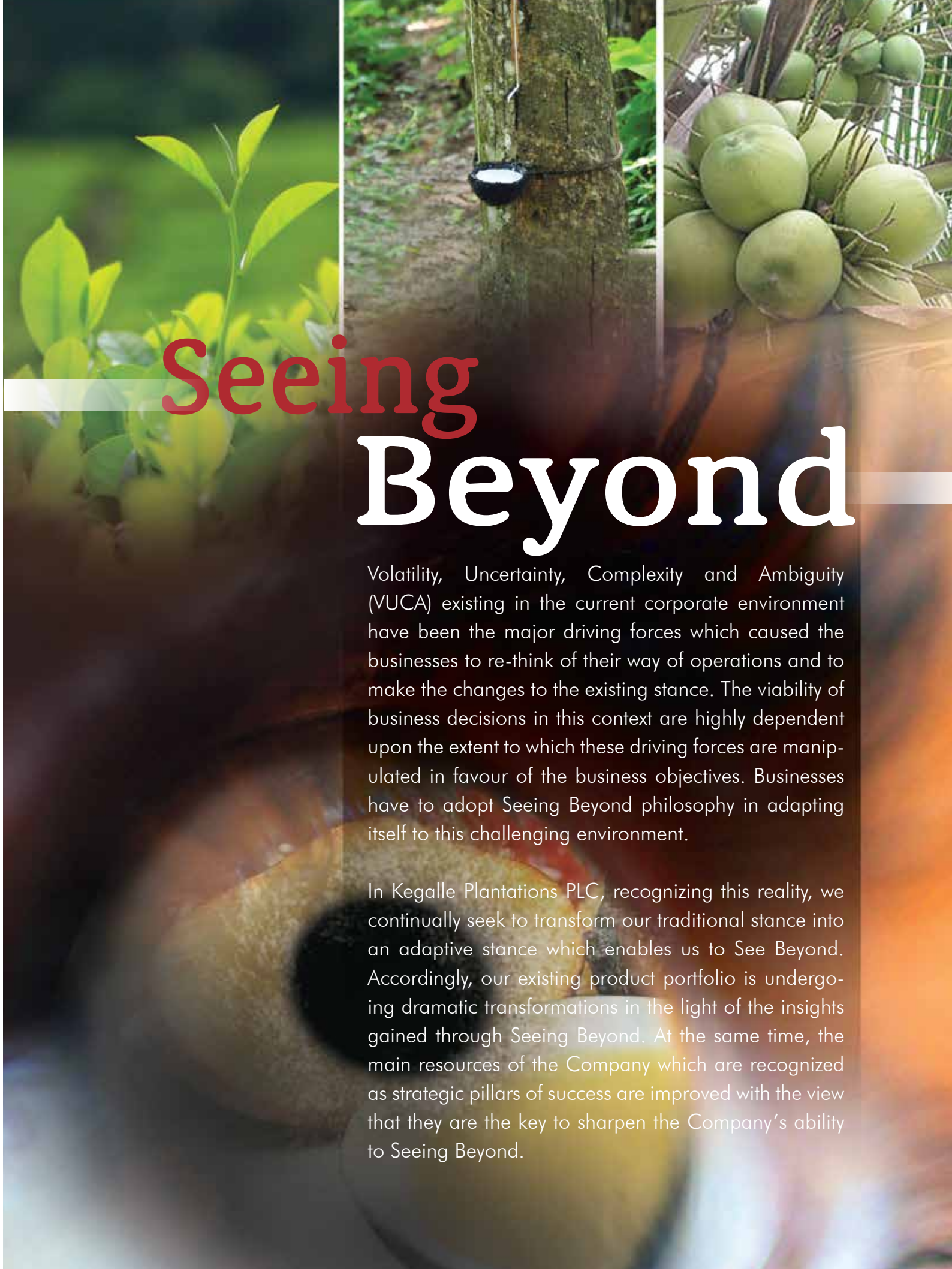
KEGALLE PLANTATIONS PLC

ANNUAL REPORT
2017 / 2018



Seeing Beyond

Volatility, Uncertainty, Complexity and Ambiguity (VUCA) existing in the current corporate environment have been the major driving forces which caused the businesses to re-think of their way of operations and to make the changes to the existing stance. The viability of business decisions in this context are highly dependent upon the extent to which these driving forces are manipulated in favour of the business objectives. Businesses have to adopt Seeing Beyond philosophy in adapting itself to this challenging environment.

In Kegalle Plantations PLC, recognizing this reality, we continually seek to transform our traditional stance into an adaptive stance which enables us to See Beyond. Accordingly, our existing product portfolio is undergoing dramatic transformations in the light of the insights gained through Seeing Beyond. At the same time, the main resources of the Company which are recognized as strategic pillars of success are improved with the view that they are the key to sharpen the Company's ability to Seeing Beyond.

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Seeing Beyond Philosophy ..... front inner cover

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Corporate Information ..... back inner cover

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https:/www.arpico.com/contents/kpl_financial_reports.php

Future Direction

VISION

To seek excellence in all our pursuits.

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.

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.

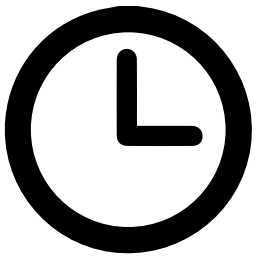
We will provide our employee with the necessary training to enhance their skills and enable them to be a part of a highly motivated and dedicated workforce.

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

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

Seeing Beyond

KPL has successfully completed a journey of 25 years with lots of ups and downs during this period. Journey over 25 years did not fall on a smooth path. It fully consisted of ups and downs arising both from internal and external factors. The knowledge, skills and expertise developed during this period helped us to be a leading player in the plantation sector. However, the global economic arena has also experienced developments which posed significant challenges to the plantation industry. Such circumstances have called for the necessity to Seeing Beyond. In light of 25 years of experience, we are in the process of sharpening our ability of Seeing Beyond guided by the vision and mission.



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INTRODUCTION TO THE REPORT

This is the 25th annual report of Kegalle Plantations PLC which is presented for the year ended 31 March 2018. The report has mainly been prepared with the aim of providing the relevant financial and non-financial information related to the ended year so as to facilitate the understanding and decision making of stakeholders of the Company. Due to the inherent nature of the plantation industry, the Company has to experience a wide range of economic, environmental, social and other challenges and the operations of the Company were carried out in spite of these challenges. Accordingly, this report is intended to reflect how the Company managed its operations in spite of these challenges and what the Company achieved during the year and what consequences emerged on the society due to the operations of the Company.

The Financial Statements contained in the report have been prepared in accordance with Sri Lanka Financial Reporting Standards to comply with the Companies Act No. 07 of 2007, the continuing listing requirements of Colombo Stock Exchange and other applicable regulatory requirements. The fairness of the Financial Statements of the Company for the year ended 31 March 2018 has been assured through external independent assurance of the auditor, Messrs. Ernst & Young, Chartered Accountants.

Apart from these legal and regulatory requirements, the report has been prepared based on the guidelines of the Global Reporting Initiatives Core Criteria (GRI). The Company adopted GRI reporting in the previous year and is in the process of continuously improving the reporting. The improvements made during the period can be noticed through the progressive changes within the annual report. Such improvements also provide evidence of the Company's commitment towards Seeing Beyond philosophy. However, GRI reporting has been carried out on voluntary basis and content of the sustainability report has not been externally assured.

We hope that you will find this report as a basis for the informed decision making and other useful purposes. Please direct all your compliments or criticisms on our annual report.

Kegalle Plantations PLC
No. 310, High Level Road,
Nawinna,
Maharagama.
Email: kpl.rpk@arpico.com
Tel: (94) 11 4310500

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 years lease. Separate Management Agents were also selected to manage each of these Companies.

Kegalle Plantations PLC (KPL) was one of such Company and it was allotted 21 Estates which in total have a land base 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 are Coconut. The Company produces around 3.5 million kilos of Rubber and 2.0 million kilos of Tea inclusive of bought crop. It has employee strength of 5,448.

RPK Management Services (Pvt) Limited (RPK) was the Management Agent appointed by the Government and that was a 50:50 joint venture Company between Richard Pieris & Company PLC and John Keels Holdings PLC. During the latter part of 1995 the ownership of the Company faced some changes when the Government sold 20% of shares it held to the public and the majority stake of 50% to RPK Management Services (Pvt) Limited. At the same time period, Government gifted 10% of shares to over 8,000 eligible employees. In May 1997, the Government exited from the ownership of Kegalle Plantations PLC by selling the rest 19% of shares through the Colombo Stock Exchange (CSE).

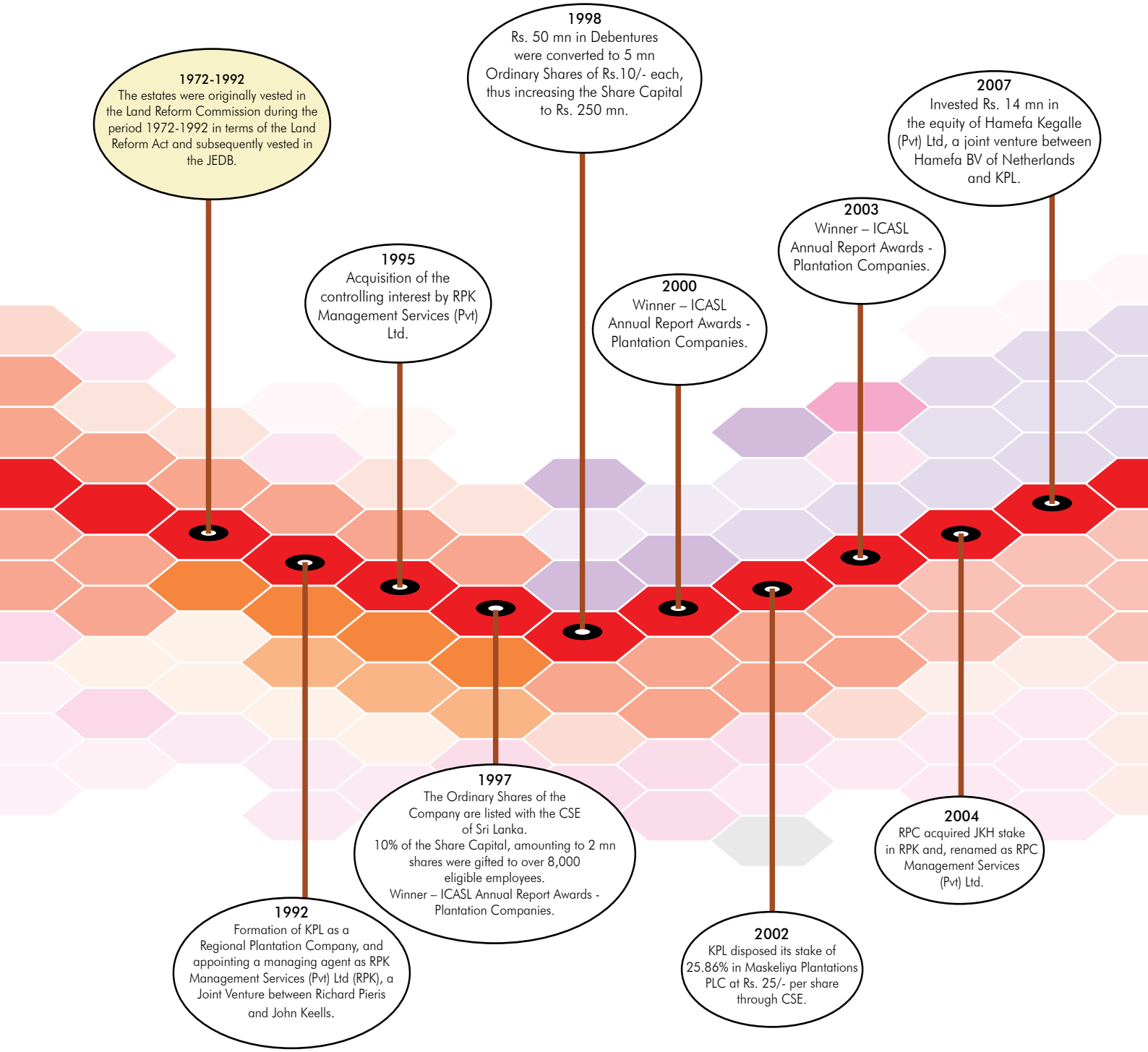
However, the Government holds through the Secretary to the Treasury one share which is called Golden Share and it gives the Government the title "Golden Share Holder" of the Company.

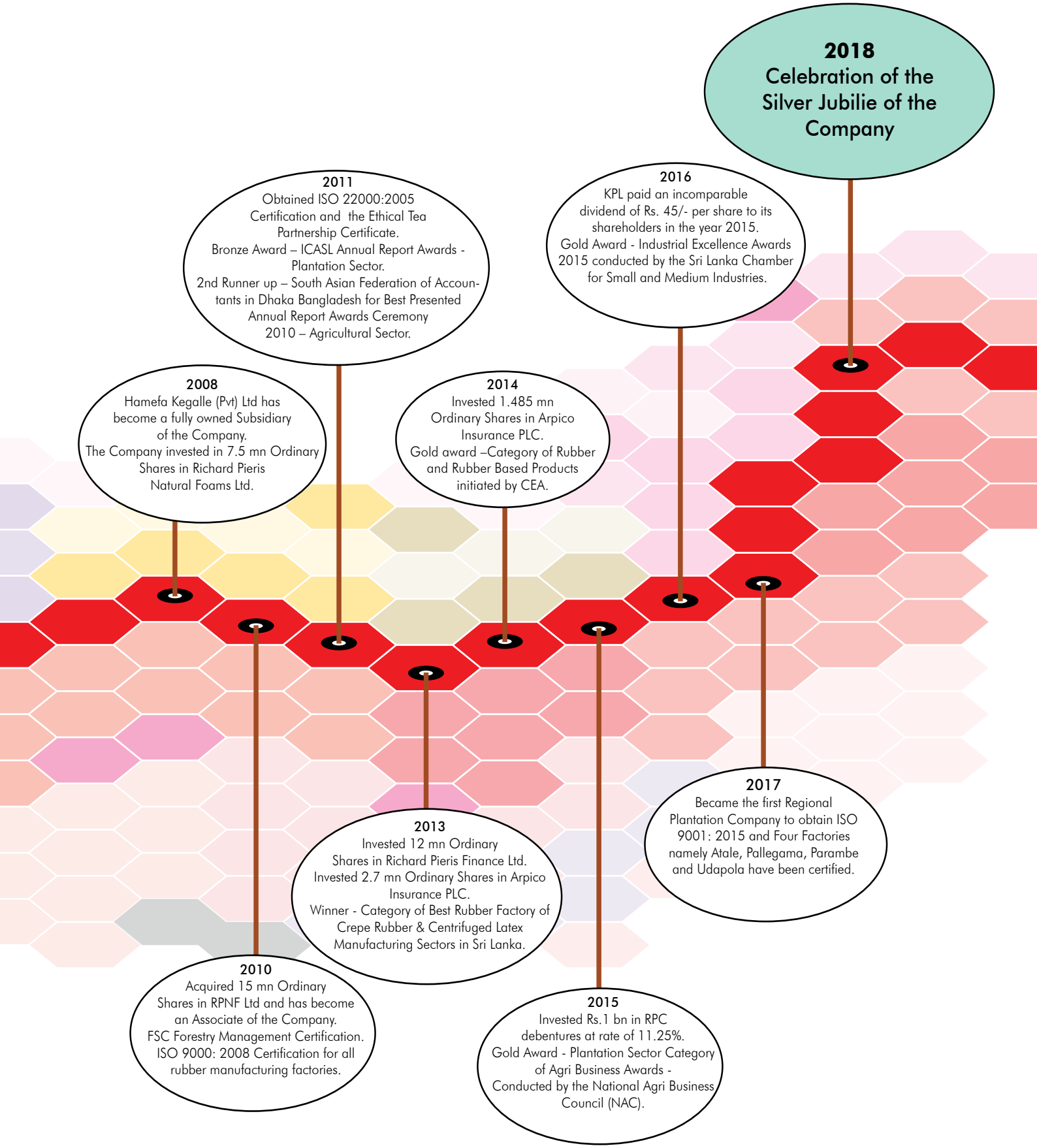
The Golden Shareholder has some special rights than what is enjoyed by a normal Shareholder and these rights are incorporated in the Articles of Association of the Company. The prospectus offered to the public also contained these clauses. Some of the important clauses are given in this Annual report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

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

Kegalle Plantations PLC is the largest Rubber producer among regional Plantation Companies accounting for 4.0 million kilos of average production per annum.

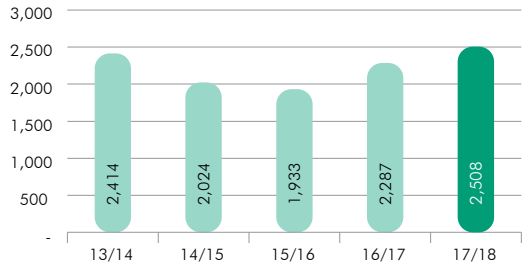
MILESTONES


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.
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.
10% of the Share Capital, amounting to 2 mn shares were 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.

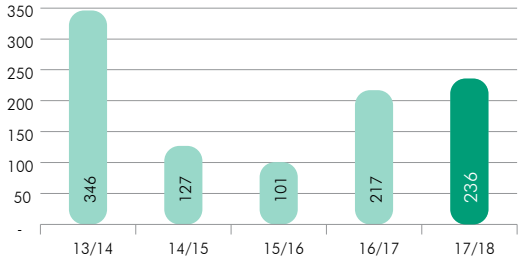

2018
Celebration of the Silver Jubilie of the Company
2016
KPL paid an incomparable dividend of Rs. 45/- per share to its shareholders in the year 2015.
Gold Award - Industrial Excellence Awards 2015 conducted by the Sri Lanka Chamber for Small and Medium Industries.
2011
Obtained ISO 22000:2005 Certification 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.
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.
2014
Invested 1.485 mn Ordinary Shares in Arpico Insurance PLC.
Gold award –Category of Rubber and Rubber Based Products initiated by CEA.
2017
Became the first Regional Plantation Company to obtain ISO 9001: 2015 and Four Factories namely Atale, Pallegama, Parambe and Udapola have been certified.
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.
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.
2015
Invested Rs.1 bn in RPC debentures at rate of 11.25%.
Gold Award - Plantation Sector Category of Agri Business Awards - Conducted by the National Agri Business Council (NAC).

FINANCIAL HIGHLIGHTS

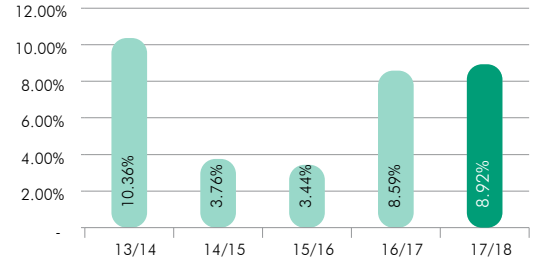
Turnover (Rs. mn)



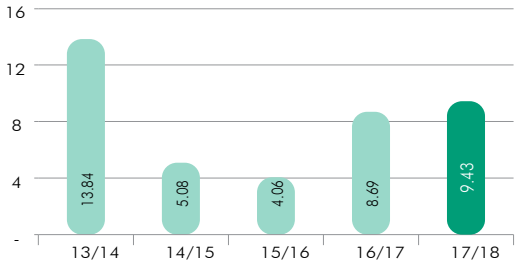
Profit After Tax (Rs. mn)



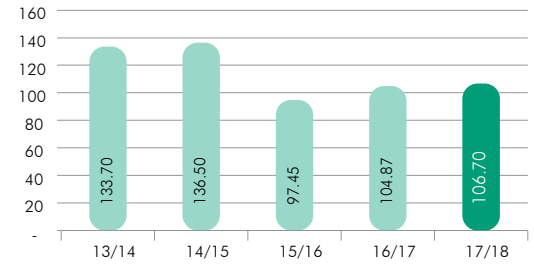
Return on Average Equity (%)



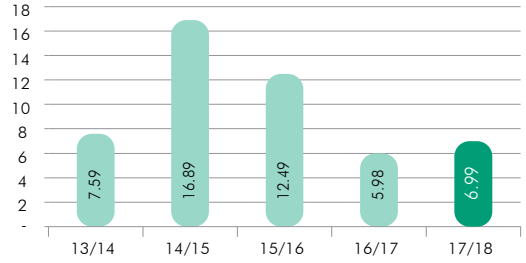
Earnings Per Share (Rs.)



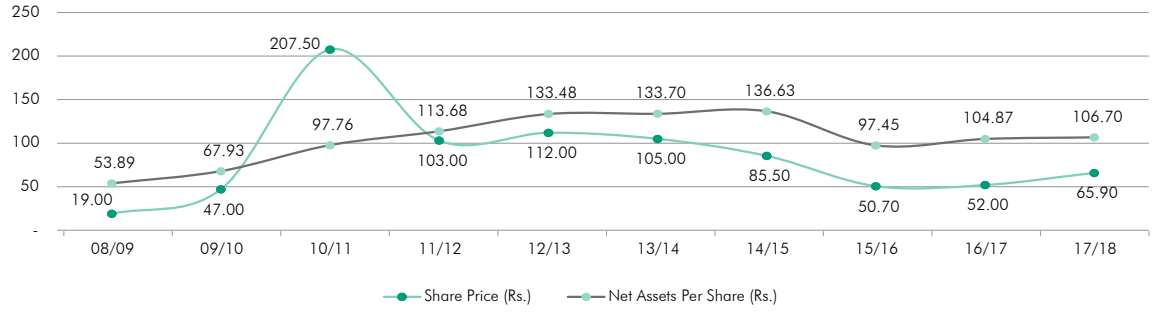
Net Assets Per Share (Rs.)



Price Earnings Ratio (Times)

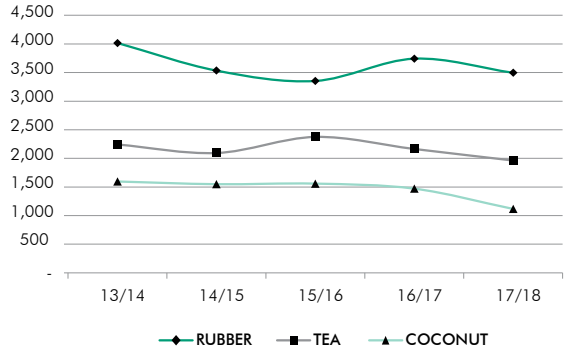


Share Price Movement Vs. Net Assets Per Share (Rs.)

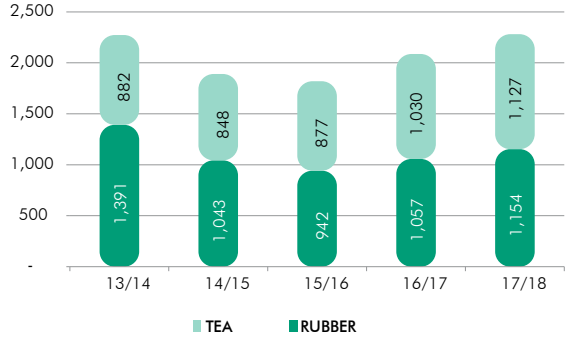


Performance - Year ended 31 March		2017/18 Rs.'000	2016/17 Rs.'000	Variance %
Turnover		2,508,167	2,287,161	10%
Profit before Interest and Tax		625,499	457,275	37%
Profit after Tax		235,859	217,263	9%
Gross Dividends		187,500	125,000	50%
Capital Expenditure		334,739	175,924	90%
Financial Position - As at 31 March				
Fixed Assets		4,605,162	4,315,057	7%
Current Assets		2,297,949	2,089,323	10%
Total Assets		6,903,111	6,404,381	8%
Current Liabilities		2,129,542	1,879,047	13%
Shareholders' Funds		2,667,383	2,621,695	2%
Stated Capital		250,000	250,000	-
Capital Employed		5,569,043	5,198,191	7%
Key Indicators				
Earnings per share	Rs.	9.43	8.69	9%
Net Assets per share	Rs.	106.70	104.87	2%
Dividend per share	Rs.	7.50	5.00	50%
Market Price per share	Rs.	65.90	52.00	27%
Return on Capital Employed	%	11.23%	8.80%	28%
Market Capitalization	Rs.'000	1,647,500	1,300,000	27%
Return on Average Equity	%	8.92%	8.59%	4%

Production (kg/nut '000)



Turnover (Rs. mn)



FINANCIAL CALENDAR

2017/18		2016/17
09 August 2017	1st Quarter Reports	11 August 2016
10 November 2017	2nd Quarter Reports	09 November 2016
08 February 2018	3rd Quarter Reports	13 February 2017
30 May 2018	4th Quarter Reports	30 May 2017
13 March 2018 (Rs. 7.50 per Share)	Interim Dividend	16 March 2017 (Rs. 5.00 per Share)

Annual Report	Published	Meetings	Date
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
2016/17	31 May 2017	24th Annual General Meeting	30 June 2017
2017/18	**30 May 2018**	**25th Annual General Meeting**	**29 June 2018**

INDUSTRY HIGHLIGHTS

The three main sectors, agricultural, industrial and service sectors' contribution to the economy was at 6.9 percent, 26.8 percent and 56.8 percent, respectively. Agricultural activities indicated a slightly negative growth, reducing by less than 1 percent to stand at 6.9 percent, an effect of the sporadic and unfavorable weather conditions. However, the situation regained a steady stable momentum in the last quarter of 2017.

Tea

The direction of the local tea industry experienced a turnaround in 2017, from the declining status it experienced in the past four years. Increased production was facilitated through the increased capacities of most factories and the favorable agro-climatic conditions across many districts with tea cultivation, especially during the first half of the year. Total production of tea stood at 307.7 million Kilograms in 2017, an increase of 5.2 percent.

The production of low grown tea accounted for 64.3 percent of the total production volume this was an increase by 7.5 percent from the corresponding year. Similarly, high grown and medium grown teas recorded an increase of 0.3 percent and 2.6 percent, respectively, while surpassing the production volumes of the corresponding year.

Increased prices in global oil correlated with the higher demand for Sri Lankan tea, in the past year, as the price hike had an impact on the income of key tea importing countries. Turkey remained the principal importer of Sri Lankan tea in 2017.

Prices of tea at the Colombo Tea Auction (CTA) moved upward, as the level of growth witnessed in the last quarter of 2016 proceeded into 2017. Accordingly, the average price improved significantly by 31.1 percent – a price of Rs. 620.44 per Kilo. The average prices of high, medium and low grown teas increased by 35.6 percent, 32.2 percent and 30.4 percent, respectively.

Rubber

Local rubber production expanded to 83.1 million Kilograms an increase of 5.1 percent, in 2017. Correspondingly, the production of sheet rubber, which accounts for the biggest portion of the total quantity increased by 4.4 percent and yielded 41.5 million Kilograms. The volume for crepe rubber diminished substantially in the year, producing only 11.5 million Kilograms, a drop of 23.3 percent. Output of unspecified rubber recorded an increase of 23.9 percent to 30.1 million Kilograms during 2017.

The external demand for rubber was favorable, as China sought to replenish its depleting buffer stocks. This is also indicative of a growth in domestic demand in the medium term.

The price of latex crepe attracted Rs. 351.71 per Kilogram at the Colombo Rubber Auction, with a growth rate of 34.1 percent. Local prices for natural rubber increased, as global demand turned favorable; price of RSS Number 1 grew by 40.7 percent to Rs. 336.72 per Kilogram.

Coconut

The effects of a protracted drought in the coconut plantation zones triggered a massive drop in coconut production. In contrast to the marginal drop of last year's output, the decline in coconut production in 2017 was greatly amplified, as it plummeted by 18.7 percent, yielding 2,450 million nuts in 2017. Categorically, production of desiccated coconut dropped significantly from 51,117 metric tons in 2016 to 29,557 metric tons in the year under review.

In the same manner, a negative outcome was seen in the production of coconut oil which also decreased at a significant rate of 73.8 percent; while, a similar outcome was witnessed in the production of virgin coconut oil with production plummeting by 11.4 percent.

Coconut prices escalated, stemming from the contracted production of the crop that created a severe shortage of coconuts in the domestic market. The average retail price of a single nut reached Rs 67.40, pushed up by 47.1 percent.

CHAIRMAN'S REVIEW

Dear Shareholders,

I warmly welcome you all to the 25th Annual General Meeting of Kegalle Plantations PLC and it is my great pleasure to present to you the Annual Report and Audited Financial Statements for the year ended 31 March 2018.

The year has been challenging for the plantation industry, as adverse weather patterns continued to disrupt operations across agricultural sector. However, with effective management of resources and processes, KPL secured overall profitability (although 3% below the expectations) while making considerable investments for the sustained progress of the Company's productivity and industry standing.

Company Performance

In the financial year 2017/18, KPL recorded total revenue of Rs. 2.51 billion. This is a 10 percent increase when compared to the corresponding year.

The capital expenditure incurred during the year 2017/18 was Rs. 335 million, which is a significant increase from the previous year's Rs. 176 million.

In 2017/18 there was a decline in rubber production. The total production volume had declined to 3.5 million kilograms from 3.74 million kilograms in 2016/17, at a rate of 7 percent. Despite the decline in production, Net Sale Average (NSA) grew by 24 percent, to a price of Rs. 343.86 per kilogram from Rs. 276.34 per kilogram in 2016/17.

Tea production of KPL also witnessed revenue inclined even though, production dropped to 1.96 million kilograms from 2.17 million kilograms in 2016/17. Revenue from tea sector grew by 9 percent, from Rs. 1.03 billion to Rs. 1.13 billion in the financial year under review. An increase in the NSA caused this growth, as the average price climbed.

The performance of the coconut segment was relatively favourable compared to the year 2016/17. Although production declined from 1.471 million nuts in 2016/17 to 1.117 million nuts in 2017/18.

Sustainability

For the sustained growth of the Company, we have allocated funds for the long term development of our estates.

In the coming year we intend to develop around 1,120 hectares of rubber plantations. The investment will be directed towards preliminary work, replanting and upkeep of the plantations. A substantial investment will be made to sustain the performance of our tea plantations.

A parallel investment will be made for developing our oil palm plantations. It will be focused on developing around 900 hectares of oil palm cultivations.

As an agrarian we have an ethical obligation to protect the environment. With production qualities and quantities being improved every year, KPL understands that it is important to use eco-friendly and sustainable methods for improving production. Accordingly, we continued with our bio latex project to meet the international demands.

In terms of optimising the quality of our rubber, we use technological and agricultural enhancements. In this regard, a battery powered rubber tapping knife was designed and field tested, successfully.

We also plan to further enhance rubber production through modified rain guard which is attached to the rubber tree through an imported, waterproof compound, made using waste cut ends of mattresses manufactured in our sister Company. This was tested and found to be a successful endeavor.

Acknowledgement

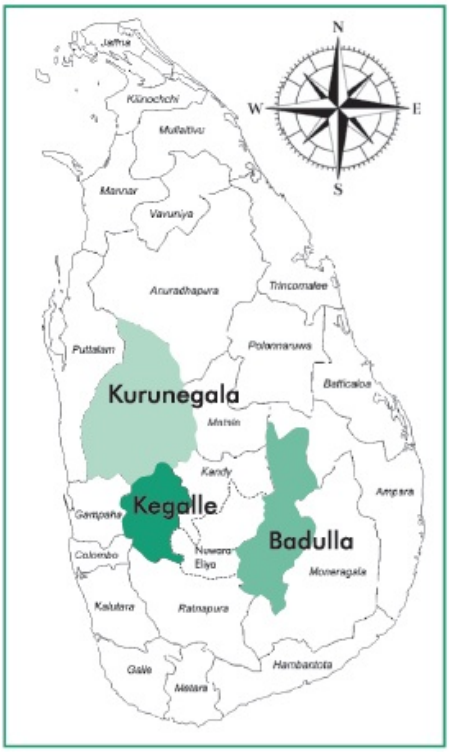
I commend the Board of Directors and the Management Team for their commitment and loyalty to the Company. Our employees have remained resilient proving yet again their dedication to the Company. I would also like to thank our valued buyers, suppliers and business partners for their invaluable support and loyalty.

I extend my most sincere gratitude to our shareholders, for investing in our potential to grow and for enabling us to be change agents and contributors of the national economy; while facilitating to take our Company to the heights of success.

