Rs. 50.70 per share as at 31 March 2016 as against Rs. 85.80 per share as at 31 March 2015. Total market capitalization was reported to be Rs. 1,268 million during the year indicating a reduction of 41 per cent compared to Rs . 2,145 million reported previous year.

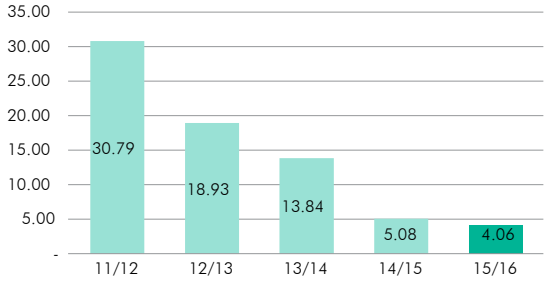
Earnings per Share (EPS)

The earnings per share recorded at Rs. 4.06 in 2015/2016 as against the previous year of Rs. 5.08. The company shares were traded at Colombo Stock Exchange at a price multiple of 12.50 times as of 31 March 2016.

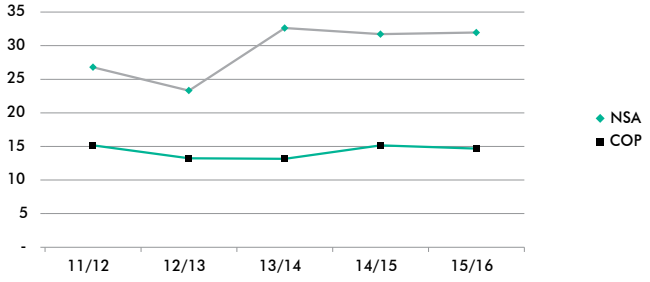
Market Capitalization
In Million Rupees



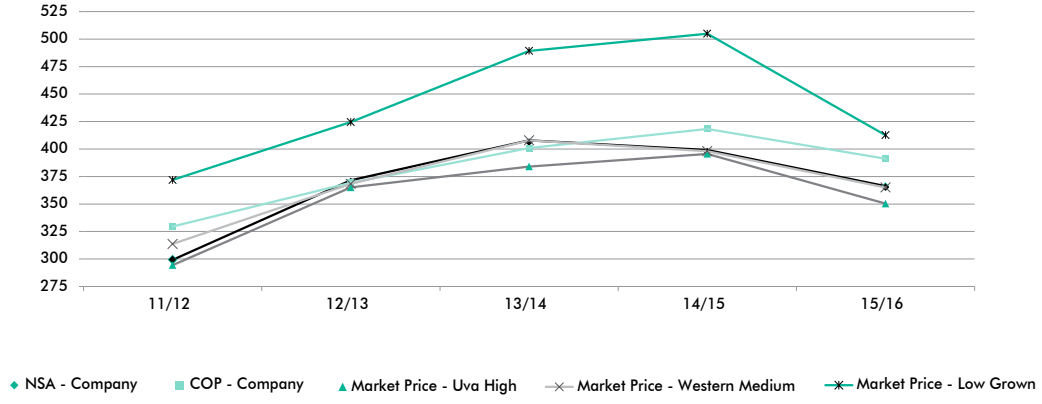
Earnings per share
In Rupees per Share



Net Sales Average Vs Cost of Production - Coconut
In Rupees per nut



Net Sales Average Vs Cost of Production - Tea
In Rupees per kilo



Performance Measurement

Quarterly Performance

Tabulated below is the quarterly performance of the Company.

Financial Year 2015/16

Rs.'000	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
Revenue	555,403	473,503	424,884	479,273	1,933,063
Gross Profit/(Loss)	(7,917)	35,354	791	(19,941)	8,287
Profit Before Interest & Tax	40,967	64,288	37,138	119,803	262,196
Profit/(Loss) Before Tax	(3,438)	10,174	(10,500)	67,737	63,973
Profit/(Loss) After Tax	(3,968)	9,559	(11,071)	106,921	101,441
Earnings/(Loss) Per Share	(0.16)	0.38	(0.44)	4.28	4.06
Net Asset Value Per Share	136.34	91.72	90.45	99.61	99.61
Last Traded Market Price Per Share	82.00	73.90	66.50	50.70	50.70
Highest Market Price Per Share	93.40	146.60	77.90	67.20	146.60
Lowest Market Price Per Share	81.00	73.20	66.00	48.00	48.00
Total Assets	6,908,684	6,137,280	6,165,748	6,412,342	6,412,342
Total Equity	3,408,426	2,292,985	2,261,230	2,490,297	2,490,297
Total Debt	2,289,356	2,530,090	2,639,566	2,727,513	2,727,513
Debt Equity Ratio	0.40	0.52	0.54	0.52	0.52
Equity /Asset Ratio	0.49	0.37	0.37	0.39	0.39
Price Earnings Ratio	(512.50)	194.47	(151.14)	11.85	12.50

Sustainability Report

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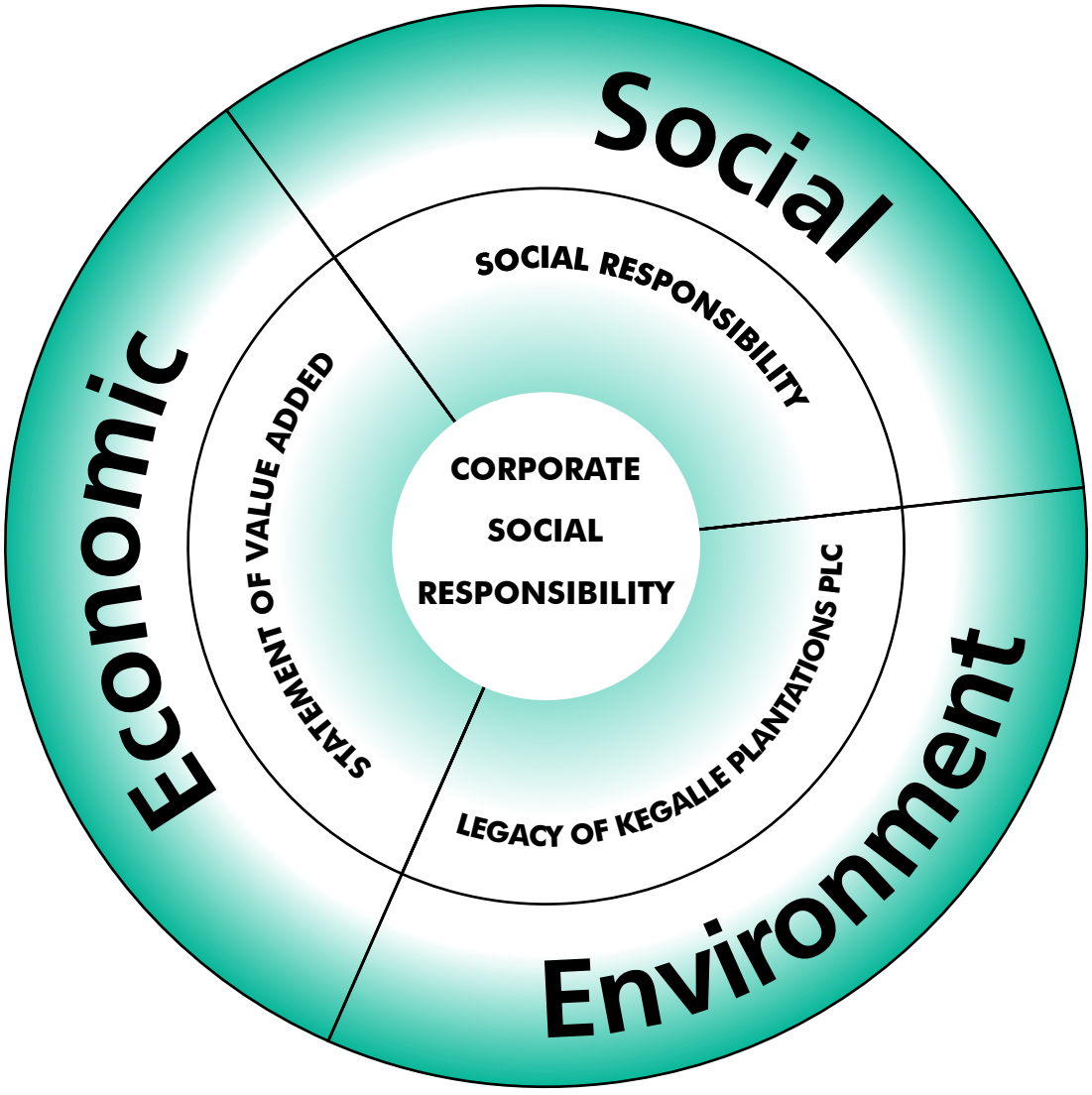
MANAGING OUR IMPACT

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.



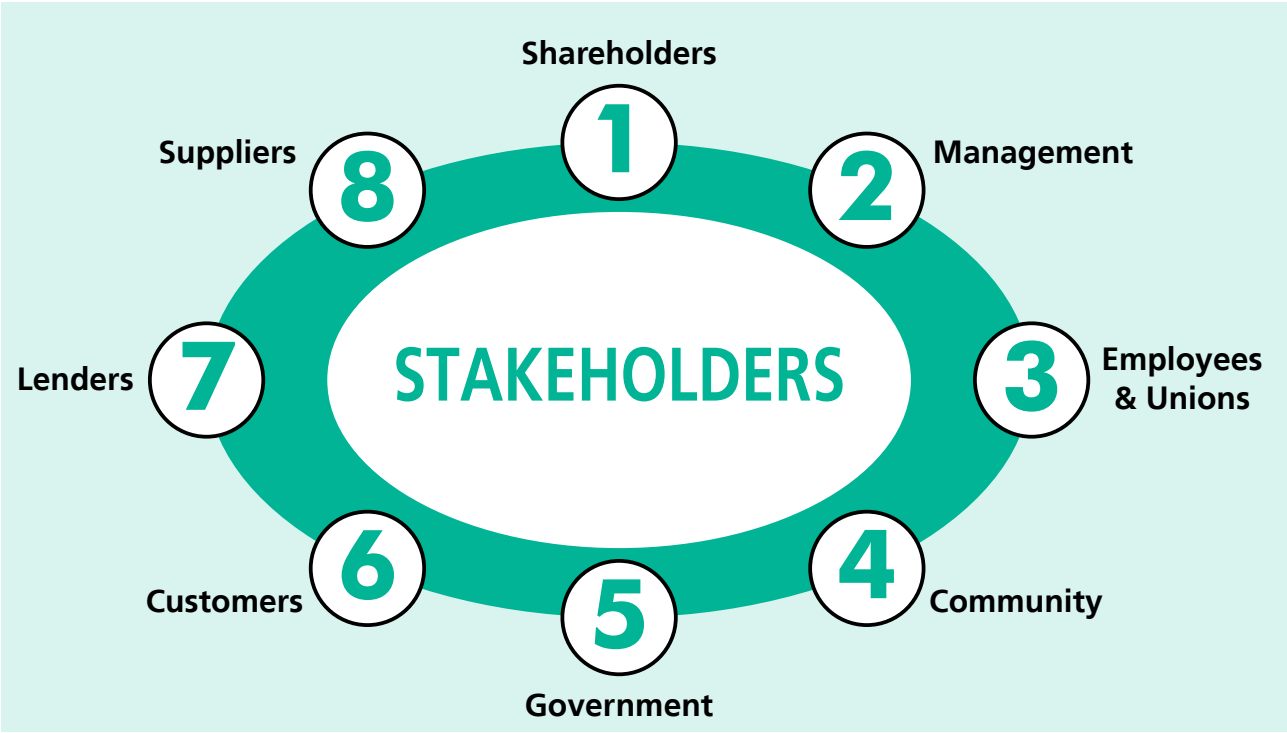
The Company continued to maintain its responsibility towards the welfare of all stakeholders, irrespective of boundaries in our areas of operation. We believe that simply by establishing and adhering to priorities, Corporate Social Responsibility should be extended towards our employees, shareholders,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

STATEMENT OF VALUE ADDED

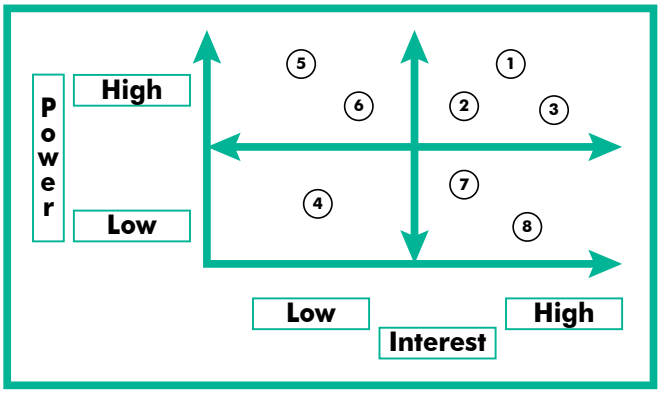
Our Stakeholders

As a corporate citizen who is handling considerable amount of resources of Sri Lanka including over 9,000 hectares of cultivated land and over 6,000 workforce, it is natural to influence and to be influenced by and to external and internal parties called 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.



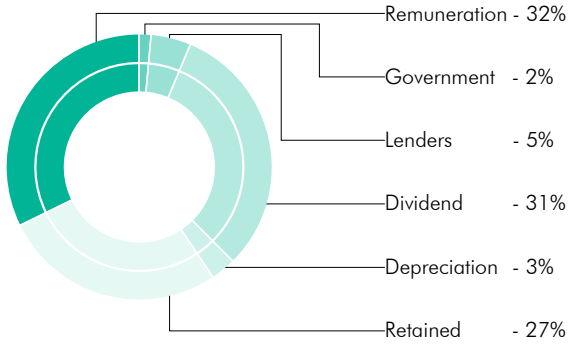
We analyze each stakeholder's expectations periodically with an ongoing dialogue with stakeholders at all stages of a process. The views and expectations of all stakeholders are obtained through an engagement process that allows them to be expressed without any restriction in order to provide maximum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



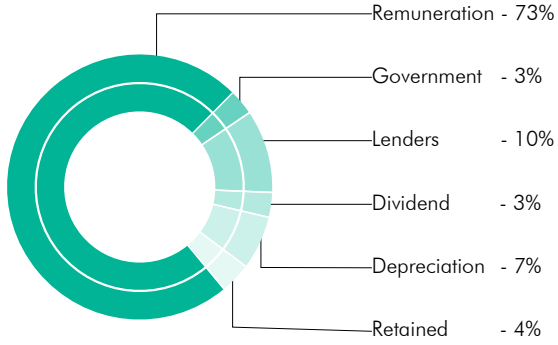
The Company created a value of Rs. 1,644 mn for all the above identified stakeholders including voiceless stakeholders such as environmental groups and community and they are to our best served either financially or socially.

Following graph exhibits the value distribution among our stakeholders.

Distribution of Value Added - 2016



Distribution of Value Added - 2015



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, as same as last 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. 1,125 mn dividend which is 68% of the total value. This could be emphasized as the ever highest dividend declaration by a plantation Company. The share prices boomed during the year to recording at its peak and continued to trade at acceptable level at the end of the year.

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.

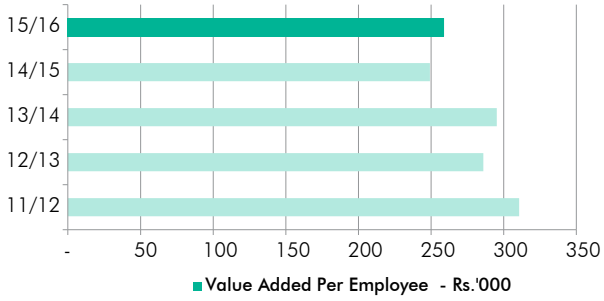
3. Employees & Trade Unions:

Committed workforce is one of our main assets and KPL always pay attention on their development and well being. Our Company distributed Rs. 1,158 mn as remuneration which is 70% of the total value. Following graphs and Certificates provide evidence on our commitment to add high value to employees.

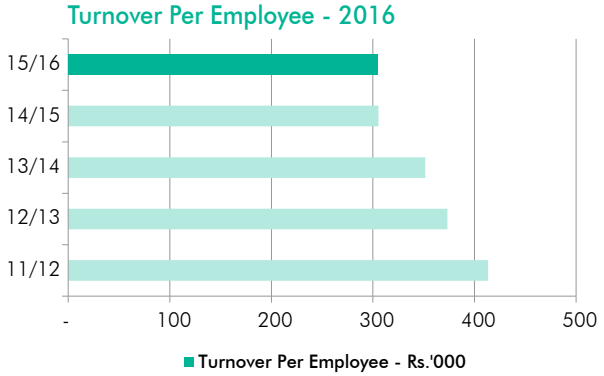
Ethical Tea Partnership

- 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.

Value Added Per Employee - 2016



Turnover Per Employee - 2016



Employee unions are keen on the employee benefits and the Company is always in dialogue with them and carries good relations. Our activities to improve employee's health, safety levels, and welfare and skill levels have been categorized in Social Responsibility section in 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 endeavor 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 Social Responsibility section.

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. 175 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 26% of our total revenue to suppliers.

Statement of Value Added

Our financial commitment to stakeholders can be summarized as follows.

Rupees in Millions	2016		2015	
Turnover	1,933		2,024	
Other Income	298		260	
	2,231		2,284	
Cost of Meterials and Services	(587)		(634)	
Value Added	**1,644**		**1,650**	
DISTRIBUTION OF VALUE ADDED				
To Employees as Remuneration	1,158	70%	1,211	73%
To Government as Taxes and Lease Rent	53	3%	51	3%
To Lenders of Capital as Interest	175	11%	167	10%
To Shareholders as Dividend	1,125	68%	50	3%
Retained in the Business as;				
Provision for Depreciation	110	7%	108	7%
Profit Retained/(Utilized)	(977)	-59%	63	4%
	1,644	100%	1,650	100%
Value Added Per Employee - Rs.	259,053		249,117	
Turnover Per Employee - Rs.	304,659		305,542	

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 staffs who are involved in Accounting were trained specifically on the in-house built computer package at several regions of the Plantation.

Training on improving the quality of rubber produced

Mr. Damitha Perera The Director of Forbes Stock Brokers Private Limited conducted a training program for factory employees and staff members of Atale Sole Crepe Factory. This was held on 13 January 2016 where 52 employees were trained on grading methods and measures to be taken to improve the quality of rubber produced.

Training Factory employees by a foreign expert

(A foreign expert conduting a training programme)

Atale Sole-crepe factory employees obtained a rare opportunity of getting trained from a foreign consultant from Netherlands especially on machinery maintenance and exploring opportunities of improving efficiency. The visit also contributed in the research and development aspects of investing in the introduction of new machinery and technical developments. The services of the foreign consultant were obtained through Export Development Board Kandy where an expert from Netherlands Mr. Wim Dennenberg visited the Factory from 19 to 31 May 2015.

This program was conducted in Sri Lanka through Programma Uitzending Managers (PUM) of Netherland where excepting accommodation to the Consultant, all other services inclusive of airfare, were provided by the organizers.

Supervisory level training by The Rubber Research Institute of Sri Lanka

In order to improve the skills and competencies of employees who undertake harvesting operations as well as supervisory staff a scheme is been implemented to train the newly recruited employees.

Training is provided by professionals from Rubber Research Institute.

(An Officer conducting a training programme)

Appointment of Team Leaders

In recognition of efficiency and integrity rubber harvesters were uplifted as Team Leaders, and have better communication with the workers in reporting and improve productivity.