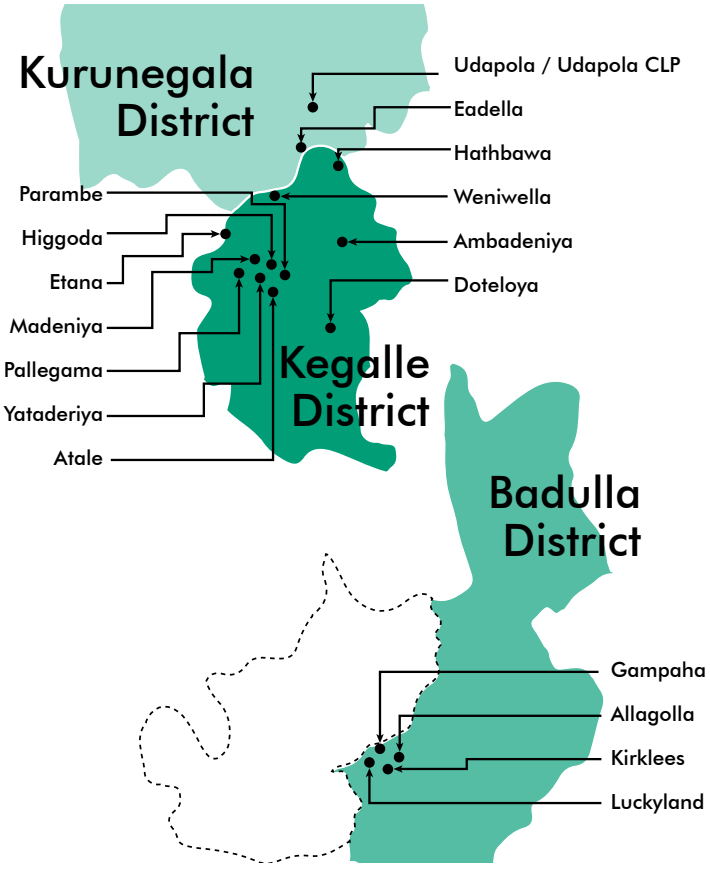
Dr. Sena Yaddehige
Chairman

30 May 2018
Colombo

OUR ESTATES



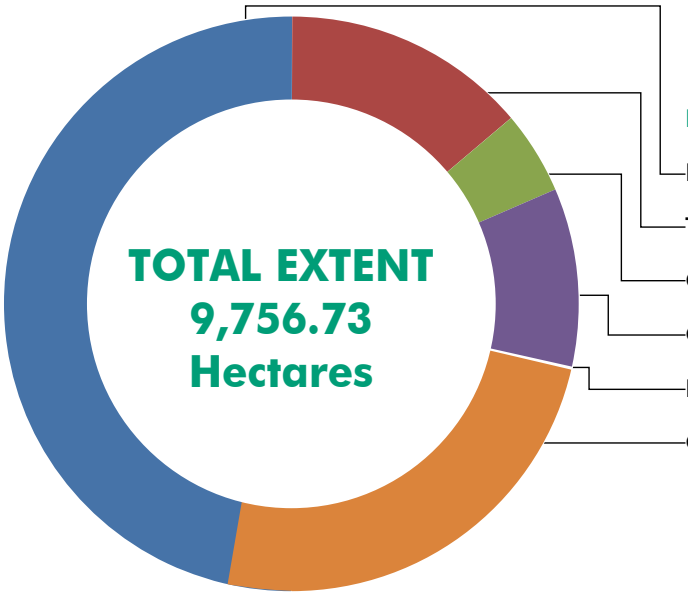
Our Estates - Locations



Estate Name	Planting District	Location	Cultivated Area (Hectares)					Elevation (Metres)	
			Rubber	Tea	Coconut	Others	Total	Total Area (Hectares)	
Allagolla	Badulla	Udapussellawa	-	174.78	-	39.61	214.39	243.75	1311
Ambadeniya	Kegalle	Aranayake	405.16	0.52	20.60	29.76	456.04	583.25	244-355
Atale	Kegalle	Atale	898.75	-	28.66	37.75	965.16	1,150.36	119-154
Doteloya	Kegalle	Dolosbage	-	187.10	-	271.65	458.75	572.64	825-955
Eadella	Kurunegala	Polgahawela	313.15	-	325.01	10.00	648.16	801.79	91-122
Etana	Kegalle	Warakapola	374.79	-	1.82	11.21	387.82	483.26	76-244
Gampaha	Badulla	Udapussellawa	-	213.52	-	62.13	275.65	348.99	1538
Hathbawa	Kegalle	Rambukkana	259.22	-	-	5.00	264.22	477.79	122-244
Higgoda	Kegalle	Undugoda	222.76	-	-	-	222.76	302.23	146-411
Kirklees	Badulla	Udapussellawa	-	246.66	-	93.96	340.62	480.70	1446
Luckyland	Badulla	Udapussellawa	-	371.97	-	71.88	443.85	488.75	1500
Madeniya	Kegalle	Warakapola	329.96	-	-	113.06	443.02	551.92	80-229
Pallegama	Kegalle	Niyadurupola	512.15	-	-	127.46	639.61	863.91	90-200
Parambe	Kegalle	Undugoda	437.82	30.02	-	102.33	570.17	795.41	122-274
Udapola	Kurunegala	Polgahawela	305.95	-	37.36	28.15	371.46	577.78	107-195
Weniwella	Kegalle	Alawwa	399.47	-	13.19	116.96	529.62	709.90	152-183
Yataderiya	Kegalle	Undugoda	132.98	115.95	25.90	7.35	282.18	324.30	244-290
Udapola CLP	Kurunegala	Polgahawela	-	-	-	-	-	-	-
			4,592.16	1,340.52	452.54	1,128.26	7,513.48	9,756.73	

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

Our Estates - Land Base / Utilisation



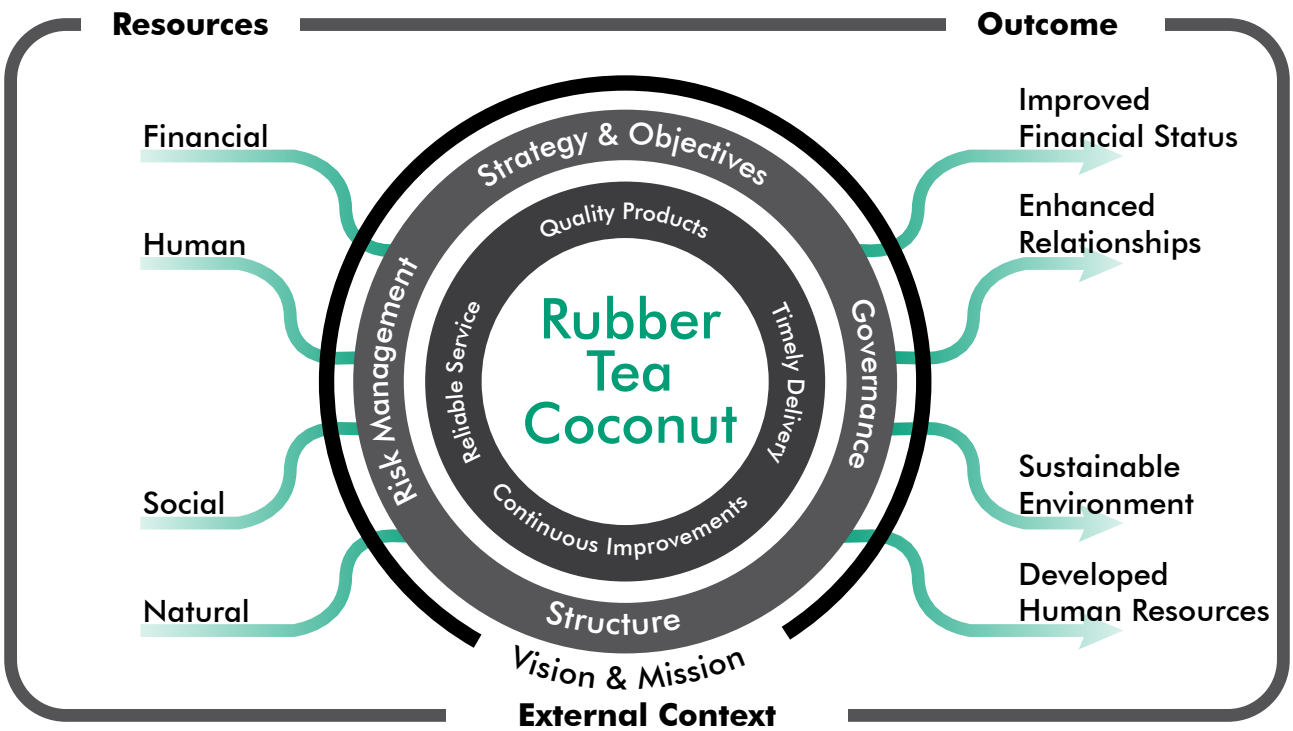
Land Base	Extent	%
Rubber	4,592.16	47%
Tea	1,340.52	14.0%
Coconut	452.54	5%
Other Crops	1,110.94	11%
Forestry	17.32	0.0%
Others	2,243.25	23.0%

	Estate Name	Production - kg/nut '000			Factory Details			Certification				No. of		
		Rubber	Tea	Coconut	Crop Manufactured	Factory Type	Rated Kg'000/ pa	ISO 9001 : 2015 Rubber	EU & USDA-NOP Organic Rubber	ISO 22000 : 2005 Tea	Ethical Tea Partner-ship	Execu-tives	Staff	Workers
	Allagolla	-	155	-	-	-	-	-	-	-	-	1	13	234
	Ambadeniya	292	-	26	-	-	-	-	-	-	-	2	14	213
	Atale	339	-	63	Rubber	Sole Crepe	950	√	-	-	-	3	32	435
	Doteloya	-	463	-	Tea	Leafy/Orthodox	1,394	-	-	√	√	2	16	273
	Eadella	219	-	817	-	-	-	-	-	-	-	3	17	225
	Etana	338	-	2	Rubber	Scrap	228	-	√	-	-	1	15	259
	Gampaha	-	250	-	Tea	Leafy/Orthodox	929	-	-	√	√	2	21	344
	Hathbawa	209	-	-	-	-	-	-	-	-	-	1	13	129
	Higgoda	174	-	-	-	-	-	-	√	-	-	1	9	99
	Kirklees	-	410	-	Tea	Rotorvane	1,239	-	-	√	√	2	22	353
	Luckyland	-	302	-	Tea	Dual Manufacture	1,355	-	-	√	√	3	33	503
	Madeniya	157	-	-	-	-	-	-	√	-	-	1	12	287
	Pallegama	289	-	7	Rubber	Sole Crepe	800	√	-	-	-	3	24	346
	Parambe	276	24	-	Rubber	Crepe	636	√	-	-	-	2	21	412
	Udapola	186	-	97	-	-	-	-	√	-	-	2	14	313
	Weniwella	176	-	9	-	-	-	-	-	-	-	2	13	198
	Yataderiya	85	358	96	Tea	Leafy/Orthodox	1,239	-	-	√	√	2	21	402
	Udapola CLP	754	-		Rubber	Centrifuged Latex	5,000	√	√	-	-	5	13	34
		3,495	1,962	1,117								38	323	5,059

BUSINESS MODEL

Business model of KPL is aimed at creating value for a diverse range of stakeholders who are having a stake in the Company. Mainly, we have used financial, human, social and natural resources as the input for our business process. These inputs are then processed through our manufacturing processes to create the final products of the Company. Accordingly, rubber, tea and coconuts are passed out from the process as output of our business model. We have taken certain measures in order to ensure the standards of these output. Ultimately, the outcome of this business model is the improved financial performance, developed human resources, enhanced social relationships and sustainable environment. The culture of the organization encourages each and every employee to cope with this value creation activity and to enhance this process.

However, we recognize that the maintenance of the existing business model as it is not sufficient to ensure the long term success of the business. Accordingly, the Company has implemented many initiatives to improve our business model so that it will create and deliver greater value for our stakeholder. Such a movement is a must to successfully overcome the challenges emanating from external fronts. Hence, as a Company dedicated to sustainable growth, each and every effort has been directed to improve the business model to make the Company to be sensitive to challenges emanating from internal and external fronts.



Seeing Beyond

The year under review was relatively favourable for the plantation industry. Capitalizing on these favourable opportunities, we were in a sound position to achieve better results compared to the previous year. Particularly, we strongly mitigated the obstacles in prior years which were very challenging while maintaining our operations at a satisfactory level mainly due to our commitment towards the Seeing Beyond ability. Such a strong ability to Seeing Beyond what is happening in the environment enabled us to achieve a competitive performance in a favorable year. Accordingly, we have achieved a relatively competitive performance in 2017/18 which brings advantages to all our stakeholder groups.

Management Discussion & Analysis

Operating Environment 18
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OPERATING ENVIRONMENT

The operating environment in which the Company operates is highly volatile due to the inherent sensitivity of the Company's operations to a wide range of factors encompassing both internal and external. Economic growth, inflation, exchange rates, interest rates, the Government policies, climatic changes, and global economic trends are the major forces that will shape the opportunities and threats that are encountered by the Company. Meanwhile, those factors are beyond the control of the Company. However, with the ability of the Company to Seeing Beyond, we strongly stand for achieving the objectives of the Company.

In analyzing the global economic arena, it appears that trends have become favourable during the year under review compared to the previous year. Particularly, tea and rubber prices have revealed a positive movement, mainly due to the improved global demand for these products.

In addition to favourable global trends, efforts made by the Government towards greater integration with global markets, redesigning of a more comprehensive trade policy framework to promote and facilitate external trade and measures taken towards streamlining and enhancing institutional support for trade facilitation were significant in transforming the external trade policy environment.

These favourable circumstances have created a supportive atmosphere for the local production and as a result, the national production of tea and rubber has experienced a growth during the year under review.

Sri Lanka Economic Performance

Economic Growth

Economic Growth over Last Five Years

Sector\Year	2017	2016	2015	2014	2013
Agricultural	-0.8%	-3.8%	4.8%	4.6%	3.2%
Industrial	3.9%	5.8%	2.1%	4.7%	4.1%
Service	3.2%	4.7%	5.7%	4.8%	3.8%
Total Economy	3.1%	4.3%	4.8%	5.0%	3.4%

The year under review posed challenges of different nature to the Sri Lankan economy. As a consequence of such challenges, the economic growth slowed down to 3.1 per cent in 2017 which stood at 4.5 per cent in 2016. Meanwhile, GDP per capita experienced a boost from US dollar 3,587 in 2016 to US dollar 4,065 in 2017. This was mainly driven by the growth of GDP at current market prices since the mid-year population growth rate was fairly stable.

The analysis of the composition of GDP indicates that the value added growth in the agricultural sector has revealed a negative movement due to the adverse weather conditions during 2017. Accordingly, the relative significance of agriculture sector within GDP has decreased to 6.9 per cent in 2017 from 7.1 in 2016 which reflects a marginal decline.

Despite the negative movement in the agricultural sector, the rubber industry underwent a boom during 2017, reversing the declining trend in the national rubber production which had been experienced for five years. Consequently, the national rubber production reported a volume of 83.1 million kilograms in 2017 which stood at 79.1 million kilograms in 2016. Meanwhile, natural rubber export also experienced an improvement in 2017, reaching to an export volume of 17.2 million kilograms. Under this relatively favourable atmosphere, the rubber prices also revealed relatively improving trend. Accordingly, the average price of RSS 1 registered a significant increase of 40.7 per cent to record to Rs. 336.72 per kilogram, whilst the average price of latex crepe also witnessed an increase of 34.1 per cent, attracting Rs. 351.71 at Colombo Rubber Auction during 2017.

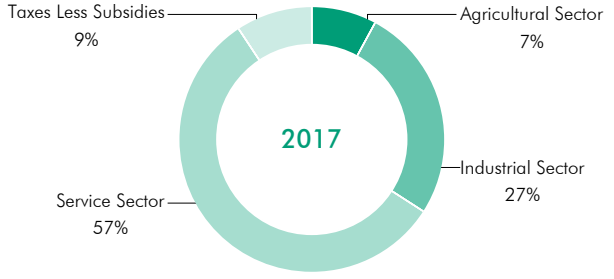
The tea industry also became relatively attractive in 2017 compared to the previous year. Accordingly, tea production recorded a positive growth in 2017, reversing the declining trend of past four years. Consequently, the production recovered with a growth of 5.2 per cent, resulting an output of 307.7 million kilograms in 2017, compared to 292.6 million kilograms in 2016. Despite several obstacles such as restriction on the application of selected weedicides and labour constraints, the national tea production boomed due to the favourable agro-climatic conditions in many tea planting areas and most factories operating at increased capacity. Meanwhile, the average prices at Colombo Tea Auction (CTA) witnessed a continuation of the upward momentum recorded since the last quarter of 2016 with increased demand from some of the major tea exporters. Accordingly, the average price at CTA for the year 2017 increased significantly by 31.1 per cent to Rs. 620.44 per kilogram, compared to the previous year.

Coconut production, which recorded a marginal drop of 1.4 per cent to reach 3,011 million nuts in 2016, declined substantially by 18.7 per cent to 2,450 million

nuts in 2017. The decline was mainly attributed to the lagged effect of the prolonged drought conditions, which commenced in 2016 and continued into 2017 in major coconut growing areas. Meanwhile, the decline in coconut production that created a severe shortage of nuts for consumption as well as for industrial usage resulted in coconut prices escalating to unprecedented level in 2017. Accordingly, the average wholesale price of fresh nuts in the local market increased significantly by 95.2 per cent to Rs. 62.71 per nut whilst the average retail price of fresh nuts increased by 47.1 per cent to Rs. 67.40 per nut during the year.

Although the agriculture sector experienced a downturn, the industrial and service sectors witnessed a boost during 2017. Accordingly, the value added of the industry activities grew by 3.9 per cent in 2017, compared to 5.8 per cent growth in 2016. The growth during 2017 was mainly driven by the expansion in manufacturing activities. On the other hand, the services related economic activities expanded by 3.2 per cent in 2017, in value added terms, compared to 4.7 per cent growth in 2016. The growth was largely backed by the expansion in financial services activities together with the developments in wholesale and retail trade activities. The growth in other personal services, real estate activities, human health activities, transportation, accommodation services and professional services also contributed positively towards the expansion in service activities.

Sector Wise Contribution to the Total GDP



Interest, Inflation and Exchange Rate

The Rupee liquidity in the domestic money market remained broadly in deficit during the first seven months of the year before improving to surplus levels, on average, during the latter part of the year. In response to deficit levels of liquidity as well as tight monetary policy stance, overnight money market rates gradually adjusted upward and hovered around the upper bound of the standing rate corridor till mid July 2017 and declined thereafter to stabilize in the middle of the corridor since September 2017, in line with improved liquidity conditions and open market operations.

Headline inflation remained broadly above the target during 2017, while core inflation stabilized at desired levels during the latter part of the year. The sharp acceleration in food inflation, revisions to Value Added Tax (VAT), and Nation Building Tax (NBT), and higher commodity prices in the global market contributed to high levels of inflation. On an annual average basis, National Consumer Price Index (NCPI) based headline inflation accelerated to 7.7 per cent by end 2017, compared to 4.0 per cent at end 2016 while Colombo Consumers Price Index (CCPI) based annual average inflation accelerated to 6.6 per cent by end 2017, compared to 4.0 per cent at end 2016.

Year	2017	2016	2015	2014	2013
Inflation	7.7%	4.0%	2.8%	3.3%	6.9%
Interest Rate (AWPR)	11.3%	11.7%	7.5%	6.3%	10.1%

The external value of the Sri Lankan rupee remained relatively stable, in 2017, under a more market based exchange rate policy implemented by the Central Bank during the year, limiting Central Bank intervention in the foreign exchange market only to build up international reserves. Accordingly, the rupee recorded an overall depreciation of 2.0 per cent against the US dollar during the year, from Rs. 149.80 at end 2016 to Rs. 152.85 at end 2017. In addition, the average annual exchange rate depreciated by 4.50 per cent to Rs. 152.46 against the US dollar in 2017.

LKR Against Major Buyers Currencies

Currency	Rupee Depreciated/ Appreciated	Amount As %
USD	Depreciated	-2.04%
EURO	Depreciated	-15.60%
Japanese yen	Depreciated	-5.43%
Pound sterling	Depreciated	-11.68%

LKR Against Major Competitor Currency

Currency	Rupee Depreciated/ Appreciated	Amount As %
Indian Rupee	Depreciated	-8.15%
Pakistan Rupee	Appreciated	3.42%
Kenyan Schilling	Depreciated	-1.25%
Thailand Baht	Depreciated	-11.78%
Chinese Yuan	Depreciated	-8.75%

Global Economic Performance

The global economy is experiencing a cyclical recovery,

reflecting a rebound in investment, manufacturing activity, and trade. This improvement comes against the backdrop of benign global financing conditions, generally accommodative policies, rising confidence, and firming commodity prices. Global GDP growth is estimated to have picked up from 2.4 per cent in 2016 to 3 per cent in 2017. Global growth is expected to be sustained over the next couple of years thanks to a rebound in commodity exporters. Two third of the world economies, comprising emerging and developing economies as well as advanced economies, registered higher growth rates in 2017, compared to 2016. For the first time since the global financial crisis, there is synchronized growth in the US, UK, EU and Japan.

The global growth momentum is expected to improve further in 2018 and 2019 with better prospects for both advanced and emerging economies in terms of investment, production, and trade, although possibly in the face of tightening financial market conditions and disruptions arising from trade wars between key global economies.

Economic Growth of 5 Major Economies

Country	2017	2016
USA	2.30%	1.50%
China	6.80%	6.70%
European Union	2.40%	1.80%
India	6.70%	7.10%
Russia	1.70%	-0.20%

Government Policies

The Government implemented diverse initiatives targeting the development of physical and regulatory infrastructure, funding sources, market access and technical know-how to support manufacturing activities.

Tea industry in Sri Lanka celebrated its 150th anniversary in 2017, with the Sri Lanka Tea Board (SLTB) organizing several events locally and globally in collaboration with related institutions to celebrate this milestone while continuing with other development activities to promote the industry. Accordingly, SLTB continued to provide financial assistance to tea exporting companies to take part in international trade fairs operated by the SLTB. Meanwhile, SLTB continued tea replanting subsidy scheme, granting Rs. 32.5 million for 177.6 hectares and the tea factory modernization scheme, providing subsidies amounting to Rs. 33.2 million for 60 tea factories.

With the strategy to increase annual rubber production to 200,000 metric tons by 2030 from the current level of 83,100 metric tons, the Rubber Development Department and Rubber Research Institute continued their development activities. The master plan for the rubber industry was launched in May 2017 and steps have been taken to set up a Rubber Development Secretariat in collaboration with the public and private sectors to implement this plan. Under productivity improvements, 787.1 hectares were planted in the rubber small holder sector and 59.5 hectares were planted in the corporate sector, while 208.8 hectares were newly planted in traditional rubber growing areas.

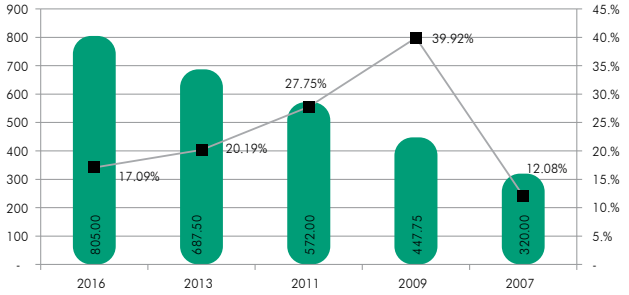
The Government implemented these programs targeting the UN Sustainable Development Goal on zero hunger, to ensure food security and sustainable agriculture. In the context of this broad policy framework, the Government's agricultural policy encouraged the sector through specific policies consistent with its key objectives, while allowing for a greater role to the private sector.

Employment and Wages

The labour force, which is defined as the economically active population aged 15 years and above, was 8.567 million in 2017, compared to 8.311 million in 2016. With the growth of the labour force, the employed population also increased by 3.3 per cent, resulting a decline in the unemployed population, indicating an increase in employment opportunities in the economy. However, this notable increase in the labour force was able to trigger only a marginal improvement in the Labour Force Participation Rate (LFPR), due to the expansion in household population, which includes both economically active and inactive persons. Thus, LFPR improved moderately to 54.1 per cent in 2017, from 53.8 per cent in 2016. The gender gap in the labour force participation narrowed during 2017, although the LFPR still remains much in favour of the male labour force. The male LFPR was 74.5 per cent during 2017 while the female LFPR was 36.6 per cent. Meanwhile, the number of employed persons increased in 2017 structural shifts in employment in the economy by 3.3 per cent to 8.208 million, compared to 7.948 million in the previous year. Amidst the service sector continued to be the foremost employment generating sector with a contribution of 45.5 per cent to the total employment in the economy followed by industry sector and agricultural sector with respective contributions of 28.4 per cent and 26.1 per cent.

During 2017, wage rate indices indicated signs of wage pressure in the economy, with real wages being on a downward trend. This was as a result of slower increase in nominal wages than the increase in inflation, and was prominent in the public and formal private sectors in 2017. The gross salary of public sector employees remained unchanged in 2017, while nominal wages of employees in the formal private sector increased marginally in 2017.

Change of Wage per Employee



Particularly, the wages of the plantation sector remain unchanged during 2017, since the industry did not undergo wages escalation since 2016.

Technology

The technological changes in the international plantation industry lead the organizations to be cost effective, efficient and quality production processed. These changes have not influenced heavily on the Sri Lankan plantation sector due to less proned to changing behavior and, dominantly, the high level of labour power over the plantation sector. As a result of these obstacles, Sri Lankan Plantation Companies still use the technology implemented in colonial era. As a result other Countries who use new technology have the competitive advantage over the Sri Lankan products in terms of cost effectiveness.

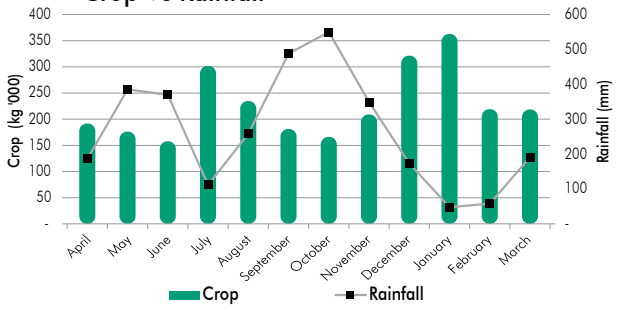
Weather Conditions

The weather patterns have been a major determinant in shaping the performance of the industry due to the inherent inter relationship of the plantation industry with the weather conditions. In 2017, the economy experienced adverse weather conditions such as droughts and floods. However, the industry as a whole managed to withstand such adverse weather conditions compared to 2016.

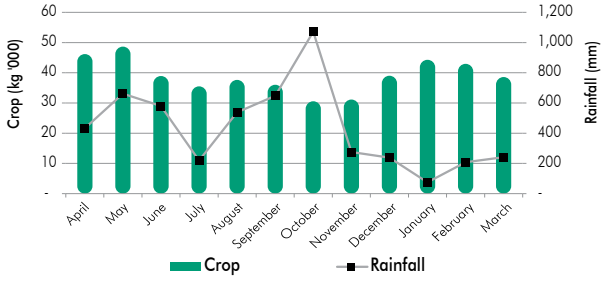
Outlook

The growth trajectory of the economy is projected to gradually improve over the medium term, especially with higher private sector participation supported by conducive macro economic policies. Accordingly, the annual real GDP growth is expected to gradually improve around to 6.0 per cent by 2022. The growth strategy of Sri Lanka is based on developing the Country to transform itself into a hub in the region with a knowledge based, highly competitive social market economy.

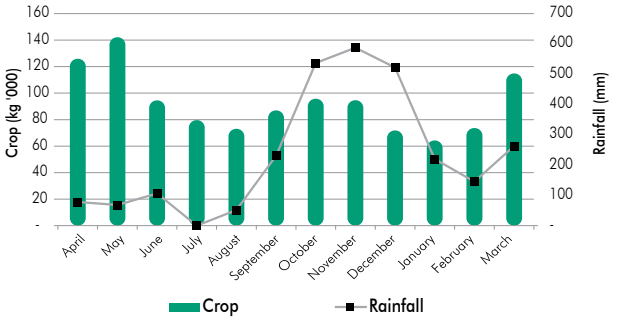
Rubber
Crop Vs Rainfall



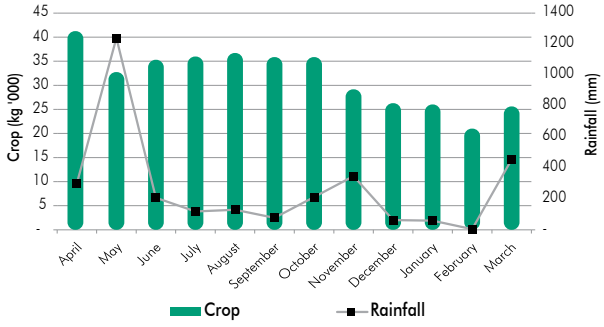
Tea
Crop Vs Rainfall - Doteloya Estate



Tea
Crop Vs Rainfall - Udapussellawa Region

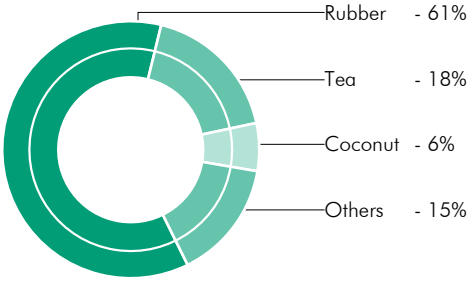


Tea
Crop Vs Rainfall - Yataderiya & Parambe Estates

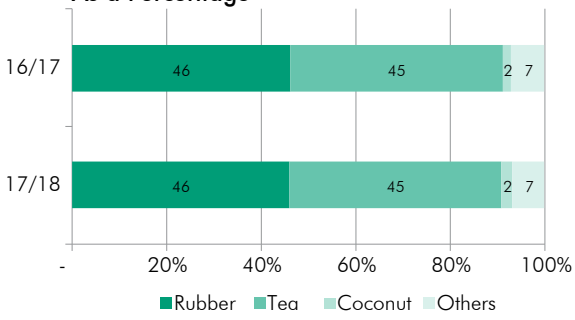


SEGMENTAL INFORMATION

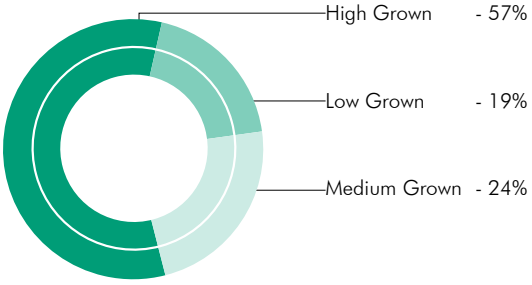
Cultivated Extent
As a Percentage



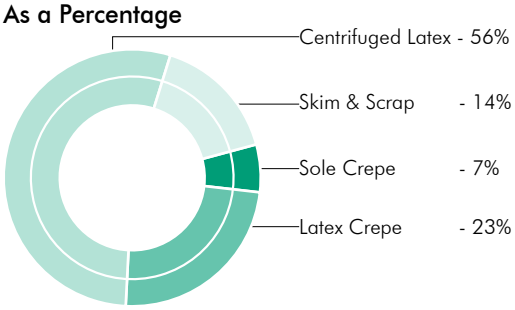
Turnover
As a Percentage



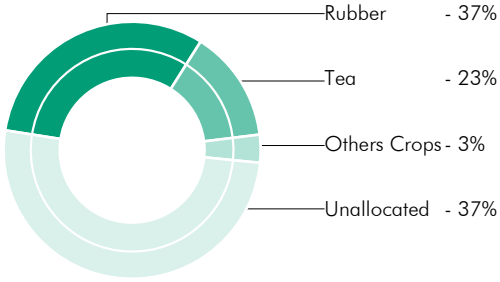
Tea Mix
As a Percentage



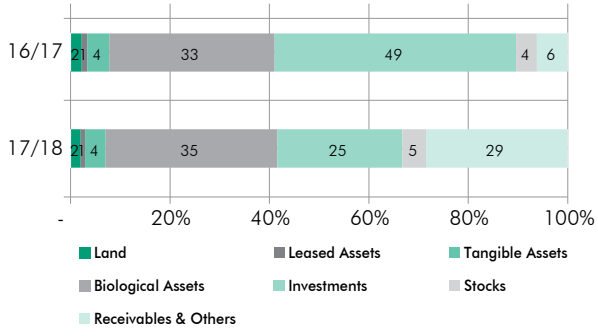
Rubber Mix
As a Percentage



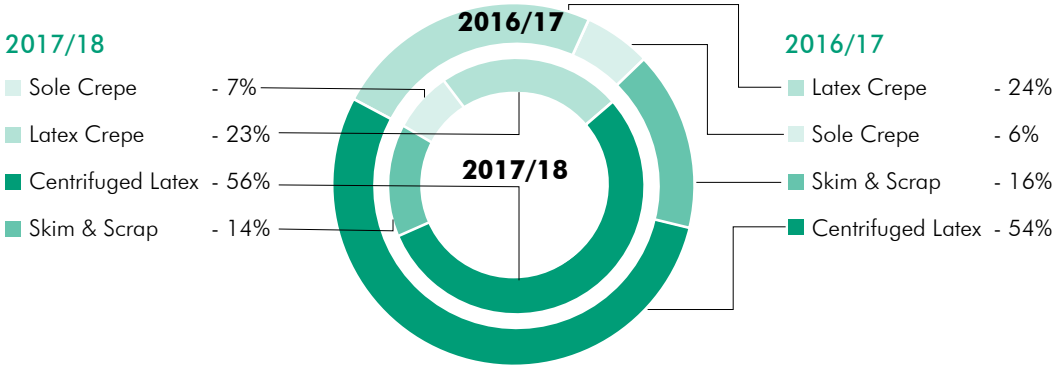
Segmental Asset
As a Percentage



Utilization of Resources
As a Percentage



Rubber Mix - 2017/18 Vs 2016/17



RUBBER

		2017/18	2016/17	2015/16	2014/15	2013/14	2012/13	2011/12	2010/11
Production	kg'000	3,495	3,742	3,353	3,534	4,016	4,076	4,155	4,082
NSA	Rs./kg	343.86	276.34	274.04	291.26	353.16	415.14	459.76	481.15
COP	Rs./kg	289.45	248.13	249.26	261.23	254.21	257.27	247.47	207.24
Yield	kg/ha	911	998	872	883	1,011	977	1,016	936
Revenue Extent	ha	3,008	3,224	3,489	3,535	3,591	3,653	3,764	3,798

TEA

PRODUCTION - kg '000		2017/18	2016/17	2015/16	2014/15	2013/14	2012/13	2011/12	2010/11
Uva	Elevation	1,117	1,191	1,286	1,074	1,143	1,065	1,364	1,428
Medium		463	542	583	523	600	549	652	630
Low		382	431	505	496	500	548	614	715

NSA - Rs./kg		2017/18	2016/17	2015/16	2014/15	2013/14	2012/13	2011/12	2010/11
Uva	Elevation	582.30	461	365.93	381.53	380.19	361.39	282.39	307.23
Medium		586.58	468	356.95	413.35	436.38	383.36	311.66	341.69
Low		578.84	482	373.23	416.60	427.58	375.62	323.62	356.75

COP - Rs./kg		2017/18	2016/17	2015/16	2014/15	2013/14	2012/13	2011/12	2010/11
Uva	Elevation	545.17	457	409.88	449.37	415.00	405.49	353.47	289.30
Medium		508.33	409	360.25	368.09	374.81	329.34	291.77	285.17
Low		536.65	441	381.36	401.52	400.23	371.36	299.73	303.27

YIELD - kg/ha		2017/18	2016/17	2015/16	2014/15	2013/14	2012/13	2011/12	2010/11
Uva	Elevation	730	677	806	858	1,021	840	1,023	1,126
Medium		1,311	1,356	1,265	1,582	1,652	1,690	1,746	1,573
Low		1,020	1,001	1,068	1,178	1,204	1,337	1,445	1,396

REVENUE EXTENT - ha		2017/18	2016/17	2015/16	2014/15	2013/14	2012/13	2011/12	2010/11
Uva	Elevation	967	967	952	952	952	951	946	956
Medium		179	178	177	173	173	173	174	184
Low		143	148	150	149	149	148	148	149

COCONUT

		2017/18	2016/17	2015/16	2014/15	2013/14	2012/13	2011/12	2010/11
Production	nut'000	1,117	1,471	1,559	1,549	1,596	1,713	1,731	1,413
NSA	Rs./nut	51.79	24.11	31.95	31.71	32.62	23.31	26.78	26.45
COP	Rs./nut	27.74	16.57	14.69	15.15	13.16	13.23	15.17	13.37
Yield	nut/ha	2,463	3,241	3,569	3,379	3,652	4,205	4,268	3,582
Revenue Extent	ha	453	454	437	437	437	408	406	394

REVIEW OF OPERATIONS

Kegalle Plantations PLC is a subsidiary of renowned Arpico Group which is a household name in Sri-Lanka. It is going to be a well diversified Plantation Company spread in the geographical areas of Kegalle in Sabaragamuwa Province, Kurunegala in North Western Province and Udapussellawa, Badulla in Uva Province. The Rubber sector is confined to Kegalle and Kurunegala Districts and the Tea Estates are in the Badulla and Kegalle Districts. The new addition of Oil Palm will be within the Kegalle District and the Coconut cultivations are confined to Kurunegala and Kegalle Districts.