Co-operative Movements

The Estate Workers Co-operative Societies with the enrollment 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 provided.

(Atale EWHCS – Annual General Meeting was conducted on 21 December, 2015 amidst a large gathering of over 200 members)

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 creche 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.

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
- Diabetics
- Oral Cancer
- Dental Clinic
- Blood Donation
- Eye Clinics to provide spectacles
- Anti natal/Poly clinics to pregnant mothers

(An Oral Cancer clinic held on Atale Estate)

(A Health camp held on Doteloya Estate)

(Malaria detection camp held on Atale Estate)

(A program held on prevention of Drug Abuse and Domestic Abuse)

(Community Based Program of Awareness on Leprosy)

Sanitation Facilities

Employees sanitation facilities have been addressed to avoid contamination

Popularizing Home Garden Concept

A program was initiated through EWHCS to produce chemical free, organic vegetable in their Home Gardens by distributing seed material free of charge.

(Home garden produce of the workers)

Housing Development for employees

Twelve new alternate houses were constructed at New Arandara Division of Atale Estate and given to earth slip victims of the Division. Funds were originated from the Ministry of Upcountry Development and Infrastructure, channeled through the P.H.D.T. Kegalle and the Estate Workers Houseng Co-operative Society.

(Upgraded Dispensary & Lower Division Crech of Doteloya Estate)

Elders Day 2015

Elders Day was celebrated on 24 October 2015 where the Estate elderly employees took part in a dance event.

Donations

A cash donation was made to an ex-employee of Factory in Mrs. K.Karunawathie who damaged her hand whilst working in a Rubber Roller in the year 1998.

International Womens' Day

International Womens' Day was celebrated with the participation of 48 Estate female employees. Mrs. Manori Edirisinghe of Divisional Secretary's Office was the Chief Guest.

(Handing over of cash donations to two students who were selected for University Education in 2015)

Sports Activities

A Six a side Cricket Tournament was organized and the final was conducted on 28 December 2015.

(Winning Team)

Assistance by the Company to enhance knowledge at Managerial Level

Study Mission organized by Asian Productivity Organization (APO)

The Company continues to provide opportunities for its Executives to enhance their knowledge, competencies etc by providing opportunities for international study missions.

Superintendent of Atale Estate was selected by National Productivity Secretariat to attend a study mission that was conducted from 24 June 2015 to 29 June 2015.

Training Program on Managing in Volatile, Uncertain, Complex and Ambiguous environment (VUCA)

The Superintendent of Atale Estate participated in a training programme conducted by Dr. Edwin Varo, The Chief Knowledge Officer of Perpetual Knowledge

Development SdnBhd in Malaysia held from 11 and 12 February 2016.

(Dr. Edwin Varo hands over the certificate of successful completion of training program to the Superintendent of Atale Estate.Mr. Dhammika Jayasuriya, Managing Director of Praguna Management Consultants Private Limited looks on)

Religions Activities

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

Luckyland Estate *Atale Estate*

(Reverent Sisters of Good Shepherd Convent participating at a religious Ceremony near ancient Holy Cross in the Estate)

Hindu Kovil Festival was conducted with the participation of the Superintendent, Asst.Superintendent, Staff members and Daily Paid Employees.

Child Development and Welfare

Child Care Centers 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.

(International Children's Day & Christmas Day Celebration 2015)

Assistance for Education

Educating School Teachers and Children on Productivity Concepts

The services of the Superintendent of Atale Estate were obtained by the Principle of Pindeniya National School for a presentation to educate the Teachers and Students on productivity enhancement in an establishment and how to overcome obstacles.

The students who are following the Diploma in Agriculture course at the School of Agriculture Kundasale visited Atale Sole Crepe Rubber Factory on 25 August 2015 as part of their study program. Here the students were explained the manufacturing process.

Similarly Teachers and children of Katugastota Tamil Maha Vidyalaya, comprising 150 members visited the Factory on 5 April 2015.

(Higher Technical College, Vauniya, Teachers and Students visited the Factory on 18 May 2015)

Rev.Sisters Visit

Rev. Sister Francine, The Head of the Good Shepherd Order of Sri Lanka and Pakistan and several other Rev. Sisters of Good Shepherd Provincialate visited Atale Sole-crepe rubber factory on 2 September 2015 on a study tour and the photographs show the process explained to the Rev. Sisters by the Superintendent.

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.

Training on Firefighting

Periodical training programs on handling of firefighting equipment are conducted on estate factories.

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.

Community Development & Assistance

Donation to Cancer Hospital Maharagama

Atale Estate employees made a donation of milk powder to Cancer Hospital Maharagama.

(Handing of Milk Food to Ven. Kumbukthotuwe Seelawanse Thero)

Concern on Environment

Garbage Disposal Program

The importance of providing adequate attention on environment was consistently addressed and a program was conducted to remove polythene in Mylands Division on 9 January 2016. Polythene collected were handed over to Provincial Council for appropriate disposal.

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

1.	W.D.M. Rathnayake	- Pallegama Estate
2.	R.R.K. Wijethunga	- Pallegama Estate
3.	L.K.R. Kumari	- Pallegama Estate
4.	P.W.N.L. Gunawardhana	- Pallegama Estate
5.	R.A.J.T. Ranasinghe	- Pallegama Estate
6.	K.S. Samarapala	- Head Office
7.	R.I.P. Harischandra	- Atale Estate
8.	R.K.N.S. Bandara	- Atale Estate
9.	N.L.A.K.W. Bandara	- Atale Estate
10.	H.A.I. Chitharani	- Atale Estate
11.	A. Yamuna Vinodhani	- Atale Estate
12.	R.I. Rasali Weerasekara	- Eadella Estate
13.	S.P.M.S. Senaka	- Atale Estate

LEGACY OF KEGALLE PLANTATIONS PLC

As a corporate citizen handling over 9,000 hectare has major consideration on environment. The natural Forest cover spread throughout the island was reduced during the colonial periods by substituting self sufficient agricultural 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 Eco systems 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.

Bio Latex/ Organic Rubber

As a company who is seeking to sustain its growth, ability and strength to unforeseeable future the management has its own strategies to implement. As a part of the programme the company has initiated to produce organic rubber to reduce the use of chemicals, stimulators and inorganic fertilizers in balancing the eco system of the environment. The project has been initiated on eight estates covering 247 hectare. The estates have obtained about 300,000 kg of crop from these fields. These crops are bought by the sister company, M/s Richard Pieris Natural Foams ltd at a competitive price.

Environmental Protection

The production environment is enriched with resources to bolster the quality of the final product. In the production process of rubber the factories of our Company have effluent treatment plants, and every drop of water used in the production process is treated and adequately purified to reduce the effluent at an acceptable level as per the environment policy.

(Organic Rubber Field – Udapola)

(Effluent Treatment Plant - Centrifuged Latex Project - Udapola Estate)

Certificates Obtained by Our Rubber Estates

Our Company possesses certificates from globally recognized organizations for organic agricultural practices in rubber processing and quality maintenance in manufacturing process.
Following are the certificates obtained.

- EU & USDA – NOP Certification (European Union & National Organic Program (NOP) of the United States Department of Agriculture)

- Scope – Organic production of agricultural products.
- ISO 9001: 2008 System Certification - Quality Management System Certification for all Rubber Manufacturing Factories of the Company.
- Estates obtained - Atale Estate, Pallegama Estate, Parambe Estate, Udapola Centrifuged Latex Project
- Scope - Production and Sale of Sole Crepe, Pale Crepe, Brown Crepe and Centrifuged Latex.

Timber & Forestry

As a plantation company who depends on the environment we have used significant extent of natural forestry. The Company believes in their responsibility to maintain the environment and its living beings and has paid its attention to protect same. Our company maintains 170 hectare as conservation forestry and out of which 145 hectares are in the Doteloya Estate which is situated in the transition area between dry and wet zone in Dolosbage. More over company maintains 69 hectare of forestry and 140 hectare of Pinus and other timber mainly in the Udapussellawa Region.

Forestry Management and Soil Conservation

The Company's forestry management plans for sustainable management of forest 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 den droid thermal forestry on very steep or inaccessible land has been prohibited. As a Company engaged in Plantation, 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.

Mylands Division Waterfall of Atale Estate

(Compost Project in Progress at Luckyland Estate)

Compost Project

Other than the soil conservation method and bio latex project the Company further extended its contribution to the environment by using compost manure. A composting project was initiated at Luckyland Estate, Udapussellawa with the objective to Increase crop productivity, improve soil fertility, and reduce chemical fertilizer imports in long term, and to cultivate green manure crops in short term.

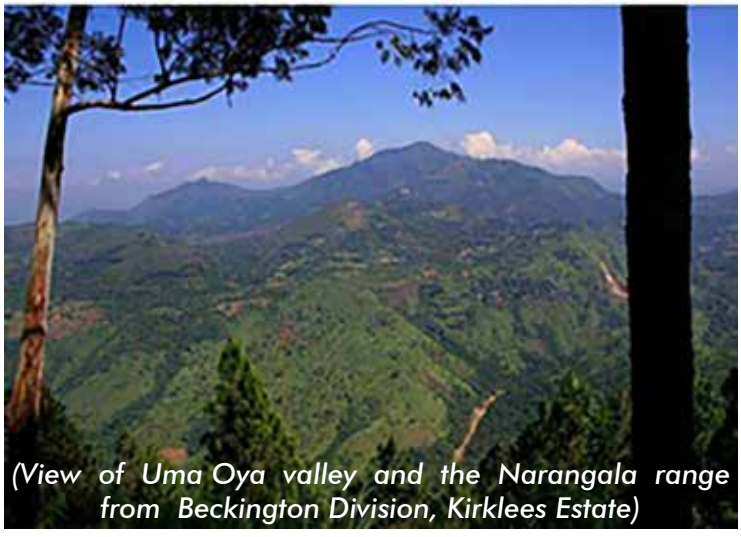
Harvesting Timber

(Foresty cover around tea fields at Doteloya Estate)

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 catchment areas or in lands with high gradients are totally avoided.

(Forest patch on the Allagolla-Kirklees boundary, with tea in the foreground)

(Forest interior of the montane rainforest remnant on Allagolla)



(View of Uma Oya valley and the Narangala range from Beckington Division, Kirklees Estate)

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.

As an estate Doteloya has the highest conservation forestry area amounting 145.48 hectare fortifying the safety and ability in growing for fauna and flora. It is also one of estates which are having best bio diversity hotspots. Doteloya is 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 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.

The area is a best place to secure endangered species and mother land for several endemic species. The birds which can be found very common are 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).

OUR ACHIEVEMENTS

Annual Report Awards 2015

Identifying the responsibility and undergoing self compliance to its corporate ethics, the Kegalle Plantations PLC performs its maximum effort on complying laws and regulations. The Certificate of Compliance has been awarded by the Institute of Chartered Accountants to Kegalle Plantations PLC for the Annual Report of the year 2015 in the plantations sector category at 51 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)*

National Agri-Business Awards 2015

Kegalle Plantations PLC once again established its unique position in achieving series of productivity and quality related awards at National Level where during the season 2015/2016 a Gold Award and two Silver Awards have been won by the Company.

Atale Estate of Kegalle Plantations PLC won the Silver Award under Export Category at National Agri-Business Awards 2015 held at BMICH on 9 August 2015. This was first export category award received by Atale Estate and also by the Company in its series of national level awards received todate.

(National Agri-Business Silver Award under export category)

(Certification)

Ceylon Specialty Estate Tea of the Year 2015

Luckyland Estate has won two awards for manufacturing high quality tea in 2015. The estate won the Bronze award in BOPF tea grade and received Certificate of Merit for manufacturing BOP tea grade in the award

ceremony in Dubai which was organized by the Sri Lanka Tea Board with collaboration of Colombo Tea Traders' Association in 2016.

(*Superintendent – Luckyland Estate, Mr. S R Aluwihare receiving the Certificate for Bronze Award & the Certificate of Merit.)*

SLCBCC Business Star Awards 2015

Silver Star Award

Sri Lanka-China Business Co-operation Council (SLCBCC) conducts Annual Awards competition among companies that undertake exports to China. Atale Estate of Kegalle Plantations PLC won the prestigious Silver Star Award under Large Category Manufacturing Sector in recognition of Business Achievements and it's the first time a Plantation Company has won this award. The award ceremony was held at Galadari Hotel on 23 September 2015.

(Superintendent of Atale Estate is receiving the Silver award.)

Silver Star Award under Large Category & Certificate

Industrial Excellence Awards 2015

Kegalle Plantations PLC's Atale Estate was the Gold Award winner at the "Industrial Excellence Awards 2015" held at Waters Edge on 8 December 2015, conducted by Sri Lanka Chamber for Small and Medium Industries.

(Superintendent of Atale Estate, Winner of the Gold Award - Industrial Excellence Award 2015, receiving the Award from Hon. Kabir Hashim, Minister of Public Enterprises Development, Chief Guest at the "Industrial Excellence Award 2015")

(Gold Award received)

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. Dr. Yaddehige is the Chairman of the Richard Pieris Group of Companies comprising seven Listed Companies, including three Plantation Companies, and over 50 companies wholly or majority owned by Richard Pieris and Company PLC. He served as a Director in the Board of Directors of National Development Bank PLC during the period between 2007 and 2010.

Dr. Yaddehige is a brilliant scientist and a high energy radiation specialist who innovated and developed contactless sensor technology, drive by wire systems and made numerous inventions in radiation processing for which he holds worldwide patents. In addition he also holds the patent for slow release fertilizer in Sri Lanka.

He is a Founder, Chairman and Director of numerous companies in Sri Lanka, USA, Japan, UK, Germany, Switzerland and Singapore. He is also the founding Managing Director of a European Company, which manufactures and exports automotive components and systems, developed based on his own innovations, to Europe, Japan, China and the United States.

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. Sunil Poholiyadde
Director/CEO

He 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 1998 after being a Superintendent.

He is the current Chairman of the Plantation Services Group of the Employers' Federation of Ceylon (EFC) and the Colombo Rubber Traders' Association and Deputy Chairman of the Planters' Association of Ceylon. 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 in February 2015 and Member of the Committee to Oversee Rubber Sector Issues of the Ministry of Plantation Industries, 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, Coconut Growing Trade, Cocoa, Cardamom & Pepper Growing & Manufacturing Trade and the Executive Committee of The Sri Lanka Society of Rubber Industry.

Prof. R C W M R A Nugawela
Director

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 36 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.

Dr. S S B D G Jayawardena
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 was 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 45 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

Mr. Shaminda Yaddehige
Director

Mr. Shaminda Yaddehige has been appointed to the Directorate of Kegalle Plantations PLC with effect from 1 March 2016 as a Non Executive Director.

Mr. Yaddehige was educated at Charter House, United Kingdom and graduated in Chemical Engineering from University College London. After establishing himself in business in Europe and USA, he further graduated in Master of Business Administration at IE Business School, a global top 10 ranked business school.

He worked as a Management Consultant at Price Waterhouse Coopers, United Kingdom and also at world renowned International Ultra High Net Worth banking giant, Credit Suisse of Switzerland. He has an extensive experience in International Marketing and has built a very strong marketing network in Europe.

Mr. Yaddehige is in the Directorate of Richard Pieris & Company PLC as an Executive Director/ Chief Operating Officer of the Company and also in the Directorates of Richard Pieris Exports PLC and Subsidiary Companies of the Richard Pieris Group.

MANAGEMENT TEAM

Senior Management

S S Poholiyadde – Director/Chief Executive Officer
Sriyan Eriyagama – Director Operations - Rubber & Oil Palm
Sudheera Epitakumbura – Financial Controller
I S Doranegama – Deputy General Manager - Tea & Administration

Middle Management

T I Kodithuwakku – Accountant
R M S S Herath – Manager - Information Systems
U P Jayasinghe – Assistant Manager
E S D D Perera – Corporate Manager
R M S S B Rathnayake – Corporate Manager
Maleeha Amit – Executive Secretary
A Wickrama Arachchi – Assistant Accountant
N H S K Munasinghe – Accounts Executive
D K M Wijesuriya – 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 – Superintendent
R M H Ranawaka – Assistant Superintendent

Doteloya Estate – Dolosbage

U K Wanniarachchi – 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 Gunasekera – Assistant Superintendent

Luckyland Estate – Udapussellawa

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

Madeniya Estate – Warakapola

B P S M Cooray – Superintendent

Pallegama Estate – Niyadurupola

S A A P Jayatilake – Superintendent
N A M O M Navaratne – Assistant Superintendent
U M U L P Udagedera – Assistant Superintendent

Parambe Estate – Undugoda

N D Madawala – 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

B M J A Moonamale – Superintendent
D S R Jayasinghe – Assistant Superintendent

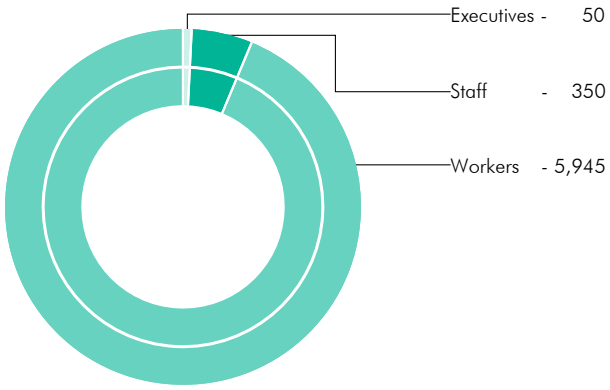
Yataderiya Estate – Undugoda

D V M de Runn – Superintendent
C S Aluthge – Assistant Superintendent

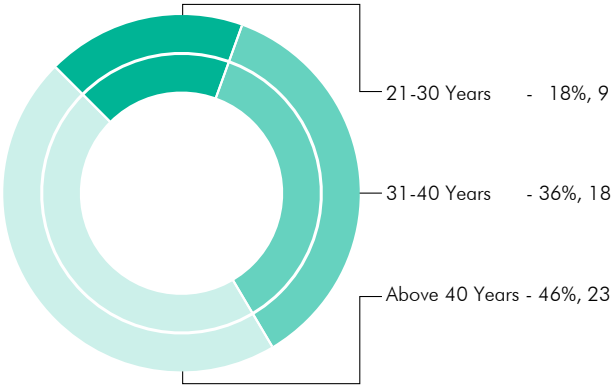
Employment Strength

Year	Senior Management	Middle Management	Estate Managers & Executives	Head Office Staff	Estate Staff	Harvestors & Others	Total
2015	6	12	37	9	345	6,215	6,624
2016	4	10	36	9	341	5,945	6,345

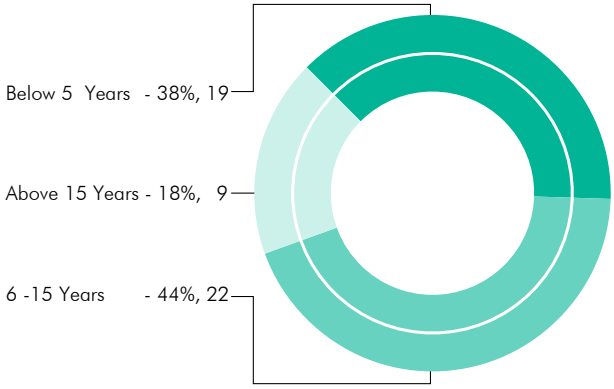
Employement Categorization 2016



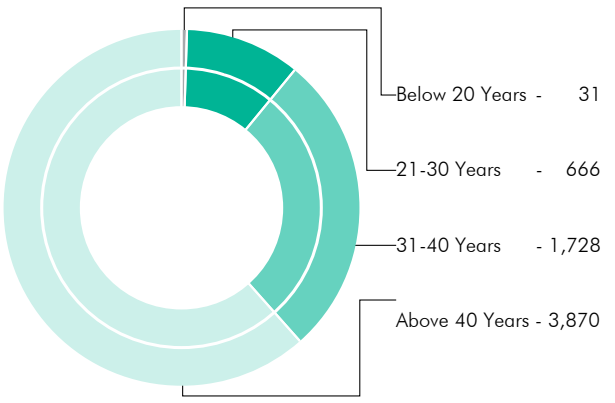
Age Analysis - Executives



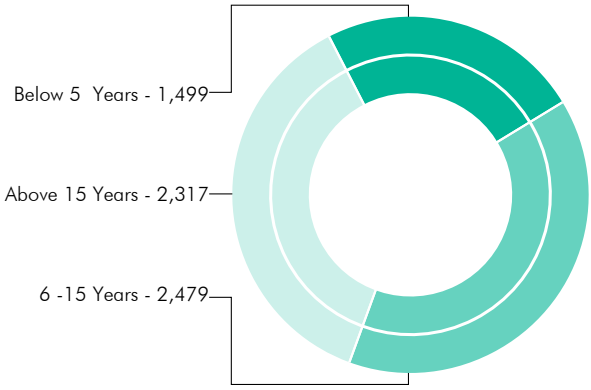
Service Analysis - Executives



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.

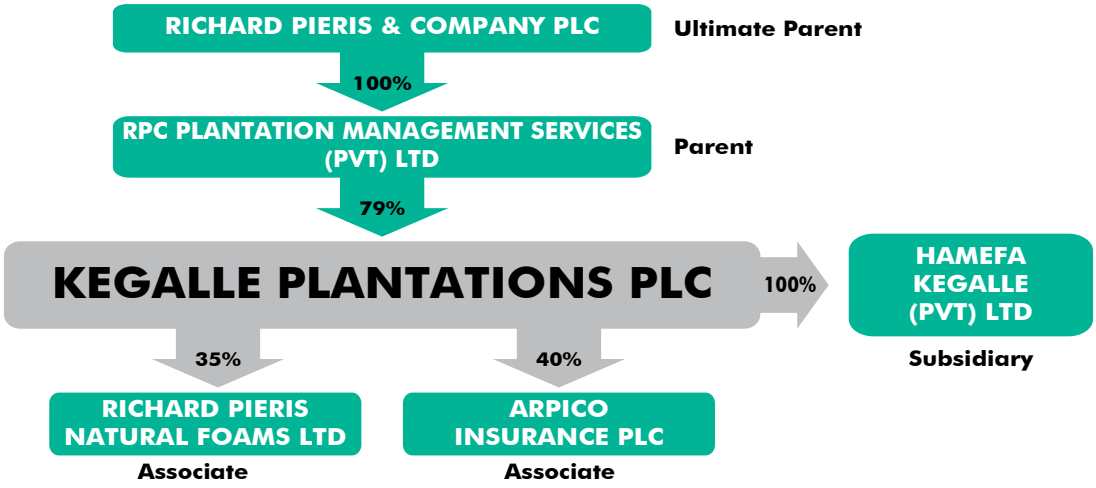
Kegalle Plantations PLC has designed its Corporate Governance policies and practices to ensure that the Company is focused on its responsibilities to its stakeholders and on creating long term shareholder value. The Company recognizes the interests of all its stakeholders including shareholders, employees, 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 two are Executive Directors whilst three are Non-Executive Directors. Out of three Non-Executive Directors, two 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.
During the year the Board met on four 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

Group Structure



Name of Directors	Executive	Non - Executive	Independent
Dr. Sena Yaddehige	✓	-	-
Mr. J H P Ratnayeke (Resigned w.e.f. 11 January 2016)	✓	-	-
Mr. S S Poholiyadde	✓	-	-
Prof. R C W M R A Nugawela	-	✓	✓
Dr. S S B D G Jayawardena	-	✓	✓
Mr. Shaminda Yaddehige (Appointed w.e.f. 01 March 2016)	-	✓	-

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 independent Directors have no direct or indirect material relationship with the Company and have duly submitted the annual declaration as per the Colombo Stock Exchange Listing Rules. 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 the following diagram.

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. During the year, two new Board Sub Committees were formed namely Nominations Committee and Related Party Transactions Review Committee. The Board has delegated responsibilities to four 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.

Nominations Committee

The Report of the Nominations Committee is on Page 58 and highlights its main activities.

Related Party Transactions Review Committee

The Report of the Related Party Transactions Review Committee is on Page 59 and highlights its main activities.

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 60 - 65.

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 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 32 - 46.

Compliance

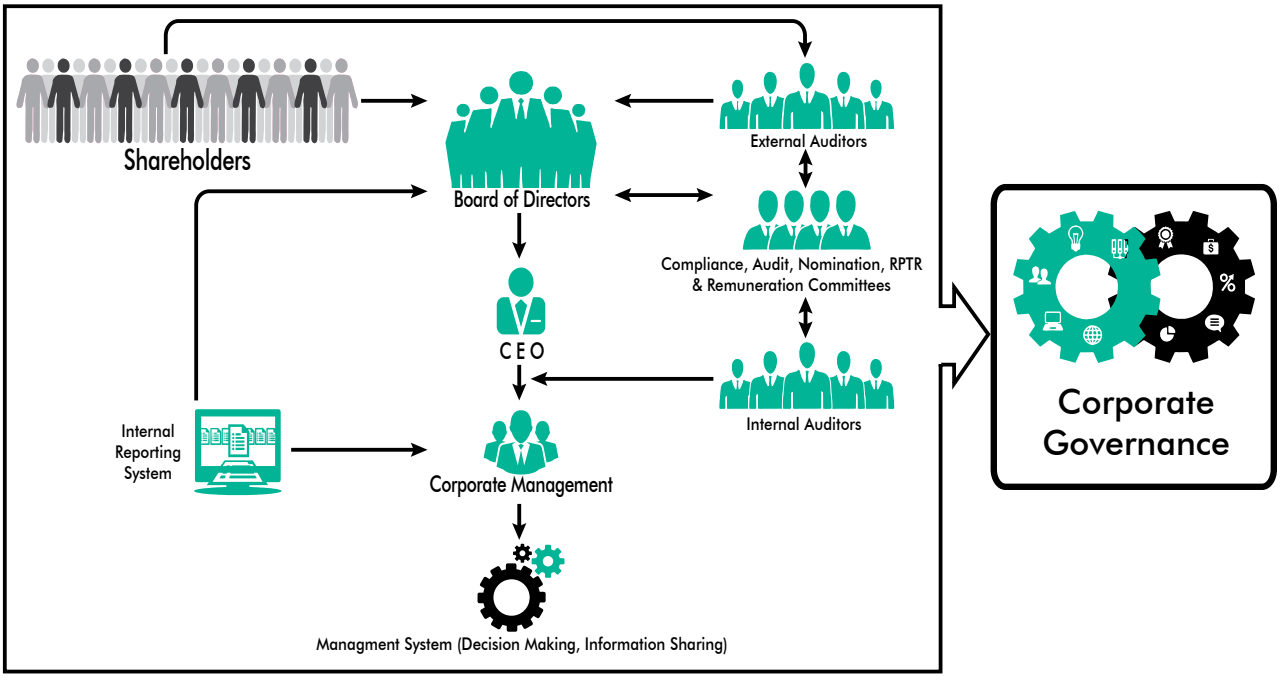
The Board places significant emphasis on strong internal compliance procedures. The Financial Statements of the Company are prepared in strict compliance with the guidelines of the Sri Lanka Accounting Standards (LKAS and SLFRS) and other statutory regulations. Financial Statements are published quarterly 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 & 9 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) to (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 Committee	In Compliance
9	Related Party Transactions Committee	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 three Independent and Non Executive Directors of the Richard Pieris & Company PLC, the Ultimate Parent Company, namely Prof. Lakshman R. Watawala, Chairman, Dr. S. A. B. Ekanayake and Prof. Kapila Goonasekara (Appointed with effect 15 February 2016). 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, Accountant 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 Group Internal Audit Manager 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 successfully 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

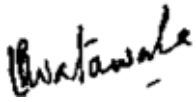
The Audit Committee has reviewed the other services provided by the External Auditors to the Company to ensure their independence as Auditors has not been compromised.

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, 2017 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

31 May 2016

REPORT OF THE REMUNERATION COMMITTEE

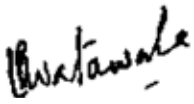
The Remuneration Committee of the Ultimate Parent Company acted as the Remuneration Committee of Kegalle Plantations PLC.

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

31 May 2016

REPORT OF THE NOMINATIONS COMMITTEE

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

The Committee was constituted on 15 February 2016 and the following members were appointed:

Dr. S.A.B. Ekanayake (Chairman)
Prof. Lakshman R Watawala
Prof. Kapila Goonasekara

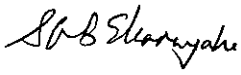
The objectives of the Committee,

1. To consider /recommend new Directors or re-electing current Directors to the Board.

2. To periodically review the composition of the Board and to make recommendations.

3. To advise / recommend on matters referred by the Board of Directors.

The Committee selected and recommended Mr. Shaminda Yaddehige as a Director to the Company w.e.f 01 March 2016.



Dr. S.A.B. Ekanayake
Chairman

31 May 2016

REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The Related Party Transactions Review Committee of the Ultimate Parent Company acted as the Related Party Transactions Review Committee of Kegalle Plantations PLC.

The Committee was constituted on 25 February 2016 and the following members were appointed:

Dr. Anura Ekanayake (Chairman)
Prof. Lakshman R Watawala
Prof. Kapila Goonasekara

The Group Chief Financial Officer , Chief Executive Officer, and Financial Controller attended meetings by invitation. The Company Secretary functions as Secretary to the Related Party Transactions Review Committee.

The Objectives of the Committee,

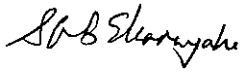
- To exercise oversight on behalf of the Board, that all Related Party Transactions ("RPTs", other than those exempted by the CSE listing rules on the Related Party Transactions) of Kegalle Plantations PLC is carried out and disclosed in a manner consistent with the CSE listing rules.
- To advise and update the Board of Directors on the related party transactions of the Company on a quarterly basis.
- To ensure compliance with the CSE listing rules on the Related Party Transactions.
- To review policies and procedures of Related Party Transactions of Richard Pieris Group.
- To ensure shareholder interests are protected and that fairness and transparency are maintained.

The Committee articulated and recommended a policy framework for adoption on Related Party Transactions for the Company. In such process the committee considered Related Party Transactions which require approval of the Board of Directors, various thresholds set out by the Colombo Stock Exchange listing rules and disclosure requirements, etc.

Further, processes were introduced across the Richard Pieris Group to obtain annual disclosures from all KMPs.

The Committee held two meetings during the period under review. The activities and views of the Committee have been communicated to the Board of Directors quarterly through verbal briefings, and by tabling the minutes of the Committee meetings.

Details of the related party transactions entered into by the Company/Group are disclosed on page 119.



Dr. S.A.B. Ekanayake
Chairman

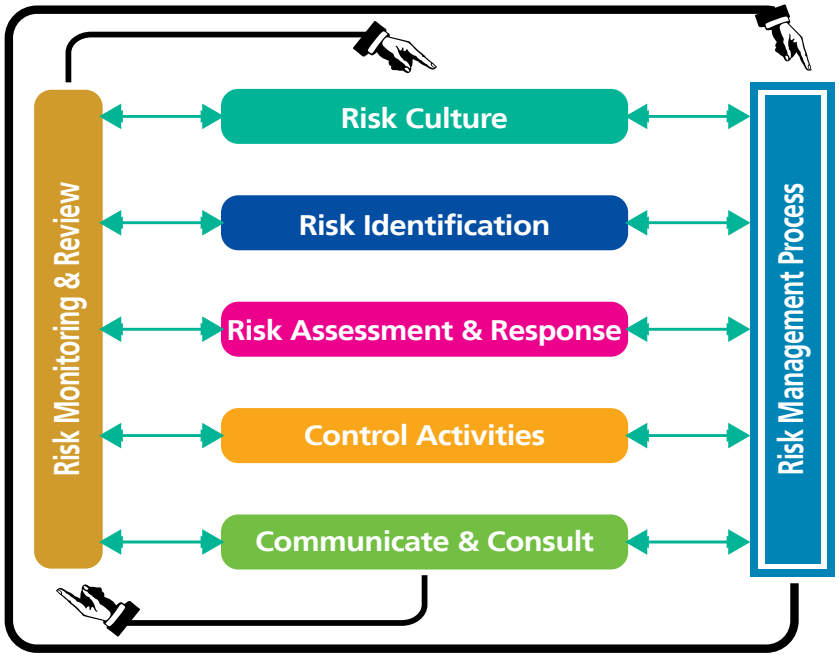
31 May 2016

RISK MANAGEMENT

Kegalle Plantations PLC is exposed to a multitude of risks as any other organization & 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 culture, risk identification, risk assessment & response, controls to mitigate or eliminate risk, risk communication & consultation, and also risk monitoring & 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 Culture:

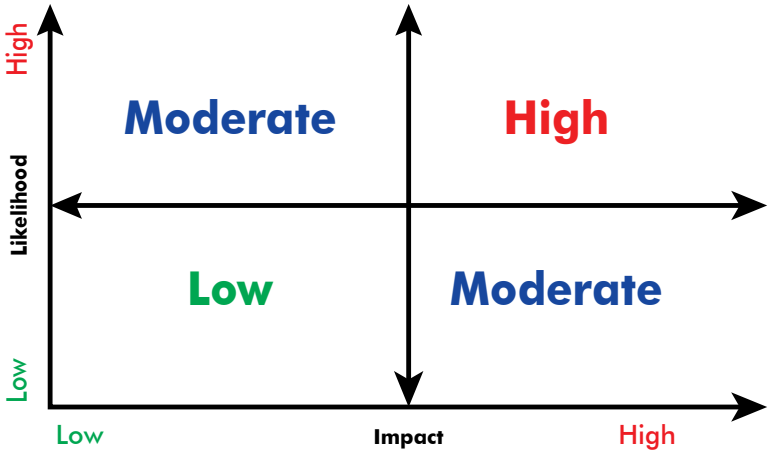
The Board of Directors has identified their position and distinct consistent tone has maintained in establishing a sound risk management system implying the conformity to the underline requirements of such a system. The management has reflected the commitment to ethical principles and the decision making has been done considering wider stakeholder position. Adhering to the leadership, the staff has identified the importance and the follow the same ethical principles of the BOD.

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 organization. These identified risks are categorized 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 ultimate 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 occur throughout the organization, 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, organizational 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

	2015/16	2014/15
Probability	↑	↑
Impact	↑	↑
Rating	H	H

- 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

Fiscal Policy Changing Risk

	2015/16	2014/15
Probability	↑	↑
Impact	↑	↑
Rating	M	M

- 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.

Operational Risk

Inventory & Asset Risk

	2015/16	2014/15
Probability	↑	↑
Impact	↑	↑
Rating	M	M

- 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.

Human Capital & Labor Risk

	2015/16	2014/15
Probability	↑	↑
Impact	↑	↑
Rating	M	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

	2015/16	2014/15
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

	2015/16	2014/15
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

	2015/16	2014/15
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

	2015/16	2014/15
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 minimize 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, and Cardamom & Timber.
- Ensure close monitoring of crop & price variance during extreme weather conditions.

Reputation Risk

	2015/16	2014/15
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

	2015/16	2014/15
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

	2015/16	2014/15
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

	2015/16	2014/15
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

	2015/16	2014/15
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

	2015/16	2014/15
Probability	↓	↓
Impact	↑	↑
Rating	M	M

- To minimize 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.

Credit Risk

	2015/16	2014/15
Probability	↓	↓
Impact	↓	↓
Rating	L	L

- 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.

Communicate & Consult:

The risk management process is concerned with identifying specific stakeholders, the level of accountability, understanding their risk perceptions and decision making during all stages of the risk management process. The communication process consists of the procedures to report risk to risk and control owners and also to other stakeholders. Furthermore, the treatment plans and change management processes are also delivered to the right parties at right time.

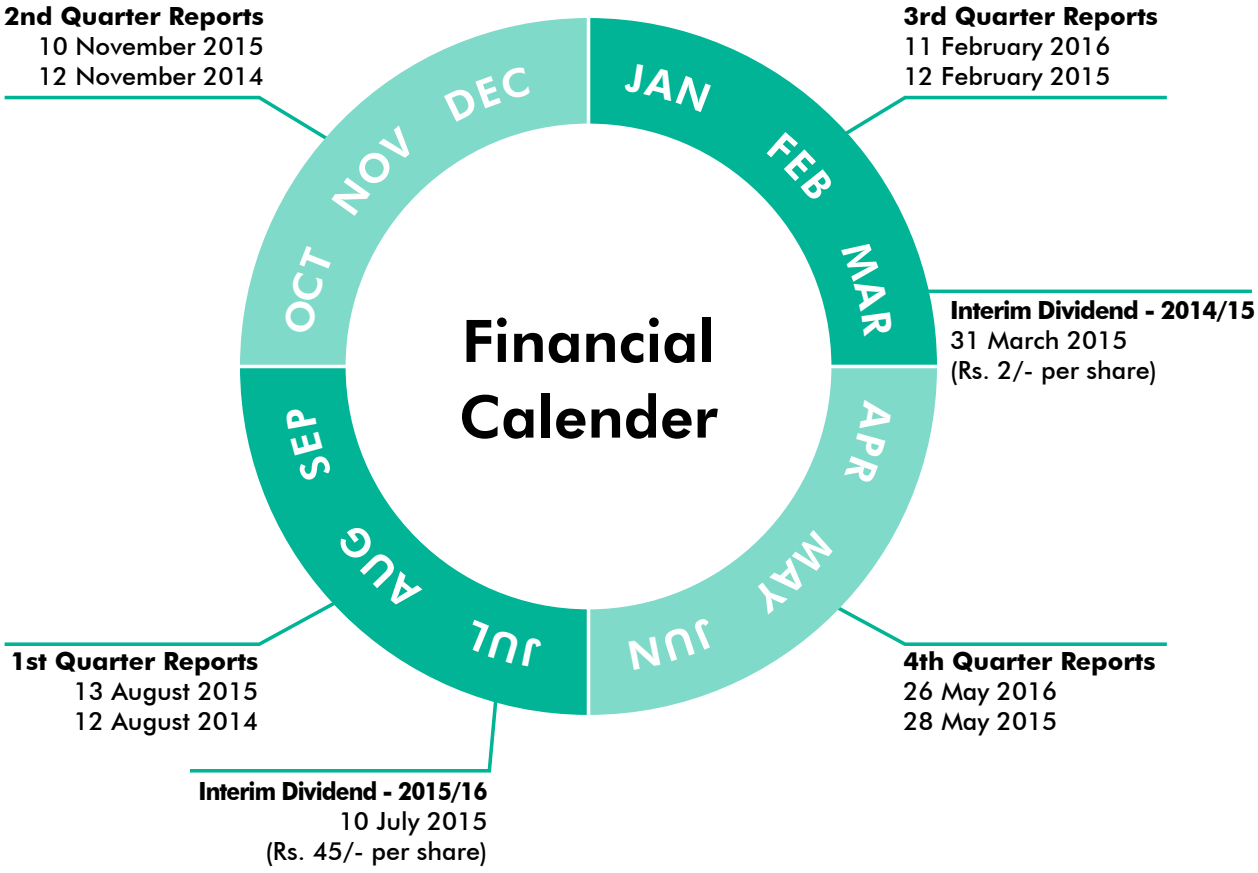
Risk Monitoring & Review:

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.