The average rainfall experienced in these Plantation Districts ranging from 2,500mm to 3,500 mm recorded over 175 wet days. The mean temperatures of the District Range from 17 Celsius in the cooler Udapussellawa Region, Badulla and 32 Celsius in the warm Kurunegala District.

The land base is suitable for diverse agricultural crops, although currently confined to Tea, Rubber, Coconut & Oil Palm as a new addition.

Recognizing that the agriculture can have repercussion on the environment, best management practices and other proactive initiatives have been taken keeping this in mind & we have implemented all what possible to mitigate potential negative impacts on the environment.

NURTURING SUSTAINABILITY

To be sustained as a Plantation Company diversification has been identified as a priority considering the current commodity market fluctuation. This in mind the Company Top Management has undertaken in-depth feasibility study taking all factors in to consideration and Oil Palm has been identified as the fourth main crop of Kegalle Plantations and in this direction the Company has set aside investment plan as well as selection of Estate and Land.

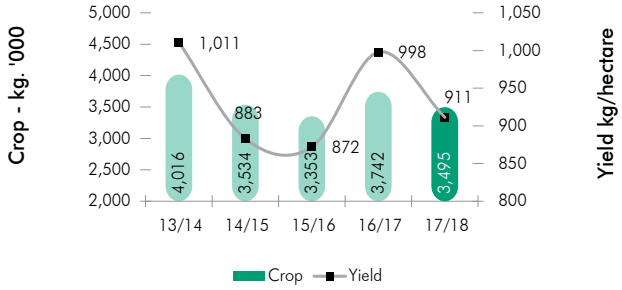
OVERVIEW OF KEGALLE PLANTATIONS PLC

RUBBER SEGMENT

Production

Company records 3,008 hectares as revenue rubber and its annual production was 3.495 million kilos for the season 2017/18 with a yield per hectare of 911 kilos. The Company could not achieve its forecasted crop for the season mainly due to the fact that budgeted number of tapping days for the season could not be secured due to the adverse weather prevailed within the rubber cultivated areas. Nevertheless, high day temperatures experienced in the areas close to Kurunegala District was another major factor which prevented the Company achieving the expected crops and yields. The Company shortfall against the budget is 11 % and same when compared to the previous year is dropped by 7%. This is mainly due to reduction of tapping extent by 7% with the introduction of oil palm cultivation, although the national production as per the Central Bank Report 2017 has recorded an increase of 5.1% compared to the previous season.

Crop Vs Yield - Rubber

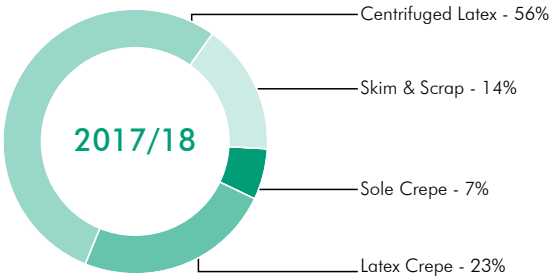


Product Mix

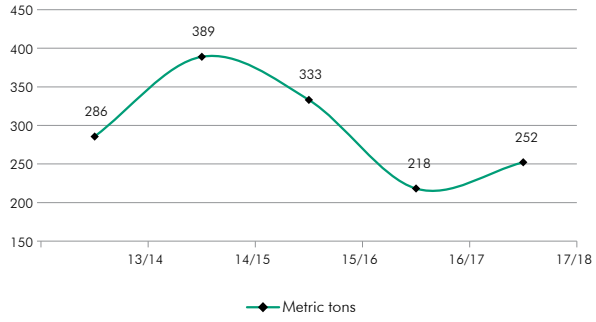
The Kegalle Plantations PLC., maintains the same product mix as previous year with high emphasis made for Sole Crepe production in spite of very low demand Internationally for the same Grade. We are pleased to report that when the Country almost lost the Sole Crepe market we managed to convert 7% of our production or 234,586 kilos as Sole Crepe for a special export market. The major part of our crop was converted to Centrifuged Latex that was marketed for a value added product, which accounts to 56% of the Company production. Further 23% of our production was marketed in the form of Crepe Rubber through Colombo Auctions and Forward Contracts. The balance 14% accounts to Skim and Scrap Crepe Rubber that too were marketed through Colombo Auctions and Forward Contracts.

Product Mix (%)	2018	2017
Sole Crepe	7	6
Latex Crepe	23	24
Centrifuged Latex	56	54
Skim & Scrap	14	16
Total	100	100

Product Mix - Rubber



Direct Exports - Rubber
In metric tons



Rubber Prices

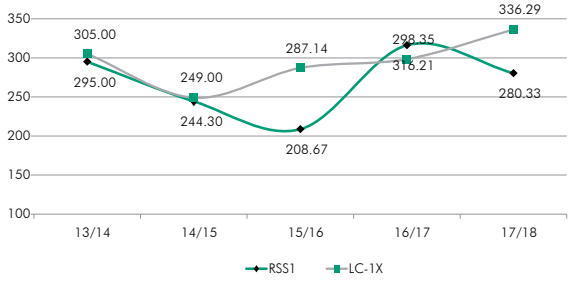
The volatilities in the commodity prices and the currencies can be intertwiningly driven by a host of multiple factors including financial speculation, currency exchange rates, stock market dynamics and uncertainties in governmental policies.

Due to excessive rubber production by the rubber producing countries in the Southeast Asia and decrease demand for natural rubber the world rubber prices were taking a downward trend throughout the season. Nevertheless, the Rubber Goods Manufacturers in Sri Lanka importing cheap Rubber from the Southeast Asian Countries affected this situation locally very adversely.

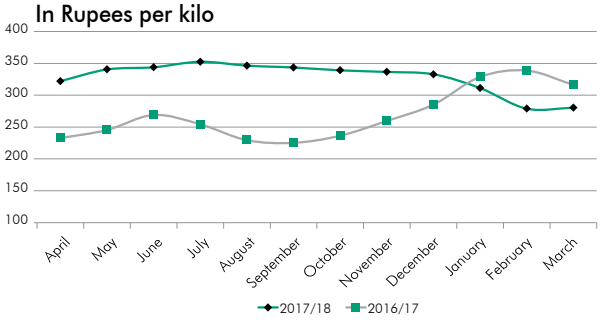
The highest affected Grade of rubber was the RSS (Ribbed Smoked Sheet) and this price was the yardstick used to fix the prices for centrifuged rubber. Excessive quantities of centrifuged latex importation had a major impact on the prices of Kegalle Plantations, since over 56% of the crop is converted as centrifuged latex. Due to our long business relationship with the sister Company Richard Pieris Natural Foams (Pvt) Limited we were fortunate to receive reasonable prices that most of the centrifuge manufacturers in Sri Lanka was not getting to sustain reasonable profits. The Kegalle product mix clearly display this impact and in the season 2017/18 our production has increased in centrifuge as the demand for Crepe and Sole Crepe too were not very conducive.

Rubber price behavior at Colombo auction was very erratic and the price variances from auction to auction and Grade to Grade showed very high disparities throughout the season. The price formulas used to purchase small holder latex affected Company Bottom Line negatively due to this reason.

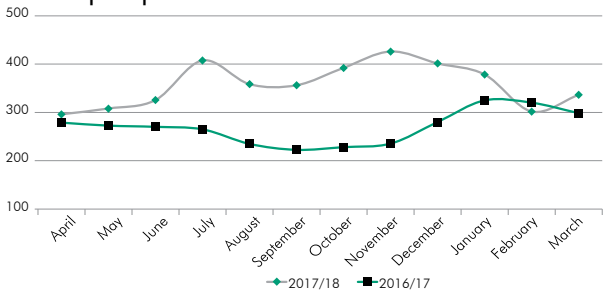
Colombo Auction Averages
In Rupees per kilo



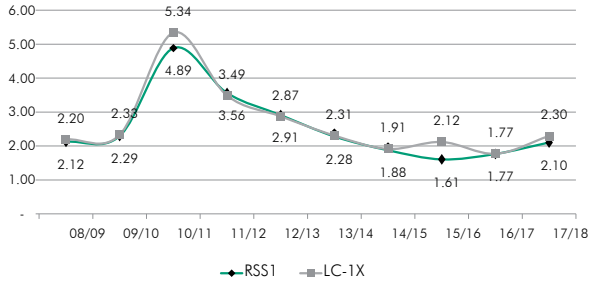
Colombo Auction Rubber Price - RSS.1
In Rupees per kilo



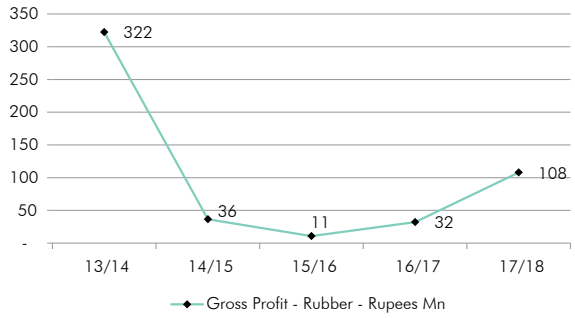
Colombo Auction Rubber Price - LC.1X
In Rupees per kilo



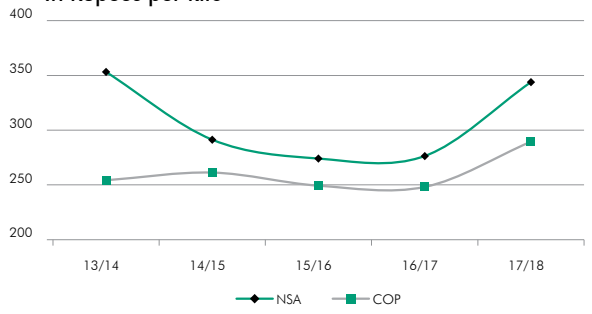
Rubber Market Prices
In Dollars per kilo



Gross Profit - Rubber



NSA Vs COP - Rubber
In Rupees per kilo



Cost of Production

Due to adverse effects of weather factors Company maintained a very reasonably controlled cost of production throughout the season in spite of not achieving the targeted crop. Company also maintained the Estates to the highest standards by administrating all the inputs required to sustain the rubber industry of Kegalle Plantations. The productivity indicators were monitored closely to achieve these goals.

Controlling all outgoings frequently and periodically maintain the cost of production at lowest as possible by improving labour productivity, intake per tapper. This was possible with motivated Estate Management, Staff and Head Office team.

Profitability

Kegalle Plantations recorded a gross profit of Rs. 366 million for which the rubber sector made a contribution of Rs. 108 million. Being a difficult task to get the desired price for the product as well as all negative factors that affect harvesting the available crop, restricted us getting the maximum potential of all properties. However, with the available favourable factors Estates have performed to the best of their potential.

Market Outlook

As predicted last season the movement of price of Natural Rubber (NR) in the world market was stagnating due to the same reasons. Although high expectations were there for the reviving of Chinese market and the demand to increase which was only a mere expectation but not materializing during this fiscal year as well. With this trend it is very unlikely a radical changes in prices for NR could be expected even in the forthcoming financial year as the markets are very inactive due to the poor demand for NR in the world market. Stagnant economies in some of the developing Countries are one of the main reasons for this factor.

TEA SEGMENT

As reported last season the improved prices in the 3rd and 4th Quarters of the last season continued and further strengthened the tea prices. It was a major welcome feature to the industry that was awaited for a long period of time.

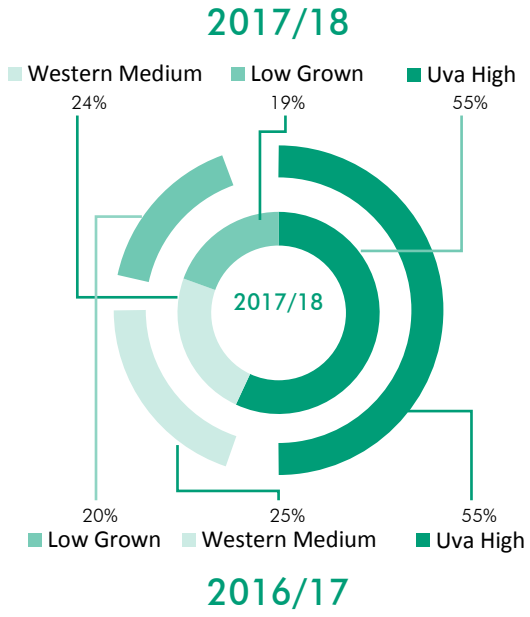
All elevation prices of Sri Lanka with Orthodox and Rotorvane Teas enjoyed the privilege throughout the season making a way forward to earn attractive prices. The Kegalle Plantations Tea Sector contribute 1.962 million kilos of tea from both estates and bought crop of which the estate quantity records as 55%. With lot of competition for bought leaf we managed to collect 0.876 million kilos of bought crop that had a direct impact to our improved cash flows and profit. The reasons attributed to this improved prices are world production and opening of new markets specially the Middle East and Russian markets.

Although, improved prices persisted throughout the season production did not show a drastic improvement due to other factors such as adverse weather throughout the season which could be classified as the main factor for the above. The Srilankan production for the season was reported as 307.7 million kilos of tea which is in compared to the previous season's 292.6 million kilos, recorded a positive growth of 5%.

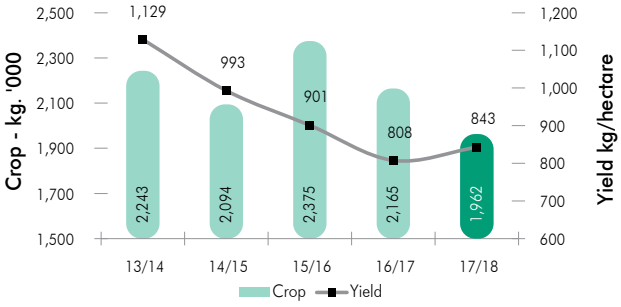
Production and Yield

As reported Kegalle Plantations tea production comes from two major agro climatic districts mainly from Udapussellawa (Badulla District) and the balance come from Kegalle District which falls in to the mid grown and low grown categories. The Udapussellawa estates went through continuous dry spells with very limited rainfall throughout the season and as a result the estates in this region output was poor.

In spite of the adverse weather continued during the current season Uva Estates recorded an Yield Per Hectare (YPH) of 730 kilos, which is in compared to the previous year an increase of 8%. However, the same trend was not observed from the mid grown estate whereas the low grown have shown a marginal improvement of 2%, although the national production has shown a marginal increase for which the main contributor was the western high grown teas and Kegalle Plantations did not having the luxury for this segment.



Crop Vs Yield - Tea



Product Mix

Kegalle teas contributed as Uva High teas 57%, mid grown 24% and the balance 19% was from the low grown region. It needs to place on record the Uva estates maintained record price throughout the season where Kirklees and Luckyland estates were outstanding. Nevertheless, we were ranked to be within the first ten estates in Uva High Category. The mid grown Doteloya estate also maintained the top prices throughout the season recording the highest NSA compared to the last 03 seasons. The low grown product could not achieve the desired elevation prices due to stiff competition from the private tea factories.

Product Mix - Tea	2017/18	2016/17
Uva High	57%	55%
Western Medium	24%	25%
Low Grown	19%	20%
Total	**100%**	**100%**

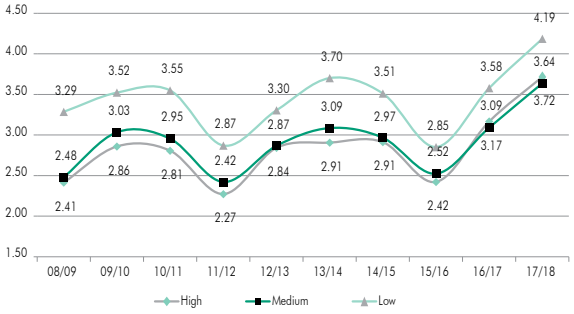
Market Outlook

The season 2017/18 was a very healthy price realized year and expecting the same trend to continue. It is also predicted the prices to remain rather inactive during the first quarter due to the excessive teas coming from Kenya at low prices. However as a whole the market readers predict 2nd, 3rd and 4th quarters to be in par with the prices realized last season.

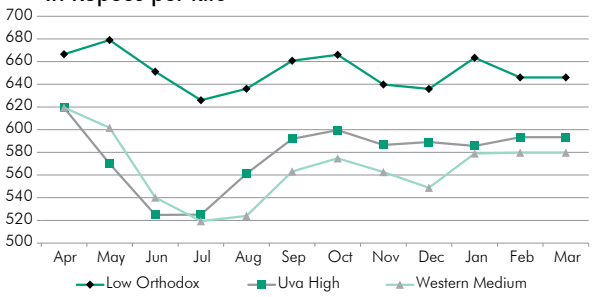
Top Prices

It is pleasing to report that our estates were able to achieve Top Prices on 382 occasions during the season out of which Kirklees Estate recorded thirteen all-time records for Dust No. 1 Grades. Kirklees Estate has recorded the most denoting 170 times and the second highest is Gampaha Estate with 163 top prices, Luckyland and Doteloya Estates achieved 31 and 18 Top Prices respectively.

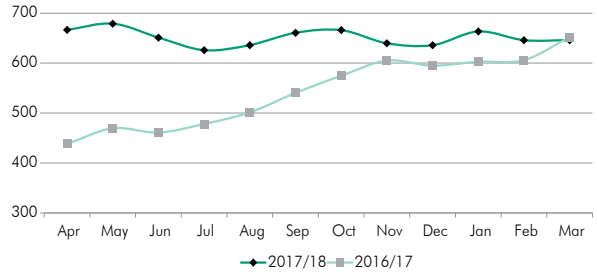
Tea Market Prices
In Dollars per kilo



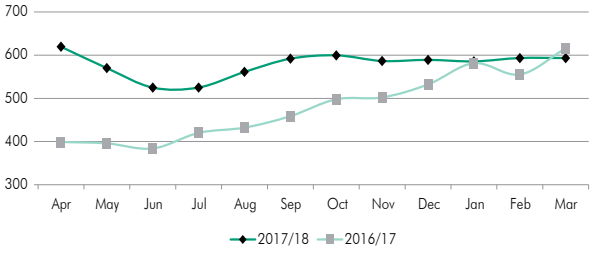
Colombo Auction Tea Prices
In Rupees per kilo



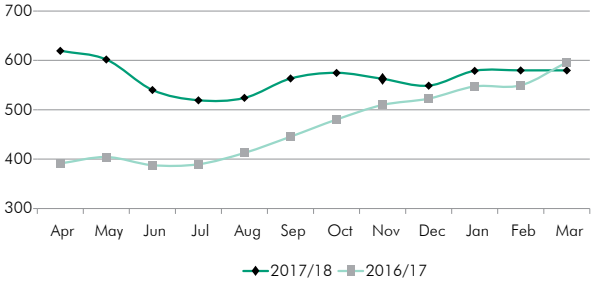
Colombo Auction Tea Price - Low Orthodox
In Rupees per kilo



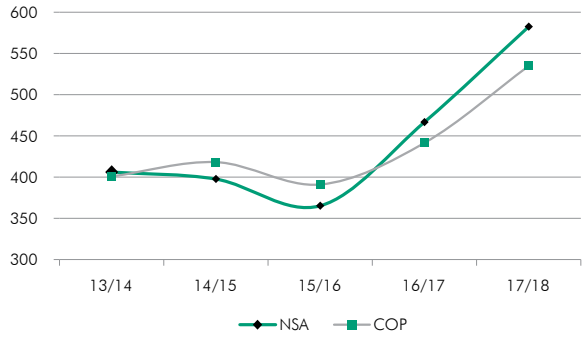
Colombo Auction Tea Price - Uva High
In Rupees per kilo



Colombo Auction Tea Price - Western Medium
In Rupees per kilo



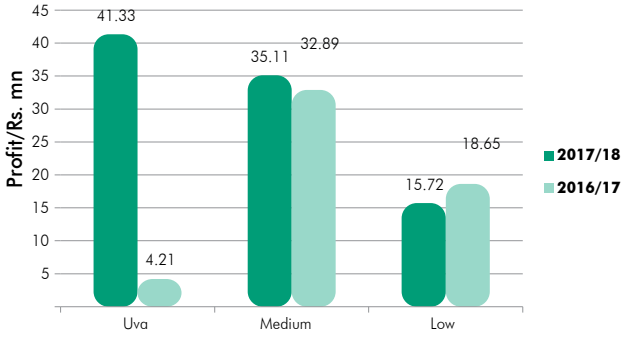
NSA Vs COP - Tea
In Rupees per kilo



Profitability

The turnover for the tea sector for the season recorded as Rs. 1.127 bn which is an increase of 9% compared to the last season. The contribution from the tea sector to the Company over gross profit was Rs. 64 million. This achievement was possible due to maintaining strict controls on the product mix and producing high quality tea to realize its value. The other reason was the well controlled Cost of Production in spite of increasing cost, this was achieved as a result of strict financial discipline maintained from Head Office and the estate Superintendents and their team controlling the outgoings.

Regional Profit - Rs. mn



COCONUT SEGMENT

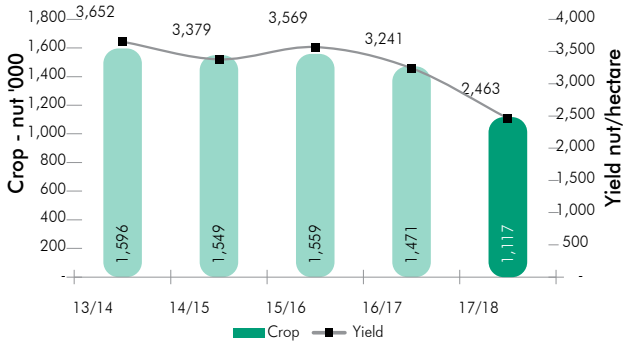
Production

The adverse weather that affected 3rd and 4th quarters of the last season continued during the 1st quarter of this season as well. The adverse effects of continuous dry weather and high day temperature affected our coconut production very badly.

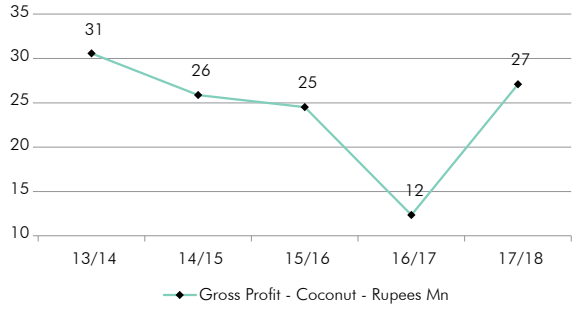
This position was seen very clearly from the national production as well as the price behavior of Coconuts in the market place.

The production for the season was recorded as 1.117 million nuts for the season which is a drop by 24% compared to that of previous season. The national production was dropped by over 18%.

Crop Vs Yield - Coconut



Gross Profit - Coconut



Prices

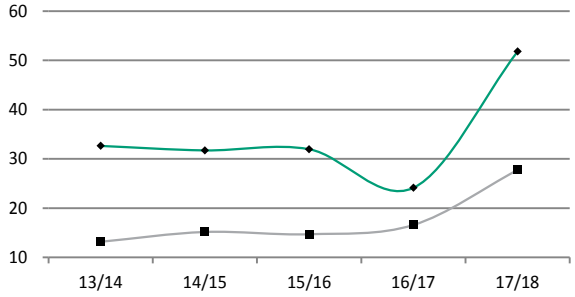
Due to low production in the Country and limited quantities of Coconut available in the market in nut form the prices escalated to very high levels. However, the Farm Gate prices were not the same due to sale of unselected nuts.

The prices realized by Kegalle Plantations recorded as average over Rs. 51/- per nut which is higher by Rs. 28/- per nut compared to that of the previous season prices. Although low production the price factor assisted the Company to gain high profitability over last season.

Cost of Production

Due to low production and as we had to undertake plant protection work to prevent the adverse effect of drought, fair amount of out flow was utilized to protect the Coconut cultivation in the Kurunegala and Alawwa administrative areas. However this will have a long term benefit on Kegalle Plantations Coconut cultivation.

NSA Vs. COP - Coconut
In Rupees per Nut



Profitability

This sector made a profit per nut of Rs. 24.05 which is an improvement of 219% compared to the last season. Although shortfall in crop and additional expenses incurred to sustain the Coconut cultivation one has to accept as a good achievement.

OTHER SEGMENTS

The aging rubber that has surpassed the economic life span had to be uprooted and the sale of rubber trees brought a revenue of Rs. 168.7 million during the season being one of the highest contributory factors to the turnover and gross profit of the Company.

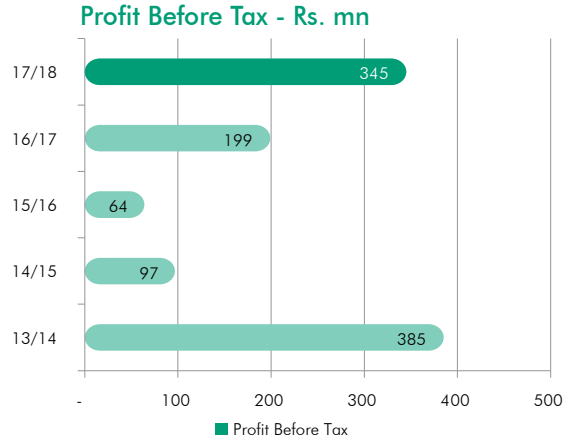
OVERALL REVENUE SEGMENTS

Revenue Drivers (Rs.mn)	2017/18	2016/17
Rubber	1,154	1,057
Tea	1,127	1,030
Coconut	58	39
Other Crops	0.3	2
Sale of Rubber Trees	169	158
Total Revenue	**2,508**	**2,287**

OVERALL PROFITABILITY

The profit recorded for the year after tax is Rs. 236 million where the growth rate is 9% compared to that of last year. Gross Profits generated from Rubber, Tea, Coconut and other Crops recorded as Rs. 366 million compared to last year of Rs. 227 million which is increased by 61% over last year.

Profit Before Tax - Rs. mn



All Segment Results - Gross Profit (Rs.'000)	2017/18	2016/17
Rubber	107,893	32,187
Tea	63,500	23,318
Coconut	27,098	12,355
Other Crops	69	2,098
Sale of Rubber Trees	167,637	157,236
Total Gross Profit	**366,198**	**227,194**

INVESTMENTS

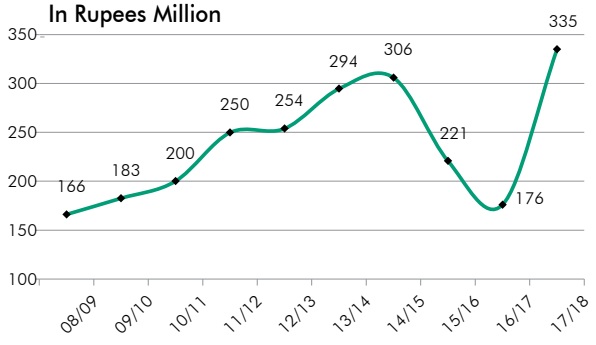
The main business of the Company relates with rubber, tea and coconut production. Therefore, the Company's objective is to maintain the respective fields as per the standards. Fulfilling this objective, the management has invested Rs. 335 million on fixed assets – Field Development, property, plant and equipment.

Rs. 184 million on rubber, Rs. 25 million on tea and Rs. 1.8 million on coconut were invested on replanting & maintenance in the year under review. Furthermore, Rs. 90 million was invested on the oil palm/timber/fuel wood plantations and Rs. 34 million was spent on property, plant and equipment of the Company.

The Company's investments on field developments & other capital expenditure over last decade are as follows as depicted in the following graph.

Capital Expenditure

In Rupees Million



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

Sector	17/18	16/17	15/16
Rubber	184	139	175
Tea	25	23	32
Coconut	2	1	1.35
Oil Palm/Timber/Fuel Wood	90	10	11
PPE	34	3	2
Total Capex	**335**	**176**	**221**

Comparative Economic Indicators

For the Year Ended 31 December		2016	2017	Change %
Gross Domestic Product				
GDP at Current Market Price	Rs. bn	11,907	13,289	11.6
Real GDP Growth	%	4.5	3.1	(31.1)
GDP Deflator	%	4.1	8.2	100.0
Agriculture Crops				
Rubber	Rs.mn	10,717	17,788	66.0
Tea (Green Leaves)	Rs.mn	82,133	116,694	42.1
Growing of Oleaginous Fruits (Coconut/ King Coconut/Oil Palm)	Rs.mn	75,804	104,575	38.0
Agriculture Production Index (2007-2010 = 100)				
Agriculture Crops				
Rubber		59.0	61.9	4.9
Tea		93.9	98.8	5.2
Coconut		106.3	86.5	(18.6)
Agriculture Crops				
Rubber				
Production	kg mn	79.1	83.1	5.1
Total Extent	ha'000	133	137	3.0
Extent under Tapping	ha'000	99	103	4.0
Cost of Production	Rs./kg	180.00	195.00	8.3
Average Price				
Colombo Auction - RSS1	Rs./kg	239.28	336.72	40.7
Export - FOB	Rs./kg	294.33	343.56	16.7
Replanting	hectares	591	847	43.3
New Planting	hectares	272	328	20.6
Value added as % of GDP		0.3	0.3	-

For the Year Ended 31 December		2016	2017	Change %
Tea				
Production	kg mn	292.6	307.7	5.2
Total Extent	ha'000	202	203	0.5
Extent Bearing	ha'000	193	195	1.0
Cost of Production	Rs./kg	469.24	466.98	(0.5)
Average Price				
Colombo Auction	Rs./kg	473.15	620.44	31.1
Export - FOB	Rs./kg	639.88	807.44	26.2
Replanting	hectares	1,044	748	(28.4)
New Planting	hectares	115	202	75.7
Value added as % of GDP		0.7	0.7	-
Coconut				
Production	nuts mn	3,011	2,450	(18.6)
Total Extent	ha'000	466	471	1.1
Cost of Production	Rs./nut	16.70	16.69	(0.1)
Average Price				
Producer Price	Rs./nut	32.13	62.71	95.2
Export - FOB h	Rs./nut	41.16	62.03	50.7
Replanting / Under Planting	hectares	5,000	8,824	76.5
New Planting	hectares	10,996	15,121	37.5
Value added as % of GDP		0.7	0.6	(14.3)

Source: Annual Report 2017 - Central Bank of Sri Lanka

FINANCIAL REVIEW

The reporting financial year has been another challenging year for Kegalle Plantations PLC. Drought conditions prevailed during the year exerted downward pressure on the operations of the Company. In addition to these natural obstacles, the Company encountered legal restrictions on the use of weedicide and the continuance of the removal of fertilizer subsidy influenced the cost of production of the Company. These adverse movements in the external business environment influenced the achievement of the Company's objectives during the year under review. However, the ability of the Company to See Beyond enabled it to withstand such adverse movements.

Rubber

The natural rubber production reported a growth during 2017 reversing the downward trend experienced for five consecutive years. However, the Company experienced a downturn in its operations in rubber sector, mainly due to the adverse weather conditions such as severe floods occurred in the rubber planting areas. Accordingly, the Company has achieved a production of 3,495 metric tons during 2017/18 which was at 3,742 metric tons in 2016/17.

Despite the downward trend in the rubber production, the Company was in a position to improve the financial performance in the rubber operations. Accordingly, the Company has achieved revenue of Rs.1.15 billion in 2017/18 which is 9 per cent above the previous year revenue. Such an improvement in the revenue from rubber operations was mainly driven by the higher level of net sale average (NSA) achieved by the Company during the year under review. The improved prices at Colombo Rubber Auction resulted in the improved NSA. Accordingly, NSA which stood at Rs. 276.34 per kg in 2016/17 has increased to Rs. 343.86 per kg by 24 per cent in 2017/18. On the other hand, cost of production (COP) also increased by17 per cent from Rs. 248.13 per kg in 2016/17 to Rs. 289.45 per kg in 2017/18. Accordingly, the NSA has increased at a faster rate than the COP and as a result, gross profit margin has increased during the current year in comparison to the previous year. Therefore, these movements in the COP and NSA has resulted in a gross profit of Rs. 108 million from rubber operations in 2017/18 which is 235 per cent high compared to the gross profit of Rs. 32 million in 2016/17.

Tea

The national tea production recorded a positive growth in 2017, reversing the declining trend over the past four years. Accordingly, national tea production has increased by 5.2 per cent to 307.7 million kilos during the year under review. However, the Company experienced a decline in the production of tea in 2017/18. Accordingly, the production of tea has dropped from 2,165 metric tons in 2016/17 to 1,962 metric tons in 2017/18 which implies a reduction of 9 per cent between these two time periods. However, the Company has managed the financial performance of the tea industry by achieving higher prices at Colombo Tea Auction with high quality tea.