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

2015/16 Vs 2014/15 Seasons



Annual Report	Published	Meetings	Date
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	30 May 2014	21st Annual General Meeting	30 June 2014
2014/15	28 May 2015	22nd Annual General Meeting	30 June 2015
2015/16	**31 May 2016**	**23rd Annual General Meeting**	**30 June 2016**

Financial Reports

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Statement of Comprehensive Income	75
Statement of Financial Position	76
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 2016 and the Auditor's Report thereon.

The Board of Directors approved this report on 31 May 2016.

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 7,509 hectares (7,547 hectares in 2015).

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. 1,933,063,249/- (2015 - Rs. 2,023,911,276/-) which is a 4% decrease over last year, Composition of the Revenue is given in Note 6 to the Accounts.

Financial Results

Year Ended 31 March	2016 Rs.'000	2015 Rs.'000
Profit from operations after deducting all expenses, depreciation and all known liabilities	63,973	96,875
(-) Taxation	37,468	30,159
Profit After Tax	101,441	127,034
(+) Other Comprehensive Income	122,147	(7,161)
Total Comprehensive Income	223,588	119,873
(+) Un-appropriated profit brought forward	2,934,635	2,871,918
Profit available for distribution	3,158,224	2,991,791
Appropriation		
Dividends paid	(1,125,000)	(50,000)
Timber Reserve	(5,728)	(7,155)
Available-for-Sale Reserves	(49,320)	-
Super gain tax paid	(20,684)	-
Un-appropriated profit carried forward	1,957,491	2,934,635

Investments

Information relating to the movement of investments is given in Notes 17 and 18 to the Accounts.

Property, Plant and Equipment

The total capital expenditure incurred on the acquisition of fixed assets during the year amounted to Rs. 220,648,351/- (2015 - Rs. 305,851,234/-), out of which expenditure on Biological Assets amounts to Rs. 219,068,006/- (2015 - Rs. 263,194,900/-). Further information relating to the movement of Fixed Assets is given in Notes 14 to 16 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 24 to the Accounts.

Stated Capital

The Stated Capital of the Company as at 31 March 2016 was Rs. 250,000,010/-. A detail of the Stated Capital is given in Note 23 to the Financial Statements.

Reserves

The Reserves of the Company as at 31 March 2016 was Rs. 2,240,297,180/- (2015 - Rs. 3,162,393,242/-). 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. 5,000/- (2015 – Rs. 15,000/-).

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 12 to the Financial Statements.

Share Information

Information on Earnings, Dividend, Net Assets and Market Value per share is given on Pages 128 to 130 of this report.

Major Shareholders

The twenty largest shareholders of the Company as at 31 March 2016 together with percentages held are given under the caption "Shareholder & Investor Information" on Page 128.

Directors

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

Dr. Sena Yaddehige	Chairman
J H P Ratnayeke (Resigned w.e.f. 11 January 2016)	Deputy Chairman
S S Poholiyadde	Director/CEO
Prof. R C W M R A Nugawela	Director
Dr. S S B D G Jayawardena	Director
Shaminda Yaddehige (Appointed w.e.f. 01 March 2016)	Director

Pursuant to Section 211 of the Companies Act No. 07 of 2007, a Notice of the following two Ordinary Resolutions have been received by the Company from RPC Plantation Management Services (Private) Limited of 310, High Level Road, Nawinna , Maharagama, a shareholder of the Company.

1. "That Dr. Sena Yaddehige of Le Neuf, Chemin, St. Saviours, Guernsey, United Kingdom, who is 70 years of age be and is hereby appointed a Director of the Company in terms of section 211 of the Companies Act No. 07 of 2007, and it is further specially declared that the age limit of 70 years referred to in Section 210 of the Companies Act no. 07 of 2007 shall not apply to the said Dr. Sena Yaddehige"

The Company has also received a letter dated 12th May 2016 from Dr. Sena Yaddehige declaring his willingness to be elected to the Directorate of the Company.

2. "That Dr. Gerry Jayawardena of No. 134, Batagama (North) Ja -Ela, who is 73 years of age be and is hereby appointed a Director of the Company in terms of section 211 of the Companies Act No. 07 of 2007, and it is further specially declared that the age limit of 70 years referred to in Section 210 of the Companies Act no. 07 of 2007 shall not apply to the said Dr. Gerry Jayawardena "

The Company has also received a letter dated 12th May 2016 from Dr. Gerry Jayawardena declaring his willingness to be elected to the Directorate of the Company.

The Directors who considered the contents of the letters received by the Company from RPC Plantation Management Services (Private) Limited, Dr. Sena Yaddehige and Dr. Gerry Jayawardena decided to notify the Shareholders of the Company of the Special Notice received by the Company and the proposed Resolutions, which are to be moved at the Annual General Meeting of the Company for the purpose of considering and if thought fit passing the said Resolutions as Ordinary Resolutions.

In accordance with the Provisions of the Article 98 of the Articles of Association of the Company, Mr. Shaminda Yaddehige, who retires at the AGM will offer himself for 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 below.

Transactions with related undertakings;

Company	Name of Director	Position	Nature of Transaction	Amount Rs. '000 2016	2015
Eastern Brokers Ltd	Mr. S S Poholiyadde	Director	Lot Money	416	377
			Brokerage	8,781	8,541

Directors' Interest in Shares

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

Name of Director	2016 No.of shares	2015 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 2016 is given in Note 8 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 32 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

During the year, two new Board Sub Committees were formed namely Nominations Committee and Related Party Transactions Review Committee. Information on four Board Committees is given in Pages 55 to 59 under Corporate Governance.

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 Group'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 72 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 2016 have been audited by Messrs. Ernst & Young, Chartered Accountants. The Auditors Report is given on Page 73.

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.

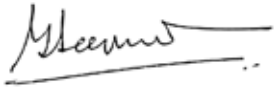
The Audit Fee of Messrs. Ernst & Young for the current year was Rs. 2,483,600/- (2015 Rs. 2,416,500/-). In addition Rs. 881,248/- (2015 Rs. 459,467/-) was paid by the Company for non-audit related work which consists mainly of certifications issued to the Department of Inland Revenue and Tax related 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 2016 at the Registered Office of the Company at 310, High Level Road, Nawinna, Maharagama. The notice of the Annual General Meeting is on Page 133 of the report.

On behalf of the Board,

S S Poholiyadde
Director



Dr. S S B D G Jayawardena
Director

Mrs. R J Siriweera
Company Secretary

Richard Pieris Group Services (Pvt) Ltd
Secretaries
310, High Level Road
Nawinna
Maharagama.

31 May 2016

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 73 of this report.

The Financial Statements of the Company and its subsidiary for the year ended 31 March 2016 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 74 to 122 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 2016 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 73 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,

Mrs. R J Siriweera
Company Secretary

Richard Pieris Group Services (Pvt) Ltd
Secretaries
310, High Level Road
Nawinna
Maharagama.

31 May 2016

INDEPENDENT AUDITORS' REPORT

Building a better working world

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Chartered Accountants
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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, 2016, Statement of profit or loss, Statement of Comprehensive Income, Statement of Changes in Equity and Cash Flow Statement for the year then ended, and a summary of significant Accounting Policies and other explanatory information.

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, 2016, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

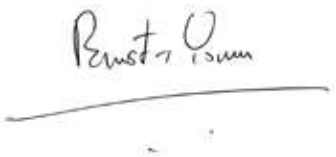
Report on Other Legal and Regulatory Requirements

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

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

b) In our opinion:

- we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company,
- the Financial Statements of the Company give a true and fair view of its financial position as at March 31, 2016, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards, and
- the Financial Statements of the Company and the Group comply with the requirements of sections 151 and 153 of the Companies Act No. 07 of 2007.



31 May 2016
Colombo

Partners: W R H Fernando FCA FCMA M P D Cooray FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva FCA Ms. Y A De Silva FCA
W K B S P Fernando FCA FCMA Ms. L K H L Fonseka FCA A P A 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 FCMA

A member firm of Ernst & Young Global Limited

STATEMENT OF PROFIT OR LOSS

Year Ended 31 March		Company		Group	
	Notes	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Revenue	6	1,933,063	2,023,911	1,933,063	2,023,911
Cost of Sale		(1,924,776)	(1,957,796)	(1,924,776)	(1,957,796)
Gross profit		**8,287**	**66,116**	**8,287**	**66,116**
Gain/(Loss) on fair value of Biological Assets	16.2	5,728	7,155	5,728	7,155
Other Income and Gain	7	114,607	31,886	35,651	29,129
Administrative Expenses		(43,166)	(42,447)	(50,761)	(50,076)
Management Fee		(6,543)	(16,624)	(6,543)	(16,624)
Profit from Operations	8	**78,912**	**46,086**	**(7,639)**	**35,701**
Finance Income	9	183,284	228,141	183,284	228,141
Finance Cost	10	(198,223)	(177,352)	(198,223)	(177,352)
Share of Result of Equity Accounted Investees	11	-		140,827	140,429
Profit Before Taxation		**63,973**	**96,875**	**118,249**	**226,919**
Tax Expenses	12.1	37,468	30,159	16,876	515
Profit After Taxation		**101,441**	**127,034**	**135,125**	**227,434**
Basic Earnings Per Share	13	4.06	5.08	5.41	9.10

The accounting policies and notes on Pages 80 through 122 form an integral part of the Financial Statements.

STATEMENT OF COMPREHENSIVE INCOME

Year Ended 31 March		Company		Group	
	Notes	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Profit for the year		101,441	127,034	135,125	227,434
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	25	86,451	(8,501)	86,451	(8,501)
Income tax effect	12.2	(13,625)	1,340	(13,625)	1,340
		72,827	(7,161)	72,827	(7,161)
Share of Other Comprehensive Income of Equity Accounted Investees					
Other Comprehensive income not to be reclassified to profit or loss in Subsequent periods (net of tax)					
Actuarial Gains / (Losses) on Defined Benefit Plans	11.2	-	-	125	(909)
Income tax effect	11.2	-	-	(6)	106
		-	-	119	(803)
Other Comprehensive income to be reclassified to profit or loss in Subsequent periods (net of tax)					
Net Gains / (Losses) on Available-for-Sale Financial Assets	17.2 /11.2	49,320	-	49,320	(12)
Income tax effect		-	-	-	-
		49,320	-	49,320	(12)
Other Comprehensive Income for the year, net of tax		122,147	(7,161)	122,266	(7,976)
Total Comprehensive Income for the year, net of tax		223,588	119,873	257,390	219,459

The accounting policies and notes on Pages 80 through 122 form an integral part of the Financial Statements.

STATEMENT OF FINANCIAL POSITION

As at 31 March		Company		Group	
ASSETS	Notes	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Non Current Assets					
Lease hold Property, Plant and Equipment	14	224,154	239,983	224,154	239,983
Free hold Property, Plant and Equipment	15	323,978	365,251	366,631	414,245
Bearer Biological Assets	16.1	1,910,589	1,753,216	1,910,589	1,753,216
Consumable Biological Assets	16.2	94,919	78,746	94,919	78,746
Financial Assets	17	1,201,600	1,000,000	1,201,600	1,000,000
Long Term Investments	18.3	491,850	611,850	718,285	802,918
Total Non Current Assets		4,247,090	4,049,045	4,516,179	4,289,108
Current Assets					
Inventories	19	235,954	272,365	235,281	271,693
Trade and Other Receivables	20	134,518	210,176	142,813	215,776
VAT Recoverable		26,023	25,340	26,030	28,183
Income Tax Recoverable		12,621	5,772	12,621	5,772
Amounts due from Related Companies	21	39,874	49,213	2,795	11,489
Short Term Investments	22	1,692,867	2,492,297	1,692,867	2,492,297
Cash and Bank Balances		23,395	22,888	23,395	22,900
Total Current Assets		2,165,252	3,078,052	2,135,802	3,048,110
TOTAL ASSETS		6,412,342	7,127,097	6,651,981	7,337,218
EQUITY AND LIABILITIES					
Equity					
Stated Capital	23	250,000	250,000	250,000	250,000
General Reserve	23.1	225,000	225,000	225,000	225,000
Timber Reserves		8,485	2,758	8,485	2,758
Available for Sale Reserves		49,320	-	49,308	(12)
Retained Earnings		1,957,491	2,934,635	2,182,859	3,126,200
Total Equity		2,490,296	3,412,393	2,715,652	3,603,946
Non Current Liabilities					
Interest-bearing Loans & Borrowings	24	1,496,162	1,901,956	1,496,162	1,901,956
Retiring Benefit Obligations	25	429,478	486,075	429,573	486,169
Deferred Income	26	203,037	207,126	204,262	212,704
Deferred Tax Liability	27	53,369	79,555	53,369	79,555
Liability to make Lease Payment after one year	28	263,489	268,493	263,489	268,493
Total Non Current Liabilities		2,445,535	2,943,205	2,446,855	2,948,877
Current Liabilities					
Trade and Other Payables	29	202,685	221,621	210,529	229,405
Interest-bearing Loans & Borrowings	24	1,231,351	493,790	1,231,351	493,790
Liability to make Lease Payment within one year	28	5,004	4,812	5,004	4,812
Dividend Payable	30	21,354	49,038	21,354	49,038
Amounts due to Related Companies	31	16,116	2,237	21,236	7,351
Total Current Liabilities		1,476,510	771,499	1,489,474	784,396
TOTAL EQUITY AND LIABILITIES		6,412,342	7,127,097	6,651,981	7,337,218

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

Dr. S S B D G Jayawardena
Director

The accounting policies and notes on Pages 80 through 122 form an integral part of the Financial Statements.

31 May 2016
Colombo

STATEMENT OF CHANGES IN EQUITY

Year Ended 31 March	Stated Capital	General Reserve	Retained Earnings	Available-for-Sale Reserves	Timber Reserve	Total
Company	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
As at 01 April 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 paid	-	-	(50,000)	-	-	(50,000)
Balance as at 31 March 2015	250,000	225,000	2,934,635	-	2,758	3,412,393
Super Gain Tax Paid			(20,684)	-	-	(20,684)
Balance as at 01 April 2015	250,000	225,000	2,913,951	-	2,758	3,391,710
Profit for the year	-	-	101,441	-	-	101,441
Other Comprehensive Income	-	-	72,827	49,320	-	122,147
Timber Reserve	-	-	(5,728)	-	5,728	-
Dividends	-		(1,125,000)	-	-	(1,125,000)
Balance as at 31 March 2016	250,000	225,000	1,957,491	49,320	8,485	2,490,296

	Stated Capital	General Reserve	Retained Earnings	Available-for-Sale Reserves	Timber Reserve	Total
Group	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
As at 01 April 2014	250,000	225,000	2,963,885	-	(4,398)	3,434,487
Profit for the year	-	-	227,435	-	-	227,435
Other Comprehensive Income						
Actuarial Gains and (Losses) on Defined Benefit Plans	-	-	(7,161)	-	-	(7,161)
Share of Other Comprehensive Income of Equity Accounted Investees						
Actuarial Gains and (Losses) on Defined Benefit Plans	-	-	(803)	-	-	(803)
Net (Loss)/gain on available for sale financial assets	-	-	-	(12)	-	(12)
Timber Reserve	-	-	(7,155)	-	7,155	-
Dividends paid	-	-	(50,000)	-	-	(50,000)
Balance as at 31 March 2015	250,000	225,000	3,126,200	(12)	2,758	3,603,946
Super Gain Tax Paid	-	-	(20,684)	-	-	(20,684)
Balance as at 01 April 2015	250,000	225,000	3,105,516	(12)	2,758	3,583,262
Profit for the year	-	-	135,125	-	-	135,125
Other Comprehensive Income						
Actuarial Gains / (Losses) on Defined Benefit Plans	-	-	72,827	-	-	72,827
Share of Other Comprehensive Income of Equity Accounted Investees						
Net Gains/(Losses) on Available-for-Sale Financial Assets	-	-	-	49,320	-	49,320
Actuarial Gains / (Losses) on Defined Benefit Plans	-	-	119	-		119
Timber Reserve	-	-	(5,728)		5,728	-
Dividends	-	-	(1,125,000)	-	-	(1,125,000)
Balance as at 31 March 2016	250,000	225,000	2,182,859	49,308	8,485	2,715,652

As per provisions of Part III of the Finance Act, No. 10 of 2015 which was certified on the 30 October 2015, Kegalle Plantations PLC and the Group are liable for Super Gain Tax of Rs. 20.68 Mn. According to the Act, the Super Gain Tax shall be deemed to be an expenditure in the Financial Statements relating to the year of assessment which commenced on 1 April 2013. The Act supersedes the requirements of the Sri Lanka Accounting Standard, hence the expense of Super Gain Tax is accounted in accordance with the requirements of the said Act as recommended by the Statement of Alternative Treatment (SoAT) on Accounting for Super Gain Tax issued by the Institute of Chartered Accountants of Sri Lanka, dated 24 November 2015.

The accounting policies and notes on Pages 80 through 122 form an integral part of the Financial Statements.

CASH FLOW STATEMENT

Year Ended 31 March	Notes	Company 2016 Rs.'000	Company 2015 Rs.'000	Group 2016 Rs.'000	Group 2015 Rs.'000
CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES					
Net Profit Before Taxation		63,973	96,875	118,249	226,919
ADJUSTMENTS FOR					
Interest Income	9	(183,284)	(228,141)	(183,284)	(228,141)
Depreciation/Amortisation	8	109,549	107,850	109,549	107,850
Provision for Defined Benefit Plan Costs	25	79,623	83,787	79,623	83,787
Amortisation of Grants	26	(15,636)	(5,238)	(19,988)	(9,589)
Finance Costs	10	198,223	177,352	198,223	177,352
Dividend Received from Associates	7	(45,765)	(8,789)	-	-
Impairment of Property, Plant & Equipment		-	-	6,341	7,206
(Profit) / Loss on Disposal of Assets	7	(2,439)	-	(2,439)	-
Gains / (Losses) on Fair Value of Biological Assets	16.2	(5,728)	(7,155)	(5,728)	(7,155)
Gains / (Losses) on Sale of Biological Assets		(4,598)	-	(4,598)	-
Profit on Deemed Disposal (Gain) / Loss	7	(32,280)	-	6,943	-
Share of Result of Associates		-	-	(140,827)	(140,429)
Operating Profit before Working Capital Changes		161,638	216,542	162,064	217,799
(Increase)/Decrease in Inventories		36,412	41,525	36,412	41,805
(Increase)/Decrease in Trade and Other Receivables		74,975	37,897	75,116	40,674
(ncrease/(Decrease) in Trade and Other Payables		(18,936)	(1,913)	(18,875)	(1,953)
(Increase)/Decrease in amounts due from Related Companies		9,339	13,830	8,695	9,546
Increase/(Decrease) in amounts due to Related Companies		13,879	(10,907)	13,884	(10,896)
Cash Generated from / (used in) Operations		277,307	296,973	277,296	296,975
Finance Costs Paid		(147,264)	(128,914)	(147,264)	(128,914)
Defined Benefit Plan Costs Paid	25	(49,768)	(52,625)	(49,768)	(52,625)
ESC/SGT/Income Tax Paid		(30,626)	(31)	(30,626)	(31)
Net Cash from / (used in) Operating Activities		49,650	115,404	49,639	115,406
CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES					
Long Term Investment		-	(1,000,000)	-	(1,000,000)
Interest Income	9	183,284	228,141	183,284	228,141
Grant/Subsidy Received	26	11,546	15,291	11,546	15,291
Proceeds from Disposal of Property, Plant & Equipment		2,439	-	2,439	-
Proceeds from Disposal of Biological Assets		4,980	-	4,980	-
Field Development Expenditure	Note A	(219,068)	(263,195)	(219,068)	(263,195)
Purchase of Property, Plant & Equipment	Note B	(1,580)	(42,656)	(1,580)	(42,656)
Net Cash from / (used in) Investing Activities		(18,400)	(1,062,420)	(18,400)	(1,062,420)
CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES					
Dividend Paid		(1,151,934)	(1,942)	(1,151,934)	(1,942)
Dividend Received from Associates		45,765	8,789	45,765	8,789
Payment of Government lease rentals - Interest		(50,960)	(48,439)	(50,960)	(48,439)
Payment of Government lease rentals - Capital		(4,812)	(4,627)	(4,812)	(4,627)
Proceed from loans		148,000	326,250	148,000	326,250
Repayment of loans		(368,302)	(261,367)	(368,302)	(261,367)
Net Cash from / (used in) Financing Activities		(1,382,243)	18,664	(1,382,243)	18,664
Net Increase / (Decrease) in Cash & Cash Equivalents		(1,350,993)	(928,352)	(1,351,004)	(928,350)
Cash & Cash Equivalents at the beginning of the year	Note C	2,515,186	3,443,537	2,515,198	3,443,547
Cash & Cash Equivalents at the end of the year	Note D	1,164,193	2,515,186	1,164,193	2,515,198

The accounting policies and notes on Pages 80 through 122 form an integral part of the Financial Statements.

NOTES TO THE CASH FLOW STATEMENT

Year Ended 31 March	Company		Group	
NOTE A	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Investment in Field Development Expenditure				
Investment in Immature Plantations				
Rubber	175,190	205,988	175,190	205,988
Tea	31,536	42,807	31,536	42,807
Coconut	1,346	251	1,346	251
Unallocated	10,996	14,149	10,996	14,149
Total	219,068	263,195	219,068	263,195

	Company		Group	
NOTE B	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Investment in Property, Plant & Equipment				
Rubber	802	21,263	802	21,263
Tea	779	13,439	779	13,439
Coconut	-	-	-	-
Unallocated	-	7,955	-	7,955
Total	1,580	42,656	1,580	42,656

	Company		Group	
NOTE C	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Cash & Cash Equivalents at the beginning 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
Total	2,515,186	3,443,537	2,515,198	3,443,547

	Company		Group	
NOTE D	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Cash & Cash Equivalents at the end of the year				
Cash & Bank Balances	23,395	22,888	23,395	22,900
Bank Overdrafts	(552,069)	-	(552,069)	-
Short Term Investments	1,692,867	2,492,297	1,692,867	2,492,297
Total	1,164,193	2,515,186	1,164,193	2,515,198

NOTES TO THE FINANCIAL STATEMENTS

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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
Hamefa Kegalle (Pvt) Ltd	Subsidiary	Currently no business operations other than Rent Income
Richard Pieris Natural Foams Ltd	Associate	Manufacture of best latex foam products
Arpico Insurance PLC	Associate	Providing life insurance 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 2016 were authorized for issue in accordance with a resolution of the board of directors on 31 May 2016.

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 , Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, and Cash Flow Statement together with Accounting Policies and Notes to the Financial Statements (the "Consolidated Financial Statements") have been prepared in accordance with Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, which 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 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)

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 rupee, unless stated otherwise.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Accounting Policies set out below are consistent with those used in the previous year.

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 subsidiaries as at 31 March 2016. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

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

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

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

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

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

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

3.2.1 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.

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 16.2

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

- In the principal market for the asset or liability

  Or

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

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

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

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

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

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

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

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

External valuers are involved for valuation of significant assets, such as managed biological assets, 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 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.

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 Statement of Profit or Loss in full and reduced to the net carrying amounts of such asset in the year of occurrence after ascertaining the loss.

(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 16.2.

The Main Variables 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 is 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:

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 amortisation 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.

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.

(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.

3.9.1.4 Impairment of financial assets

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

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

3.9.1.4.1 Financial assets carried at amortised cost

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

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

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income (recorded as finance income in the statement of profit or loss) continues to be

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

3.9.1.4.2 Available for sale financial Assets

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

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

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

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

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

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	2015	2016
i)	Rate of Discount	10.25% (per annum)	11.5% (per annum)
ii)	Rate of Salary Increase		
	Workers	16% (every two years)	16% (every two years)
	Staff	8% (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)	The company will continue as a going concern.		

The actuarial present value of the accrued benefits as at 31 March 2016 is Rs. 429,477,999/- (2015 – Rs. 486,074,536/-). 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.

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.

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 noncurrent assets including investments have been accounted for in the Statement of profit or loss, 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, 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 government grants received are classified as investing cash flows while dividends paid and received are classified as financing cash flows in financial activities, 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 Note 6 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.

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 27 - Deferred Taxation
- Note 25 - Measurement of the Defined Benefit Obligations
- Note 16.2 - Biological Assets

4.1 Deferred 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 2016 are given in Note 27.

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 3.12. 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 16.2.

5 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

SLFRS 9 Financial Instruments

SLFRS 9 replaces the existing guidance in LKAS 39 Financial Instruments: Recognition and Measurement. SLFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from LKAS 39.

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

SLFRS 15 Revenue from Contracts with Customers

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including LKAS 18 Revenue, LKAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

SLFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

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 company current accounting treatment on recognition and measurement. Since currently the company's continued to recognise and measure bearer plant in accordance with LKAS16. Further the above amendment requires entity to recognise agricultural produce at fair value separately from its bearer plants prior to harvest. Determining the point at which to recognise agricultural produce separately , will require judgement.

Pending the completion of the detailed impact analysis, possible Impact from SLFRS 9 and SLFRS 15 is not reasonably estimable as of the reporting date.

6. REVENUE

6.1. Summary

	Company		Group	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Sale of Goods				
Rubber	941,732	1,042,795	941,732	1,042,795
Tea	877,108	847,613	877,108	847,613
Coconut	45,394	49,507	45,394	49,507
Other Crops	501	1,394	501	1,394
Sale of Rubber Trees	68,328	82,603	68,328	82,603
Total Revenue	1,933,063	2,023,911	1,933,063	2,023,911

6.2 OPERATING SEGMENTS

Geographical Segments - Revenue	Company		Group	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Local Revenue	1,769,402	1,841,393	1,769,402	1,841,393
Export Revenue	163,661	182,518	163,661	182,518
Total Revenue	1,933,063	2,023,911	1,933,063	2,023,911

6.3 Business Segments

	Company		Group	
Rubber	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Revenue	941,732	1,042,795	941,732	1,042,795
Revenue Expenditure	(813,219)	(887,856)	(813,219)	(887,856)
Depreciation & Amortisation	(74,348)	(71,114)	(74,348)	(71,114)
Other Non Cash Expenditure - Gratuity	(43,347)	(47,445)	(43,347)	(47,445)
Segment Result - Gross Profit	10,817	36,380	10,817	36,380
Tea				
Revenue	877,108	847,613	877,108	847,613
Revenue Expenditure	(902,838)	(855,139)	(902,838)	(855,139)
Depreciation & Amortisation	(33,365)	(35,682)	(33,365)	(35,682)
Other Non Cash Expenditure - Gratuity	(36,275)	(36,342)	(36,275)	(36,342)
Segment Result - Gross Profit / (Loss)	(95,371)	(79,549)	(95,371)	(79,549)
Coconut				
Revenue	45,394	49,507	45,394	49,507
Revenue Expenditure	(20,872)	(23,645)	(20,872)	(23,645)
Segment Result - Gross Profit	24,522	25,861	24,522	25,861
Other Crop				
Revenue	501	1,394	501	1,394
Revenue Expenditure	(18)	(333)	(18)	(333)
Segment Result - Gross Profit	483	1,061	483	1,061
Sale of Rubber Trees				
Revenue	68,328	82,603	68,328	82,603
Revenue Expenditure	(493)	(240)	(493)	(240)
Segment Result - Gross Profit	67,835	82,363	67,835	82,363
Total Segments				
Revenue	1,933,063	2,023,911	1,933,063	2,023,911
Revenue Expenditure	(1,737,441)	(1,767,212)	(1,737,441)	(1,767,211)
Depreciation & Amortisation	(107,713)	(106,796)	(107,713)	(106,796)
Other Non Cash Expenditure - Gratuity	(79,623)	(83,787)	(79,623)	(83,787)
Total Segment Results - Gross Profit	8,287	66,116	8,287	66,116

	Company		Group	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Total Segment Results - Gross Profit	8,287	66,116	8,287	66,116
Gains/(Loss) on fair value of Biological Assets	5,728	7,155	5,728	7,155
Other Income & Gain	114,607	31,886	35,651	29,129
Administrative Expenses	(43,166)	(42,447)	(50,761)	(50,076)
Management Fee	(6,543)	(16,624)	(6,543)	(16,624)
Finance Income	183,284	228,141	183,284	228,141
Finance Cost	(198,223)	(177,352)	(198,223)	(177,352)
Share or Result of Associates	-	-	140,827	140,429
Profit Before Tax	63,973	96,875	118,249	226,919

6.4. Business Segments - Assets

	Company		Group	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Non Current Assets				
Rubber	1,596,398	1,521,129	1,596,398	1,521,129
Tea	713,258	679,628	713,258	679,628
Other Crops	145,959	139,077	145,959	139,077
Unallocated	1,791,476	1,709,211	2,060,563	1,949,274
Total Non Current Assets	4,247,090	4,049,045	4,516,179	4,289,108
Current Assets				
Rubber	773,097	1,102,019	773,097	1,102,019
Tea	740,272	1,055,228	740,272	1,055,228
Other Crops	28,311	40,357	28,311	40,357
Unallocated	623,571	880,448	594,121	850,506
Total Current Assets	2,165,252	3,078,052	2,135,802	3,048,110

6.5. Business Segments - Liabilities

	Company		Group	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Non Current Liabilities				
Rubber	1,045,416	1,258,160	1,045,416	1,258,160
Tea	518,945	624,551	518,945	624,551
Other Crops	52,038	62,628	52,038	62,628
Unallocated	829,136	997,866	830,456	1,003,538
Total Non Current Liabilities	2,445,535	2,943,205	2,446,855	2,948,877
Current Liabilities				
Rubber	667,737	348,903	667,737	348,903
Tea	337,272	176,229	337,272	176,229
Other Crops	33,096	17,293	33,096	17,293
Unallocated	438,406	229,074	451,369	241,971
Total Current Liabilities	1,476,510	771,499	1,489,474	784,396

6.6. Segment Capital Expenditure

Rubber	175,991	227,250	175,991	227,250
Tea	32,315	56,245	32,315	56,245
Other Crops	1,346	251	1,346	251
Unallocated	10,996	22,104	10,996	22,104
Total Capital Expenditure	220,648	305,851	220,648	305,851

7. OTHER INCOME & GAIN

	Company		Group	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Sale of Property, Plant & Equipment	2,439	-	2,439	-
Amortisation of Grant/Subsidy	15,636	5,238	19,988	9,589
Dividend Income	45,765	8,789	-	-
Deemed Disposal Gain (Note 17.2 / 18.2.1)	32,280	-	5,818	-
Deemed Disposal Loss (Note 17.2)	-	-	(12,761)	-
Sundry Income	18,487	17,860	20,167	19,540
	114,607	31,886	35,651	29,129

There are no unfulfilled conditions or contingencies attached to the grants.

8. PROFIT BEFORE TAXATION IS STATED AFTER CHARGING FOLLOWINGS

	Company		Group	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Auditors' Remuneration	2,484	2,417	2,484	2,417
Depreciation & Amortization	109,549	107,850	109,549	107,850
Directors' Remuneration	800	800	800	800
Defined Benefit Plan Cost	79,623	83,787	79,623	83,787
Defined Contribution Plans - EPF& ETF	120,780	128,985	120,780	128,985
Others - Staff Cost	957,107	997,400	957,107	997,400

9. FINANCE INCOME

	Company		Group	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Interest Income	183,284	228,141	183,284	228,141
Total Interest Income	183,284	228,141	183,284	228,141

10. FINANCE COST

	Company		Group	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Overdraft Interest	19,074	1,339	19,074	1,339
Interest on Government Lease	10,932	11,117	10,932	11,117
Variable Lease Rental	40,028	37,321	40,028	37,321
Interest to Related Companies	-	228	-	228
Term Loan Interest	155,603	165,850	155,603	165,850
	225,637	215,855	225,637	215,855
Less : Interest Capitalised	(27,414)	(38,503)	(27,414)	(38,503)
Total Finance Cost	198,223	177,352	198,223	177,352

11. SHARE OF RESULT OF ASSOCIATES

The Group can influance upto 35.11% of the voting rights of the Richard Pieris Natural Foams Ltd and upto 40.29% of the voting rights of the Arpico Insurance PLC.

The Group's share of the income of the entities for the years ending 31 March 2016 and 2015, which are accounted under the equity method are as follows.

11.1. Statement of Profit or Loss

	Group 2016 Rs.'000	Group 2015 Rs.'000
Richard Pieris Natural Foams Ltd		
Group's Share of Profit / (Loss) Before Tax	128,608	84,238
Tax on associate results	(15,507)	(10,235)
Group Share of Profit / (Loss) After Tax	113,101	74,003
Arpico Insurance PLC		
Group's Share of Profit / (Loss) Before Tax	12,219	8,804
Tax on associate results	-	-
Group Share of Profit / (Loss) After Tax	12,219	8,804
Richard Pieris Finance Ltd		
Group's Share of Profit / (Loss) Before Tax	-	47,387
Tax on associate results	-	(18,433)
Group Share of Profit / (Loss) After Tax	-	28,954
Total Group Share of Result		
Group's Share of Profit / (Loss) Before Tax	140,827	140,429
Tax on associate results	(15,507)	(28,668)
Group Share of Profit / (Loss) After Tax	125,321	111,761

11.2. Statement of Other Comprehensive Income (OCI)

	Group 2016 Rs.'000	Group 2015 Rs.'000
Richard Pieris Natural Foams Ltd		
Gain/(Loss) on Acturial Valuation	33	(880)
Income Tax Effect	(6)	106
	27	(774)
Arpico Insurance PLC		
Gain/(Loss) on Acturial Valuation	92	(29)
Net Gain/(Loss) on Available-for-Sale Financial Assets	-	(12)
	92	(41)
Richard Pieris Finance Ltd		
Gain/(Loss) on Acturial Valuation	-	-
Net Gain/(Loss) on Available-for-Sale Financial Assets	-	-
	-	-
Total Group Share of Result		
Gain/(Loss) on Acturial Valuation	125	(909)
Income Tax Effect	(6)	106
Net Gain/(Loss) on Available-for-Sale Financial Assets	-	(12)
Total	119	(815)

12. Current Tax Expenses	Company		Group	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
12.1. Statement of Profit or Loss				
(I) Current Income Tax:				
Current income tax charge	2,343	2,981	17,850	31,649
Tax on dividend paid by Group Companies			5,085	977
(II) Deferred Tax:				
Relating to origination and (reversal) of temporary defferences (Note 27.1)	(39,811)	(33,141)	(39,811)	(33,141)
Income Tax charge/(reversal) reported in Statement of Profit or Loss	(37,468)	**(30,159)**	(16,876)	**(515)**

12.2. Statement of Other Comprehensive Income (OCI)

Deferred tax relating to items (charges)/credited directly to OCI during the year:

Net gain/(loss) on actuarial gains and losses on defined Benefit Plans (Note 27.1)	(13,625)	1,340	(13,625)	1,340
Income Tax charge directly to Other Comprehensive Income	(13,625)	**1,340**	(13,625)	**1,340**

12.3. Reconciliation between Current Tax Expense and Accounting Profit	Company		Group	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Accounting Profit Before Tax	63,973	96,875	118,249	226,919
Aggregate Disallowed Items	240,356	240,752	240,356	240,752
Aggregate Allowable Items	(635,472)	(649,063)	(689,748)	(779,107)
Tax Exempt Income	(5,728)	(7,155)	(5,728)	(7,155)
Total Statutory Income	(336,871)	(318,592)	(336,871)	(318,592)
Liable Interest Income	8,367	10,647	8,367	10,647
	(328,504)	(307,945)	(328,504)	(307,945)
Tax Losses Utilized During the Year	-	-	-	-
Total Assessable Income / Taxable Income	(328,504)	(307,945)	(328,504)	(307,945)
Assessable Income / Taxable Income from Agriculture	(336,871)	(318,592)	(336,871)	(318,592)
Assessable Income / Taxable Income from Manufacture	8,367	10,647	8,367	10,647
Total Assessable Income / Taxable Income	(328,504)	(307,945)	(328,504)	(307,945)
Income Tax @ 10%	-	-	-	-
Income Tax @ 28%	2,343	2,981	2,343	2,981
Income Tax on Current Year Profits	2,343	2,981	2,343	2,981
Share of Equity Accounted Investees' Income Tax	-	-	15,507	28,668
Current Income Tax Expenses	2,343	2,981	17,850	31,649
Details of Business Losses Carried Forward				
Loss Brought Forward	439,959	121,367	439,959	121,367
Loss incurred during the year	336,871	318,592	336,871	318,592
Loss Appropriate during the year	-	-	-	-
Loss Carried Forward	776,830	439,959	776,830	439,959

13. EARNINGS PER SHARE

13.1. 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.

13.2. The following reflects the income and share data used in the basic earnings per share computations.

	Company		Group	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Amounts used as the Numerator :				
Net profit/ (loss) applicable to Ordinary Shareholders for basic earnings per share	101,441	127,034	135,125	227,434
	101,441	127,034	135,125	227,434
Amounts used as the Denominator :	Nos'000	Nos'000	Nos'000	Nos'000
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.	4.06	5.08	5.41	9.10

14. LEASEHOLD PROPERTY, PLANT & EQUIPMENT

		Company		Group	
As at 31 March	Notes	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Right-to-use of land	14.1	143,495	148,403	143,495	148,403
Immovable leased bearer biological assets	14.2	78,002	86,751	78,002	86,751
Immovable Leased assets (other than right-to-use land and bearer biological assets)	14.3	2,657	4,829	2,657	4,829
		224,154	239,983	224,154	239,983

14.1. RIGHT-TO-USE OF LAND (REVALUED)

"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 2016 are as follows.

	Company		Group	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 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	111,739	106,831	111,739	106,831
Amortization charge for the year	4,908	4,908	4,908	4,908
As at 31 March	116,647	111,739	116,647	111,739
Carrying amount	143,495	148,403	143,495	148,403

14.2. 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 2016 are as follows.