Accordingly, the Company was able to achieve a gross profit of Rs. 64 million from tea operations during the year under review. This implies an increase of 172 per cent over the previous year gross profit of Rs. 23 million from tea operations. This profit improvement was mainly driven by the enhanced revenue from tea operations during the year under review. The revenue from tea operations has increased to Rs. 1.12 billion in 2017/18 from Rs. 1.03 billion in 2016/17 which indicates an increase of 9 per cent. Improved NSA during the year under review has caused the increased revenue. Accordingly, NSA has increased from Rs. 466.81 per kilo in 2016/17 to Rs. 582.63 per kilo in 2017/18 which indicates an increase of 25 per cent. On the other hand, COP also indicates in increase of 21 per cent in 2017/18 from Rs.441.56 per kilo in 2016/17 to Rs. 534.98 per kilo. However this increased COP has been absorbed by increased NSA and consequently, the gross profit from tea operations has enhanced during the year under review.

Operating Highlights

	2017/18 Rs.'000	2016/17 Rs.'000	Variance Rs.'000	Variance %
Revenue	2,508,167	2,287,161	221,005	9.66%
Cost of Sales	2,141,969	2,059,967	82,002	3.98%
Gross Profit	366,198	227,194	139,004	61.18%
Net Profit - Group	348,186	330,112	18,074	5.48%
Net Profit - Company	235,859	217,263	18.596	8.56%

During the year under review, the Company has recorded a gross profit of Rs. 366 million in comparison to the gross profit of Rs. 227 million in 2016/17 which indicates an increase of 61 per cent between the two time periods. This increase was mainly driven by the improvement in revenue by Rs. 221 million in 2017/18. Accordingly, this increased revenue has exerted upward pressure on the gross profit of the Company while absorbing the increase of Rs. 82 million in the cost of sales.

In line with the trend in gross profit, the net profit of the

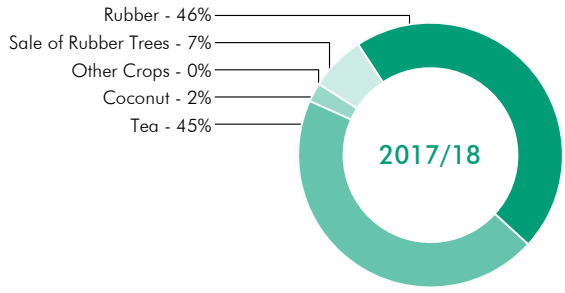
Company has revealed an upward movement where the net profit has increased to Rs. 236 million in 2017/18 from Rs. 217 million in 2016/17.

Revenue

The year under review has added another chapter filled with a wide variety of challenges emanating from economic, industry and natural factors to the history of Kegalle Plantations PLC. Despite such challenges, the Company continued to be an outstanding player in the industry.

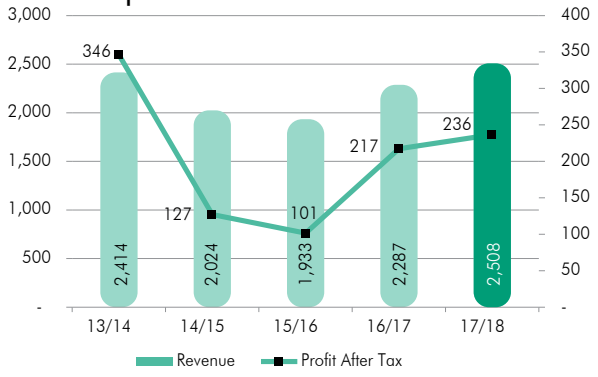
Accordingly, the Company improved its revenue base by Rs. 221 million in 2017/18 in comparison to the previous year which indicates 10 per cent increase over the prior year. This was mainly achieved by the increase in the revenue from rubber, tea, coconut and sale of rubber trees by 9 per cent, 9 per cent, 48 per cent and 7 per cent respectively.

Revenue Composition 2017/18



As depicted by the above graph, rubber and tea continued to be the major sources of revenue in the Company similar to the previous year. In addition, the revenue base was further supplemented by sale of rubber trees and the sale of coconut. The analysis of the revenue structure in comparison to the previous year reveals no significant variation between the two time periods.

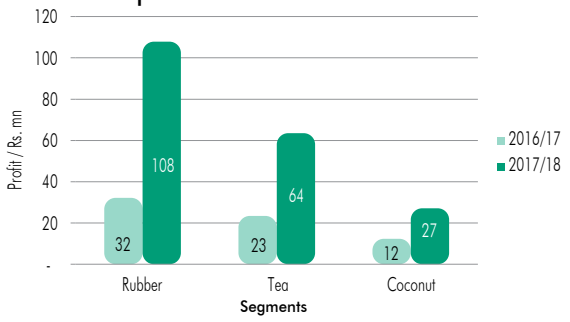
Revenue Vs Profit After Tax - 2017/18
In Rupees Million



Profitability

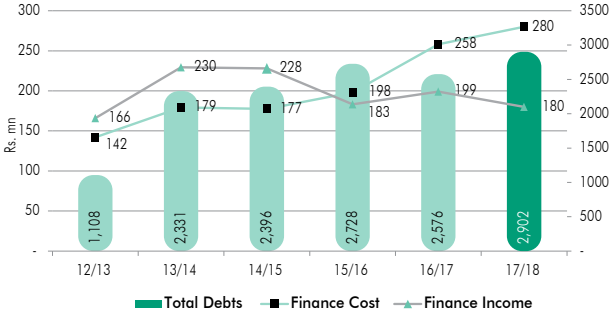
During the year under review, the Company has significantly improved its profitability compared to the previous year. Accordingly, the gross profit from operations has increased by Rs. 139 million which indicates an increase of 61 per cent over the previous year. As depicted in the following graph, the analysis of segmental profit indicates that the Company has improved its profitability along its major three revenue segments. Accordingly, the gross profit from rubber, tea and coconut segments has increased by Rs. 76 million, 40 million and 15 million respectively. Under these favourable conditions, the Company has recorded an operating profit of Rs. 445 million in 2017/18 in comparison to the operating profit of Rs. 258 million which indicates an increase of 73 per cent. In addition to the enhanced gross profit, other income and gains and gain on fair value of biological assets has contributed positively towards the significant improvement in the operating profits.

Segmental Profit
In Rupees Million



The analysis of the finance cost indicates that it has increased from Rs. 258 million in 2016/17 to Rs. 280 million in 2017/18 with 9 per cent increase over the previous year. This is mainly due to the utilization of overdraft facility during the year which led to escalate the overdraft interest in 2017/18. On the other hand, the finance income has experienced a decline of Rs. 19 million in 2017/18 in comparison to that of previous year. Accordingly, the Company has recorded a profit before tax of Rs. 345 million in 2017/18 in comparison to the profit before tax of Rs. 199 million in 2016/17.

Total Debts Vs Finance Cost and Finance Income
In Rupees Million

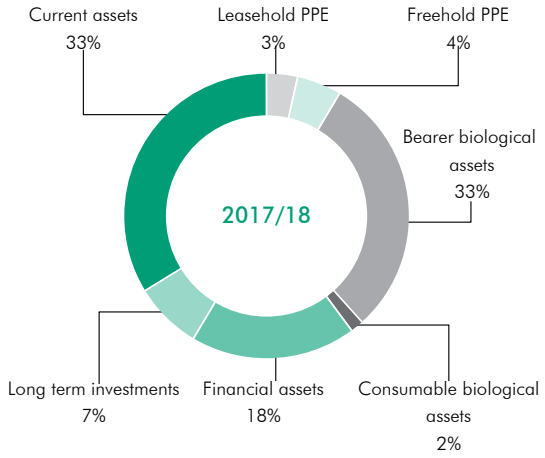


Asset Base

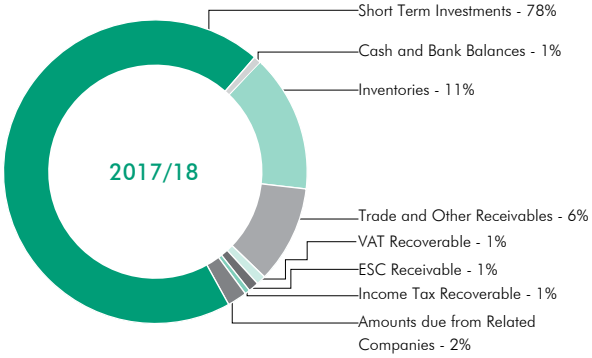
During the year under review, total asset of the Company has increased by 8 per cent to Rs. 6.9 billion in comparison to Rs. 6.4 billion in 2016/17. The increases in both non-current assets and current assets have contributed towards the improvement in the total asset base. In the case of non-current assets, the asset base has increased from Rs. 4.32 billion in 2016/17 to Rs. 4.61 billion in 2017/18 which indicates an increase of 7 per cent over the previous year. This increase in non-current assets was mainly backed by the increased value of bearer biological asset which resulted from the field development expenditure. Accordingly, the bearer biological asset value has increased from Rs. 2.02 billion in 2016/17 to Rs. 2.26 billion in 2017/18 which indicates an increase of Rs. 235 million.

Meanwhile, the current asset base of the Company has increased from Rs. 2.09 billion in 2016/17 to Rs. 2.3 billion in 2017/18 which indicates an increase of 10 per cent over the previous year. The analysis of the composition of current assets indicates that the short term investments which consist of treasury bills, repo and others investments continued to be the dominant item within the current asset base followed by inventories and trade and other receivables.

Composition of Total Assets



Composition of Current Assets



Net Assets per Share

During the year under review, the net assets per share has increased to Rs. 106.70 per share from Rs. 104.87 per share which indicates an increase of 2 per cent over the previous year. The total asset base of the Company experienced an increase of Rs. 499 million while the total liability base increased by Rs. 453 million. The net effect of the asset and liability increase has resulted in an increase in the net asset per share by Rs. 2 during the year under review.

Liquidity Position

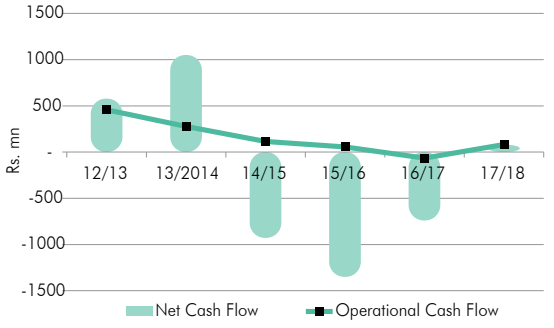
As at the reporting year end, the Company's working capital recorded Rs. 168 million in comparison to Rs. 210 million in the previous year which implies a reduction of 20 per cent. Despite the increase in the current assets by 10 per cent, the increase in the current liabilites by 13 per cent has led to the decrease in the working capital as at the current financial year end.

Cash Flows

Net Operating Cash Flows

The Company has experienced a positive operating cash flow of Rs. 82 million during the year under review compared to a negative operating cash flow of Rs. 64 million in 2016/17. The improvement achieved during the year in the operations of the Company has led to the conversion of the negative operating cash flow in the previous year to a positive cash flow during the current year.

Total Cash flows Vs Operational Cash flows

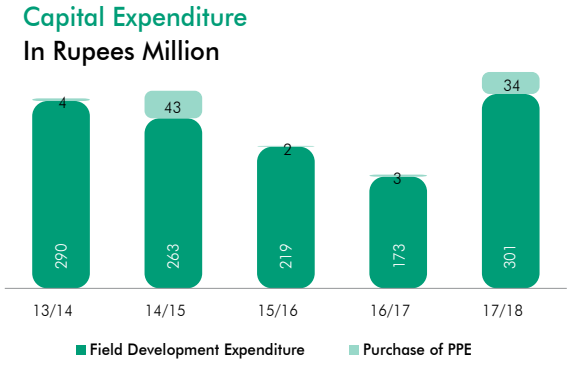


Net Cash Flow Generated

The Company has recorded a cash and cash equivalent balance of Rs. 505 million at the end of the current financial year with a net cash flow of Rs. 80 million during the year under review.

Capital Expenditure

The Company has incurred a sum of Rs. 301 million during the year under review in respect of the field development of the plantation. Accordingly, the Company has spent Rs. 184 million, Rs. 25 million and Rs. 92 million on rubber, tea and other crops respectively. Among the capital expenditure incurred in respect of other crops, Rs. 78 million has been allocated to the development of oil palm plantation which will be a major source of revenue for the Company in the future.



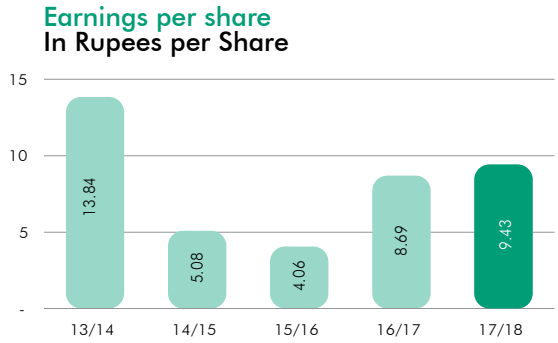
In financing the investments, the Company has utilized both borrowings and operational cash inflows. As a result, the borrowings have increased during the current financial year with the consequent increase in the finance cost.

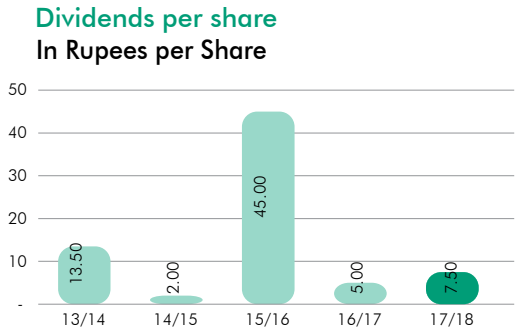
Market Capitalization

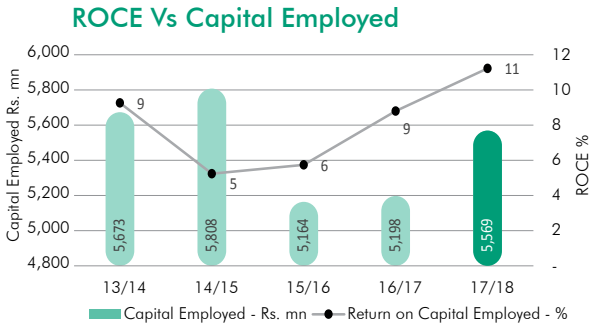
The market price of the Company as at year end stood at Rs. 65.90 per share against that of Rs. 52 per share as at the previous year end. Accordingly, the market capitalization has increased up to Rs. 1.65 billion by 27 per cent in comparison to the market capitalization of Rs. 1.3 billion at the last year end.

Earnings Per Share

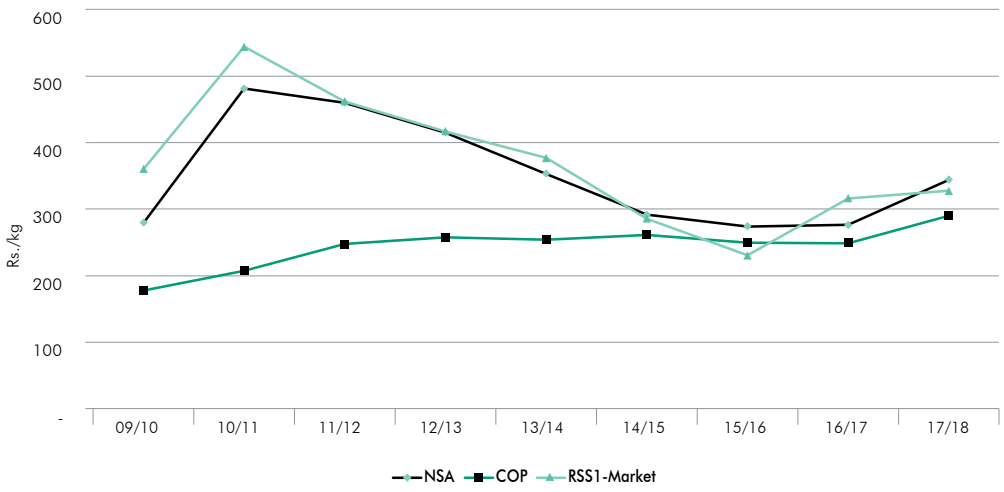
The earning per share which stood at Rs. 8.69 per share in 2016/17 has risen to Rs. 9.43 per share as a result of the improved financial performance in 2017/18. Accordingly, the Company shares were traded at Colombo Stock Exchange at a price multiple of 7 times as at the end of the current financial year,



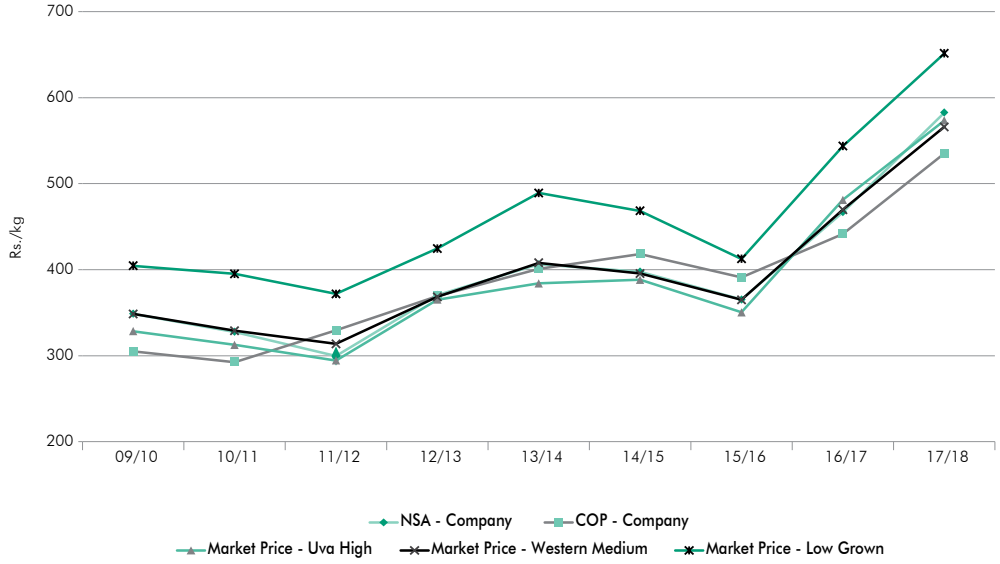




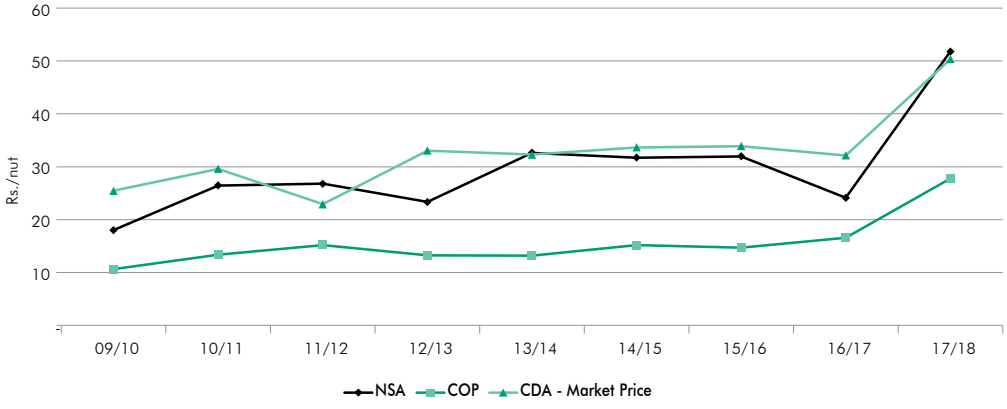
Net Sale Average Vs Cost of Production Vs RSS1 Price - Rubber



Net Sale Average Vs Cost of Production Vs Market Prices, Elevations - Tea



Net Sale Average Vs Cost of Production Vs CDA Market Price - Coconut



Performance Measurement

Quarterly Performance

Tabulated below is the quarterly performance of the Company.

Financial Year 2017/18

		1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	2017/18 Total	2016/17 Total
Revenue	Rs.'000	666,733	587,248	573,137	681,049	2,508,167	2,287,162
Gross Profit	Rs.'000	70,075	119,982	121,575	54,566	366,198	227,194
Profit Before Interest & Tax	Rs.'000	160,103	154,655	138,581	172,160	625,499	457,276
Profit Before Tax	Rs.'000	91,389	82,255	64,214	107,406	345,264	199,175
Profit After Tax	Rs.'000	90,883	81,245	63,480	250	235,859	217,263
Earnings per Share	Rs.	3.64	3.25	2.54	0.01	9.43	8.69
Net Assets Value per Share	Rs.	108.50	111.75	114.29	106.70	106.70	104.87
Last Traded Market Price per Share	Rs.	66.90	72.00	70.00	65.90	65.90	52.00
Highest Market Price per Share	Rs.	72.00	78.20	73.90	78.00	78.20	72.50
Lowest Market Price per Share	Rs.	51.00	65.10	63.50	65.00	51.00	45.00
Total Assets	Rs.mn	6,484	6,543	6,868	6,903	6,903	6,404
Total Equity	Rs.mn	2,713	2,794	2,857	2,667	2,667	2,622
Total Debt	Rs.mn	2,572	2,593	2,796	2,902	2,902	2,576
Debt Equity Ratio	%	49	48	49	52	52	50
Equity / Asset Ratio	%	42	43	42	39	39	41
Price Earnings Ratio	Times	18	22	28	6,590	6.99	5.98

Seeing Beyond

As a future oriented organization, we do not focus our operations only for a short period. Instead, we are seeking to sustain our performance over the long run. Consequently, we always attempt to maintain our performance in a sustainable manner where the needs of not only the present generation but also the future generation are considered in decision making on resource allocation. This is possible due to our ability to Seeing Beyond which provides us with the useful insights into the future. Consequently, we are in the process of being sustainable not only in the financial operations but also in social and environmental aspects.

Sustainability Report

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Conservation of Environment 50

SUSTAINABILITY REPORT

Our commitment to Seeing Beyond is backed by our high emphasis on the sustainability movements. As a Company which recognizes the responsibility for a wide range of stakeholders, we always make every possible effort to maximize the benefits to these stakeholders while maintaining adverse consequences at a minimum level. Accordingly, KPL always desires to be a sustainable Company which is willing to enhance long run well being of a diverse range of stakeholders even at the expense of its short term benefits. In this context, we actively engage with our stakeholders to manage them in the best interest of both the Company and the Stakeholders.

Stakeholder Engagement

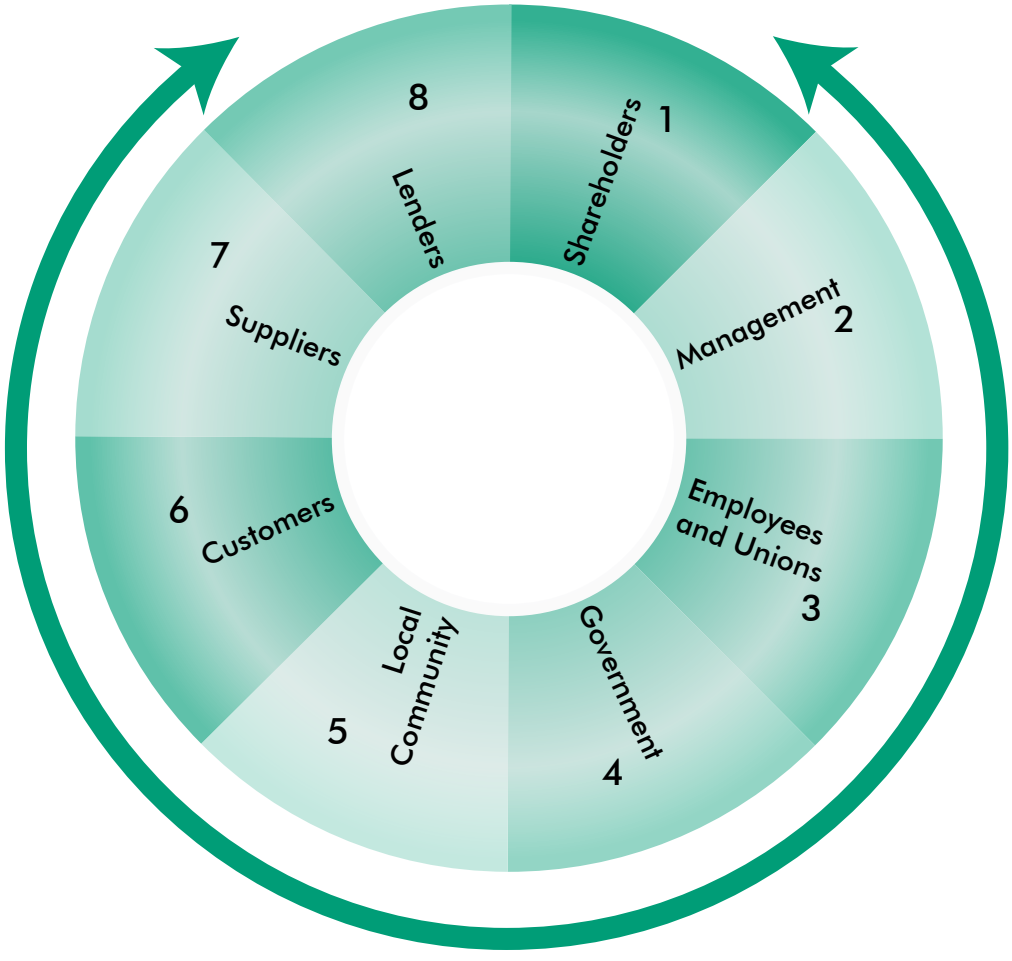
Recognizing and assessing the stakeholders is the effective first step in our approach to stakeholder engagement. In this effort, stakeholders are defined to encompass all the forces and factors which affect, and are being affected by, the operations of the Company. In light of this definition combined with the past experience of the Company, we have identified following forces as the significant stakeholders of the Company.

The nature of the engagement with those stakeholders is mainly determined by the assessment of the particular stakeholder in terms of their interest and level of influence towards the Company.

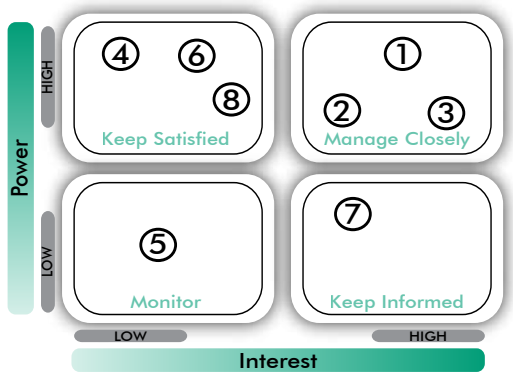
Engagement Process

The engagement process with stakeholders takes place based on the assessment of stakeholders which enables the Company to recognize reasonable claims of the stakeholder groups.

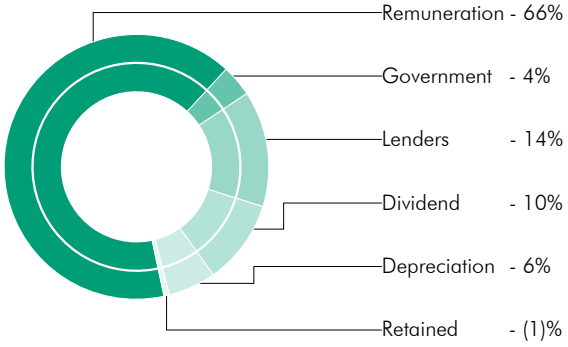
OUR STAKEHOLDERS



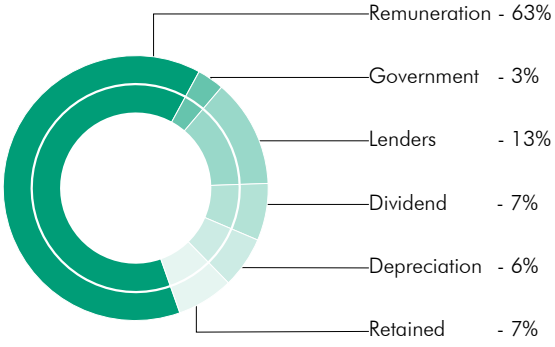
Classification of Stakeholders based on Power and Interest



Distribution of Value Added - 2017/18



Distribution of Value Added - 2016/17



1. Shareholders

Shareholders are the major source of finance for the Company. Consequently, they are entitled to legal interest and power in respect of the affairs of the Company. Accordingly, they are assessed as a group of stakeholders having a higher level of interest and power. Such an assessment requires shareholders to be managed closely so that their reasonable claims are fulfilled carefully. Our engagement with shareholders takes various forms such as quarterly Financial Statements, press releases, annual reports and annual general meeting.

This engagement process provides us with important insights regarding the demand of the shareholders and consequently, we create value in the form of dividend, share price appreciation, good corporate governance and risk management measures in response to the demand of the shareholders.

As depicted in the Statement of Value Added, we have distributed dividend amounting to Rs. 188 million during 2017/18 financial year.

2. Management

The management is the major party which makes the decisions including strategic and other significant decisions which are geared towards the achievement of the Company's objectives. Due to the decision making power vested in the management, they are exerting a higher level of power over the Company. On the other hand, their performance is evaluated based on the performance of the Company and hence they have a higher level of interest in Company's affairs. Recognizing this reality, we assess management personnel as a stakeholder group which should be managed closely. Hence, the management is compensated appropriately in one part for the risk they take and in other part for motivating them.

3. Employees and Unions

Committed workforce is the main source of our value creation process. They are also assessed as a group of stakeholders which should be managed closely due to the higher level of interest and power they are having in respect of the operations of the Company. Accordingly, we continuously engage with employees and trade unions in various ways such as meetings, grievance handling mechanisms etc. On the other hand, all our estate workers and staff are covered by the collective agreement. The insights derived from such engagement processes enable us to meet the reasonable claim of the employees and trade unions. On the basis of these insights, we provide value to our employees in the form of employee health and safety mechanisms, avoidance of discriminating practices on the grounds of age, ethnicity, religion and gender, activities directed to enhance the employee welfare and reasonable level of wages and salaries.

During the financial year 2017/18, we have distributed value of Rs. 1,183 million as salaries, wages and other benefits to the employees which reflects the highest distribution from the value created.

4. Government

As a Company which operates in the Government land, we are under the higher level of influence of the Government. However, as long as we comply with the Government rules and regulations and fulfill the Government's requirement, the Government shows a relatively lower level of interest in the affairs of the Company. Hence, it is appropriate to keep the Government satisfied. In this respect, we engage with the Government in forms of meetings with relevant officials and ministers and provision of requested information to Government agencies. The outcome of the engagement process is to provide value to the Government in the form of taxes and lease rentals while obtaining the maximum support from it for the operations of the Company.

In 2017/18, we have distributed Rs. 70 million to the Government in the form of taxes and lease rental.

5. Local Community

Community reflects a lower level of interest and power over the affairs of the Company until the Company does not create any threat to it. Recognizing this reality, we continuously monitor the interactions with the community with the view of managing them in a reasonable manner. Accordingly, we engage with the constituencies of the community in the forms of official and individual level meetings. This enables the Company to provide assistance to the community in achieving their various requirements.

6. Customers

Customers are a key party which is involved with the business. Their level of power and the interest in the Company is dependent upon the nature and volume of the relationship between the Company and the customer. However, in general, they are recognized as a group of stakeholders having a higher level of power but a lower level of interest in the affairs of the Company. Consequently, they should be kept satisfied by meeting their demand appropriately. We actively engage with the customers by ways of auctions and meetings. The insights derived from such engagement enable us to provide value to customers in the form of quality products, timely delivery, compliance with standard requirements.

- 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. Suppliers

Suppliers also show a relatively low level of interest but a higher level of power in general. The relationship with the suppliers is the key to continuous and smooth operations of the Company. Therefore, it is essential to keep the suppliers satisfied which leads to the mutually beneficial relationship with the suppliers. Accordingly, we provide value to the suppliers in the form of continuous orders, timely settlement of dues, provision of required information on time. To provide the value to suppliers in this manner, we need to gain an understanding of the requirements of the suppliers. Accordingly, we seek to engage with the suppliers in various forms. Regualr meetings with the suppliers and maintaining close relationships are some of those forms. This understanding is required for the benfit of both the Company and the supplier.

8. Lenders

Lenders are a major source of finance for the Company. They are assessed as a group of stakeholders having a lower level of interest but a higher level of power over the affairs of the Company. In this process, we continuously engage with the lenders through formal discusions, reporting on the covenant requirements and negotiations. This type of engagement enables us to secure funds when necessary which is required for both the on going operations and capital expenditures. Hence they should be kept satisfied with timely settlement of loans together with interest, provision of requested information and compliance with covenants requirements.

In 2017/18, we have distributed around Rs. 258 million which reflects 14 per cent of the total value generated to the lenders.

Standard Certifications

In ensuring strong relationships with our stakeholders, we have obtained certain certifications which provide external assurance on the appropriateness of our relationships with the stakeholders.

Ethical Tea Partnership

We have obtained the Ethical Tea Partnership Certification (ETP) for all the tea factories of the Company. This is a certification awarded for continuous improvement of the welfare and working conditions of its workers as well as on environmental sustainability.

ECONOMIC PERFORMANCE

In KPL, we believe that the interactive performance among the three aspects of sustainability is vital for the achievement of the overall objectives of the Company. However, the apparent performance of the Company is embedded in the economic performance. On the other hand, the Company's ability to constantly maintain the other pillars of sustainability is highly influenced by the economic performance. Accordingly, the economic performance is important not only for the Company but also for all the other stakeholders as it is the key to the achievement of other aspects of sustainability. Recognizing the importance of economic performance, we continually initiate various measures to sustain the economic performance of the Company.

How our current economic performance is benefited to the stakeholders is illustrated in the Statement of Value Added.

Improving Financial Performance

In view of improving and sustaining financial performance in the long run, we continuously focus our attention on strategic factors which influence the survival of the Company. As a result of the careful analysis of such strategic factors, we have initiated several measures in order to strengthen our financial results.

Continuous investment in our major revenue sources

In 2017/18, we have invested around Rs. 211 million in order to sustain the future earning power of our main products. The allocation of the investment has taken place as follows.

Rubber	Rs. 184 million
Tea	Rs. 25 million
Coconut	Rs. 2 million

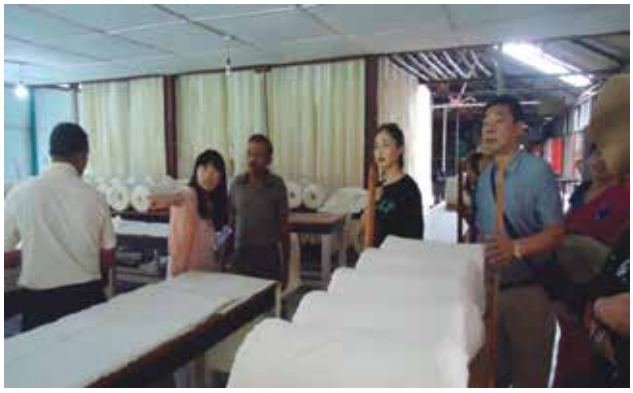
Product Diversification

In view of the global trends in the world market for the plantation products, we have focused our attention on products which have a greater potential. Consequently, the Company has started investing in oil palm as a sustainable strategy. In addition, we have initiated a minor crop project in which pineapple, cocoa, vanilla, and pepper are cultivated with the aim of distributing through the Arpico Super Market chain.

Pilot Project on Agar Wood Planting

Atale estate has initiated an agar wood plantation as a pilot project. This type of initiatives enable the organization to break the traditional barriers which hinder the performance of the Company.

Promoting Export of our Products



As an initiative towards the promotion of export, we continuously engage in creating a favourable impression about our products in the minds of the foreign buyers. Consequently, we arranged factory visits for the foreign delegates to inspect our production process and quality standards.

Our Achievements towards Sustainable Financial Performance

Securing the Silver Award under Agriculture - Bulk Rubber Product Category at National Chamber of Commerce Award Ceremony in 2017.

(GLHD Amaratunga, Superintendent of Atale Estate receiving the Silver award - National Chamber of Exporters, 25th NCE Export Awards)

Annual Report Award for Compliance 2017

As a Company which strive for strict compliance with regulatory and other relevant standards, we always focus our financial reporting process to be aligned with the standards and regulatory requirements. Consequently, our effort towards the compliance is recognized by CA Sri Lanka by awarding Certification of Compliance at 53rd Annual Report Award Ceremony held in 2017.

Evidence of Our Quality in Earnings

During the year under review, we have achieved top prices 382 times at Colombo Tea Auction with Gampaha and Kirkleese estates recording all times top prices two times and thirteen times respectively.

This type of an achievement was possible due to our commitment to quality. Our belief that continuous quality is the key to sustainable earnings always reinforces a culture driven by quality within the Company.

Daily Mirror

Saturday, September 9, 2017

Kirklees Estate sets all-time record price for tea

At the Colombo Tea Auction of 6th September 2017, Kirklees Estate had the proud distinction of establishing an All Time Record Price of Rs.700 for a Dust No-1 Grade in the Uda Pussellawa category. This line of tea was purchased by M/s. Watawala Tea Ceylon Limited. MORE ON P4

Statement of Value Added

Rupees in Millions		2017/18	%	2016/17	%
Turnover		2,508		2,287	
Other Income		361		316	
		2,869		2,603	
Cost of Material & Services		(1,077)		(811)	
Value Added		**1,792**		**1,792**	
DISTRIBUTION OF VALUE ADDED					
To Employees as Remuneration		1,183	66%	1,135	63%
To Government as Taxes and Lease Rent		70	4%	59	3%
To Lenders of Capital as Interest		258	14%	237	13%
To Shareholders as Dividend		188	10%	125	7%
Retained in the Business as;					
Provision for Depreciation		105	6%	112	6%
Profit Retained / (Utilized)		(12)	-1%	124	7%
		1,792	**100%**	**1,792**	**100%**
Value Added per Employee	Rs.	**300,340**		307,338	
Turnover per Employee	Rs.	**427,577**		389,901	

Sources and Utilisation of Income

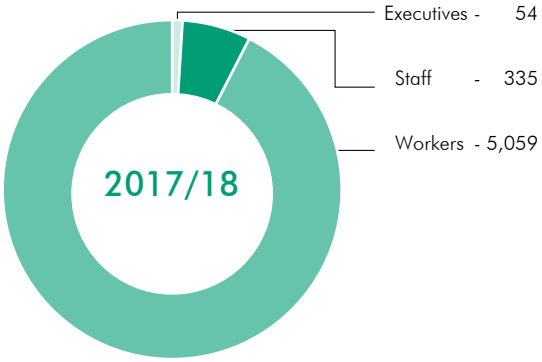
Rupees in Millions	2017/18	%	2016/17	%
Sources of Income				
Rubber	1,154	40%	1,057	41%
Tea	1,127	39%	1,030	40%
Coconut	58	2%	39	2%
Other Crops	0	0%	2	0%
Sale of Rubber Trees	169	6%	158	6%
Other Income	361	13%	316	12%
	2,869	**100%**	**2,603**	**100%**
Utilization of Income				
To Employees as Remuneration	1,183	41%	1,135	44%
To Government as Taxes & Lease Rent	70	2%	59	2%
To Lenders of Capital as Interest	258	9%	237	9%
To Suppliers & Service Providers	1,077	38%	811	31%
To Shareholders as Dividend	188	7%	125	5%
To Expansion & Growth	94	3%	236	9%
	2,869	**100%**	**2,603**	**100%**

HUMAN DEVELOPMENT

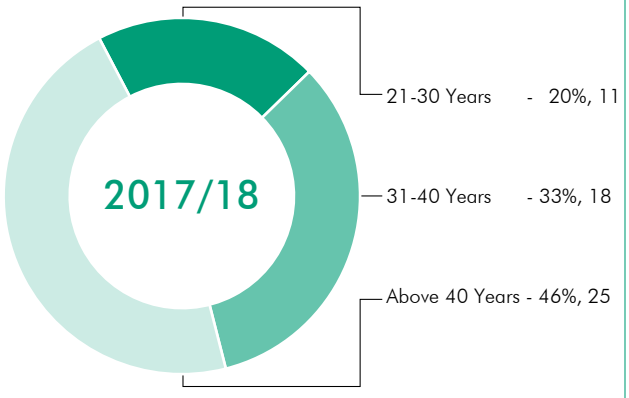
Our Employees

Year	Senior Management	Middle Management	Estate Managers & Executives	Head Office Staff	Estate Staff	Harvestors & Others	Total
2016/17	4	11	38	12	336	5,465	5,866
2017/18	5	11	38	12	323	5,059	5,448

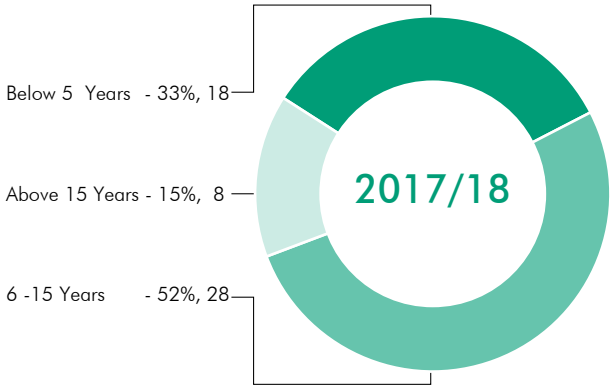
Employment Categorization 2017/18



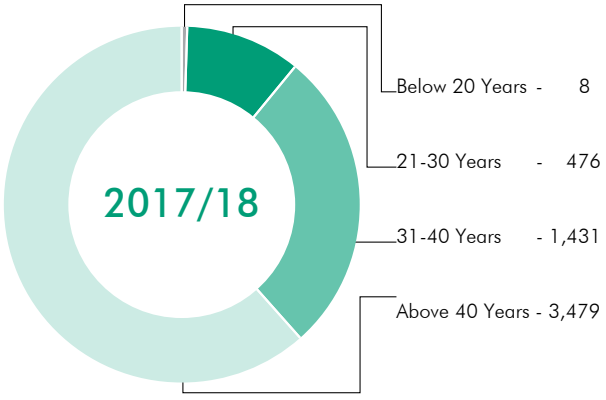
Age Analysis - Executives



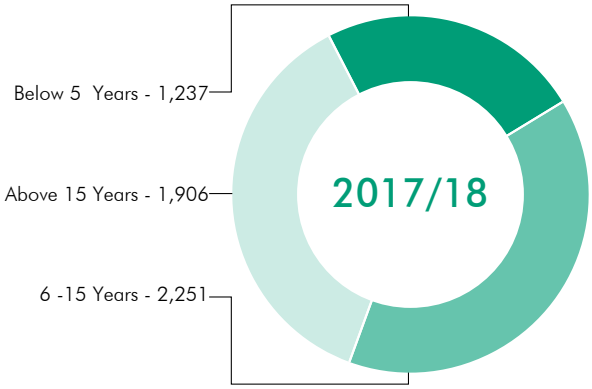
Service Analysis - Executives



Age Analysis - Staff and Workers



Service Analysis - Staff and Workers



Employee Development

As a way of contributing towards the society, we continued to improve the quality of the human resources through various initiatives which are essential for both the development of the Company as well as the economy.

Training on Improving Productivity

The Company conducts training programs with the intention of improving the productivity of employees at every level of the Company. Such initiatives are mainly aimed at enhancing the employee productivity and moral which is essential for the achievement of the Company's objectives. On the other hand, it is beneficial to employees as well because the enhanced competence within the employees leads to their job security and the career development.

1. Productivity enhancement program conducted by Atale estate with the patronage of the Director, National Productivity Secretariat.

2. Educative Program on rubber cultivation and harvesting conducted by Atale estate with the patronage of an eminent agriculturist.

3. A session on the Quality Improvement in Rubber was conducted by the Director of Rubber Research Institute at the invitation of the Superintendent of the Atale estate.

4. A training program on coconut planting was held at Etana estate as an initiative towards the development of coconut plantation in our estates.

5. A program on efficient Rubber tapping was conducted at Pallegama estate with the patronage of Rubber Development Department.

Provision of Medical Facilities

The health of the workforce is a major priority of our Company. Accordingly, we time to time arrange events which facilitate the enhancement of the health of our employees.

1. An awareness program on the importance of de-worming was conducted at Atale estate with the patronage of the Public Health Inspector of the area and the de-worming treatment was provided to factory employees free of charge.

2. In the view of enhancing the health of the employees, we encourage to appoint Estate Health Committees. Accordingly, Atale estate has appointed an estate health committee comprising of factory employees. This practice is expected to be continued across all the estates of the Company.

3. An awareness program on Dengue Prevention was conducted in the Atale estate with the view of "Prevention is Better than Cure". On the same day, blood sample of employees was tested for Malaria as a preventive measure.

4. An awareness program on drug was conducted in Pallegama estate with the patronage of District Health Officer of Kegalle District.

5. An eye clinic was conducted at Yataderiya estate for the benefit of the estate employees.

Expressing gratitude to former employees

Appreciating the service of a former employee who lost his hands in an accident in 1967 under the guidance of the Superintendent of Atale estate.

Annual Trips of Employees

Trips are arranged for the employees annually with the prime motive of enhancing their mental health by allowing them to be away from work for some time.

Visit to Nuwara-Eliya by the employees of Atale estate.

Assistance for higher education of children of our workers

As a part of our employees' welfare initiatives, we continue our practice of providing scholarships to children of the Company workers who are selected to national universities. Accordingly, a fixed amount is granted to selected children each month throughout their university life.

Industrial Relations and Collective Agreements

As a socially responsible Company, we are always keen on maintaining mutually beneficial relationships with the employees. The Company is operating on the principle that "we cannot satisfy our customers without satisfied employees". Therefore the Company adopts a proactive approach in relation to the industrial relations. Accordingly, we attempt to provide value to our employees in various aspects which are essential for building and maintaining healthy industrial relations. The Company establishes its policies with regard to employees through the collective agreements. The Company's employees belong to worker and staff unions. On the other hand, all the estate workers are covered by the collective agreement. These collective agreements are usually subject to revision periodically.

Accordingly, we have made provisions for benefits such as residence, creches, hospitals, schools and other welfare facilities which lead to the enhancement of the employees' well-being. Due to these progressive movements taken by the Company in respect of the employees, the Company encounters no material issues in relation to industrial and employee relations of the Company.

Employee Achievements

Five employees of our estates won the best tapper awards at an event conducted by the Labour Department in view of the international women day.

Seeing Beyond with Employees

Employees are the only living resource of the Company which utilizes and manages all the other resources. Accordingly, developing and maintaining a workforce with a higher level of skills, knowledge and attitudes is crucial to our commitment to the Seeing Beyond philosophy. Such a philosophy is probable if only our workforce is focused on this approach. All the initiatives towards the employees from top to bottom are equally significant for Seeing Beyond. In KPL, we recognize this reality in taking decisions related to employees.

SOCIAL ENGAGEMENT

Social engagement is an essential part of our sustainability approach. As a Company that actively and closely interacts with the society, we are making contributions to improve the local community. In this way, we provide assistance to various events including religious, cultural and other important events of the local community.

Another significant aspect of our social engagement is to extend our product and other responsibilities to the society by the compliance with quality standards. Accordingly, we have obtained relevant accreditation in order to ensure the quality of our products to maintain and enhance the customer satisfaction.

Community Development

1. Starting the new year 2018 with a Dhamma Sermon in Atale estate.

2. Atale estate has conducted a Christmas Celebration for the benefit of parents and children living in vicinity.

3. Conducting Catholic prayers for Catholic devotees in Atale estate.

4. Pirith Chanting Ceremony at Parambe estate.

5. Providing opportunities for students to visit the estate.

Quality in Production and Behaviour

1. Sustainable Procurement Practices

In the current competitive context, the Companies are moving towards the sustainable practices in order to survive and achieve growth. Accordingly, each and every activity of the Company should align with the concept of sustainability if the Company is planning to be outstanding in the industry. Hence such sustainable practices are considered as drivers of value creation not only for the Company but also for the other stakeholders and also for the society at large. The procurement practice is such area that needs sustainable approach. Accordingly, the sustainable procurement practices have become prominence in the value creation of the current competitive context.

As a socially responsible Company, we always attempt to carry on our business activities in a sustainable

manner. Accordingly, we focus not only on the internal operations of the Company but also on the activities related to the inbound and outbound logistics. Hence the Company is highly keen on maintaining close and mutually beneficial relationships with our suppliers. Maintaining such relationships with suppliers will enable the Company to effectively manage the economic, social and environmental impacts. Accordingly, as a part of the Company's sustainable procurement practices, we always encourage our supply chain to procure the required items locally if the required items are locally available. Accordingly, such local procurement will stimulate the well-being of those local suppliers in one hand which represents the contribution to the society from the Company. On the other hand such practice helps the Company develop and maintain mutually beneficial relationships with the local community which is essential for the strategic success of the Company.

On the other hand, our factories process both the agricultural produce of our estates as well as the bought produce from the small holder estates. Such procurement practices lead towards the development and the well being of the local community ensuring the sustainable relationships between the Company and the local community.

Accordingly, following these sustainable procurement practices will enable the Company to achieve sustainable growth and ultimately achieve the predetermined objectives of the Company.

2. Product Responsibility

We as a diversified Company in the areas of tea, rubber, coconuts and oil palm are always dedicated to quality. Each and every activity within the Company context is carried out with the focus on quality. Due to this dedicated practice on quality, we have been able to establish a distinct image in the market related to our product quality. In order to maintain and enhance this recognition in the market place, we constantly carry on making innovative reforms within the Company context which is required to ensure the sustainable development. As a practice, we always attempt to make minor improvements in every aspect of the Company and we strongly believe in the concept that achieving 1 per cent improvement in every aspect is better than achieving 100 per cent improvement in only one aspect. Accordingly, we are driven to make continuous improvement throughout the Company and to achieve zero defects in each and every activity the Company is involved.

Accordingly, as a move towards the achievement of these inspirations, we regularly conduct employee training program to ensure that the employees are well capable enough of discharging their responsibility to ensure the quality of products.

And also, the Company has successfully initiated a bio latex project in order to reduce the use of chemicals, stimulators and inorganic fertilizers in order to ensure that the Company is complying with the focus on quality. In addition to above moves, we are closely interacting with the following organizations and has achieved the membership of those organizations with the view of improving quality.

- The Colombo Tea Traders Association (CTTA)
- The Planters Association of Ceylon (PA)
- The Employer's Federation of Ceylon (EFC)
- The Colombo Rubber Traders Association (CRTA)
- Plantation Human Development Trust (PHDT)
- The Rubber Research Institute of Sri Lanka (RRISL)
- Rubber Development Department (RDD)
- Sri Lanka Tea Board (SLTB)
- Spices & Allied Products Producers' & Traders' Association (SAPPTA)
- The Sri Lanka Society of Rubber Industry
- National Agribusiness Council (NAC)
- The Sri Lanka Institute of Directors

Additionally we have been able to obtain following certificates and these certificates provide an independent third party assurance on the quality of the products and the operations of the Company.

- EU & USDA _ NOP Certification (European Union & National Organic Program (NOP) of the United States Department of Agriculture)
- ISO 9001 : 2008 System Certification – Quality Management System Certification for all Rubber Manufacturing Factories of the Company

3. Product Labeling

As a Company responsible for what we do, we undertake all the labeling and packaging activities of our products in accordance with the standards and guidelines imposed by Colombo Tea Auctions and Ceylon Tea Trade Association. This labeling requires Estate Name, garden mark, grade, invoice number, gross and net weight to be included in the label. Accordingly we have complied with these requirements.

4. Ethical Behaviour

The values embedded in the culture of the Company always emphasize the necessity of considering the appropriateness of each activity we undertake in terms of moral principles of good and bad behavior. Accordingly, all the members of the Company are required and encouraged to be highly ethical in each and every activity and relationship. Accordingly, the Company has developed a culture which seeks to comply with moral principles beyond the general laws and regulation imposed on the business.

CONSERVATION OF ENVIRONMENT

The plantation industry is inherently interacting with the natural environment. Due to this inherent interactions, the consequences of our business operations are inevitably passed onto the natural environment. On the other hand, the environment is rapidly being degraded in line with the continuous development in the modern technology. We as a Company dedicated to Seeing Beyond have responded to this concern in advance by taking variety of environmental friendly steps.

Environmental Protection & Water Management

In the current globalization era, one of the main challenges faced by the living beings is the conservation of water which is very much essential for the survival of the world. Due to many malpractices of businesses and human kinds, sources of water become continuously polluted posing a threat on the survival of living being. Recognizing this reality, we as a socially responsible Company are always keen on taking each and every possible action with the view of preserving the water sources for future generations.

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 by Central Enviranmental Authority (CEA).

Utilization of Material

In the manufacturing process in the factories of the Company, various types of materials are used depending on the nature of the products being manufactured. The respective quantities of materials used in the process of manufacturing have been depicted below.

Type of Material	2017/18	2016/17
Green Leaf (kg '000)	9,434	10,159
Field Latex (kg '000)	13,372	14,681
Fertilizer (kg '000)	1,852	1,800
Packing Material (No of bags .'000)	56	70

We are always taking relevant steps in order to minimize the adverse effects of these materials on the environment.

Utilization of Energy

As a Company which is having operations in the areas of cultivation and processing of tea, rubber and coconuts, we are required to utilize energy from various sources in comparatively large volumes. However, as a way of minimizing both the cost of the Company and also the adverse impact on the environment due to energy utilization, we are constantly concerned with the amount of energy utilized in comparison to the output. Accordingly, as a measure towards the sustainable development, we promote a culture which encourages our employees to utilize energy in an efficient manner. On the other hand, we are in the process of scrutinizing the information related to energy utilization to ensure the efficient use of energy.

Energy Source	Consumption	
	2017/18	2016/17
Fuel Ltres Used	225,520	275,945
Electricity Units Consumed	2,689,348	2,638,411

Training on Energy Saving

As an initiative towards the enhancement of energy saving culture within the Company, we regularly conduct training programs to improve the employees' awareness on efficient utilization of energy sources. Officials of Ceylon Electricity Board conducted such a session on energy saving measures in Atale estate.

Timber & Forestry

As a plantation Company which 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. Moreover the Company maintains 69 hectare of forestry and 140 hectare of Pinus and other timber mainly in the Udapussellawa Region.

Harvesting Timber

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

Forestry Management and Soil Conservation

The Company's forestry management plan for sustainable management of forest and harvestable timber extents on estates is 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's 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.

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, stimulator 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 100,000 kg of crop from these fields. These crops are bought by the sister Company, Messrs. Richard Pieris Natural Foam Limited at a competitive price.

Alignment with Quality Standards

To ensure our commitment towards the sustainable environment practices, we have obtained certain relevant certifications. Such an accreditation provides an external assurance on our initiatives towards sustainability. Accordingly, we have obtained following certifications which indicate our commitment to sustainability.

- 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: 2015 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.

Legacy of Kegalle Plantations PLC

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 to 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 preserve 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).

Seeing Beyond

Our commitment to Seeing Beyond is reinforced by the corporate structure enacted within the Company. From the board of directors to the operational employee, the commitment to Seeing Beyond is encouraged. As a result, our human resources strengthened by the committed corporate structure enable the Company to withstand both internal and external challenges and to achieve the desired performance. This process is further backed by the committees formed to monitor the governance process of the Company.

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, 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.

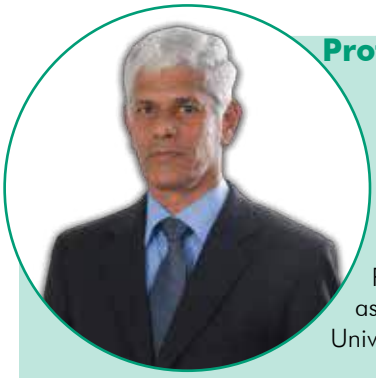
He is a Founder, Chairman and Director of numerous companies in Sri Lanka, USA, Japan, UK, Germany, Switzerland and Singapore. He is also the founding Managing Director of a European Company, which manufactures and exports automotive components and systems, developed based on his own innovations, to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

He currently holds the positions of Managing Director of the Plantations Sector and Head of Group Human Resources of the Richard Pieris Group. He is also a Director of Kegalle Plantations PLC, Namunukula Plantations PLC and Maskeliya Plantations PLC. He has over four decades of experience in the Plantation Industry, having commenced his career as an Assistant Superintendent and thereafter served as Superintendent up to the time he joined the corporate management of Kegalle Plantations PLC in 1998. He is a Fellow of the National Institute of Plantation Management.

He is the current Chairman of the Planters' Association of Ceylon and the Colombo Rubber Traders' Association. He is also a Director of Richard Pieris Natural Foams Ltd., Exotic Horticulture (Pvt) Ltd., AEN Oil Palm Processing (Pvt) Ltd., and a member of the Boards of Directors of the Sri Lanka Tea Board and Rubber Research Board. He also serves as a Council Member of the Ceylon Chamber of Commerce 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 30 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 130 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. is on Agronomy was obtained in Kyoto, and his Ph.D. on Agronomy & Physiology from University of Kyoto.

Dr. Jayawardena currently serves as the Chairman of the Sri Lanka Council for Agricultural Research Policy and advisor to the Hon. Minister of Agriculture. He has served the Department of Agriculture over 03 decades and retired as the Director General of the Agriculture. After retirement he has served the plantation sector as Director of Tea Research Institute, Chairman of Tea Research Board, Chairman of Coconut Research Board and advisor to the Minister of Plantation Industry. He has also served as a member of many task forces appointed by the Government of Sri Lanka and continues to serve as member of the National Salaries & Cadre Commission. In 2010 he was appointed as a Director to the Board of Directors of Kegalle Plantations PLC.

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

He has over 46 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 many International Conferences related to agriculture development, research management, food security, bio-diversity and sustainable Agriculture in many Countries in the world.

Mr. Shaminda Yaddehige, Director

Mr. Shaminda Yaddehige is a Non-Executive Director of the Company.

Mr. Yaddehige was educated at Charter House, United Kingdom and graduated in Chemical Engineering from University College London. In addition he also possesses a Masters Degree in Business Administration from IE Business School which is ranked amongst the top 10 business schools in the World.

Mr. Yaddehige 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, Richard Pieris Natural Foams Limited, Richard Pieris Distributors Limited and also in several other Companies within the Richard Pieris Group.

MANAGEMENT TEAM

HEAD OFFICE

Senior Management

S S Poholiyadde	–	Managing Director, Plantation Sector
Sriyan Eriyagama	–	Chief Executive Officer
Sudheera Epitakumbura	–	Financial Controller
I S Doranegama	–	General Manager
D J L Sunil Govinnage	–	Consultant

Middle Management

T I Kodithuwakku	–	Senior Accountant
R M S S Herath	–	Manager - Information Systems
U P Jayasinghe	–	Assistant Manager
L G Madhusankha	–	Assistant Accountant
N H S K Munasinghe (Mrs.)	–	Accounts Executive
L T P Madhusankha	–	Management Trainee
Maleeha Amit (Mrs.)	–	Administration Executive
E S D D Perera	–	Executive
R M S S B Rathnayake	–	Executive
J A S Fernando	–	Executive
W M T C Weerakoon	–	Junior Executive

ESTATE

Estate Name	Name of the Superintendent	Name of the Assistant Superintendent/s & Other Executives
Estate Managers & Other Executives		
Allagolla Estate, Udapussellawa	B P D Mahesh	-
Ambadeniya Estate, Aranayake	A S de Wijethunge	N A Liyanagedara
Atale Estate, Atale	G L H D Amaratunga	N R B Senaratne / D W K K Seneviratne
Doteloya Estate, Dolosbage	U K Wanniarachchi	G M B Samaranayake
Eadella Estate, Polgahawela	S D Munasinghe	H M L C Warakaulle / M R Vaidyakularatne
Etana Estate, Warakapola	M W Liyanasekera	-
Gampaha Estate, Udapussellawa	Vinoda de Silva	H M I T Gunarathne
Hathbawe Estate, Rambukkana	H S B Aluvihare	-
Higgoda Estate, Undugoda	C A Jayaratne	-
Kirklees Estate, Udapussellawa	V S Athauda	I S K Chandrasiri
Luckyland Estate, Udapussellawa	S R Aluwihare	D M A B Dewagiri / W P N S Pathirana
Madeniya Estate, Warakapola	B P S M Cooray	-
Pallegama Estate, Niyadurupola	S A A P Jayatilake	N A M O M Navaratne / W L S Weerarathne
Parambe Estate, Undugoda	N D Madawala	A A M D V Mediwake
Udapola Estate, Polgahawela	A C S Munaweera	W L Dananja
Weniwella Estate, Alawwa	B M J A Moonamale	D S R Jayasinghe
Yataderiya Estate, Undugoda	D V M de Runn	C S Aluthge
Centrifuged Latex Project, Udapola Estate, Polgahawela	A C S Munaweera	S A J Bandara – Quality Control Officer
		M T S Krishantha – Senior Technical Assistant
		K R S D Wijethilake (Mrs.) – Technical Assistant
		I M P D Illankoon (Mrs.) – Technical Assistant
		C S Rathnayake – Junior Factory Executive

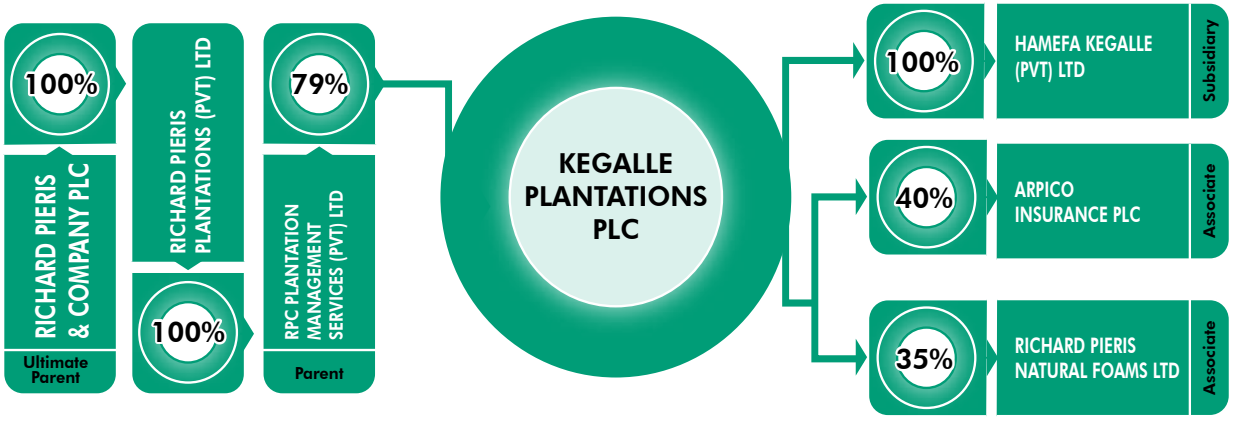
CORPORATE GOVERNANCE

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. In addition, the requirements of the Companies Act are also considerd in Corporate Governance System. This statement sets out the Corporate Governance policies, practices and processes adopted by the Board.

Group Structure

The Company's Group Structure is depicted as follows;



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 of 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 54 and 55. The Board makes an assessment annually on the independence or non-independence of each Non-Executive Director in compliance with listing rules.
During the year the Board met on five occasions. Prior to each meeting, the Directors are provided with all relevant management information and background material relevant to the agenda to enable informed decisions. Board Papers are submitted in advance on Company performance, new investments, capital projects and other issues which require specific Board approval. A separate information memorandum is provided on statutory payments at each Board Meeting.

The Chairman and the Chief Executive Officer of the Company are two defferent personnel where power and authority are clearly distinguished.

The separation of officers with executive powers in the Company ensure a balance of power and authority.

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.

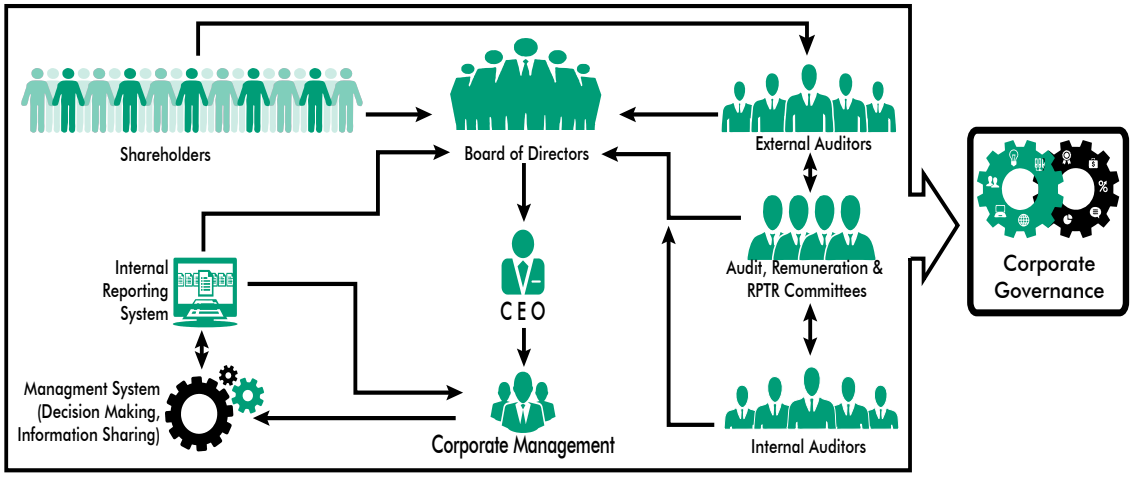
Name of Director	Executive	Non - Executive	Independent
Dr. Sena Yaddehige	✓	-	-
Mr. S S Poholiyadde	✓	-	-
Prof. R C W M R A Nugawela	-	✓	✓
Dr. S S B D G Jayawardena	-	✓	✓
Mr. Shaminda Yaddehige	-	✓	-

- 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.

The Board has delegated responsibilities to three 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 60 & 61 describes the activities carried out during the Financial Year.

Remuneration Committee

The Report of the Remuneration Committee is on Page 62 and highlights its main activities.

Related Party Transactions Review Committee

The Report of the Related Party Transactions Review Committee is on Page 63 and highlights its main activities.

Company Secretary

The Company secretaries are Richard Pieris Group Services (Pvt) Ltd who acts as secretaries to the Board

and make their presence at every board meeting. The Company Secretaries advise the board on all regulatory matters pertaining to Securities & Exchange Commission and Colombo Stock Exchange. The Secretaries also record minutes which are tabled for the next meeting for effective follow-up on decisions taken. The directors have independent access to the Company Secretary. The Secretary shall be appointed by the Directors for such term, at such remuneration and upon such conditions as they may think fit.

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 Financial Statements Accounts as well as in the Annual Report and 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 64 - 69.

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 is 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 38 - 52.

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
7.6 (vii)	Details of material issues pertaining to employees & industrial relations of the entity.	In Compliance
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
7.13	Rules on Minimum Public Holding	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 Mr. Jagath C. Korale (Demised on 21 May 2018), Chairman, Dr. Jayatissa De Costa and Mr. Prasanna Fernando. The Chairman of the Committee was 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 eight meetings during the year under review.

The Group Chief Financial Officer, Managing Director of Plantation Sector, 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 the 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 on-going 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, 2019 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.

It is with a deep sense of gratitude and respect, the committee place on record the commendable contribution made by the late Mr. Jagath C. Korale as the Chairman of the Audit Committee.

Prasanna Fernando
Member - Audit Committee

30 May 2018

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 three independent Non-Executive Directors, Dr. Jayatissa De Costa, Mr. Jagath C. Korale (Demised on 21 May 2018) and Mr. Prasanna Fernando. The Committee is chaired by Dr. Jayatissa De Costa. The Committee met on several occasions during the financial year.

In a highly competitive environment attracting and retaining high calibre 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. The remuneration policy of the Company is formulated to attract and retain key talent and motivate them to develop and implement the business strategy in order to optimize stakeholder value. The scope of the Committee covers the determination of the compensation of the senior management and to lay down guidelines for the compensation structure of the management staff of the Company. In its decision-making process necessary information and recommendations are obtained from the Senior Management, where necessary.

It is with a deep sense of gratitude and respect, the committee place on record the commendable contribution made by the late Mr. Jagath C. Korale to the Remuneration Committee.

Dr. Jayatissa De Costa P. C.
Chairman - Remuneration Committee

30 May 2018

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 consists of three Independent Non-Executive Directors of the Ultimate Parent Company as follows,

Dr. Jayatissa De Costa (Chairman)
Mr. Jagath C. Korale (Demised on 21 May 2018)
Mr. Prasanna Fernando

All three members were appointed with effect from 28 October 2016.