	Company Mature Plantations		Group Mature Plantations	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Capitalised Value as at 22 June, 1992	262,680	262,680	262,680	262,680
Accumulated Amortisation				
At the beginning of the Year	175,930	167,174	175,930	167,174
Amortisation for the year	8,749	8,756	8,749	8,756
As at 31 March	184,678	175,930	184,678	175,930
Carrying amount	78,002	86,751	78,002	86,751

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 16.1

14.3. 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 & Machiery Rs.'000	2016 Total Rs.'000	Improvement to Land Rs.'000	Buildings Rs.'000	Plant & Machiery Rs.'000	2016 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 01.04.2015	145	49,153	24,289	73,587	145	49,153	24,289	73,587
Amortisation for the year	6	2,165	-	2,171	6	2,165	-	2,171
Accumulated Amortisation as at 31.03.2016	152	51,318	24,289	75,758	152	51,318	24,289	75,758
Written down value as at 31.03.2016	40	2,617	-	2,657	40	2,617	-	2,657
Written down value as at 31.03.2015	46	4,782	-	4,829	46	4,782	-	4,829

Note:

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

15. FREEHOLD PROPERTY, PLANT AND EQUIPMENT

	Company				Group			
	Balance as at 01.04.2015	Additions for the year	Disposals / Adjustment during the year	Balance as at 31.03.2016	Balance as at 01.04.2015	Additions for the year	Disposals / Adjustment during the year	Balance as at 31.03.2016
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cost/Valuation								
Buildings	71,255	-	-	71,255	111,805	-	-	111,805
Motor Vehicles	129,264	-	(1,638)	127,625	129,264	-	(1,638)	127,625
Furniture & Fittings	5,556	-	-	5,556	5,633	-	-	5,633
Equipment	58,818	-	-	58,818	59,491	-	-	59,491
Water Sanitation	2,150	-	-	2,150	2,150	-	-	2,150
Computers & Computer Software	15,678	155	-	15,833	16,056	155	-	16,211
Plant & Machinery	335,163	1,963	-	337,126	404,194	1,963	-	406,157
Other Assets on Grants	214,911	270	(588)	214,593	214,911	270	(588)	214,593
	832,795	2,388	(2,226)	832,956	943,503	2,388	(2,226)	943,665

	Balance as at 01.04.2015	Charge for the Year	Accumlated depreciton on disposal	Balance as at 31.03.2016	Balance as at 01.04.2015	Charge for the Year	Disposal/ Impairment Loss during the year	Balance as at 31.03.2016
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Depreciation								
Buildings	14,636	1,888	-	16,524	32,966	1,888	2,666	37,520
Motor Vehicles	96,610	9,139	(1,638)	104,110	96,610	9,139	(1,638)	104,110
Furniture & Fittings	3,664	53	-	3,716	3,716	53	-	3,768
Equipment	52,176	1,542	-	53,719	52,469	1,542	-	54,012
Water Sanitation	1,727	30	-	1,758	1,727	30	-	1,758
Computers & Computer Software	13,964	485	-	14,449	14,471	485	-	14,957
Plant & Machinery	212,380	21,172	-	233,552	254,912	21,172	3,675	279,759
Other Assets on Grants	74,746	7,913	-	82,658	74,746	7,913	-	82,658
	469,902	42,222	(1,638)	510,486	531,617	42,222	4,703	578,542
Written Down Value	362,892			322,470	411,886			365,123
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	7,591	631	-	8,222	7,591	631	-	8,222
	7,591	631	-	8,222	7,591	631	-	8,222
Written Down Value	825			194	825			194

Capital Work-in-Progress	Balance as at 01.04.2015	Additions for the year	Capitalised/ Transfer during the year	Balance as at 31.03.2016	Balance as at 01.04.2015	Additions for the year	Capitalised/ Transfer during the year	Balance as at 31.03.2016
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Capital Work-in-Progress	1,533	-	(220)	1,313	1,533	-	(220)	1,313
Total Written Down Value	365,251			323,978	414,245			366,631

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 14

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.

16. BIOLOGICAL ASSETS - COMPANY/ GROUP

16.1. BEARER BIOLOGICAL ASSETS- COMPANY/GROUP

	Immature Plantations				Mature Plantations				Total
	Tea Rs.'000	Rubber Rs.'000	Coconut Rs.'000	Others Rs.'000	Tea Rs.'000	Rubber Rs.'000	Coconut Rs.'000	Others Rs.'000	Rs.'000
Cost									
At the beginning of the year 01/04/2015	196,873	778,312	15,860	58,374	137,325	896,350	27,958	14,374	2,125,427
Additions	31,536	175,190	1,346	169	-	-	-	-	208,241
Transfers	(33,945)	(61,455)	-	-	33,945	61,455	-	-	(0)
At the end of the year 31/03/2016	**194,465**	**892,047**	**17,206**	**58,543**	**171,269**	**957,805**	**27,958**	**14,374**	**2,333,667**
Depreciation									
At the beginning of the year 01/04/2015	-	-	-	-	50,454	315,351	901	5,504	372,211
Charge for the year	-	-	-	-	5,320	44,597	563	387	50,867
At the end of the year 31/03/2016	-	-	-	-	55,774	359,949	1,464	5,891	423,078
Written Down Value - as at 31.03.2016	**194,465**	**892,047**	**17,206**	**58,543**	**115,495**	**597,856**	**26,494**	**8,483**	**1,910,589**
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**

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 14. 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 2 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. 27,413,656/- (2014/15 - Rs. 38,503,195/-) were capitalized during the year under Immature Plantations.

16.2. CONSUMABLE BIOLOGICAL ASSETS - TIMBER PLANTATIONS

	Company/Group	
	2016 Rs.'000	2015 Rs.'000
As at 1 April	78,746	59,406
Increase due to development	10,827	12,185
Decrease due to Harvet	(382)	-
Gain/(loss) fair value of Biological Assets	5,728	7,155
As at 31 March	94,919	78,746

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.

16.2.1. 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:

Company	Rs.'000	Rs.'000
Managed Timber	-10%	+10%
As at 31 March 2016	(9,492)	9,492
As at 31 March 2015	(7,875)	7,875

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
Managed Timber	-1.5%	+1.5%
As at 31 March 2016	10,009	(7,875)
As at 31 March 2015	6,727	(5,442)

17. FINANCIAL ASSETS/LONG TERM INVESTMENTS

		Company		Group	
		2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Quoted Investment					
Richard Pieris and Company PLC	17.1	1,000,000	1,000,000	1,000,000	1,000,000
Unquoted Investment					
Richard Pieris Finance Ltd	17.2	201,600	-	201,600	-
		1,201,600	1,000,000	1,201,600	1,000,000

17.1. QUOTED INVESTMENT
HELD-TO-MATURITY FINANCIAL ASSETS

Quoted Debt Securities Held by the Company		Company		Group	
Quoted Debentures - Richard Pieris and Company PLC		2016	2015	2016	2015
Year of Maturity		2019	2019	2019	2019
No of Debentures	Nos '000	10,000	10,000	10,000	10,000
Face Value per Debenture	Rs.	100	100	100	100
Carrying Value	Rs.'000	1,000,000	1,000,000	1,000,000	1,000,000
Fair Value	Rs.'000	1,000,000	1,000,000	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.

17.2. UNQUOTED INVESTMENT

AVAILABLE-FOR-SALE FINANCIAL ASSETS

Consequent to the new share issue of Richard Pieris Finance Ltd (Right Issue) where the Company has not subscribed to such right issue, the holding percentage in Richard Pieris Finance Ltd reduced to 10.21% from 30%. Therefore, Richard Pieris Finance Ltd is not an Associate of the Group with effect from 01 April 2015. Hence, Company discontinued the use of equity method of accounting and fair value the investment in Richard Pieris Finance Ltd as an Available-for-Sale Financial Asset.

Non-Quoted Equity Shares Held by the Company		Company		Group	
Non-Quoted Ordinary Shares - Richard Pieris Finance Ltd		2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
No of Shares	Nos '000	12,000	12,000	12,000	12,000
% Holding	%	10.21	30.00	10.21	30.00
Face Value Per Share	Rs.	10.00	10.00	10.00	10.00
Carrying Value	Rs.'000	120,000	120,000	165,041	165,041
Equity Value Per Share as at 01 April 2015	Rs.	12.69	-	12.69	-
Deemed Disposal Gain/(Loss) - Initial Recognition	Rs.'000	32,280	-	(12,761)	-
Carrying Value as at 01 April 2015	Rs.'000	152,280	-	152,280	-
Equity Value Per Share as at 31 March 2016	Rs.	16.80	-	16.80	-
Deemed Disposal Gain/(Loss) - Sudsequent Recognition	Rs.'000	49,320	-	49,320	-
Carrying Value as at 31 March 2016	Rs.'000	201,600	-	201,600	-

The fair value of the retained interest of the RPF on initial recognition identified in profit or loss statement in the current year and subsequent profit or loss on fair value recognised in Other Comprehensive income.

18 LONG TERM INVESTMENTS

18.1. 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.

18.2 Investments in Associates

Unquoted Investments	Company		Group	
% Holding	2016 %	2015 %	2016 %	2015 %
Richard Pieris Natural Foams Ltd	35.11	35.11	35.11	35.11
Arpico Insurance PLC - Note 18.2.1	40.29	44.73	40.29	44.73
Richard Pieris Finance Ltd	-	30.00	-	-
No of Shares	**Nos '000**	**Nos '000**	**Nos '000**	**Nos '000**
Richard Pieris Natural Foams Ltd	22,500	22,500	22,500	22,500
Arpico Insurance PLC	26,685	26,685	26,685	26,685
Richard Pieris Finance Ltd	-	12,000	-	12,000
Company investments in associates	49,185	61,185	49,185	61,185
Value	**Rs.'000**	**Rs.'000**	**Rs.'000**	**Rs.'000**
Richard Pieris Natural Foams Ltd	225,000	225,000	454,198	391,919
Arpico Insurance PLC	266,850	266,850	264,087	245,958
Richard Pieris Finance Ltd	-	120,000	-	165,041
Company investments in associates	**491,850**	**611,850**	**718,285**	**802,918**

18.2.1 Consequent to the Initial Public Offering (IPO) of Arpico Insurance PLC where the Company has not subscribed, the holding percentage in Arpico Insurance PLC reduced to 40.29% from 44.73%. Therefore a Deemed disposal gain of Rs. 5,817,910 recognised in the Financial Statement.

18.3 Other Long Term Investments

	2016	2015	2016	2015
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	-	-	-	-
Long Term Investments - Others	-	-	-	-
Long Term Investments - Total	**491,850**	**611,850**	**718,285**	**802,918**

18.4 Summarised Financial Information of Associates

Richard Pieris Natural Foams Ltd	2016 Rs.'000	2015 Rs.'000
Revenue	1,905,089	1,441,656
Profit / (Loss) Before Tax	366,301	239,925
Group's Share of Profit / (Loss) Before Tax	128,608	84,238
Group's Share of Other Comprehensive Income	27	880
Profit / (Loss) After Tax	322,135	210,774
Other Comprehentive Income	78	(2,204)
Total Comprehentive Income	322,213	208,570
Dividends Received	45,765	7,493
Current Assets	966,393	733,513
Non Current Assets	391,136	416,559
Total Assets	1,357,529	1,150,072
Current Liabilities	543,654	476,985
Non Current Liabilities	11,767	19,225
Total Liabilities	555,421	496,210

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.

Arpico Insurance PLC	2016 Rs.'000	2015 Rs.'000
Revenue	516,816	354,214
Profit / (Loss) Before Tax	30,328	19,684
Group's Share of Profit / (Loss) Before Tax	12,219	8,804
Group's Share of Other Comprehensive Income	92	(41)
Deemed Disposal Gain	5,818	-
Profit / (Loss) After Tax	30,328	19,684
Other Comprehentive Income	227	(91)
Total Comprehentive Income	30,555	19,592
Dividends Received	-	-
Current Assets	793,783	96,737
Non Current Assets	456,014	904,238
Total Assets	1,249,797	1,000,975
Current Liabilities	87,039	64,313
Non Current Liabilities	504,725	309,185
Total Liabilities	591,765	373,498

The Group can influence upto 40.29% of the voting rights of the Arpico Insurance PLC with effective date from 01 April 2015.

Richard Pieris Finance Ltd	2016 Rs.'000	2015 Rs.'000
Revenue	-	717,162
Profit / (Loss) Before Tax	-	157,957
Group's Share of Profit / (Loss) Before Tax	-	47,387
Group's Share of Other Comprehensive Income	-	-
Group's Share of Profit understated previously	-	-
Profit / (Loss) After Tax	-	96,513
Other Comprehentive Income	-	-
Total Comprehentive Income	-	96,513
Dividends Received	-	1,296
Current Assets	-	5,098,609
Non Current Assets	-	1,007,409
Total Assets	-	6,106,018
Current Liabilities	-	2,798,763
Non Current Liabilities	-	1,975,559
Total Liabilities	-	4,774,322

The Group has no longer significant influence over the voting rights of the Richard Pieris Finance Ltd (RPF) with effect from 01 April 2015, since the voting rights of the RPF in KPL reduced from 30% to 10.21% with effect from 01 April 2015. Therefore, the Group discontinued the use of equity method, and measures the retained interest at fair value.

19. INVENTORIES

	Company		Group	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Input Materials	27,977	32,112	34,804	38,940
Growing Crop - Nurseries	9,018	10,091	9,018	10,091
Produce Stock	196,825	228,533	196,825	228,533
Spares and Consumables	2,134	1,628	2,134	1,628
	235,954	272,365	242,781	279,193
(-) Provision for slow moving stocks	-	-	(7,500)	(7,500)
	235,954	272,365	235,281	271,693

20. TRADE AND OTHER RECEIVABLES

		Company		Group	
		2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Produce Debtors	Related Companies (20.1)	50,182	97,787	50,182	97,787
	Others	36,351	44,118	36,351	44,118
Advances & Prepayments		8,301	13,691	8,301	13,691
Other Debtors		39,684	54,580	47,979	60,179
		134,518	210,176	142,813	215,776

20.1. TRADE RECEIVABLES FROM RELATED COMPANIES

	Relationship	Company		Group	
		2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Richard Pieris Natural Foams Ltd	Associate Company	40,537	82,422	40,537	82,422
Arpico Natural Latex Foam (Pvt) Ltd	Related Company	32,055	32,055	32,055	32,055
Richard Pieris Exports PLC	Related Company	9,645	13,616	9,645	13,616
Richard Pieris Rubber Compounds Ltd	Related Company	-	312	-	312
Arpitech (Pvt) Ltd	Related Company	-	1,438	-	1,438
		82,237	129,842	82,237	129,842
(-) Provision for doubtful receivables		(32,055)	(32,055)	(32,055)	(32,055)
		50,182	97,787	50,182	97,787

21. AMOUNTS DUE FROM RELATED COMPANIES

	Relationship	Company		Group	
		2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Namunukula Plantations PLC	Related Company	-	2,207	-	2,207
Hamefa Kegalle (Pvt) Limited	Subsidiary Company	91,970	92,615	-	-
RPC Plantation Management Services (Pvt) Ltd	Parent Company	2,328	8,695	2,328	8,695
RPC Management Services (Pvt) Ltd	Related Company	466	305	466	305
Exotic Horticulture (Pvt) Ltd	Related Company	-	281	-	281
		94,765	104,104	2,795	11,489
(-) Provision for doubtful receivables		(54,891)	(54,891)	-	-
		39,874	49,213	2,795	11,489

22. SHORT TERM INVESTMENT

	Company		Group	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Investment in Treasury Bills, REPO & Others	1,692,867	2,492,297	1,692,867	2,492,297
	1,692,867	2,492,297	1,692,867	2,492,297

23. STATED CAPITAL

Issued and Fully Paid Ordinary Shares

		Company		Group	
		2016	2015	2016	2015
Number of Ordinary Shares including one golden share held by the Treasury which has special rights	Nos '000	25,000	25,000	25,000	25,000
Number of 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 under the caption "Shareholder and Investor Information" in the Annual Report.

23.1. 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.

24. INTEREST BEARING LOANS AND BORROWINGS

Company/Group		2016					2015
		Repayable within 1 year Rs.'000	Repayable after one year less than fiveyears Rs.'000	Repayable after five year Rs.'000	Sub Total Rs.'000	Total as at 31.03.2016 Rs.'000	Total as at 31.03.2015 Rs.'000
Long Term Loans	24.1	531,282	1,496,162	-	1,496,162	2,027,444	2,395,746
Short Term Loans		148,000	-	-	-	148,000	-
Bank Over Draft		552,069	-	-	-	552,069	-
		1,231,351	1,496,162	-	1,496,162	2,727,513	2,395,746

24.1. LONG TERM LOANS (Secured)

	2016 Repayable within 1 year Rs.'000	2016 Repayable after one year less than five years Rs.'000	2016 Repayable after five year Rs.'000	2016 Sub Total Rs.'000	2016 Total as at 31.03.2016 Rs.'000	2015 Total as at 31.03.2015 Rs.'000	Rate of interest	Terms of Repayment
LOLC Term Loan	-	-	-	-	-	1,136	14.06%	1 Month Installment @ Rs. 126,147 and 83 Installments @ Rs. 126,191 commencing from 31.01.2009
NDB/DFCC Disbursement 1 Field Development	9,432	3,651	-	3,651	13,083	22,515	10.99%	1 Month Installment @ Rs. 507,091 and 71 Installments @ Rs. 786,000 commencing from 30.09.2011
Disbursement 2 Factory Consolidation	4,892	2,446	-	2,446	7,338	12,230	11.30%	1 Month Installment @ Rs. 407,645 and 71 Installments @ Rs. 407,668 commencing from 31.10.2011
ADB/NDB Field Development & Factory Consolidation	34,601	23,064	-	23,064	57,665	92,265	AWPLR+0.5%	1 Month Installment @ Rs. 2,880,209 and 59 Installments @ Rs. 2,883,395 commencing from 31.12.2012
NDB Field Development & Factory Consolidation	73,857	147,716		147,716	221,573	295,430	AWPLR+0.25%	1 Month Installment @ Rs. 6,550,000 and 83 Installments @ Rs. 6,150,000 commencing from 31.05.2012
IOB/IB/SBI Field Development	79,800	220,450	-	220,450	300,250	380,050	AWPLR+0.9%	1 Month Installment @ Rs. 7,650,000 and 59 Installments @ Rs. 6,650,000 commencing from 31.01.2015
IOB-Dollar Field Development	182,579	733,239	-	733,239	915,818	992,109	6 Months LIBOR+5.5%	1 Month Installment @ Rs. 17,256,610 and 71 installments @ Rs. 14,487,090 commencing from 31.10.2014
Commercial-Doller Field Development	146,122	365,596	-	365,596	511,718	600,012	1 Month LIBOR+5.0%	1 Month Installment @ Rs.11,265,571 and 59 Installments @ Rs.11,001,431 commencing from 31.10.2014
	531,282	1,496,162	-	1,496,162	2,027,444	2,395,746		

25. RETIRING BENEFIT OBLIGATIONS

	Company		Group	
	2016	2015	2016	2015
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Provision for retiring gratuity				
At the beginning of the year	486,075	446,412	486,169	446,506
Interest Cost	49,823	49,105	49,823	49,105
Current Service Cost	29,800	34,682	29,800	34,682
Gratuity Payments for the year	(49,768)	(52,625)	(49,768)	(52,625)
Actuarial (Gain) / Loss	(86,451)	8,501	(86,451)	8,501
At the end of the year	429,478	486,075	429,573	486,169

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 2016, which amounts to Rs. 429,477,999/-. 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 2016, in line with the Gratuity Act No.12 of 1983 the liability would have been Rs. 518,506,837/-. Hence, there is a contingent liability of Rs. 89,028,838/- 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.

	Company
As at 31 March	2016
	Rs.'000
Within the next 12 months	67,617
Between 2 and 5 years	89,358
Beyond 5 years	272,503
Total RBO	429,478

The weigted average duration of the Defind Benefit plan obligation at the end of the reporting period is 5.01 years and 7.49 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.