The Group Chief Financial Officer, Managing Director of Plantation Sector, 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 of Directors, 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 the Company.
- 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.

The Committee held three meetings during the period under review. The activities and views of the Committee have been communicated to the Board of Directors where appropriate.

Related Party Transactions during the year 2017/18

Details of the related party transactions entered into by the Company/Group are disclosed on page 126.

Declaration

Refer: Annual Report of the Board of Directors on the Affairs of the Company, Pages 72 to 75 for the declaration by the Board of Directors that no related party transaction falling within the ambit of the Listing Rules was entered into by the Company during 2017/18, except what was disclosed in the note no. 36.

It is with a deep sense of gratitude and respect, the committee place on record the commendable contribution made by the late Mr. Jagath C. Korale to the Related Party Transactions Review Committee.

Dr. Jayatissa De Costa P. C.
Chairman -
Related Party Transactions Review Committee

30 May 2018

RISK MANAGEMENT

Risk is a main concern in the today's highly complex, volatile and uncertain corporate environment where even survival has become a challenge for organizations. Hence the degree of success for any organization inevitably depends on the success of the approach to risk adopted by that particular organization.

In this way, KPL is also exposed to a multitude of risks as any other organization and 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. Accordingly, the Company seeks to adopt a precautionary approach in responding to the risk. The Board of Directors as the ultimate responsible body for corporate governance therefore places special emphasis on the management of business risks to ensure that sound Financial, Operational and Compliance Control Systems are put in place. Internal auditors and management team time to time review the systems' viability to address prevailing risks to eliminate down side risks and make the optimum use of upside risks, in order to safeguard shareholders' investment and the interests of other stakeholders.

Risk Culture

Risk culture is the most significant aspect of KPL's risk management. The main strength of risk culture is the commitment from top management towards risk management. They promote the importance of risk management to personnel at every level of the Company. Consequently, the employees are encouraged to effectively take part in the risk management process which ultimately lead to a bottom-up approach in identifying and responding to risks. Accordingly, the risk management is spread from the top management to employees at operational level throughout the organization. Hence risk communication takes place in both directions from top to bottom and from bottom to top. Apart from these, the internal audit division also plays a significant role in the risk management process. In addition, the management letter issued by the external auditors forms an useful source of information on deficiencies in the risk management process of the Company.

Risk Management Process

The Company's risk management process is developed with the intention of managing the risk within the risk appetite of the Company.

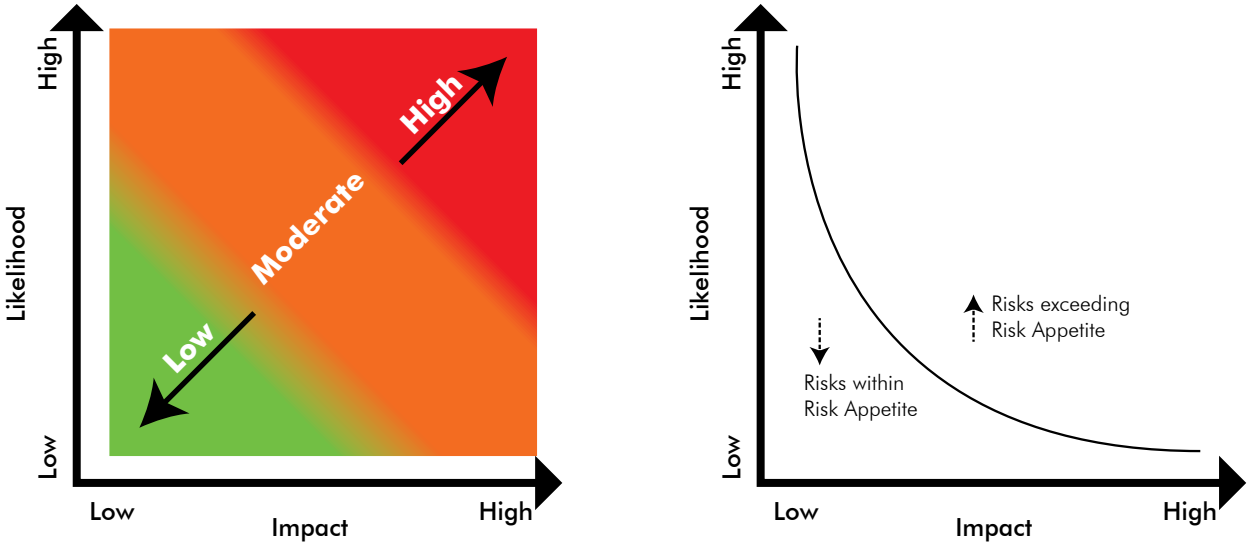
The risk management process of the Company comprises of following elements.

Risk Identification

Risk identification is essentially the first step for successful risk management. Risk can be managed only if it is sufficiently known. This risk identification in KPL mainly takes place at the Company level and the operational level. Senior management and the middle level management together with the assistance and insights from staff and other operational personnel bears the responsibility for risk management at the Company level. At this level, their main concern lies with the strategic risk that may impact the long term future of the Company. Estate managers with the assistance from operational level personnel are responsible for identifying risk at operational level. This risk identification process is continuous and employees at all the levels across the Company are encouraged to be alert to potential events which may create risk for the Company.

Risk Assessment

The identified risks are assessed in terms of the likelihood and impact of them. This assessment enables the Company to develop insights into the severity of each risk. The following diagram provides the starting point for the risk assessment.



On the basis of the insights developed from the above diagram, the management and other relevant personnel may decide whether these risks are within the risk appetite of the Company. This decision is the basis for the Company's response to the identified risk.

Risk Response

The management and others who are responsible for risk, develop actions to address the identified risks considering the Company's risk appetite.

High Risks	:	Risk avoidance by not undertaking risky activities.
Moderate Risks	:	Risk reduction by establishing internal controls and 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.

To keep risk responses within the risk appetite of the Company, awareness of risk is heavily promoted across the Company which is supported by the Company's risk culture.

Risk Communication

The risks identified at the Company level are communicated to relevant personnel who are involved in operations. On the other hand, the risks identified at operational level are communicated to management and board of directors in a timely manner. This approach enables the Company to keep the relevant personnel informed regarding the potentials for risks. Apart from this, general risks are communicated across the Company to all the employees at every level to manage such risks appropriately.

Risk Monitoring & Review

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

Effectiveness of the above risk management process will be reviewed annually. Such reviews offer insights to facilitate amendments to the current process. At this stage, relevant information is identified and communicated in order to facilitate people who are responsible for risk management within the Company.

Risk Exposure of KPL

On the basis of the above risk management framework of KPL, the following risks have been identified as risks that exert a higher level influence on the achievement of the Company's objectives.

Particularly, in the assessment phase of the risk, a categorized approach based on the nature is adopted to evaluate the identified risk.

Strategic Risk

Risk	Objective	Response
Global Economic Risk Probability ↑ ↑ Impact Rating H	To minimize the financial performance fluctuation of the Company resulting from global trends.	Modifying the product mix in response to global and local demand changes.
		Strengthening the inter- Company relationships to achieve continuous orders.
		Entering into negotiations with foreign customers to supply customized products to them.
Environmental Risk Probability ↑ ↑ Impact Rating H	To minimize the risks arising from adverse consequences to the economy resulting from business operations.	Adopting sustainable agricultural practices.
		Closely interacting with environmental authority to align our operations with their requirements.
		Taking steps for soil conservation.
		Allocate land for forestry.
Technological Risk Probability ↓ ↓ Impact Rating L	To minimize the product obsolescence resulting from the technological changes.	Continuous studies on the technological changes which necessitates our processes to be modified.
		Allocate financial resources for upgrading the production facilities.
Reputation Risk Probability ↓ ↑ Impact Rating M	To minimize the risk associated with damages to our reputation.	Tight quality control processes to ensure the quality of our products.
		Strong communication with stakeholders to maintain the image of the Company.
		Regular review on the Company's interactions with outside environment.

Financial Risk

Risk	Objective	Response
Currency Risk Probability ↑ ↑ Impact Rating H	To minimize risk associated with the fluctuations in exchange rates in relation to export proceeds, foreign currency payments and foreign currency debts.	Matching export proceeds with foreign currency payments.
		Entering into forward contracts when necessary in respect of future foreign currency transactions.
		Continuous analysis of the movement of exchange rates to develop insights regarding the future movement.
Interest Rate Risk and Gearing Risk Probability ↑ ↑ Impact Rating H	To minimize adverse effects of interest rate volatility and currency denominated borrowings.	Structuring the loan portfolio to combine foreign currency and local facilities.
		Minimize interest rate risk through internal hedging techniques such as matching by having balance between variable & fixed portion of interest income & expense.
		Maximum utilization of the concessionary funding available to Plantation Companies.
		Regular monitoring of the Company's capital structure and its changes.

Risk	Objective	Response
Liquidity and Cash Management Risk Probability ↑ ↓ Impact Rating M	To maintain sufficient liquidity levels while capitalizing on opportunities to raise funds at lowest possible cost.	Funding on long term assets through equity and long term loan.
		Preparation of cash flow forecasts to ascertain the cash surpluses and shortages in advance.
		Effective management of accounts receivable and accounts payable.
Capital Investment Risk Probability ↓ ↑ Impact Rating M	To achieve the profit expectations in line with the budget.	Adopting stringent controls on the approval for capital investment projects.
		Regular monitoring and feedback for the capital investment projects undertaken and analysis of the feasibility of continuing the project.
Credit Risk Probability ↓ ↓ Impact Rating L	To minimize the risk of debtor default.	Making sales through auctions where brokers assure the payment.
		Careful analysis of new customers when entering into transactions.
		Regular review and follow up of long outstanding balance if any.

Operational Risk

Risk	Objective	Response
Inventory and Asset Risk Probability ↓ ↑ Impact Rating 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.
Procurement Risk Probability ↓ ↓ Impact Rating 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.

Risk	Objective	Response
Human Capital and Labor Risk Probability ↓ ↑ Impact Rating 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.
Product and Risk of Competition Probability ↓ ↑ Impact Rating M	To maximize our market share and maintain the 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 and Development activities whenever necessary in order to identify key areas to be focused.
Information System Risk Probability ↓ ↓ Impact Rating L	To minimize risk associated with Date Security, Hardware, Communication and Software.	Maintaining of spare servers.
		Mirroring of hard disks with critical data.
		Vendor agreements for support service and maintenance.
		Regular updating of Virus scanners, Firewalls etc.
		Compliance with statutory requirements for environmental preservation.

Hazard Risk

Risk	Objective	Response
Industrial Accident Risk Probability ↓ ↑ Impact Rating M	To eliminate the probability of the occurrence of industrial accident.	Implementing safety measures in the factories and estates.
		Improving the awareness of the employees on the possible accidents.
		Facilitating the employee education on first aid treatment.
		Aligning the production processes with relevant safety standards.
Natural Disaster Risk Probability ↑ ↑ Impact Rating H	To minimize the losses arising due to natural disasters.	Analyzing the seasonal trends of usual disasters such as floods and getting prepared to minimize avoidable losses.
		Obtaining insurance covers for the risky areas.
		Preparation of the staff to face unexpected disasters by improving their knowledge on such events.

Is Traditional Transformation Over?

Our annual report for 2016/17 was based on the theme of "Transforming from the Tradition" which focused the Company's investment in oil palm. In fact, substantial investments made in respect of oil palm is one way of reinforcing our commitment to "Seeing Beyond Philosophy". Meanwhile, the government is also in the process of encouraging the oil palm plantation among traditional planting areas. Consequently, approval was granted to import 259,900 oil palm seeds for five regional plantation companies in 2017, under the supervision of Coconut Research Institute, in line with the policy decision to expand Sri Lanka's oil palm cultivation up to 20,000 hectares. Further, a scientific study on the environment impact of oil palm cultivation is being conducted with the collaboration of the Central Environmental Authority (CEA).

Accordingly, we continue our investment in oil palm during the current year as well with intentions to reap benefits in the future. This type of measure is crucial to the successful standing of the Company amidst the global challenges. However, locally we have encountered several challenges emanating from misunderstanding on the oil palm. Therefore, we highly believe that the accurate information should be shared across local community to eliminate such misunderstandings.

However, we continue our efforts on the cultivation of oil palm which will bring benefits not only to the Company but also to the national economy. Accordingly, we have allocated Rs. 255 million for development of oil palm plantation in the next financial year. We highly rely on our investment that it will create a new era for our Company.

Seeing Beyond

Financial performance of the Company is a major indicator which implies the healthiness of the Company's operation although it is not the only indicator. Accordingly, we are always in the process of improving our financial status together with better social relationships and environmental conservation. In this process, we continuously make changes to our product portfolio while improving the existing products. Our ability to Seeing Beyond enables us to identify the required modifications in advance so as to sustain our financial performance in the long run.

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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 2018 and the Auditor's Report thereon.

The Board of Directors approved this report at the Board meeting held on 30 May 2018.

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 managed remained the same as last year - 17 estates with a total extent cultivated being 7,513 hectares (7,676 hectares in 2017).

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

Future Development

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

Review of the Company Performance

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

Turnover

The Turnover of the Company was Rs. 2,508,166,714/- (2017 - Rs. 2,287,161,250/-) which is a 10% increase over last year. Composition of the Revenue is given in Note 6 to the Accounts.

Financial Results

Year Ended 31 March	2018	2017
	Rs.'000	Rs.'000
Profit from operations after deducting all expenses, depreciation and all known liabilities	345,264	199,174
(-) Taxation	(109,405)	18,088
Profit After Tax	235,859	217,263
(+) Other Comprehensive Income/(Loss)	(2,671)	93,124
Total Comprehensive Income	233,187	310,387
(+) Un-appropriated profit brought forward	2,084,575	1,960,803
Profit available for distribution	2,317,762	2,271,190
Appropriation		
Dividends paid	(187,500)	(125,000)
Timber Reserve	(16,487)	(5,035)
Available-for-Sale Reserves	(41,148)	(56,580)
Un-appropriated profit carried forward	2,072,627	2,084,575

Investments

Information relating to the movement of investments is given in Note 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. 334,739,466/- (2017 - Rs. 175,924,241/-), out of which expenditure on Biological Assets amounts to Rs. 300,895,052/- (2017 - Rs. 172,756,534/-). 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 2018 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 2018 was Rs. 2,417,382,541/- (2017 - Rs. 2,371,695,169/-). The details are given in the Statement of Changes in Equity on Page 83 to the Financial Statements.

Donations

The Donations made during the year by the Company amounted to Rs. 746,718/- (2017 – Nil).

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 144 to 147 of this report.

Major Shareholders

The twenty largest shareholders of the Company as at 31 March 2018 together with percentages held are given under the caption "Shareholder & Investor Information" on Page 144.

Directors

The Names of the Directors who held Office during the year are given below. Their brief profile appears on Pages 54 & 55.

Dr. Sena Yaddehige	Chairman
S S Poholiyadde	Director
Prof. R C W M R A Nugawela	Director
Dr. S S B D G Jayawardena	Director
Shaminda Yaddehige	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 72 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"

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 75 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"

In accordance with the Provisions of the Article 92 of the Articles of Association of the Company, Prof. Asoka Nugawela, who retires by rotation at the Annual General Meeting will offer himself for re-election.

In accordance with the Provisions of the Article 92 of the Articles of Association of the Company, Mr. Shaminda Yaddehige, who retires by rotation at the Annual General Meeting will offer himself for re-election.

Directors' Interest in Contracts

Directors' interest in Contracts in relation to transactions with related entities, transactions with Key Management Personnel and other related disclosures are stated in

Note 36 (Related Party Disclosures) to the Financial Statements.

Interest Register

The Company maintains an interest register as required by the Companies' Act No. 07 of 2007. Information pertaining to directors' interest in contracts, their remuneration and their share ownership are disclosed in the interest register.

Directors' Interest in Shares

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

Name of Director	2018 No.of shares	2017 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 2018 is given in Note 8 of the Financial Statements.

Vision, Mission & Objectives

The Company's Vision, Mission and Long-Term Objectives are given in Page 02 of this report.

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 38 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.

Events after the Reporting Date

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

Board Committees

The Board has delegated responsibilities to three Board Sub Committees which operate within clearly defined terms of reference. Their compositions and functions are given in Pages 60 to 63 of this report.

Related Party Transactions

There are no non recurrent related party transactions which exceed 10 per cent of the Equity or 5 per cent of the total assets whichever is lower and the Company has complied with the requirements of the Listing Rules of the Colombo Stock Exchange on Related Party Transactions. However, the Directors have disclosed the transactions that could be classified as related party transactions which are adopted in the presentation of the Financial Statements and accordingly given in note 36 on Pages 126 & 127.

Corporate Governance and Internal Control

The policies adopted by the Company in relation to Best Practices and Good Corporate Governance are given on Pages 57 to 59.

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 for financial reporting of the Company and the Group is set out in Page 76 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.

The Company is in compliance with the CSE rules on related party transactions which was made mandatory with effect from 1 of January 2016.

Auditors

The Financial Statements for the year ended 31 March 2018 have been audited by Messrs. Ernst & Young, Chartered Accountants. The Auditors Report is given on Pages 77 to 79.

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. 4,184,807/- (2017 Rs. 3,911,035/-). In addition Rs. 687,044/- (2017 Rs. 527,961/-) 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 29 June 2018 at the registered office of the Company at 310, High Level Road, Nawinna, Maharagama. The notice of the Annual General Meeting is on Page 150 of the report.

On behalf of the Board,

S S Poholiyadde
Director

Prof. R C W M R A Nugawela
Director

Mrs. R J Siriweera
Company Secretary

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

30 May 2018

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 pages 77 to 79 of this report.

The Financial Statements of the Company and its subsidiary for the year ended 31 March 2018 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 86 to 105 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 2018 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 pages 77 to 79 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.

30 May 2018

INDEPENDENT AUDITORS' REPORT

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Chartered Accountants
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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF KEGALLE PLANTATIONS PLC

Opinion

Report on the Financial Statements

We have audited the financial statements of Kegalle Plantations PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at March 31, 2018, and the statement of profit or loss , statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at March 31, 2018, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

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. K R M Fernando FCA ACMA Ms. L K H L Fonseka FCA A P A Gunasekara 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 Ms. P V K N Sajeewani FCA N M Sulaiman ACA ACMA B E Wijesuriya FCA FCMA
Principal T P M Ruberu FCMA FCCA

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Key audit matter	How our audit addressed the key audit matter
Retirement Benefit Obligation	
The retirement obligation of the group is significant (Rs.440 Mn) in the context of the total assets of the group. The valuation of group's retirement benefit obligation requires significant judgment estimation to be applied across numerous assumptions, including salary increases and discount rate. Small changes in those assumption could have a significant effect on the financial performance and financial position of the group. Accordingly, actuarial valuation of retirement benefit obligation is considered to be a key audit matter.	We evaluated the assumption made in relation to the actuarial valuation of the retirement benefit obligation in particular: • We assessed the assumption for salary increase against the group's historic trend and expected future outlook. • We agreed the discount rate used, to our internally develop benchmarks. • We evaluated the key data used by the actuary to the underlying data held by the group. We evaluated the accuracy of the related disclosure given in note 3.14 in the financial statements.

Other information included in The Company's 2018 Annual Report

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements,

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whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 internal controls of the Company and the Group.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is M-2440.

Ernst & Young
Chartered Accountants

30 May 2018
Colombo

STATEMENT OF PROFIT OR LOSS

Year Ended 31 March		Company		Group	
	Notes	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Revenue	6	2,508,167	2,287,161	2,508,167	2,287,161
Cost of Sale		(2,141,969)	(2,059,967)	(2,141,969)	(2,059,967)
Gross Profit		**366,198**	227,194	**366,198**	227,194
Gain/(Loss) on Fair Value of Biological Assets	16.4	18,111	5,914	18,111	5,914
Other Income and Gain	7	180,757	116,408	46,233	37,238
Administrative Expenses		(53,358)	(46,712)	(58,369)	(52,705)
Management Fee		(66,239)	(44,660)	(66,239)	(44,660)
Profit from Operations	8	**445,469**	258,144	**305,935**	172,982
Finance Income	9	180,030	199,131	180,030	199,131
Finance Cost	10	(280,235)	(258,101)	(280,235)	(258,101)
Share of Result of Equity Accounted Investees	11	-	-	294,776	228,756
Profit Before Taxation		**345,264**	199,174	**500,505**	342,768
Tax Expenses	12.1	(109,405)	18,088	(152,319)	(12,656)
Profit After Taxation		**235,859**	217,263	**348,186**	330,112
Basic Earnings Per Share	13	**9.43**	8.69	**13.93**	13.20

The accounting policies and notes on Pages 86 through 130 form an integral part of the Financial Statements.

STATEMENT OF COMPREHENSIVE INCOME

Year Ended 31 March	Notes	Company 2018 Rs.'000	Company 2017 Rs.'000	Group 2018 Rs.'000	Group 2017 Rs.'000
Profit for the year		235,859	217,263	348,186	330,112
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	(50,953)	43,381	(50,953)	43,381
Income Tax Effect	12.2	7,133	(6,837)	7,133	(6,837)
		(43,819)	36,544	(43,819)	36,544
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	-	-	(1,303)	(506)
Income Tax Effect	11.2	-	-	124	40
		-	-	(1,179)	(466)
Other Comprehensive income to be reclassified to profit or loss in Subsequent periods (net of tax)					
Net Gain / (Loss) on Available-for-Sale Financial Assets	17.2	45,720	56,580	45,720	56,580
Income Tax Effect	12.2	(4,572)	-	(4,572)	-
		41,148	56,580	41,148	56,580
Other Comprehensive Income for the year, net of tax		(2,671)	93,124	(3,850)	92,658
Total Comprehensive Income for the year, net of tax		233,187	310,387	344,336	422,770

The accounting policies and notes on Pages 86 through 130 form an integral part of the Financial Statements.

STATEMENT OF FINANCIAL POSITION

As at 31 March		Company		Group	
ASSETS	**Notes**	**2018**	2017	**2018**	2017
Non Current Assets		**Rs.'000**	Rs.'000	**Rs.'000**	Rs.'000
Lease hold Property, Plant and Equipment	14	194,319	208,326	194,319	208,326
Free hold Property, Plant and Equipment	15	288,412	284,038	321,113	321,573
Bearer Biological Assets	16.1	2,258,161	2,022,742	2,258,161	2,022,742
Consumable Biological Assets	16.2	125,818	107,220	125,818	107,220
Financial Assets	17	1,246,600	1,200,880	1,246,600	1,200,880
Long Term Investments	18.3	491,850	491,850	947,927	833,616
Total Non Current Assets		**4,605,162**	4,315,057	**5,093,939**	4,694,358
Current Assets					
Produce on Bearer Biological Asset	16.3	5,815	4,191	5,815	4,191
Inventories	19	330,092	268,121	329,420	267,449
Trade and Other Receivables	20	239,057	287,946	247,505	296,240
VAT Recoverable		23,272	23,652	23,280	23,660
ESC Recoverable		25,543	17,703	25,543	17,703
Income Tax Recoverable		12,688	11,255	12,688	11,255
Amounts due from Related Companies	21	48,025	38,271	13,610	2,315
Short Term Investments	22	1,594,809	1,420,892	1,594,809	1,420,892
Cash and Bank Balances		18,649	17,293	18,649	17,293
Total Current Assets		**2,297,949**	2,089,323	**2,271,318**	2,060,996
TOTAL ASSETS		**6,903,111**	6,404,381	**7,365,257**	6,755,354
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		30,008	13,521	30,008	13,521
Available for Sale Reserve		89,748	48,600	89,736	48,588
Retained Earnings		2,072,627	2,084,575	2,521,525	2,422,324
Total Equity		**2,667,383**	2,621,695	**3,116,269**	2,959,433
Non Current Liabilities					
Interest-bearing Loans & Borrowings	24	1,051,147	1,021,294	1,051,147	1,021,294
Retiring Benefit Obligations	25	440,074	380,800	440,169	380,895
Deferred Income	26	211,831	196,178	211,831	196,178
Deferred Tax Liability	27	150,262	46,861	150,262	46,861
Liability to make Lease Payment after one year	28	252,872	258,284	252,872	258,284
Total Non Current Liabilities		**2,106,186**	1,903,418	**2,106,281**	1,903,513
Current Liabilities					
Trade and Other Payables	29	231,142	251,111	239,188	259,133
Interest-bearing Loans & Borrowings	24	1,850,513	1,555,202	1,850,513	1,555,202
Liability to make Lease Payment within one year	28	5,413	5,205	5,413	5,205
Dividend Payable	30	23,963	26,576	23,963	26,576
Amounts due to Related Companies	31	18,511	41,174	23,630	46,293
Total Current Liabilities		**2,129,542**	1,879,268	**2,142,707**	1,892,408
TOTAL EQUITY AND LIABILITIES		**6,903,111**	6,404,381	**7,365,257**	6,755,354

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 these Financial Statements.
Approved and signed for and on behalf of the Board of Directors of Kegalle Plantations PLC.

S S Poholiyadde
Director

Prof. R C W M R A Nugawela
Director

The accounting policies and notes on Pages 86 through 130 form an integral part of the Financial Statements.

30 May 2018

Colombo

STATEMENT OF CHANGES IN EQUITY

Year Ended 31 March

Company	Stated Capital	General Reserve	Retained Earnings	Available for Sale Reserves	Timber Reserve	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
As at 01 April 2016	250,000	225,000	1,960,803	(7,980)	8,485	2,436,309
Profit for the year	-	-	217,263	-	-	217,263
Other Comprehensive Income	-	-	36,544	56,580	-	93,124
Timber Reserve	-	-	(5,035)	-	5,035	-
Dividends Paid	-	-	(125,000)	-	-	(125,000)
Balance as at 31 March 2017	**250,000**	**225,000**	**2,084,575**	**48,600**	**13,521**	**2,621,695**
Profit for the year	-	-	235,859	-	-	235,859
Other Comprehensive Income	-	-	(43,819)	41,148	-	(2,671)
Timber Reserve	-	-	(16,487)	-	16,487	-
Dividends Paid	-	-	(187,500)	-	-	(187,500)
Balance as at 31 March 2018	**250,000**	**225,000**	**2,072,627**	**89,748**	**30,008**	**2,667,383**

Group	Stated Capital	General Reserve	Retained Earnings	Available for Sale Reserves	Timber Reserve	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
As at 01 April 2016	250,000	225,000	2,186,170	(7,992)	8,485	2,661,663
Profit for the year	-	-	330,112	-	-	330,112
Other Comprehensive Income						
Actuarial Gains / (Losses) on Defined Benefit Plans	-	-	36,544	-	-	36,544
Share of Other Comprehensive Income of Equity Accounted Investees						
Actuarial Gains / (Losses) on Defined Benefit Plans	-	-	(466)	-	-	(466)
Net Gain / (Loss) on Available-for-Sale Financial Assets	-	-	-	56,580	-	56,580
Timber Reserve	-	-	(5,035)	-	5,035	-
Dividends Paid	-	-	(125,000)	-	-	(125,000)
Balance as at 31 March 2017	**250,000**	**225,000**	**2,422,324**	**48,588**	**13,521**	**2,959,433**
Profit for the year	-	-	348,186	-	-	348,186
Other Comprehensive Income						
Actuarial Gains / (Losses) on Defined Benefit Plans	-	-	(43,819)	-	-	(43,819)
Share of Other Comprehensive Income of Equity Accounted Investees						
Net Gain / (Loss) on Available-for-Sale Financial Assets	-	-	-	41,148	-	41,148
Actuarial Gains / (Losses) on Defined Benefit Plans	-	-	(1,179)		-	(1,179)
Timber Reserve	-	-	(16,487)	-	16,487	-
Dividends Paid	-	-	(187,500)	-	-	(187,500)
Balance as at 31 March 2018	**250,000**	**225,000**	**2,521,525**	**89,736**	**30,008**	**3,116,269**

The accounting policies and notes on Pages 86 through 130 form an integral part of the Financial Statements.

CASH FLOW STATEMENT

Year Ended 31 March		Company		Group	
	Notes	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES					
Net Profit Before Taxation		345,264	199,174	500,505	342,768
ADJUSTMENTS FOR					
Finance Income	9	(180,030)	(199,131)	(180,030)	(199,131)
Depreciation / Amortisation	8	105,486	112,273	105,486	112,273
Provision for Defined Benefit Plan Costs	25	77,300	75,681	77,300	75,681
Amortisation of Grants	26	(10,688)	(13,257)	(10,688)	(14,483)
Finance Costs	10	280,235	258,101	280,235	258,101
Dividend Received from Associates	7	(136,372)	(82,215)	-	-
Impairment of Property, Plant & Equipment		-	-	4,834	5,118
(Profit) / Loss on Disposal of Assets	7	-	(1,959)	-	(1,959)
Gains / (Losses) on Fair Value of Biological Assets	16.4	(18,111)	(5,914)	(18,111)	(5,914)
Gains / (Losses) on Sale of Biological Assets		(7,644)	-	(7,644)	-
Share of Result of Associates		-	-	(294,776)	(228,756)
Operating Profit before Working Capital Changes		**455,441**	342,753	**457,112**	343,698
(Increase) / Decrease in Inventories		(61,971)	(32,168)	(61,971)	(32,168)
(Increase) / Decrease in Trade and Other Receivables		49,269	(151,057)	49,115	(151,057)
Increase / (Decrease) in Trade and Other Payables		(19,969)	48,426	(19,945)	48,603
(Increase) / Decrease in amounts due from Related Companies		(9,754)	1,603	(11,296)	480
Increase / (Decrease) in amounts due to Related Companies		(22,662)	25,058	(22,662)	25,058
Cash Generated from / (used in) Operations		**390,353**	234,615	**390,353**	234,614
Finance Costs Paid		(226,447)	(206,163)	(226,447)	(206,163)
Defined Benefit Plan Costs Paid	25	(68,979)	(80,978)	(68,979)	(80,978)
ESC/Income Tax Paid		(12,716)	(11,593)	(12,716)	(11,593)
Net Cash from / (used in) Operating Activities		**82,211**	(64,119)	**82,211**	(64,119)
CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES					
Finance Income	9	180,030	199,131	180,030	199,131
Grant/Subsidy Received	26	26,341	6,399	26,341	6,399
Proceeds from Disposal of Property, Plant & Equipment		-	1,959	-	1,959
Proceeds from Disposal of Bialogical Assets		9,000	-	9,000	-
Field Development Expenditure	Note A	(300,895)	(172,757)	(300,895)	(172,757)
Purchase of Property, Plant & Equipment	Note B	(33,844)	(3,168)	(33,844)	(3,168)
Net Cash from / (used in) Investing Activities		**(119,369)**	31,565	**(119,369)**	31,565
CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES					
Dividend Paid		(190,114)	(119,778)	(190,114)	(119,778)
Dividend Received from Associates		136,372	82,215	136,372	82,215
Payment of Government Lease Rentals - Interest		(53,788)	(51,938)	(53,788)	(51,938)
Payment of Government Lease Rentals - Capital		(5,205)	(5,004)	(5,205)	(5,004)
Proceed from Loans		799,646	23,000	799,646	23,000
Repayment of Loans		(570,226)	(635,157)	(570,226)	(635,157)
Net Cash from / (used in) Financing Activities		**116,685**	(706,663)	**116,685**	(706,663)
Net Increase / (Decrease) in Cash & Cash Equivalents		79,527	(739,216)	79,527	(739,217)
Cash & Cash Equivalents at the beginning of the year	Note C	424,976	1,164,194	424,976	1,164,194
Cash & Cash Equivalents at the end of the year	Note D	**504,503**	424,976	**504,503**	424,976

The accounting policies and notes on Pages 86 through 130 form an integral part of the Financial Statements.

NOTES TO THE CASH FLOW STATEMENT

Year Ended 31 March	Company		Group	
NOTE A	**2018**	2017	**2018**	2017
	Rs.'000	Rs.'000	**Rs.'000**	Rs.'000
Investment in Field Development Expenditure				
Investment in Immature Plantations				
Rubber	184,279	139,148	184,279	139,148
Tea	24,990	22,878	24,990	22,878
Coconut	1,808	1,004	1,808	1,004
Unallocated	89,818	9,727	89,818	9,727
Total	**300,895**	172,757	**300,895**	172,757

	Company		Group	
NOTE B	**2018**	2017	**2018**	2017
	Rs.'000	Rs.'000	**Rs.'000**	Rs.'000
Investment in Property, Plant & Equipment				
Rubber	16,684	1,609	16,684	1,609
Tea	8,929	1,458	8,929	1,458
Coconut	-	-	-	-
Unallocated	8,232	101	8,232	101
Total	**33,844**	3,168	**33,844**	3,168

	Company		Group	
NOTE C	**2018**	2017	**2018**	2017
	Rs.'000	Rs.'000	**Rs.'000**	Rs.'000
Cash & Cash Equivalents at the beginning of the year				
Cash & Bank Balances	17,293	23,395	17,293	23,395
Bank Overdrafts	(1,013,209)	(552,069)	(1,013,209)	(552,069)
Short term Investments	1,420,892	1,692,867	1,420,892	1,692,867
Total	**424,976**	1,164,194	**424,976**	1,164,194

	Company		Group	
NOTE D	**2018**	2017	**2018**	2017
	Rs.'000	Rs.'000	**Rs.'000**	Rs.'000
Cash & Cash Equivalents at the end of the year				
Cash & Bank Balances	18,649	17,293	18,649	17,293
Bank Overdrafts	(1,108,954)	(1,013,209)	(1,108,954)	(1,013,209)
Short term Investments	1,594,809	1,420,892	1,594,809	1,420,892
Total	**504,503**	424,977	**504,503**	424,977

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.

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 Authorisation for issue

The Consolidated Financial Statements of Kegalle Plantations PLC and its Subsidiary for the year ended 31 March 2018 were authorized for issue in accordance with a resolution of the board of directors on 30 May 2018.

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 Flows Statement together with Accounting Policies and Notes to the Financial Statements (the "Consolidated Financial Statements") have been prepared in accordance with Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, which requires compliance with Sri Lanka Accounting Standards promulgated by The Institute of Chartered Accountants of Sri Lanka (CASL), and with the requirements of the Companies Act No. 07 of 2007.

2.2 Basis of Measurement

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

Company	Relationship	Nature of the business
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

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 subsidiary as at 31 March 2018. 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
- Produce on Bearer Biological Assets
- Financial Instruments

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.

3.6.6 Land Development Cost

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

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

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

3.6.7 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 14%

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) Produce Growing on Bearer Biological Assets

In accordance with LKAS 41, Company recognise agricultural produce growing on bearer plants at fair value less cost to sell. Change in the fair value of such agricultural produce recognized in profit or loss at the end of each reporting period.

For this purpose, quantities of harvestable agricultural produce ascertained based on harvesting cycle of each crop category by limiting to one harvesting cycle based on last day of the harvest in the immediately preceding cycle. Further, 50% of the crop in that harvesting cycle considered for the valuation.

For the valuation of the harvestable agricultural produce, the Company uses the following price formulas.

Tea	Bought Leaf rate (current month) less cost of harvesting & transport
Rubber	Latex Price (95% of current RSS1 Price) less cost of tapping & transport
Coconut	Auction Price by Coconut Development Authority less cost of picking & transport

(d) 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.

(e) 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'.

The amount so capitalised is disclosed in Notes to the Financial Statements.

3.6.8 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	2.5
Plant & Machinery	12.5	8
Colour Separators	20	5
Furniture & Fittings	10	10
Vehicles	5	20
Equipments	8	12.5
Sanitation, Water Supply & Electricity	20	5
Computers/Computer Software	8	12.5
Lines & Latrines	40	2.5

Mature Plantations - Replanting and New Planting

Category	No. of years	Rate (%)
Rubber	20	5
Tea	33	3.33
Coconut	50	2

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	1.89
Mature Plantations	30	3.33
Buildings	25	4
Machinery	15	6.67
Improvements to Land	30	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.

3.11 Trade and Other Receivables

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

3.12 Cash and Cash Equivalents

Cash and Cash Equivalents 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.

3.13 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.

3.14 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	2018	2017
i)	Rate of Discount	11% (per annum)	12.25% (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 2018 is Rs. 440,074,192/- (2017 – Rs. 380,800,362/-). 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.

3.15 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.

3.16 Trade and Other Payables

Trade and other payables are stated at their costs.

3.17 Capital Commitments and Contingencies

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

3.18 Events Occurring after the 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.

3.19 Earnings Per Share

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

3.20 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.

3.21 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.

3.21.1 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.

3.21.2 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.

3.22 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.

3.23 Segment Reporting

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

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

The activities of the segments are described on pages 33 and 34 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.

3.24 Change in Accounting Policies and Disclosures

Amendment to LKAS 41 & 16 - Harvestable Produce Growing on Bearer Biological Assets

Amendments to LKAS 16 - Property, Plant & Equipment and LKAS 41 - Agriculture, require entity to recognize agricultural produce growing on Bearer Plants at fair value less cost to sell separately from its bearer plants prior to harvest. After initial recognition, changes in the fair value of such agricultural produce growing on Bearer Plants, recognised in profit or loss at the end of each reporting period.

4. USE OF JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

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:

- Taxation
- Measurement of the Defined Benefit Obligations
- Biological Assets

4.1 Taxation

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. Unused tax losses as of 31 March 2018 are given in Note 27.

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. As per the Inland Revenue Act no 24 of 2017 (ACT), in the case of a Company predominantly conducting an agricultural business, the applicable income tax rate is 14%. As per the above ACT "Predominantly" is defined as 80% or more calculated based on gross income. The "Agriculture business" is defined in section 195 (1) as business of producing agricultural, horticultural or any animal produce and includes an undertaking for the purpose of rearing livestock or poultry. Based on the legal expert opinion obtained, the management is of the view that the Company is predominantly engaged in agricultural business.

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 3.14. 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.

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.

5.1 Impending Accountings standards / Standards issued not yet effective

Certain new accounting standards and amendments / improvements to existing standards have been published, that are not mandatory for 31 December 2017 reporting periods. None of those have been early adopted by the Company.

SLFRS 9 -Financial Instruments: Classification and Measurement

- SLFRS 9, as issued reflects the first phase of work on replacement of LKAS 39 and applies to classification and measurement of financial assets and liabilities. This standard was originally effective for annual periods commencing on or after 01 January 2018. However the effective date has been deferred subsequently.

SLFRS 15 - Revenue from Contracts with Customers

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including LKAS 18 Revenue, LKAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. This standard is effective for the annual periods beginning on or after 01 January 2018.

SLFRS 16 - Leases

SLFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on balance sheet model similar to the accounting for finance leases, under LKAS 17 except for few exemptions for leases for "low value" assets and short term leases with a lease term of 12 months or less. This standard is effective for the annual periods beginning on or after 01 January 2019.

Pending the detailed review of such standards and interpretations, the extent of the impact has not been determined by the management

The new Standard requires a lessee to:

- recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value, and

- present depreciation of lease assets separately, from interest on lease liabilities in the income statement.

SLFRS – 16 substantially carries forward the lessor accounting requirement in LKAS – 17. Accordingly, a lessor continues to classify its leases as operating lease or finance lease, and to account for those two types of leases differently.

SLFRS -16 will become effective on 1st January 2019. The impact on the implementation of the above Standard has not been quantified yet.

5.2 Amendments to Existing Accounting Standards

LKAS 7 - Statement of Cash Flows

The amendment requires an entity to disclose information that enables users of Financial Statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

Accordingly an entity shall disclose the following changes in liabilities arising from financing activities:

- Changes from financing cash flows
- Changes in fair values and
- Other changes

6 REVENUE

6.1 Summary

	Company		Group	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Sale of Goods				
Rubber	1,153,628	1,057,038	1,153,628	1,057,038
Tea	1,127,097	1,030,369	1,127,097	1,030,369
Coconut	58,361	39,494	58,361	39,494
Other Crops	338	2,229	338	2,229
Sale of Rubber Trees	168,743	158,031	168,743	158,031
Total Revenue	2,508,167	2,287,161	2,508,167	2,287,161

6.2 OPERATING SEGMENTS

Geographical Segments - Revenue	Company		Group	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Local Revenue	2,364,496	2,185,963	2,364,496	2,185,963
Export Revenue	143,671	101,198	143,671	101,198
Total Revenue	2,508,167	2,287,161	2,508,167	2,287,161

6.3 Business Segments

	Company		Group	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Rubber				
Revenue	1,153,628	1,057,038	1,153,628	1,057,038
Revenue Expenditure	(925,676)	(904,780)	(925,676)	(904,780)
Depreciation & Amortisation	(74,658)	(75,747)	(74,658)	(75,747)
Other Non Cash Expenditure - Gratuity	(45,401)	(44,324)	(45,401)	(44,324)
Segment Result - Gross Profit	107,893	32,187	107,893	32,187
Tea				
Revenue	1,127,097	1,030,369	1,127,097	1,030,369
Revenue Expenditure	(1,003,033)	(943,271)	(1,003,033)	(943,271)
Depreciation & Amortisation	(28,664)	(32,424)	(28,664)	(32,424)
Other Non Cash Expenditure - Gratuity	(31,900)	(31,357)	(31,900)	(31,357)
Segment Result - Gross Profit	63,500	23,318	63,500	23,318
Coconut				
Revenue	58,361	39,494	58,361	39,494
Revenue Expenditure	(31,263)	(27,139)	(31,263)	(27,139)
Segment Result - Gross Profit	27,098	12,355	27,098	12,355
Other Crops				
Revenue	338	2,229	338	2,229
Revenue Expenditure	(269)	(131)	(269)	(131)
Segment Result - Gross Profit	69	2,098	69	2,098
Sale of Rubber Trees				
Revenue	168,743	158,031	168,743	158,031
Revenue Expenditure	(1,106)	(795)	(1,106)	(795)
Segment Result - Gross Profit	167,637	157,236	167,637	157,236
Total Segments				
Revenue	2,508,167	2,287,161	2,508,167	2,287,161
Revenue Expenditure	(1,961,346)	(1,876,116)	(1,961,346)	(1,876,116)
Depreciation & Amortisation	(103,323)	(108,171)	(103,323)	(108,171)
Other Non Cash Expenditure - Gratuity	(77,300)	(75,681)	(77,300)	(75,681)
Total Segment Results - Gross Profit	366,198	227,193	366,198	227,193

	Company		Group	
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Total Segment Results - Gross Profit	**366,198**	227,193	**366,198**	227,193
Gains/(Loss) on fair value of biological assets	18,111	5,914	18,111	5,914
Other Income	180,757	116,407	46,233	37,238
Administrative Expenses	(53,358)	(46,710)	(58,369)	(52,703)
Management Fee	(66,239)	(44,660)	(66,239)	(44,660)
Finance Income	180,030	199,131	180,030	199,131
Finance Cost	(280,235)	(258,101)	(280,235)	(258,101)
Share of Result of Associates	-	-	294,776	228,756
Profit Before Tax	345,264	199,174	500,505	342,768

6.4. Business Segments - Assets

	Company		Group	
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Non Current Assets				
Rubber	1,815,538	1,668,334	1,815,538	1,668,334
Tea	765,643	745,617	765,643	745,617
Other Crops	200,391	145,553	200,391	145,553
Unallocated	1,823,589	1,755,554	2,312,367	2,134,853
Total Non Current Assets	4,605,162	4,315,057	5,093,939	4,694,358
Current Assets				
Rubber	357,250	280,003	357,250	280,003
Tea	207,701	193,135	207,701	193,135
Other Crops	41,715	21,173	41,715	21,173
Unallocated	1,691,283	1,595,013	1,664,652	1,566,687
Total Current Assets	2,297,949	2,089,323	2,271,318	2,060,996

6.5. Business Segments - Liabilities

	Company		Group	
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Non Current Liabilities				
Rubber	170,766	198,960	170,766	198,960
Tea	247,097	261,154	247,097	261,154
Other Crops	70,764	51,082	70,764	51,082
Unallocated	1,617,559	1,392,221	1,617,653	1,392,318
Total Non Current Liabilities	2,106,186	1,903,418	2,106,281	1,903,513
Current Liabilities				
Rubber	97,566	112,048	97,566	112,048
Tea	101,119	111,413	101,119	111,413
Other Crops	24,216	21,842	24,216	21,842
Unallocated	1,906,642	1,633,963	1,919,807	1,647,104
Total Current Liabilities	2,129,542	1,879,268	2,142,707	1,892,408

6.6. Segment Capital Expenditure

	Company		Group	
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Rubber	200,963	140,757	200,963	140,757
Tea	33,919	24,336	33,919	24,336
Other Crops	1,808	1,004	1,808	1,004
Unallocated	98,050	9,828	98,050	9,828
Total Capital Expenditure	334,739	175,925	334,739	175,925

7. OTHER INCOME AND GAIN

	Company		Group	
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Sale of Property, Plant & Equipment	-	1,959	-	1,959
Amortisation of Capital Grants	10,688	13,257	10,688	14,483
Dividend Income	136,372	82,215	-	-
Sundry Income	33,697	18,976	35,545	20,796
Total Other Income & Gain	180,757	116,408	46,233	37,238

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

8. PROFIT BEFORE TAXATION IS STATED AFTER CHARGING FOLLOWINGS

	Company		Group	
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Auditors' Remuneration	3,644	2,818	3,644	2,818
Depreciation & Amortization	105,486	112,273	105,486	112,273
Directors' Remuneration	3,300	800	3,300	800
Defined Benefit Plan Cost	77,300	75,681	77,300	75,681
Defined Contribution Plans - EPF& ETF	120,444	117,108	120,444	117,108
Others - Staff Cost	982,376	941,573	982,376	941,573

9. FINANCE INCOME

	Company		Group	
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Interest Income	180,030	199,131	180,030	199,131
Total Interest Income	180,030	199,131	180,030	199,131

10. FINANCE COST

	Company		Group	
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Overdraft Interest	140,050	79,913	140,050	79,913
Interest on Government Lease	10,539	10,740	10,539	10,740
Variable Lease Rental	43,249	41,198	43,249	41,198
Term Loan Interest	117,551	157,039	117,551	157,039
	311,389	288,890	311,389	288,890
Less : Interest Capitalised	(31,154)	(30,789)	(31,154)	(30,789)
Total Finance Cost	280,235	258,101	280,235	258,101

11. SHARE OF RESULT OF ASSOCIATES

The Group can influence 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 2018 and 2017, which are accounted under the equity method are as follows.

11.1. Statement of Profit or Loss

	Group	
	2018	2017
	Rs.'000	Rs.'000
Richard Pieris Natural Foams Ltd		
Group's Share of Profit Before Tax	210,917	184,734
Tax on associate results	(27,762)	(21,610)
Group Share of Profit After Tax	183,155	163,124
Arpico Insurance PLC		
Group's Share of Profit Before Tax	83,859	44,022
Tax on associate results	-	-
Group Share of Profit After Tax	83,859	44,022
Total Group Share of Result		
Group's Share of Profit Before Tax	294,776	228,756
Tax on associate results	(27,762)	(21,610)
Group Share of Profit After Tax	267,014	207,146

11.2. Statement of Other Comprehensive Income (OCI)

	Group	
	2018	2017
	Rs.'000	Rs.'000
Richard Pieris Natural Foams Ltd		
Gain / (Loss) on Acturial Valuation	(886)	(332)
Income Tax Effect	124	40
Group Share of Other Comprehensive Income / (Loss)	(762)	(292)
Arpico Insurance PLC		
Gain / (Loss) on Acturial Valuation	(417)	(174)
Income Tax Effect	-	-
Group Share of Other Comprehensive Income / (Loss)	(417)	(174)
Total Group Share of Result		
Gain / (Loss) on Acturial Valuation	(1,303)	(506)
Income Tax Effect	124	40
Group Share of Other Comprehensive Income / (Loss)	(1,179)	(466)

12. Current Tax Expenses	Company		Group	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
12.1. Statement of Profit or Loss				
(I) Current Income Tax:				
• Current income tax charge	3,443	(4,744)	31,204	16,866
• Tax on dividend paid by Group Companies	-	-	15,152	9,135
(II) Deferred Tax (Note 27.1):				
• Relating to origination and (reversal) of temporary differences	(4,336)	(13,345)	(4,336)	(13,345)
• Amount originated due to the Income Tax rate change	110,298	-	110,298	-
Income Tax charge/(reversal) reported in Statement of Profit or Loss	109,405	(18,088)	152,319	12,656

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)	7,133	(6,837)	7,133	(6,837)
• Net gain/(loss) on available-for-sale financial assets (Note 27.1)	(4,572)	-	(4,572)	-
Income Tax charge directly to Other Comprehensive Income	2,561	(6,837)	2,561	(6,837)

According to the New Inland Revenue Act No. 24 of 2017 (i.e. effective from 1 April 2018), the Company is liable to pay income tax at the rate of 14% on its agricultural business for the year of Assessment 2018/19 (2017/2018 – 10%). This rate change would be significantly impacted on differed tax provision of the Company for current year, since differed tax should be measured at the tax rates which are expected to apply in the year when the asset is realized or liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date (LAKS 12). Therefore, the amount originated due to the Income Tax rate change is separately identified and disclosed in Note No. 27.1.

12.3. Reconciliation between Current Tax Expense and Accounting Profit	Company		Group	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Accounting Profit Before Tax	345,264	199,174	500,505	342,768
Aggregate Disallowed Items	223,354	208,561	223,354	208,561
Aggregate Allowable Items	(734,316)	(587,782)	(734,316)	(689,748)
Tax Exempt Income	(18,111)	(5,914)	(18,111)	(5,914)
Total Statutory Income	(183,810)	(185,961)	(28,568)	(144,333)
Liable Interest Income	18,916	26,461	18,916	26,461
	(164,894)	(159,500)	(9,653)	(117,872)
Tax Losses Utilized During the Year	(6,620)	(9,261)	(6,620)	(9,261)
Total Assessable Income / Taxable Income	(171,515)	(168,761)	(16,273)	(127,134)
Assessable Income / Taxable Income from Agriculture	(183,810)	(185,961)	(183,810)	(185,961)
Assessable Income / Taxable Income from Manufacture	12,295	17,200	12,295	17,200
Total Assessable Income / Taxable Income	(171,515)	(168,761)	(171,515)	(168,761)
Income Tax @ 10%	-	-	-	-
Income Tax @ 28%	3,443	4,816	3,443	4,816
Income Tax on Current Year Profits	3,443	4,816	3,443	4,816
Less Over Provision previous years	-	(9,560)	-	(9,560)
	3,443	(4,744)	3,443	(4,744)
Share of Equity Accounted Investees' Income Tax	-	-	27,762	21,610
Current Income Tax Expenses	3,443	(4,744)	31,204	16,866
Details of Business Losses Carried Forward				
Loss Brought Forward	935,611	758,911	935,611	758,911
Loss incurred during the year	183,810	185,961	183,810	185,961
Loss Appropriate during the year	(6,620)	(9,261)	(6,620)	(9,261)
Loss Carried Forward	1,112,800	935,611	1,112,800	935,611

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	
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Amounts used as the Numerator :				
Net profit applicable to Ordinary Shareholders for basic earnings per share	235,859	217,263	348,186	330,112
	235,859	217,263	348,186	330,112
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 Per Share (EPS) - Rs.	9.43	8.69	13.93	13.20

14. LEASEHOLD PROPERTY, PLANT & EQUIPMENT

		Company		Group	
As at 31 March		2018	2017	2018	2017
	Notes	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Right-to-use of land	14.1	133,678	138,587	133,678	138,587
Immovable leased bearer biological assets	14.2	60,527	69,158	60,527	69,158
Immovable Leased assets (other than right-to-use land and bearer biological assets)	14.3	114	580	114	580
		194,319	208,326	194,319	208,326

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 2018 are as follows.

	Company		Group	
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	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	121,555	116,647	121,555	116,647
Amortization charge for the year	4,908	4,908	4,908	4,908
As at 31 March	126,464	121,555	126,464	121,555
Carrying amount	133,678	138,587	133,678	138,587

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 2018 are as follows.

	Company		Group	
	Mature Plantations		Mature Plantations	
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Capitalised Value as at 22nd June, 1992	262,680	262,680	262,680	262,680
Accumulated Amortisation				
At the begining of the year	193,522	184,678	193,522	184,678
Amortisation for the year	8,632	8,844	8,632	8,844
As at 31 March	202,154	193,522	202,154	193,522
Carrying amount	60,527	69,158	60,527	69,158

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 & Machinery Rs.'000	Total Rs.'000	Improvement to Land Rs.'000	Buildings Rs.'000	Plant & Machinery Rs.'000	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 01.04.2017	154	53,391	24,289	77,834	154	53,391	24,289	77,834
Amortisation for the year	6	460	-	467	6	460	-	467
Accumulated Amortisation as at 31.03.2018	161	53,852	24,289	78,301	161	53,852	24,289	78,301
Written down value as at 31.03.2018	**31**	**84**	**-**	**114**	**31**	**84**	**-**	**114**
Written down value as at 31.03.2017	37	543	-	580	37	543	-	580

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 01.04.2017	Additions for the year	Disposals / Adjustment during the year	Balance as at 31.03.2018	Balance as at 01.04.2017	Additions for the year	Disposals / Adjustment during the year	Balance as at 31.03.2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cost/Valuation								
Buildings	71,700	-	-	71,700	112,250	-	-	112,250
Motor Vehicles	122,800	32,000	-	154,801	122,801	32,000	-	154,801
Furniture & Fittings	5,556	-	-	5,556	5,633	-	-	5,633
Equipment	58,984	552	-	59,536	59,657	552	-	60,209
Water Sanitation	2,150	35	-	2,184	2,150	35	-	2,184
Computers & Computer Software	16,304	989	-	17,293	16,682	989	-	17,670
Plant & Machinery	339,151	-	-	339,151	408,183	-	-	408,183
Other Assets on Grants	214,653	269	-	214,923	214,653	269	-	214,923
	831,299	33,844	-	865,144	942,008	33,844	-	975,852

	Balance as at 01.04.2017	Charge for the Year	Accumulated depreciation on disposal	Balance as at 31.03.2018	Balance as at 01.04.2017	Charge for the Year	Disposal/ Impairment Loss during the year	Balance as at 31.03.2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Depreciation								
Buildings	21,127	2,363	-	23,490	44,469	2,363	2,621	49,454
Motor Vehicles	109,114	6,890	-	116,004	109,114	6,890	-	116,004
Furniture & Fittings	3,899	11	-	3,911	3,951	11	-	3,963
Equipment	54,753	468	-	55,221	55,046	468	-	55,514
Water Sanitation	1,788	30	-	1,818	1,788	30	-	1,818
Computers & Computer Software	14,819	91	-	14,911	15,327	91	-	15,418
Plant & Machinery	252,625	12,006	-	264,631	301,604	12,006	2,213	315,823
Other Assets on Grants	90,449	7,611	-	98,061	90,449	7,611	-	98,061
	548,574	29,470	-	578,045	621,748	29,470	4,834	656,053
Written Down Value	282,725			287,099	320,259			319,799
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	8,417	-	-	8,417	8,417	-	-	8,417
	8,417	-	-	8,417	8,417	-	-	8,417
Written Down Value	-			-	-			-

Capital Work-in-Progress	Balance as at 01.04.2017	Additions for the Year	Capitalised/ Transfer during the Year	Balance as at 31.03.2018	Balance as at 01.04.2017	Additions for the Year	Capitalised/ Transfer during the Year	Balance as at 31.03.2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Capital Work-in-Progress	1,313	-	-	1,313	1,313	-	-	1,313
Total Written Down Value	284,038			288,412	321,573			321,113

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	Rubber	Coconut	Others	Tea	Rubber	Coconut	Others	
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cost									
At the beginning of the year 01/04/2017	196,399	958,625	17,648	61,004	192,214	1,030,374	28,520	14,374	2,499,158
Additions	24,990	184,279	1,808	86,351	-	-	-	-	297,428
Transfers	(89,809)	(225,810)	(18,290)	(4,299)	89,809	225,810	18,290	4,299	-
At the end of the year 31/03/2018	131,579	917,095	1,166	143,055	282,023	1,256,184	46,811	18,673	2,796,586
Depreciation									
At the beginning of the year 01/04/2017	-	-	-	-	61,008	407,066	2,027	6,315	476,416
Charge for the year	-	-	-	-	7,882	52,578	573	976	62,009
At the end of the year 31/03/2018	-	-	-	-	68,890	459,644	2,600	7,291	538,425
Written Down Value - as at 31.03.2018	**131,579**	**917,095**	**1,166**	**143,055**	**213,133**	**796,540**	**44,211**	**11,382**	**2,258,161**
Written Down Value - as at 31.03.2017	196,399	958,625	17,648	61,004	131,206	623,309	26,493	8,058	2,022,742

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 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. 31,154,207/- (2016/17 - Rs. 30,789,149/-) were capitalized during the year under Immature Plantations.

16.2. CONSUMABLE BIOLOGICAL ASSETS - TIMBER PLANTATIONS

	Company/Group	
	2018 Rs.'000	2017 Rs.'000
As at 01 April	107,220	94,919
Increase due to development	3,467	7,266
Decrease due to Harvet	(1,356)	-
Gain/(loss) fair value of Biological Assets	16,487	5,035
As at 31 March	125,818	107,220

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 Mr. W. M. Chandrasena , Chartered Valuation Surveyor, 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 Method	Discounting Rate	14.0%	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. 150/- to Rs. 700/- per Cu.Ft	The higher the price, 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 thve 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 -10%	Rs.'000 +10%
Managed Timber		
As at 31 March 2018	(12,582)	12,582
As at 31 March 2017	(10,722)	10,722

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 -1.5%	Rs.'000 +1.5%
Managed Timber		
As at 31 March 2018	12,638	(10,372)
As at 31 March 2017	8,741	(6,259)

16.3 Produce on Bearer Biological Assets

	Company		Group	
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
As at 1 April - as previously reported	4,191	3,312	4,191	3,312
Change in fair value less cost to sell	1,624	879	1,624	879
At the end of the year	5,815	4,191	5,815	4,191

16.4 Gain/(Loss) on fair value of Biological assets

	Company		Group	
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Consumable Biological Assets Gain/(loss) arising from change in fair value less cost to sell (Note 16.2)	16,487	5,035	16,487	5,035
Produce on Bearer Biological Assets Gain/(loss) arising from change in fair value less cost to sell (Note 16.3)	1,624	879	1,624	879
Total change in fair value of Biologcal Assets	18,111	5,914	18,111	5,914

17. FINANCIAL ASSETS/LONG TERM INVESTMENTS

		Company		Group	
		2018	2017	2018	2017
		Rs.'000	Rs.'000	Rs.'000	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	246,600	200,880	246,600	200,880
Total Financial Assets		1,246,600	1,200,880	1,246,600	1,200,880

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		2018	2017	2018	2017
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.

Subsequent profit or loss on fair value recognised in Other Comprehensive income.

17.2. UNQUOTED INVESTMENT

AVAILABLE-FOR-SALE FINANCIAL ASSETS

Non-Quoted Equity Shares Held by the Company		Company		Group	
Non-Quoted Ordinary Shares - Richard Pieris Finance Ltd		2018	2017	2018	2017
No of Shares	No '000	12,000	12,000	12,000	12,000
% Holding	%	10.21	10.21	10.21	10.21
Face Value Per Share	Rs.	10.00	10.00	10.00	10.00
Carrying Value as at 31 March 2017	Rs.'000	200,880	144,300	200,880	144,300
Equity Value Per Share as at 31 March 2018	Rs.	20.55	16.74	20.55	16.74
Deemed Disposal Gain	Rs.'000	45,720	56,580	45,720	56,580
Carrying Value as at 31 March 2018	Rs.'000	246,600	200,880	246,600	200,880

The fair value of the retained interest of the Richard Pieris Finance Ltd on initial recognition identified in profit or loss statement and Gain or Loss on subsequent fair valuation recognised in Other Comprehensive income.

17.3 FAIR VALUE HIERARCHY

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.

NON FINANCIAL ASSETS - CONSUMABLE BIOLOGICAL ASSETS

As at 31 March	Date of Valuation	Level 1		Level 2		Level 3	
		2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Assets measured at fair value							
Available-for-Sale Financial Asset	31 March	-	-	246,600	200,880	-	-
Consumable Biological Assets - Timber	31 March	-	-	-	-	125,818	107,220
Produce on Bearer Bialogical Assets	31 March	-	-	5,815	4,191	-	-

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

Quoted Investment - Arpico Insurance PLC	Company		Group	
	2018	2017	2018	2017
	%	%	%	%
% Holding	40.29	40.29	40.29	40.29
	Nos '000	Nos '000	Nos '000	Nos '000
No of Shares	26,685	26,685	26,685	26,685
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Value	266,850	266,850	380,703	307,935

Unquoted Investment - Richard Pieris Natural Foams Ltd	Company		Group	
	2018	2017	2018	2017
	%	%	%	%
% Holding	35.11	35.11	35.11	35.11
	Nos '000	Nos '000	Nos '000	Nos '000
No of Shares	22,500	22,500	22,500	22,500
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Value	225,000	225,000	567,224	525,681
Company investments in Associates, Total	**491,850**	**491,850**	**947,927**	833,616

18.3 Other Long Term Investments

	Company		Group	
	2018	2017	2018	2017
No of Shares	**Nos**	**Nos**	**Nos**	Nos
Maskeliya Tea Garden Ceylon Ltd	1	1	1	1
Exotic Horticulture (Pvt) Ltd	1	1	1	1
Total Investment	2	2	2	2
Value	**Rs.'000**	Rs.'000	**Rs.'000**	Rs.'000
Maskeliya Tea Garden Ceylon Ltd	-	-	-	-
Exotic Horticulture (Pvt) Ltd	-	-	-	-
Total long Term Investments - Others	-	-	-	-
Long Term Investments - Total	491,850	491,850	947,927	833,616

18.4 Summarised Financial Information of Associates

Richard Pieris Natural Foams Ltd	2018	2017
	Rs.'000	Rs.'000
Revenue	3,173,993	2,614,626
Profit / (Loss) Before Tax	600,733	526,159
Group's Share of Profit / (Loss) Before Tax	210,917	184,734
Group's Share of Other Comprehensive Income	(762)	(292)
Profit / (Loss) After Tax	521,662	464,610
Other Comprehentive Income	(2,171)	(831)
Total Comprehentive Income	519,491	463,779
Dividends Received	136,372	82,215
Current Assets	1,523,862	1,069,768
Non Current Assets	691,005	502,172
Total Assets	2,214,867	1,571,940
Current Liabilities	917,996	525,403
Non Current Liabilities	172,823	40,825
Total Liabilities	1,090,819	566,228

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

Arpico Insurance PLC	2018	2017
	Rs.'000	Rs.'000
Revenue	1,185,700	803,015
Profit / (Loss) Before Tax	208,138	109,263
Group's Share of Profit / (Loss) Before Tax	83,859	44,022
Group's Share of Other Comprehensive Income	(417)	(174)
Profit / (Loss) After Tax	208,138	109,263
Other Comprehentive Income	(1,034)	(432)
Total Comprehentive Income	207,104	108,831
Dividends Received	9,607	-
Current Assets	1,199,615	463,620
Non Current Assets	1,071,705	1,221,417
Total Assets	2,271,320	1,685,037
Current Liabilities	161,481	98,744
Non Current Liabilities	1,161,331	819,431
Total Liabilities	1,322,812	918,175

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

19. INVENTORIES

	Company		Group	
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Input Materials	29,417	45,986	36,245	52,814
Growing Crop - Nurseries	30,372	22,480	30,372	22,480
Produce Stock	258,455	197,649	258,455	197,649
Spares and Consumables	11,848	2,006	11,848	2,006
	330,092	268,121	336,920	274,949
(-) Provision for slow moving stocks	-	-	(7,500)	(7,500)
	330,092	268,121	329,420	267,449

20. TRADE AND OTHER RECEIVABLES

		Company		Group	
		2018	2017	2018	2017
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Produce Debtors	Related Companies (20.1)	125,254	134,062	125,254	134,062
Produce Debtors	Others	48,677	85,128	48,677	85,128
Advances & Prepayments		16,358	10,689	16,358	10,689
Other Debtors		48,768	58,067	57,217	66,362
		239,057	287,946	247,505	296,240

20.1. TRADE RECEIVABLES FROM RELATED COMPANIES

	Relationship	Company		Group	
		2018	2017	2018	2017
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Richard Pieris Natural Foams Ltd	Associate Company	92,709	110,820	92,709	110,820
Arpico Natural Latex Foam (Pvt) Ltd	Related Company	32,055	32,055	32,055	32,055
Richard Pieris Exports PLC	Related Company	24,934	18,466	24,934	18,466
Richard Pieris Rubber Compounds Ltd	Related Company	-	538	-	538
Richard Pieris Distributors Ltd	Related Company	6,057	1,511	6,057	1,511
Arpitalian Compact Soles (Pvt) Ltd	Related Company	-	873	-	873
Arpitech (Pvt) Ltd	Related Company	1,554	1,853	1,554	1,853
		157,309	166,116	157,309	166,116
(-) Provision for doubtful receivables		(32,055)	(32,055)	(32,055)	(32,055)
		125,254	134,062	125,254	134,062

21. AMOUNTS DUE FROM RELATED COMPANIES

	Relationship	Company		Group	
		2018	2017	2018	2017
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Maskeliya Plantations PLC	Related Company	10,355	1,782	10,355	1,782
Hamefa Kegalle (Pvt) Limited	Subsidiary Company	89,305	90,847	-	-
Richard Pieris & Company PLC	Ultimate Parent Company	3,239	-	3,239	-
RPC Management Services (Pvt) Ltd	Related Company	16	533	16	533
		102,915	93,161	13,610	2,315
(-) Provision for doubtful receivables		(54,891)	(54,891)	-	-
		48,025	38,271	13,610	2,315

22. SHORT TERM INVESTMENT

	Company		Group	
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Investment in Treasury Bills, REPO & Others	1,594,809	1,420,892	1,594,809	1,420,892
	1,594,809	1,420,892	1,594,809	1,420,892

23. STATED CAPITAL

Issued and Fully Paid Ordinary Shares

		Company		Group	
		2018	2017	2018	2017
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 in the Annual Report to the Board of Directors on the Affairs of the Company.

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. LOANS AND BORROWINGS

Company/Group	2018					2017
	Repayable within 1 year	Repayable after one year less than five years	Repayable after five year	Sub Total	Total as at 31.03.2018	Total as at 31.03.2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Long Term Loans 24.1	741,559	1,051,147	-	1,051,147	1,792,706	1,563,287
Short Term Loans	-	-	-	-	-	-
Bank Over Draft	1,108,954	-	-	-	1,108,954	1,013,209
	1,850,513	1,051,147	-	1,051,147	2,901,661	2,576,496

24.1. LONG TERM LOANS (Secured) (Cont...)

	2018					2017		
	Repayable within 1 year	Repayable after one year less than five years	Repayable after five year	Sub Total	Total as at 31.03.2018	Total as at 31.03.2017	Rate of interest	Terms of Repayment
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000		
NDB/DFCC								
Disbursement 1	-	-	-	-	-	3,651	10.99%	1 Month Installment @ Rs. 507,091 and 71 Installments @ Rs. 786,000 commencing from 30.09.2011
Disbursement 2	-	-	-	-	-	2,446	10.99%	1 Month Installment @ Rs. 407,645 and 71 Installments @ Rs. 407,668 commencing from 31.10.2011
ADB/NDB	-	-	-	-	-	23,064	AWPLR+0.5%	1 Month Installment @ Rs. 2,880,209 and 59 Installments @ Rs. 2,883,395 commencing from 31.12.2012
NDB	73,859	-		-	73,859	147,716	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	79,800	60,850	-	60,850	140,650	220,450	AWPLR+0.9%	1 Month Installment @ Rs. 7,650,000 and 59 Installments @ Rs. 6,650,000 commencing from 31.01.2015
IOB-Dollar	219,353	354,639	-	354,639	573,992	762,683	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	155,618	78,120	-	78,120	233,738	380,277	1 Month LIBOR+5.0%	1 Month Installment @ Rs.11,265,571 and 59 Installments @ Rs.11,001,431 commencing from 31.10.2014
Commercial-Doller	194,601	535,149	-	535,149	729,750	-	1 Month LIBOR+4.0%	1 Month Installment @ Rs.16,020,885 and 48 Installments @ Rs.16,018,423 commencing from 31.01.2018
SLTB	7,667	10,222	-	10,222	17,889	23,000	Monthly Reviewed	36 Monthly Installments @ Rs. 638,888.89 commencing from 31.08.2017
SLTB	10,662	12,167	-	12,167	22,829	-	Monthly Reviewed	36 Monthly Installments @ Rs. 892,930.94 commencing from 31.05.2017
	741,559	1,051,147	-	1,051,147	1,792,706	1,563,286		

25. RETIRING BENEFIT OBLIGATIONS

	Company		Group	
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Provision for retiring gratuity				
At the beginning of the year	380,800	429,478	380,895	429,573
Interest Cost	46,648	49,390	46,648	49,390
Current Service Cost	30,652	26,291	30,652	26,291
Gratuity Payments for the year	(68,979)	(80,978)	(68,979)	(80,978)
Actuarial (Gain) / Loss arising from changes in financial assumptions	31,750	(16,976)	31,750	(16,976)
Actuarial (Gain) / Loss arising from experience adjustments	19,203	(26,405)	19,203	(26,405)
At the end of the year	440,074	380,800	440,169	380,895

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 2018, which amounts to Rs. 440,074,192/-. 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 2018, in line with the Gratuity Act No.12 of 1983 the liability would have been Rs. 589,060,160/-. Hence, there is a contingent liability of Rs. 148,985,967/- 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	2018
	Rs.'000
Within the next 12 months	92,650
Between 2 and 5 years	113,044
Beyond 5 years	234,381
Total RBO	440,074

The weigted average duration of the Defind Benefit plan obligation at the end of the reporting period is 5.50 years and 7.94 Years for staff and workers respectively.