Sensitivity Analysis - Salary/ Wage Escalation Rate

Values appearing in the Financial Statements are very sensitive to the changes in financial and non-financial assumptions used. A sensitivity was carried out as follows:

Company	Workers		Staff	
	+1%	-1%	+1%	-1%
A one percentage point change in the discount rate.				
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
As at 31 March 2016	(24,553)	28,135	(2,814)	3,170
As at 31 March 2015	(30,443)	35,135	(3,245)	3,672

	+1%	-1%	+1%	-1%
A one percentage point change in the salary / wage increment rate.				
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
As at 31 March 2016	14,241	(13,476)	3,343	(2,995)
As at 31 March 2015	17,552	(16,564)	3,838	(3,431)

26. DEFERRED INCOME

	Company		Group	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Deferred Grants and Subsidies				
Balance at the beginning of the year	207,126	197,074	212,704	207,002
Add : Grants/Subsidy received during the year	11,546	15,291	11,546	15,291
Less : Amortisation for the year	(15,636)	(5,238)	(19,988)	(9,589)
Balance at the end of the year	203,037	207,126	204,262	212,704

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.

27. DEFERRED TAX ASSETS AND LIABILITIES

	Company		Group	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Temporary Differences,				
At the beginning of the year	1,104,784	1,241,352	1,104,784	1,241,352
Amount originating / (Reversal) during the year	(97,646)	(136,568)	(97,646)	(136,568)
At the end of the year	1,007,138	1,104,784	1,007,138	1,104,784
Temporary Differences of,				
Property, Plant & Equipment (including Biological Assets)	2,213,446	2,040,192	2,213,446	2,040,192
Retirement Benefit Obligations	(429,478)	(486,075)	(429,478)	(486,169)
Carried forward Tax Losses	(776,830)	(439,959)	(776,830)	(439,959)
At the end of the year	1,007,138	1,114,158	1,007,138	1,114,064
Tax Effect,				
At the beginning of the year	79,555	114,035	79,555	114,035
Transfer from/ (to) Income Statement	(26,186)	(34,480)	(26,186)	(34,480)
At the end of the year	53,369	79,555	53,369	79,555
Deferred Tax Liabilities				
Property, Plant & Equipment (including Biological Assets)	243,620	226,975	243,620	226,975
	243,620	226,975	243,620	226,975
Deferred Tax Assets				
Retirement Benefit Obligations	(67,686)	(76,605)	(67,686)	(76,605)
Carried forward Tax Losses	(122,566)	(70,815)	(122,566)	(70,815)
	(190,251)	(147,420)	(190,251)	(147,420)
Deferred Tax (Asset)/ Liability	53,369	79,555	53,369	79,555

27.1. Reconciliation of deferred tax charge / (reversal)

	Company		Group	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
At the beginning of the year	79,555	114,035	79,555	114,035
Tax charge/(reversal) during the period recognised Statement of profit or loss.	(39,811)	(33,141)	(39,811)	(33,141)
Tax charge/(reversal) during the period recognised in other Comprehensive Income.	13,625	(1,340)	13,625	(1,340)
At the end of the year	53,369	79,555	53,369	79,555

28. LIABILITY TO MAKE LEASE PAYMENT

	Company		Group	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Gross Liability				
At the beginning of the year	475,718	491,462	475,718	491,462
Repayment during the year	(15,744)	(15,744)	(15,744)	(15,744)
At the end of the year	459,974	475,718	459,974	475,718
Finance cost allocated to future periods	(191,480)	(202,412)	(191,480)	(202,412)
Net Liability	268,493	273,305	268,493	273,305
Payable within one year				
Gross liability	15,744	15,744	15,744	15,744
Finance cost allocated to future periods	(10,740)	(10,932)	(10,740)	(10,932)
Net liability transferred to current liabilities	5,004	4,812	5,004	4,812
Payable within two to five years				
Gross liability	62,976	62,976	62,976	62,976
Finance cost allocated to future periods	(40,874)	(41,724)	(40,874)	(41,724)
Net liability	22,102	21,252	22,102	21,252
Payable after five years				
Gross liability	381,254	396,998	381,254	396,998
Finance cost allocated to future periods	(139,867)	(149,756)	(139,867)	(149,756)
Net liability	241,387	247,242	241,387	247,242
Net liability payable after one year	263,489	268,493	263,489	268,493

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 Income Statement amounted to Rs. 40,027,631/- which in based on GDP deflator of 5.1% (2015 - 37,321,296 - 6.7%)

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	=	3,127,948
Finance Charges	=	(2,103,612)
Net Liability	=	1,024,336

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

29. TRADE AND OTHER PAYABLES

	Company		Group	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Trade creditors	177,890	196,740	182,938	201,789
Other creditors	24,796	24,881	27,591	27,616
	202,685	221,621	210,529	229,405

30. DIVIDEND PAYABLE

	Company		Group	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Dividend Payable	21,354	49,038	21,354	49,038
	21,354	49,038	21,354	49,038

31. AMOUNTS DUE TO RELATED COMPANIES

	Relationship	Company 2016 Rs.'000	Company 2015 Rs.'000	Group 2016 Rs.'000	Group 2015 Rs.'000
Maskeliya Plantations PLC	Related Company	1,121	22	1,121	22
Namunukula Plantations PLC	Related Company	7,075	-	7,075	-
Arpico Interiors (Pvt) Ltd	Related Company	-	20	-	20
RPC Logistics (Pvt) Ltd	Related Company	14	1,134	14	1,134
Richard Pieris & Company PLC	Ultimate Parent Company	7,832	990	12,951	6,104
Richard Pieris Plantations (Pvt) Ltd	Related Company	-	-	-	-
Richard Pieris Distributors Ltd	Related Company	16	16	16	16
Maskeliya Tea Garden Ceylon Ltd	Related Company	58	54	58	54
		16,116	2,237	21,235	7,351

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	Carring Amount Pledged 2016 Rs.'000	Carring Amount Pledged 2015 Rs.'000
Bank of Ceylon	35.0Mn	Primary mortgage over leasehold rights of Gampaha Estate.	Overdraft	114,784	112,509
Hatton National Bank PLC	50.0Mn	Primary mortgage over leasehold rights of Luckyland Estate.	Overdraft	185,841	179,766
Asian Development Bank / National Development Bank PLC	1,051.7Mn	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	987,814	924,733
Lanka Orix Leasing Company PLC	10.6Mn	Pledged over a Colour Sorter of Luckyland Estate.	Term Loan	-	1,916
Indian Oversease 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	201,171	190,313
Indian Overseas Bank (IOB)	USD 8.0 Mn	Primary mortgage over leasehold rights of Ambadeniya, Hathbawa and Udapola Estates.	Term Loan	450,672	428,856
Commercial Bank of Ceylon PLC	USD 5.0 Mn	Primary mortgage over leasehold rights of Etana, Doteloya, and Kirklees Estates.	Term Loan	332,304	324,068
Nations Trust Bank PLC	150.0Mn	Primary mortgage over Produce Stocks (Rubber, Tea and Coconut).	Term Loan/ Overdraft	201,522	-

Notes:

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.

33. CAPITAL COMMITMENTS

Followings are the capital commitments as at the Statement of Financial Position date;	Company 2016 Rs.'000	Company 2015 Rs.'000	Group 2016 Rs.'000	Group 2015 Rs.'000
Approved by the Board & Contracted for	-	-	-	-
Approved by the Board & not Contracted for	295,753	437,236	295,753	437,236
	295,753	437,236	295,753	437,236

34. COMMITMENTS AND CONTINGENCIES

(i) Contingent liability that may result, depending on the timing of the taxability of certain fair value adjustments amount to approximatel Rs. 572,772/-.

(ii) As per the Collective Agreement with plantation workers unions, wages has to be reviewed by 1 April 2015. However, negotiations are still under consideration and therefore, no agreement has been reached as at the Statement of Financial Position date.

35. EVENTS AFTER REPORTING PERIOD

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 2016 Rs.'000	Company 2015 Rs.'000	Group 2016 Rs.'000	Group 2015 Rs.'000
36.1.1. Parent Company				
Amount Payable as at 31 March	**2,328**	**8,695**	**2,328**	**8,695**
Managing Agent's Fee	(6,666)	(16,806)	(6,666)	(16,806)
Settlement of Management Fee	-	38,151	-	38,151
Recovery of expenses	299	269	299	269
36.1.2. Subsidiaries				
Amount Receivable as at 31 March	**37,079**	**37,724**	**-**	**-**
Administrative Expenses	(644,656)	(4,284)	-	-
36.1.3. Associates				
Amount Receivable as at 31 March	**816,409**	**694,272**	**816,409**	**694,272**
Amount Payable as at 31 March	**-**	**-**	**-**	**-**
Sale of Latex	429,676	466,823	429,676	466,823
Settlement Amount	(389,139)	(508,301)	(389,139)	(508,301)
Insurance Premium	(1,485)	(1,733)	(1,485)	(1,733)
Insurance Premium Settlements	1,485	1,733	1,485	1,733
Dividend Receivable	45,765	8,789	45,765	8,789
Dividend Settlement	(45,765)	(8,789)	(45,765)	(8,789)
Deemed Disposal Gain - Initial Recognition	32,280	-	32,280	-
Deemed Disposal Gain - Sudsequent Recognition	49,320	-	49,320	-
36.1.4. Related Companies				
Amount Receivable as at 31 March	**1,010,112**	**1,018,159**	**1,010,112**	**1,018,159**
Amount Payable as at 31 March	**(16,116)**	**(2,237)**	**(16,116)**	**(2,237)**
Salaries, Rent, Vehicle repairs & other Expenses	(14,460)	(4,490)	(14,460)	(4,490)
Purchase of Goods	(62,552)	(76,755)	(62,552)	(76,755)
Settlement of Dues	80,422	73,746	80,422	73,746
Sale of Goods	168,175	182,736	168,175	182,736
Sales cash receipts	(174,176)	(182,848)	(174,176)	(182,848)
Secretarial Fees	(200)	(200)	(200)	(200)
Freight Charges	(1,821)	(5,786)	(1,821)	(5,786)
Investment in Debentures	-	(1,000,000)	-	(1,000,000)
Repo/Debenture Interest Receivable	113,858	102,662	113,858	102,662
Repo/Debenture Interest settlement	(131,172)	(109,146)	(131,172)	(109,146)

36.1.5. Terms and conditions

Transactions with related parties are carried out in the ordinary course of business on an arm's length basis. 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 2016. Further there were no key management compensation paid during the year other than those disclosed in Note 8.

36.3. Other related party disclosures

Legal fees amounting to Rs. 1,083,257/- (2015 - Rs. 711,611/-) was paid by the Company 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 11, 13, 18.2, 20.1, 21, 31, 32 & 36 to the Financial Statements.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities, other than derivatives, comprise loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. The Group has loan and other receivables, trade and other receivables, and cash and short-term deposits that arise directly from its operations. The Group also holds available-for-sale investments and held to maturity investment.

Accordingly the Group has exposure to namely Credit Risk, Liquidity Risk, Currency Risk and Market Risks from its use of financial instruments.

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

37.1. FINANCIAL RISK MANAGEMENT FRAMEWORK

The Board of Directors has the overall responsibility for the establishment and oversight of the Group's financial risk management framework which includes developing and monitoring the Group's financial risk management policies.

37.2. 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.

37.2.1. 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.142 Mn (2014/15 – Rs.215 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.

37.2.2. Investments

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

The Group held short term investments of Rs.1,692 Mn as at 31 March 2016 (2014/15 – Rs.2,492 Mn) which represents the maximum credit exposure on these assets.

37.2.3. CASH AND CASH EQUIVALENTS

The Group held cash at bank and in hand of Rs. 23 Mn as at 31 March 2016 (2014/15 – Rs. 22 Mn) which represents its maximum credit exposure on these assets.

37.3. LIQUIDITY RISK

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

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

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

As at 31 March 2016	On Demand Rs.'000	Less than 3 Months Rs.'000	3 to 12 Months Rs.'000	2 to 5 years Rs.'000	>5 years Rs.'000	Total Rs.'000
Group						
Interest bearing loans & borrowing	705,430	135,872	425,926	2,046,151	-	3,313,379
Trade & other payables	210,529	-	-	-	-	210,529
	915,960	135,872	425,926	2,046,151	-	3,523,908
Company						
Interest bearing loans & borrowing	705,430	135,872	425,926	2,046,151	-	3,313,379
Trade & other payables	202,685	-	-	-	-	202,685
	908,115	135,872	425,926	2,046,151	-	3,516,064

As at 31 March 2015	On Demand Rs.'000	Less than 3 Months Rs.'000	3 to 12 Months Rs.'000	2 to 5 years Rs.'000	>5 years Rs.'000	Total Rs.'000
Group						
Interest bearing loans & borrowing	-	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

37.4. MARKET RISK

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

37.4.1. Interest Rate Risk

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

The Group held long term borrowings with floating interest rates of Rs. 2,007 Mn (2014/15 – Rs. 2,360 Mn) which represents its maximum credit exposure on these liabilities.

Interest Rate Sensitivity

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

	Increase/ decrease in Interest rate	Effect on Profit Before Tax
Group		**Rs.'000**
2015/16	1%	(18,612)
	-1%	18,612
2014/15	1%	(16,182)
	-1%	16,182
Company		
2015/16	1%	(18,612)
	-1%	18,612
2014/15	1%	(16,182)
	-1%	16,182

37.4.2. 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 2015/16		
USD	5%	(4,365)
USD	-5%	4,365
Company/Group 2014/15		
USD	5%	(3,058)
USD	-5%	3,058

37.4.3. Equity Price Risk

The Group's listed & unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments. Management of the Group monitors the mix of debt & equity securities in its investment portfolio based on market indices. Material investment within the portfolio are Managed on an individual basis and all buy and sell decision are approved by the Board. Equity price risk is not material to the Financial Statements.

37.4.4. Capital Management

The Group's policy is to retain a strong capital base so as to maintain investor, creditor & market confidence and to sustain future development of the business. Capital consists of share capital, reserves and retain earning . The Board of Directors monitors the return on capital, interest covering ratio, dividend to ordinary shareholders.

The gearing ratio at the reporting date is as follows.

	As at 31.03.2016 Rs.'000	As at 31.03.2015 Rs.'000
Interest bearing borrowings		
Current portion of long term interest bearing borrowings	1,231,351	493,790
Payable after one year	1,496,162	1,901,956
	2,727,513	2,395,746
Equity	2,490,296	3,412,393
Total Equity & Debts	5,217,809	5,808,139
Gearing Ratio	52%	41%

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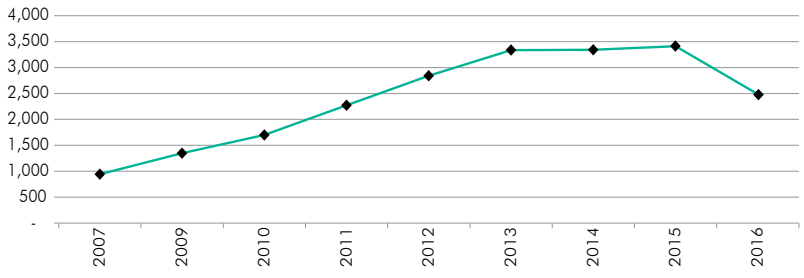
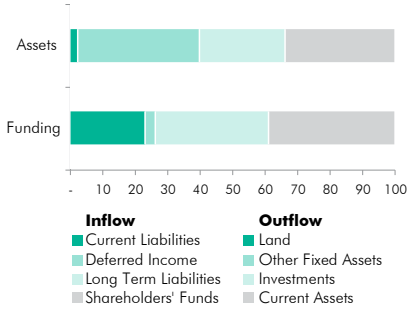
TEN YEAR SUMMARY

Year Ended 31 March		2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Operating Results											
Turnover	Rs '000	1,933,063	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
Operating Profit before Mgt Fee	Rs '000	85,455	62,710	409,416	670,346	930,179	1,150,845	492,193	423,185	589,392	480,736
Profit before Interest and Tax	Rs '000	262,196	274,227	564,605	710,927	990,709	1,031,593	410,000	351,436	481,984	393,599
Profit After Tax	Rs '000	101,441	127,034	345,993	473,186	769,842	883,127	376,030	177,411	427,597	311,323
Dividends	Rs '000	1,125,000	50,000	337,500	-	200,000	75,000	75,000	25,000	125,000	75,000
Capital Expenditure	Rs '000	220,648	305,851	294,468	253,721	249,656	200,244	183,036	165,940	119,209	94,448
Financial Position											
Fixed Assets	Rs '000	2,553,641	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
Investments	Rs '000	1,693,450	1,611,850	611,850	597,000	450,000	225,000	225,000	80,298	75,000	2,401
Current Assets	Rs '000	2,165,252	3,078,052	4,102,606	3,028,955	2,421,056	1,847,793	1,325,104	946,549	863,732	674,825
Current Liabilities	Rs '000	1,476,510	771,499	560,053	373,638	347,441	366,372	317,718	196,801	214,234	269,562
Shareholders' Funds	Rs '000	2,490,296	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
Share Capital	Rs '000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000
Reserves	Rs '000	2,240,296	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
Key Financial Indicators											
Current Ratio	Times	1.47	3.99	7.33	8.11	6.97	5.04	4.17	4.81	4.03	2.50
Quick Asset Ratio	Times	1.31	3.64	6.76	7.46	6.39	4.39	3.39	4.07	3.09	1.73
Debt Equity Ratio	Times	0.52	0.41	0.41	0.25	0.20	0.14	0.19	0.21	0.19	0.25
Interest Cover	Times	1.32	1.55	3.15	5.02	9.21	9.01	6.22	5.90	10.53	5.65
Equity /Asset Ratio	Times	0.39	0.48	0.48	0.59	0.60	0.60	0.54	0.54	0.52	0.47
Earnings per Share	Rs.	4.06	5.08	13.84	18.93	30.79	35.33	15.04	7.10	17.10	12.45
Market Price of a Share	Rs.	50.70	85.80	105.00	112.00	103.00	207.50	47.00	19.00	60.00	42.00
Price Earning Ratio	Times	12.50	16.89	7.59	5.92	3.34	5.87	3.12	2.68	3.51	3.37
Dividend Cover	Times	0.09	2.54	1.03	-	3.85	11.78	5.01	7.10	3.42	4.15
Dividend Pay Out Ratio	%	1,109.06	39.36	97.55	-	25.98	8.49	19.95	14.08	29.24	24.09
Annual Production											
Rubber	kg '000	3,353	3,534	4,016	4,076	4,155	4,082	4,578	5,102	5,436	5,375
Tea	kg '000	2,375	2,094	2,243	2,162	2,630	2,773	2,479	2,492	2,797	3,126
Coconuts	nuts '000	1,559	1,549	1,596	1,713	1,731	1,413	1,572	1,610	1,472	1,788

Shareholders' Funds
In Million Rupees



Assets & Funding
In percentage



HISTORICAL NOTE

EADELLA ESTATE - POLGAHAWELA

Eadella Estate is situated in the North Western Province, Kurunegala District, Polgahawela and situated at an elevation of 350 feet. It is 98 km away from Colombo and 06 Km away from the much famous Polgahawela Railway Station and next to the Panaliya substation towards Polgahawela/Rambukkana railway route. Except the main Eadella Division the other Divisions are situated in the Kegalle District.

Eadella Estate had been initially established during the 19th century as depicted in the book titled "Twentieth Century Impressions of Ceylon", owned by Sir Thomas Lipton and consisted of the following crops.

Crop	Extent(Acres)
Tea	291
Rubber	243
Coconut	172
Cocoa	101
Nutmeg/Pepper	4
Total	**811**

The estate was managed by various private ownerships until up to 1959 in which year the estate was taken over by the State Plantations Corporation and managed as a separate Estate. Subsequently this estate has been amalgamated with Orange Grove Estate and St.Fergus Estate managed by the Land Reform Commission (LRC), Serapis Estate, Gajabapura and Sooriyapura Estates managed by the Agriculture Department and managed as part of Eadelle Estate as Divisions of this estate namely Eadella, St.Fergus, Orange Grove, Serapis, Sooriyapura, Gajabapura, Korossa Divisions consists of a total extent of 801.79 ha.

In 1978 this estate was taken over by the Janatha Estates Development Board (JEDB) one of the statutory Boards. The Government of Sri Lanka as a part of re-structuring plan for the Plantations industry decided to privatize the Plantations sector in June 1992 and incorporated 22 Regional Plantation Companies and vested the Estates between these Companies on a leasehold basis.

Kegalle Plantations PLC was one such company and it was allocated 21 estates including Eadella estate which is currently having Rubber & Coconut as the major crops. RPC Plantation Management Services (Pvt) Ltd is the managing agent for Kegalle Plantations PLC of which the Ultimate Parent Company is Richard Peiris and Company PLC. Eadella estate has a Superintendent, two Assistant Superintendents and 20 estate staffs with a work force of nearly 304.

Estate Staff of Eadella led by Mr. Saliya Munaweera, Superintendent

Eadella is a composite of irregular shape comprising seven divisions as follows. The main crops are Rubber and Coconut with a small extent of Cocoa and Pepper.

Extent of Eadella Estate

	Hectares
Cultivated Area	
Rubber	346.24
Coconut	325.59
Other	10.00
Uncultivated Area	119.96
Total Extent	801.79

Crop Wise Extent

Division	Extent - Hectares	
	Rubber	Coconut
Eadella	120.7	105.44
St.Fergus	116.67	6.3
Orange Grove	90.23	139.20
Serapis	-	26.24
Sooriyapura	-	33.39
Gajabapura	-	15.02
Korossa	18.64	-
	346.24	325.59

PAST SUPERINTENDENTS

The estate was in the hands of Senior Superintendents for management whose names are listed below.

Name of Superintendent	From	To
Mr. J A I Schofield	1938	1942
Mr. V T Sinnadorai	1943	1949
Mr. H D Winnter	1949	1949
Mr. O L Hussain	1949	1954
Mr. S Gunaratna	1954	1954
Mr. K V M Khan	1954	1961
Mr. R Vijekoon	1962	1962
Mr. R V Gunawardena	1963	1963
Mr. R Godamuduna	1963	1963
Mr. F L de Silva	1964	1967
Mr. L Cooray	1968	1972
Mr. T Punyawansa	1973	1976
Mr. R V Gunawardena	1977	1981
Mr. R A Gunathilake	1982	1987
Mr. L A Siriwardena	1988	1990
Mr. R M B Ellagala	1990	1995
Mr. U R N B Ranatunga	1995	1998
Mr. J P Muthutantri	1998	2000
Mr. G L H D Amaratunga	2000	2010
Mr. A C S Munaweera	2010	up to now

Direction to the Estate

From Colombo towards Kandy road at the 64th Kilometer point (Ambepussa) turn left towards Kurunegala road and proceed about 15 Kilometers passing Alawwa upto Polgahawela. From Polgahawela proceed 4 Kilometers toward Kegalle up to Karandana Bridge and then turn left and proceed 2 Kilometers towards Panaliya Railway Station.

Historical photographs available

Enclosed herewith an ancient photograph where elephants were transporting tea produce which appeared in one of the books published by a British Origin Planter about Plantations in Ceylon. This proves that estate had tea at the beginning.

(Loading crates of tea on the Eadella Tea Estate in Ceylon, owned by Sir Thomas Lipton)

Future Plans

It is planned to commence a Virgin Coconut Oil Project during 2016, and also 14.00 Hectares of land is earmarked to undertake Oil Palm cultivation in the near future.

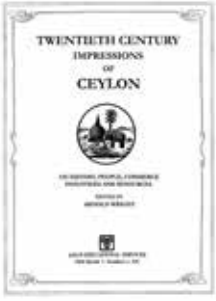
Past Achievements

In the year 2001 Eadella Estate obtained Taiki Akimoto "5S" Certificate of Compliance for the application of Japanese "5S" principles in the Estate and also in the SERAPIS Animal Husbandry Farm. This competition was conducted by Japan Sri Lanka Technical & Cultural Association (JASTECA).

When first ever Plantation Sector Awards of the Richard Pieris Group was conducted on 2 October 2010, Eadella Estate won the "Best Agricultural Practices Category Award for Rubber " and Dr. Anura Ekanayake, the Director presented the Award and also Overall Best contribution 2nd Runner up award has been presented by the Chairman to Former Superintendent of Eadella Estate. This was the Best Award received by an Estate of Kegalle Plantations PLC at the award ceremony.

(Certification by JASTECA)

TWENTIETH CENTURY IMPRESSIONS OF CEYLON



ARTHUR ASPLIN FRANKLIN.

Mr. Arthur Asplin Franklin, the superintendent of the Eadella group of estates, Polgahawela, owned by Sir Thomas Lipton, is the son of Mr. John Frankiin, solicitor, of Brighton and London. He was born on June 21, 1875, at Epsom, Surrey, and educated at New College, Eastbourne. He served for some time under articles to a solicitor, and then was associated with a well-known firm of auctioneers. The opportunity offering, he came out to Ceylon in 1897, and learned planting under Mr. Edgar Smith at Nawalapitiya for ten months. He then for a year took charge of the Amblakande estate, Dolosbage. On the outbreak of the Boer War he went out to South Africa with the first Ceylon contingent, and took part in the engagement at Driefontein, afterwards being taken prisoner. He returned to Ceylon in February, 1901, and took charge of the Hunugalla estate, Kegalla district, until September, 1906, when he accepted his present charge. Mr. Franklin is a member of the Kegalla and Kurunegala Planters' Associations. His recreations are motoring and tennis. The Eadella estate, which is situated at an elevation of 400 ft.. has an acreage of 811, planted as follows: Tea, 291 acres; cocoa, 101 acres; coconuts, 172 acres; nutmeg and pepper, 4 acres; and rubber 243 acres (trees from one month to three years old). Between 500 and 600 coolies are employed upon the group.

(Extracts from the book "Twentieth Century Impressions of Ceylon")

Superintendent's Bungalow

Assistant Superintendent's Bungalow, Orange Grove Division

Assistant Superintendent's Bungalow, St. Fergus Division

SHAREHOLDER & INVESTOR INFORMATION

1. Stock Exchange Listing

The issued Ordinary Shares of Kegalle Plantations PLC, are listed with Colombo Stock Exchange (CSE) of Sri Lanka.

2. Distribution of Shareholders

No of Shares Held	2016 No of Share Holders	2016 No of Shares	2016 % Holdings	2015 % Holdings
1 - 1,000	8,696	1,881,158	7.52%	7.40%
1,001 - 5,000	251	644,737	2.58%	2.35%
5,001 - 10,000	54	407,180	1.63%	1.51%
10,001 - 50,000	29	619,143	2.48%	3.18%
50,001 - 100,000	6	402,129	1.61%	1.61%
100,001 - 500,000	6	1,275,177	5.10%	4.87%
500,001 - 1,000,000	-	-	-	-
1,000,001 - & above	1	19,770,477	79.08%	79.08%
Total	9,043	25,000,001	100.00%	100.00%
Resident Investors	9,023	24,353,521	97.41%	97.11%
Non Resident Investors	20	646,480	2.59%	2.89%
Total	9,043	25,000,001	100.00%	100.00%
Individual Investors	8,943	3,514,390	14.06%	14.38%
Institutional Investors	100	21,485,611	85.94%	85.62%
Total	9,043	25,000,001	100.00%	100.00%
Related Company	3	19,783,877	79.14%	79.14%
Company Directors Holding	1	3,307	0.01%	0.01%
General Public including Employees	9,039	5,212,817	20.85%	20.85%
Total	9,043	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 2016 (31 March 2015 – 20.85%).

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		2016		2015	
Highest Price	- Rs	146.60	(13 July 2015)	105.00	(01 April & 10 July 2014)
Lowest Price	- Rs	48.00	(10 March 2016)	82.10	(31 March 2015)
Closing Price	- Rs	50.70	(31 March 2016)	85.80	(31 March 2015)

Share Trading	2016	2015
No. of Shares Traded	1,903,992	1,743,226
No. of Trades	5,281	2,058
Value of Shares Traded - Rs	209,526,532	168,524,889

Key Ratios	2016	2015
Earnings per Share	4.06	5.08
Net Assets per Share	99.61	136.50
Dividends per Share	45.00	2.00

5. Twenty Largest Shareholders of the Company

	As at	31 March 2016		31 March 2015	
	Name of the Shareholder	Number of Shares	% of the Holding	Number of Shares	% of the Holding
1	RPC Plantation Management Services (Pvt) Ltd	19,770,477	79.08%	19,770,477	79.08%
2	Dhanasiri Recreation (Pvt) Ltd	319,305	1.28%	45,841	0.18%
3	Almar Trading Co. (Pvt) Ltd	243,600	0.97%	243,600	0.97%
4	Mubasher Financial Services BSC	204,972	0.82%	187,892	0.75%
5	HSBC International Nominees Ltd - SSBT - Deustche Bank	200,000	0.80%	200,000	0.80%
6	Tranz Dominion, L.L.C	185,000	0.74%	185,000	0.74%
7	Employees Provident Fund	122,300	0.49%	122,300	0.49%
8	Sandwave Limited	100,000	0.40%	105,085	0.42%
9	Mr. D. M. Kodikara	85,000	0.34%	51,151	0.20%
10	Mrs. M. S. E. V. E. A. U. Von Stumm	59,349	0.24%	-	-
11	Mr. M. J. Fernando	56,580	0.23%	85,500	0.34%
12	Mr. N. Balasingam	50,600	0.20%	50,600	0.20%
13	Bank of Ceylon - No. 1 Account	50,600	0.20%	50,600	0.20%
14	Mr. F. G. N. Mendis	45,000	0.18%	-	-
15	Mr. P. F. Nandasiri	42,500	0.17%	-	-
16	Alliance Finance Company PLC	37,100	0.15%	37,100	0.15%
17	Mr. J. G. De Mel	37,010	0.15%	46,493	0.19%
18	Mr. H. W. M. Woodward	35,706	0.14%	-	-
19	Mr. R. Gautam	32,000	0.13%	-	-
20	Mr. P. P. Subasinghe	28,627	0.11%	-	-
	Sub Total	**21,705,726**	**86.82%**	**-**	**-**
	Balance held by 9,023 Shareholders (31 March 2015 - 8,893 Shareholders)	3,294,275	13.18%	3,388,163	13.55%
	Total Shares	25,000,001	100.00%	25,000,001	100.00%

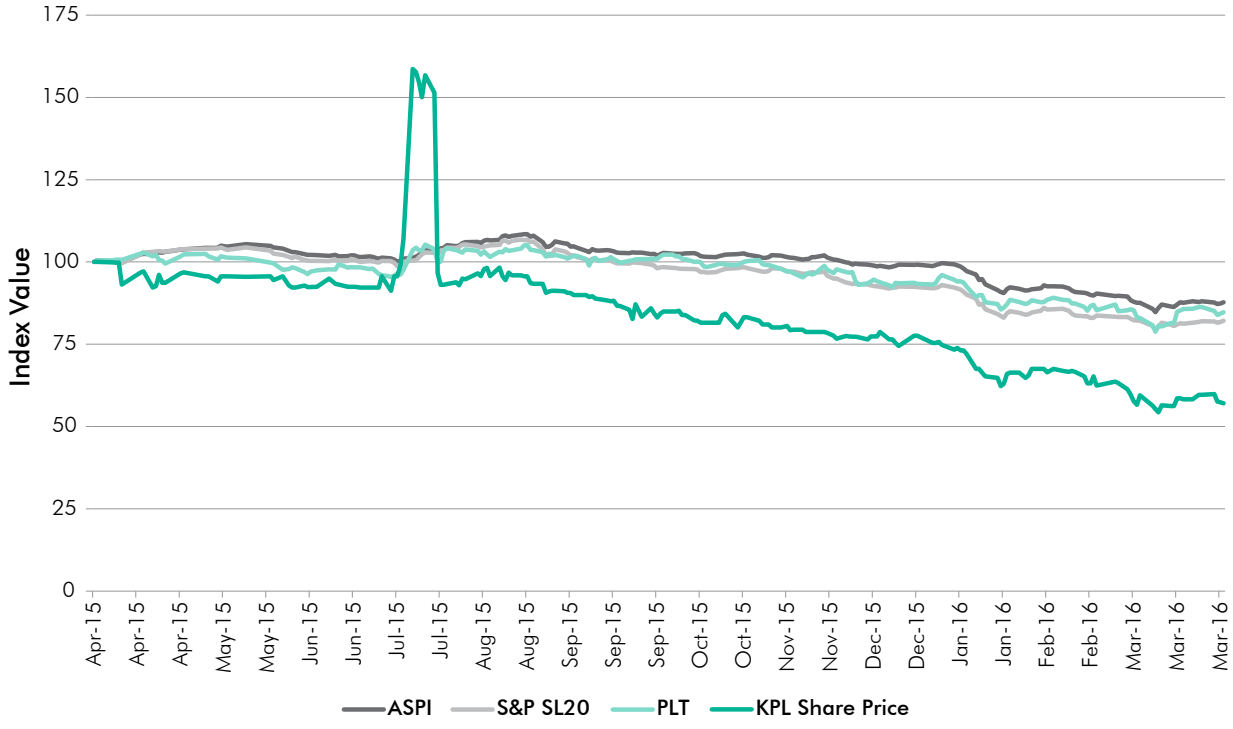
6. Exchange Rates - US $ (Selling)

	2016	2015	2014	2013
As at 31 March (Rs.)	146.78	134.73	132.17	128.47

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.

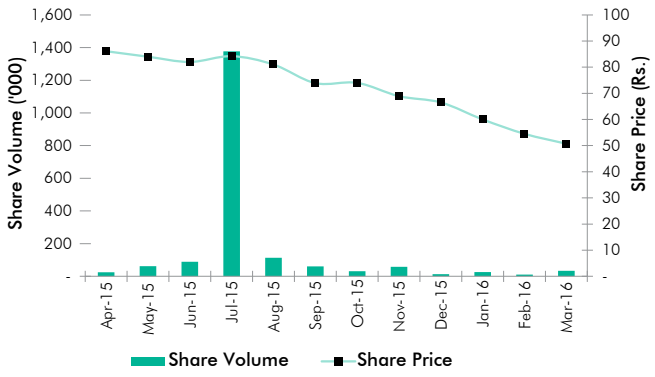
KPL Share Price Vs Market Indices



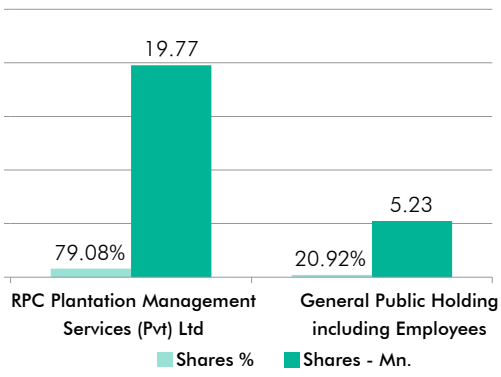
Kegalle Plantations PLC's share information from Colombo Stock Exchange (CSE) website:

- 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.

KPL Share Price & Transaction Volume



Shareholder Structure As At March 2016



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 Assets 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 harvested 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.

RPTR
Related party transactions reveiw committee.

Yield (YPH)
Average yearly output of produce from a hectare of plantation.

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Twenty Third (23rd) Annual General Meeting of Kegalle Plantations PLC will be held at the Registered Office, No. 310, High Level Road, Nawinna, Maharagama on Thursday, 30 June 2016 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 2016 with the Report of the Auditors thereon.

2. To approve the appointment of Dr. Sena Yaddehige as a Director

Pursuant to Section 211 of the Companies Act No. 07 of 2007, a Notice of the following Ordinary Resolution has been received by the Company, from RPC Plantation Management Services (Private) Limited, 310, High Level Road, Nawinna, Maharagama, a shareholder of the Company.

"That Dr. Sena Yaddehige of Le Neuf , Chemin, St. Saviours, Guernsey, United Kingdom who is 70 years of age be and is hereby appointed a Director of the Company in terms of section 211 of the Companies Act No. 07 of 2007, and it is further specially declared that the age limit of 70 years referred to in Section 210 of the Companies Act no. 07 of 2007 shall not apply to the said Dr. Sena Yaddehige "

3. To approve the appointment of Dr. Gerry Jayawardena as a Director

Pursuant to Section 211 of the Companies Act No. 07 of 2007, a Notice of the following Ordinary Resolution has been received by the Company, from RPC Plantation Management Services (Private) Limited, 310, High Level Road, Nawinna, Maharagama, a shareholder of the Company.

"That Dr. Gerry Jayawardena of No. 134, Batagama (North) Ja -Ela, who is 73 years of age be and is hereby appointed a Director of the Company in terms of section 211 of the Companies Act No. 07 of 2007, and it is further specially declared that the age limit of 70 years referred to in Section 210 of the Companies Act no. 07 of 2007 shall not apply to the said Dr. Gerry Jayawardena "

4. To elect Mr. Shaminda Yaddehige who retires in terms of Article 98 at the Annual General Meeting, a Director

5. To re-appoint Messrs. Ernst & Young, Chartered Accountants as Auditors of the Company and to authorize the Directors to determine their remuneration.

6. To authorize the Directors to determine contributions to charities

7. 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

31 May 2016

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.

NOTES

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 SUNIL SOMINDRANATH POHOLIYADDE whom failing PROF. ASOKA NUGAWELA whom failing DR. GERRY JAYAWARDENA whom failing SHAMINDA YADDEHIGE * as my/our proxy to represent me/us and to vote on my/our behalf at the 23RD ANNUAL GENERAL MEETING of the Company to be held on 30 June 2016 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 2016 with the Report of the Auditors thereon.	☐	☐
2.	To approve under and in terms of Section 211 of the Companies Act No. 07 of 2007, the appointment of Dr. Sena Yaddehige at this Annual General Meeting, a Director	☐	☐
3.	To approve under and in terms of Section 211 of the Companies Act No. 07 of 2007, the appointment of Dr. Gerry Jayawardena at this Annual General Meeting, a Director	☐	☐
4.	To elect Mr. Shaminda Yaddehige who retires in terms of Article 98 as a Director	☐	☐
5.	To re-appoint Messrs Ernst & Young, Chartered Accountants as Auditors of the Company and to authorise the Directors to determine their remuneration.	☐	☐
6.	To authorize the Directors to determine contributions to charities	☐	☐
7.	To consider any other business of which due notice has been given	☐	☐

Dated this ..... day of 2016

.....
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 appears 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 Tuesday, 28 June 2016.

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 (Resigned w.e.f. 11 January 2016) Mr. S S Poholiyadde - Chief Executive Officer Prof. R C W M R A Nugawela - Director Dr. S S B D G Jayawardena - Director Mr. Shaminda Yaddehige - Director (Appointed w.e.f. 01 March 2016)
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. Sriyan Eriyagama - Director Operations - Rubber & Oil Palm Mr. Sudheera Epitakumbura - Financial Controller Mr. I S Doranegama - Deputy General Manager - Tea & Administration 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 Nations Trust Bank PLC
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

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