The key assumptions used by Messrs. Actuarial & Management Consultants (Pvt) Ltd when determining the retirement benefit obligations are given in Accounting Policy Note 3.14.

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 2018	(24,377)	27,945	(3,708)	4,195
As at 31 March 2017	(20,187)	22,991	(1,884)	2,083
	+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 2018	14,427	(13,676)	4,602	(4,132)
As at 31 March 2017	10,488	(9,970)	899	(862)

26. DEFERRED INCOME

	Company		Group	
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Deferred Grants and Subsidies				
Balance at the beginning of the year	196,178	203,037	196,178	204,262
Add : Grants/Subsidy received during the year	26,341	6,399	26,341	6,399
Less : Amortisation for the year	(10,688)	(13,257)	(10,688)	(14,483)
Balance at the end of the year	211,831	196,178	211,831	196,178

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.

27. DEFERRED TAX ASSETS AND LIABILITIES

	Company		Group	
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Temporary Differences,				
At the beginning of the year	1,025,576	1,007,138	1,025,576	1,007,138
Amount originating / (Reversal) during the year	60,787	18,438	60,787	18,438
At the end of the year	1,086,363	1,025,576	1,086,363	1,025,576
Temporary Differences of,				
Property, Plant & Equipment (including Biological Assets)	2,639,238	2,341,987	2,639,238	2,341,987
Retirement Benefit Obligations	(440,074)	(380,800)	(440,074)	(380,800)
Carried forward Tax Losses	(1,112,800)	(935,611)	(1,112,800)	(935,611)
At the end of the year	1,086,363	1,025,576	1,086,363	1,025,576
Tax Effect,				
At the beginning of the year	46,861	53,368	46,861	53,368
Transfer from/ (to) Income Statement	103,401	(6,506)	103,401	(6,506)
At the end of the year	150,262	46,862	150,262	46,862
Deferred Tax Liabilities				
Property, Plant & Equipment (including Biological Assets)	367,664	255,890	367,664	255,890
	367,664	255,890	367,664	255,890
Deferred Tax Assets				
Retirement Benefit Obligations	(61,610)	(60,014)	(61,610)	(60,014)
Carried forward Tax Losses	(155,792)	(149,014)	(155,792)	(149,014)
	(217,402)	(209,028)	(217,402)	(209,028)
Deferred Tax (Asset)/ Liability	150,262	46,862	150,262	46,862

27.1. Reconciliation of deferred tax charge / (reversal)

	Company		Group	
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
At the beginning of the year	46,862	53,369	46,862	53,369
Tax charge/(reversal) during the year recognised Statement of profit or loss.				
• Amount originated/(reversed) during the year	(4,336)	(13,345)	(4,336)	(13,345)
• Amount originated due to the Income Tax rate change	110,298	-	110,298	-
Tax charge/(reversal) during the year recognised in other Comprehensive Income.	(2,561)	6,837	(2,561)	6,837
At the end of the year	150,262	46,862	150,262	46,862

28. LIABILITY TO MAKE LEASE PAYMENT

	Company		Group	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Gross Liability				
At the begining of the year	444,230	459,974	444,230	459,974
Repayment during the year	(15,744)	(15,744)	(15,744)	(15,744)
At the end of the year	428,486	444,230	428,486	444,230
Finance cost allocated to future periods	(170,201)	(180,741)	(170,201)	(180,741)
Net Liability	258,284	263,489	258,284	263,489
Payable within one year				
Gross liability	15,744	15,744	15,744	15,744
Finance cost allocated to future periods	(10,331)	(10,539)	(10,331)	(10,539)
Net liability transferred to current liabilities	5,413	5,205	5,413	5,205
Payable within two to five years				
Gross liability	62,976	62,976	62,976	62,976
Finance cost allocated to future periods	(39,069)	(39,989)	(39,069)	(39,989)
Net liability	23,907	22,987	23,907	22,987
Payable after five years				
Gross liability	349,766	365,510	349,766	365,510
Finance cost allocated to future periods	(120,801)	(130,212)	(120,801)	(130,212)
Net liability	228,965	235,298	228,965	235,298
Net liability payable after one year	252,872	258,284	252,872	258,284

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. 43,248,772/- which in based on GDP deflator of 3.6% (2017 - Rs. 41,198,830/- 2.1%)

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	=	2,947,726
Finance Charges	=	(1,949,004)
Net Liability	=	998,722

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

29. TRADE AND OTHER PAYABLES

	Company		Group	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Trade creditors	198,258	222,416	203,306	226,297
Others creditors	32,884	28,695	35,881	32,836
	231,142	251,111	239,188	259,133

30. DIVIDEND PAYABLE

	Company		Group	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Dividend Payable	23,963	26,576	23,963	26,576
	23,963	26,576	23,963	26,576

31. AMOUNTS DUE TO RELATED COMPANIES

	Relationship	Company		Group	
		2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Namunukula Plantations PLC	Related Company	10,363	18,385	10,363	18,385
RPC Logistics (Pvt) Ltd	Related Company	170	56	170	56
Richard Pieris & Company PLC	Ultimate Parent Company	-	347	5,119	5,466
RPC Plantation Management Services (Pvt) Ltd	Parent Company	7,844	22,192	7,844	22,192
Richard Pieris Distributors Ltd	Related Company	87	135	87	135
Maskeliya Tea Garden Ceylon Ltd	Related Company	47	59	47	59
		18,511	41,174	23,630	46,293

32. ASSETS PLEDGED AS SECURITIES

The following assets have been pledged as securities for liabilities.

Name of Bank	Loan Facility Rs./USD (Mn)	Security	Nature of Liability	Carring Amount Pledged 2018 Rs.'000	2017 Rs.'000
Bank of Ceylon	35.0 Mn	Primary mortgage over leasehold rights of Gampaha Estate.	Overdraft	119,670	114,257
Hatton National Bank PLC	50.0 Mn	Primary mortgage over leasehold rights of Luckyland Estate.	Overdraft	190,497	185,295
Asian Development Bank / National Development Bank PLC	1,051.7 Mn	Primary and secondary mortgage over leasehold rights of Atale, Pallegama, Parambe, Weniwella, and Yataderiya Estates. Further mortgage over Pallegama, Parambe, Weniwella, and Yataderiya Estates.	Term Loan	1,124,798	1,029,466
Indian Overseease 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	245,769	209,590
Indian Overseas Bank (IOB)	USD 8.0 Mn	Primary mortgage over leasehold rights of Ambadeniya, Hathbawa and Udapola Estates.	Term Loan	492,591	458,527
Commercial Bank of Ceylon PLC	USD 10.0 Mn	Primary and secondary mortgage over leasehold rights of Etana and Kirklees Estates and a negative pledge over leasehold rights of Allagolla, Eadella and Doteloya Estates.	Term Loan	608,310	339,589
Nations Trust Bank PLC	150.0 Mn	Primary mortgage over Produce Stocks (Rubber, Tea and Coconut).	Term Loan/ Overdraft	-	-

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		Group	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Approved by the Board & Contracted for	-	-	-	-
Approved by the Board & not Contracted for	574,860	515,105	574,860	515,105
	574,860	515,105	574,860	515,105

34. COMMITMENTS AND CONTINGENCIES

Contingent liability that may result, depending on the timing of the taxability of certain fair value adjustments amount to approximately Rs. 2,308,187/-.

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 2018 Rs.'000	Company 2017 Rs.'000	Group 2018 Rs.'000	Group 2017 Rs.'000
36.1.1. Parent Company				
Amount Payable/Recoverable as at 31 March	**(7,844)**	(22,192)	**(7,844)**	(22,192)
Managing Agent's Fee	(67,004)	(44,741)	(67,004)	(44,741)
Settlement of Management Fee	81,219	20,000	81,219	20,000
Recovery of expenses	133	221	133	221
36.1.2. Subsidiaries				
Amount Receivable as at 31 March	**34,414**	35,956	**-**	-
Administration Expenses	(1,542)	(1,123)	-	-
36.1.3. Associates				
Amount Receivable as at 31 March	**584,559**	602,670	**1,040,636**	944,436
Amount Payable as at 31 March	**-**	-	**-**	-
Sale of Latex	624,580	524,376	624,580	524,376
Settlement Amount	(642,691)	(454,093)	(642,691)	(454,093)
Share of Result of Equity Accounted Investees	-	-	265,836	206,681
Insurance Premium	-	(1,598)	-	(1,598)
Insurance Premium Settlements	-	1,598	-	1,598
Dividend Receivable	136,372	82,215	-	-
Dividend Settlement	(136,372)	(82,215)	(151,524)	(91,350)
36.1.4. Related Companies				
Amount Receivable as at 31 March	**1,292,755**	1,226,436	**1,292,755**	1,226,436
Amount Payable as at 31 March	**(10,668)**	(18,982)	**(15,787)**	(24,101)
Salaries, Rent, Vehicle repairs & other Expenses	(17,287)	(6,833)	(17,287)	(6,833)
Purchase of Goods	(63,389)	(97,577)	(63,389)	(97,577)
Settlement of Dues	248,770	185,389	248,770	185,389
Sale of Goods	209,636	173,546	209,636	173,546
Sales cash receipts	(206,387)	(161,742)	(206,387)	(161,742)
Secretarial Fees	(200)	(200)	(200)	(200)
Freight Charges	(2,196)	(1,679)	(2,196)	(1,679)
Repo/Debenture Interest Receivable	112,928	102,781	112,928	102,781
Repo/Debenture Interest settlement	(252,962)	(182,616)	(252,962)	(182,616)
Deemed Disposal Gain - Sudsequent Recognition	45,720	56,580	45,720	56,580

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.

Non recurrent related party transactions

There were no non recurrent related party transactions which in aggregate value exceeds 10% of the equity or 5% of the total assets which ever is lower of the Company as per 31 March 2017 audited Financial Statements, which required additional disclosures in the 2017/18 Annual Report under Colombo Stock Exchange listing rule 9.3.2 and code of best practices on related party transactions under the security exchange commission directive issued under section 13(c) of the Security Exchange Commission Act.

Recurrent related party transactions

There were no recurrent related party transactions which in aggregate value exceeds 10% of the consolidated revenue of the Group as per 31 March 2017 audited Financial Statements, which required additional disclosures in 2017/18 Annual Report under Colombo Stock Exchange listing rule 9.3.2 and code of best practices on related party transactions under the security exchange commission directive issued under section 13(c) of the Security Exchange Commission Act, except following related party transactions exceeds 10% of the gross revenue/income as required.

	Disclosures	Company 2018 Rs.'000	Company 2017 Rs.'000	Group 2018 Rs.'000	Group 2017 Rs.'000
a.	Name of the related party, Richard Pieris Natural Foams Ltd				
b.	Relationship, Associate Company				
c.	Nature of transaction, Sale of Centrifuged Latex				
d.	Aggregate value of related party transactions entered into during the financial year	624,580	524,376	624,580	524,376
	Consolidated revenue as per latest audited financial statements	2,287,161	1,933,063	2,287,161	1,933,063
e.	Aggregate value of related party transactions as a % of net revenue/ income	27.3%	27.1%	27.3%	27.1%
f.	Terms and conditions of the related party transactions;				
	Transactions with related parties are carried out in the ordinary course of business on an arm's length basis.				

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 per cent (15%) of the earnings of the Company before interest received/paid, corporate tax, depreciation and amortisation 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 2018. Further there were no key management compensation paid during the year other than those disclosed in Note 8.

36.3. Related Party Transactions

There are no related party transactions other than those disclosed in Notes 11, 17.1, 17.2, 18, 20.1, 21, 31, 32 & 36 to the Financial Statements.

36.4. Details of material issues pertaining to employees and Industrial relations of the Company.

There were no material issues pertaining to employees and industrial relations pertaining to the Company that occurred during the year under review.

37. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

Sri Lanka Accounting Standard - LKAS 7 (Statement of Cash Flows), requires an entity to disclose information that enables users of Financial Statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Accordingly, changes in liabilities arising from financing activities for the year ended 31 March 2018 are disclosed below.

The funds borrowed by the Company are given in Note 24.

	Company Interest-Bearing Borrowings Rs.'000	Group Interest-Bearing Borrowings Rs.'000
Balance as at 01 April 2017	1,563,287	1,563,287
Net Cash flows from Financing Activities	229,420	229,420
Non Cash Changes	-	-
Balance as at 31 March 2018	1,792,706	1,792,706

38. 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.

38.1. 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.

38.2. 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.

38.2.1. 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. 248 Mn (2016/17 – Rs. 296 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.

38.2.2. 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.1,595 Mn as at 31 March 2018 (2016/17 – Rs.1,421 Mn) which represents the maximum credit exposure on these assets.

38.2.3. CASH AND CASH EQUIVALENTS

The Group held cash at bank and in hand of Rs. 19 Mn as at 31 March 2018 (2016/17 – Rs. 17 Mn) which represents its maximum credit exposure on these assets.

38.3. 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 minimising 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 summarises the maturity profile of the Group financial liabilities based on contractual undiscounted payments.

As at 31 March 2018	On Demand	Less than 3 Months	3 to 12 Months	2 to 5 years	>5 years	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Group						
Interest bearing loans & borrowing	1,119,628	190,743	604,347	1,536,778	-	3,451,496
Trade & other payables	239,188	-	-	-	-	239,188
	1,358,816	190,743	604,347	1,536,778	-	3,690,684
Company						
Interest bearing loans & borrowing	1,119,628	190,743	604,347	1,536,778	-	3,451,496
Trade & other payables	231,142	-	-	-	-	231,142
	1,350,770	190,743	604,347	1,536,778	-	3,682,637

As at 31 March 2017	On Demand	Less than 3 Months	3 to 12 Months	2 to 5 years	>5 years	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Group						
Interest bearing loans & borrowing	1,023,164	139,492	442,439	1,502,936	-	3,108,031
Trade & other payables	259,133	-	-	-	-	259,133
	1,282,297	139,492	442,439	1,502,936	-	3,367,163
Company						
Interest bearing loans & borrowing	1,023,164	139,492	442,439	1,502,936	-	3,108,031
Trade & other payables	251,111	-	-	-	-	251,111
	1,274,275	139,492	442,439	1,502,936	-	3,359,142

38.4. 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.

38.4.1. INTEREST RATE RISK

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

The Group held long term borrowings with floating interest rates of Rs. 1,793 Mn (2016/17 – Rs.1,563 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
2017/18	1%	(12,739)
	-1%	12,739
2016/17	1%	(13,934)
	-1%	13,934
Company		
2017/18	1%	(12,739)
	-1%	12,739
2016/17	1%	(13,934)
	-1%	13,934

38.4.2. 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		
2017/2018		
USD	5%	(3,765)
USD	-5%	3,765
Company/Group		
2016/17		
USD	5%	(4,029)
USD	-5%	4,029

38.4.3. 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 decisions are approved by the Board. Equity price risk is not material to the Financial Statements.

38.4.4. CAPITAL MANAGEMENT

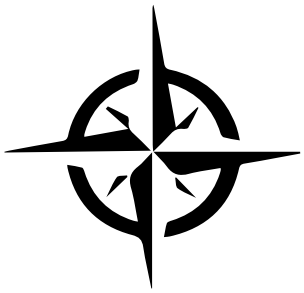
The Group's policy is to retain a strong capital base so as to maintain investor, creditor & market confidence and to sustain future development of the business. Capital consists of share capital, reserves and retain earnings . The Board of Directors monitors the return on capital, interest covering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

The gearing ratio at the reporting date is as follows.

	As at 31.03.2018 Rs.'000	As at 31.03.2017 Rs.'000
Interest Bearing Borrowings		
Current portion of long term interest bearing borrowings	1,850,513	1,555,202
Payable after one year	1,051,147	1,021,294
Total Debts	2,901,661	2,576,496
Equity	2,667,383	2,621,695
Total Equity & Debts	5,569,043	5,198,191
Gearing Ratio	52%	50%

Seeing Beyond

With the end of the current financial year, another chapter of the tour of KPL comes to an end. When looking back the history of 25 years, we have constantly stood in the industry as a key player. However, how we performed in the past is not relevant when we step towards the future although the experience gathered will be important. Hence we have to make radical but properly planned changes to the Company operations to achieve the expected growth in the face of uncertain future. Consequently, our movement to other commercially viable crops namely oil palm and minor export crops such as pineapple, cocoa, vanilla and pepper will prove our commitment to Seeing Beyond. The product portfolio modifications coupled with improvements in human, physical, social and environmental aspects will create the golden era of KPL in future continuously supported by our Seeing Beyond ability.



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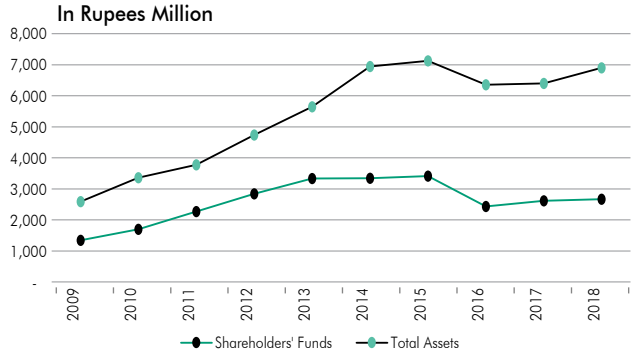
TEN YEAR SUMMARY

Year Ended 31 March		2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Operating Results											
Turnover	Rs '000	2,508,167	2,287,161	1,933,063	2,023,911	2,414,220	2,587,558	2,940,027	2,991,762	2,216,497	1,927,762
Operating Profit before Mgt Fee	Rs '000	511,708	302,804	85,345	62,710	409,416	670,346	930,179	1,150,845	492,193	423,185
Profit before Interest and Tax	Rs '000	625,499	457,275	262,086	274,227	564,605	710,927	990,709	1,031,593	410,000	351,436
Profit After Tax	Rs '000	235,859	217,263	101,330	127,034	345,993	473,186	769,842	883,127	376,030	177,411
Dividends	Rs '000	187,500	125,000	1,125,000	50,000	337,500	-	187,500	75,000	75,000	25,000
Financial Position											
Fixed Assets	Rs '000	2,866,712	2,622,327	2,553,641	2,437,195	2,232,039	2,024,766	1,872,057	1,707,820	1,814,679	1,564,998
Investments	Rs '000	1,738,450	1,692,730	1,636,150	1,611,850	611,850	597,000	450,000	225,000	225,000	80,298
Current Assets	Rs '000	2,297,949	2,089,323	2,168,563	3,078,052	4,102,606	3,028,955	2,421,056	1,847,793	1,325,104	946,549
Current Liabilities	Rs '000	2,129,542	1,879,266	1,476,509	771,499	560,053	373,638	347,441	366,372	317,718	196,801
Shareholders' Funds	Rs '000	2,667,383	2,621,697	2,436,309	3,412,393	3,342,520	3,336,956	2,841,915	2,272,074	1,698,311	1,347,281
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	2,417,383	2,371,697	2,186,309	3,162,393	3,092,520	3,086,956	2,591,915	2,022,074	1,448,311	1,097,281
Key Financial Indicators											
Current Ratio	Times	1.08	1.11	1.47	3.99	7.33	8.11	6.97	5.04	4.17	4.81
Quick Asset Ratio	Times	0.92	0.97	1.31	3.64	6.76	7.46	6.39	4.39	3.39	4.07
Debt Equity Ratio	Times	0.52	0.50	0.53	0.41	0.41	0.25	0.20	0.14	0.19	0.21
Interest Cover	Times	2.23	1.77	1.32	1.55	3.15	5.02	9.21	9.01	6.22	5.90
Equity /Asset Ratio	Times	0.39	0.41	0.38	0.48	0.48	0.59	0.60	0.60	0.54	0.54
Earnings per Share	Rs.	9.43	8.69	4.05	5.08	13.84	18.93	30.79	35.33	15.04	7.10
Dividends per Share	Rs.	7.50	5.00	45.00	2.00	13.50	-	7.50	3.00	3.00	1.00
Market Price of a Share	Rs.	65.90	52.00	50.70	85.80	105.00	112.00	103.00	207.50	47.00	19.00
Price Earning Ratio	Times	6.99	5.98	12.51	16.89	7.59	5.92	3.34	5.87	3.12	2.68
Dividend Cover	Times	1.26	1.74	0.09	2.54	1.03	-	3.85	11.78	5.01	7.10
Dividend Pay Out Ratio	%	79.50	57.54	1,110.28	39.36	97.55	-	25.98	8.49	19.95	14.08
Annual Production											
Rubber	kg '000	3,495	3,742	3,353	3,534	4,016	4,076	4,155	4,082	4,578	5,102
Tea	kg '000	1,962	2,165	2,375	2,094	2,243	2,162	2,630	2,773	2,479	2,492
Coconuts	nuts '000	1,117	1,471	1,559	1,549	1,596	1,713	1,731	1,413	1,572	1,610
Capital Expenditure											
Field Development	Rs '000	300,895	172,757	219,068	263,195	290,313	223,167	198,597	144,915	114,439	89,993
Purchase of PPE	Rs '000	33,844	3,168	1,580	42,656	4,155	30,554	51,058	55,329	68,597	75,947
Total Capex	Rs '000	334,739	175,924	220,648	305,851	294,468	253,720	249,656	200,244	183,036	165,940

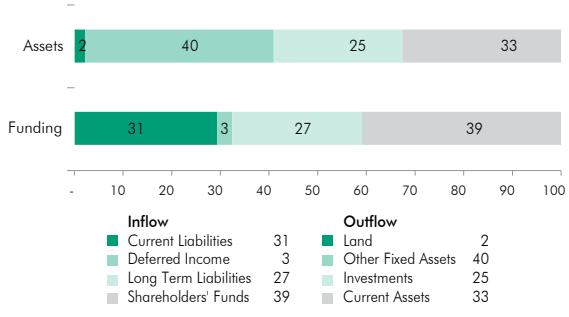
Shareholders' Funds Vs Total Assets

In Rupees Million



Assets & Funding

In percentage



HISTORICAL NOTE

ALLAGOLLA ESTATE, Udapussellawa, Badulla

HISTORICAL BACKGROUND

Allagolla estate is situated at Udapussellawa in Badulla district of Uva province at an elevation of 1,311 meters. The history of the estate can be traced back to 1870 in which year the estate was established under the ownership of Moorhouse, T.H for planting tea. Since the establishment, several owners possessed the ownership of this estate, as depicted below.

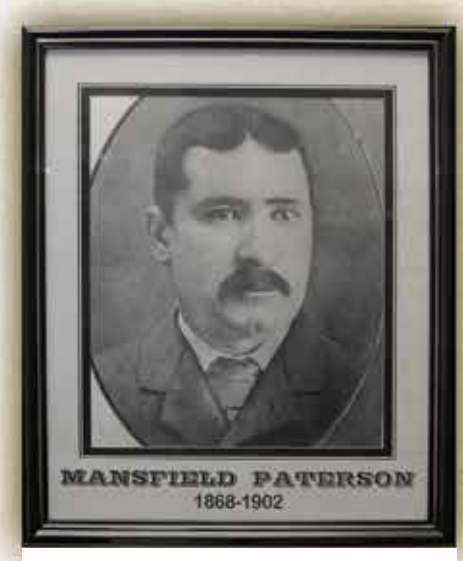
Name	Year
Moorhouse, T. H	1870 - 1884
Garforth, F.	1883 - 1884
Hall, Baker	1885 - 1886
Hyde, Sydney	1887 - 1893
Patterson, Mrs. Fanny	1909 - 1927
Manafield Paterson, Mrs. Fanny	1927 - 1930

Allagolla estate was under the private ownership up to 1959 in which year the estate was taken over by the Sri Lanka State Plantations Corporation (SLSPC). With the implementation of Land Reform Act in 1976, this estate was vested with the Government and was managed by one of the Statutory Boards, the Janatha Estates Development Board (JEDB). With the privatization of estates on the 22 June 1992, the estate was vested with Kegalle Plantations PLC.

Since the inception of the estate to the current period, a number of Superintendents managed the estate and their valuable efforts have brought the estate to the present condition.

PAST SUPERINTENDENTS

The estate was, in the hands of senior Superintendents for management whose names are listed below:



Mr. Mansfield Paterson,
The First Superintendent of the Estate

Name of Superintendent	Period
Mr. Mansfield Paterson	1868 – 1902
Mr. Chas J Paterson	1902 – 1952
Mr. Conway M. W. Davies	1952 – 1966
Mr. Peter Grice Jackson	1966 – 1969
Mr. Peter H. S. Hooper	1969 – 1975
Mr. Nimal S. Dias Weerasinha	1975 – 1978
Mr. Nimal U. G. De Silva	1979 – 1981
Mr. Noel Basil Gouder	1981 – 1983
Mr. G. Nihal Bopearatchy	1983 – 1987
Mr. Errol A. S. Perera	1987 – 1991
Mr. A. A. Cyril Perera	1991 – 1994
Mr. N. D. W. Kalyanaratna	1994 – 1995
Mr. M. A. Fernando	1995 – 1996
Mr. N. T. Bogahalanda	1996 – 1998
Mr. U. Mahalekam	1998 – 2000
Mr. D. W. M. M. R. B. Madawala	2000 – 2001
Mr. G. K. Weerasinghe	2001 – 2003
Mr. A. C. P. Ranasinghe	2003 – 2004
Mr. U. K. Wanniarachchi	2004 – 2004
Mr. A. Dharmaratne	2004 – 2005
Mr. D. M. S. K. Wickramasinghe	2005 – 2006
Mr. D. Y. M. De Run	2006 – 2008
Mr. V. C. Hewage	2008 – 2010
Mr. M. V. W. E. De Silva	2010 – 2014
Mr. V. S. Athauda	2014 – 2014
Mr. B. P. D. Mahesh	2014 up to now

CURRENT STATUS OF THE ESTATE

Currently, tea is the major crop of the estate. In addition, the estate is engaged in timber plantations as well with the view of environmental conservation.

Land Extent of Allagolla Estate - Hectares

Today, this tea estate comprises of a total extent of 243.75 ha. and has a cultivated extent of 214.39 ha.

The estate is divided into three Divisions namely Upper, Lower and Napalabokka, bordering the villages of Allagolla in the Dambawinipalatha Korale and Yatipalata Korale, Pannalawela in the Medapalatha and Yatipalatha Korales, Pahalaalagollegama in the Medapalata Korale, Kohilegama, Horatota and Diyabokandura in the Gampaha Korale all of Udukinda division in the District of Badulla, Uva Provonce and contains the extent in three divisions as follows;

Division	Extent - ha
Upper	112.50
Lower	61.50
Napalabokka	69.75
Total Land Extent	243.75

Crop Wise Extent - Hectares

Cultivation	Extent - ha
Tea	174.78
Marginal Tea	7.40
Thatch Banks	1
Gum & Timber	31.21
Other Lands, buildings/jungle/roads/ ravines & streams…. etc.	29.36
Total Land Extent	243.75

Key Indicators of the Estate

Indicator	2017/18	2016/17
Production - Estate (kg'000)	155,406	131,182
Yield (kg/ha)	901	760.34
NSA (Rs./kg)	583.08	474.40
COP (Rs./kg)	474.79	414.80

Bio Diversity of Allagolla Estate

The estate lies in the Upper Uva region, one of the most severely deforested regions of Sri Lanka's wet zone. Although Allagolla Estate is largely dominated by intensive monoculture tea cultivation, it consists of substantial areas of monoculture forest plantations, as well as a few remnant patches of highly degraded natural forest. The latter include the 2.5 ha reservation on Allagolla Estate and the narrow forest strip on the Kirklees - Allagolla boundary. Both of these areas harbour a number of plants and animal species characteristic of or restricted to the native forests of the region. These forest patches are of considerable conservation importance because of the extreme scarcity of natural forest cover in this part of the Central Highlands. Monoculture forest plantations may also be of some conservation value. Detailed botanical study, however, is needed to establish to what extent the vegetation is dominated by exotic, invasive tree species, and this needs to be followed up by active efforts to promote reforestation with native forest species.

Bio Diversity of Allagolla

Tea Plantations of the Estate

Natural Beauty of the Estate

Superintendent's Bungalow

Estate Staff led by Mr. B. P. D. Mahesh, Superintendent of the Estate

GRI REPORTING

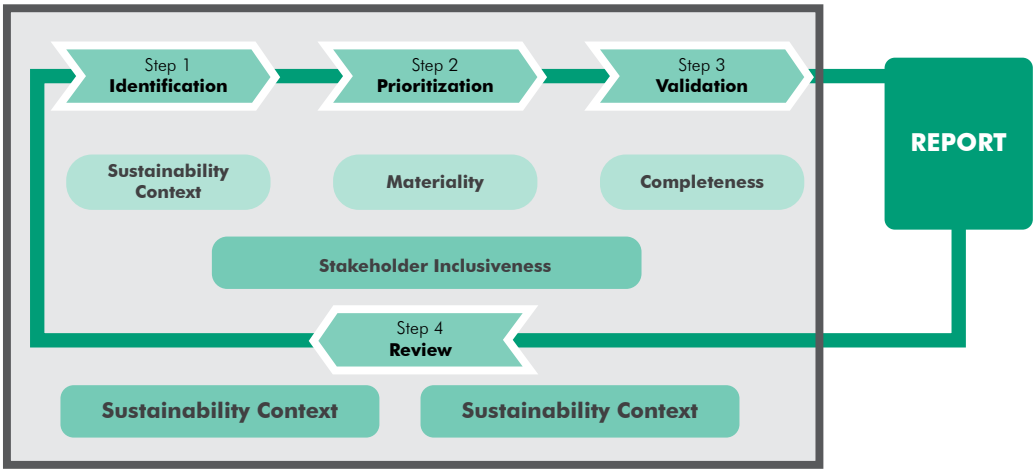
For the second time of the history of Kegalle Plantations PLC, we adopted to the Global Reporting Initiatives (GRIs) for reporting. This initiative was continued by our inspiration of moving from the traditional framework of providing only the financial information into a model of providing a wide range of information which addresses the requirements of the triple bottom line. The practice is to be implemented and continued on the basic belief that the Company should direct appropriate attention not only on the expectations of the investors who are keen on financial status of the Company but also on the expectations and the requirements of a wide range of stakeholders who have the potential to influence and to be influenced by the operations of the Company. The report is formulated using the "Core" option given by the Global Reporting Initiatives.

Kegalle Plantations PLC continued to recognize the living sustainably in subsisting within means of the natural systems that belong to nature and developing and meeting up the needs of present, without compromising the ability of future generations to meet their needs. The Company also believes that as a corporate entity, it 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 operations. 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.

Identified Material Aspects & Boundaries

We use the following process to identify, prioritize and validate the aspects that exert significant influence on our business. On the basis of this process, we report each and every aspect comprehensively to our stakeholders.



PRINCIPLES FOR DEFINING REPORT CONTENT

As a responsible corporate citizen, we are always keen on each and every aspect which has or is expected to have potential to affect the business as well as a wide range of stakeholders around the business. We have duly applied the following principles in the determining the matters that affect the Company and ultimately the stakeholders of the Company.

Stakeholder Inclusiveness

In the reporting process, a wide range of forces and actors who have the potential to affect and be affected by the operations of the Company are identified as Stakeholders. Accordingly, Stakeholders of our Company include not only the investors who have contributed to the financial capital but also others who have relationships with the Company. In the preparation of our report, priority has been given to the reasonable expectations and interests of our stakeholders.

Sustainability Context

Our report is expected to provide comprehensive details related to the performance of the Company from a broader perspective considering the wider socio economic context. Accordingly, we report how we contribute, or aim to contribute in the future to the improvement or deterioration of economic, environmental, and social conditions, developments at the local, regional or global level.

Materiality

Under our report, we report the relevant topics that may reasonably be considered important for reflecting the organization's economic, environmental and social impacts or substantively influencing the decisions of stakeholders.

Completeness

The report has covered material aspects and their boundaries, sufficient to reflect economic, environmental, and social impacts, and to enable stakeholders to assess the organization's performance in the reporting period.

PRINCIPLES FOR DEFINING REPORT QUALITY

In the process of preparation of the sustainability report, the following principles have been applied in order to enhance the quality of the information provided through the report. As a Company dedicated to quality of each and every aspect, we are in the opinion that the provision of quality information will facilitate the effective decision making of our stakeholders.

Balance

The report consists of all the positive and negative aspects of the Company's performance to reflect an unbiased picture of the organization which enables a reasonable assessment of the overall performance of the Company.

Comparability

Our report has presented information in a consistent manner which enables stakeholders to make meaningful comparisons against the Company's past performance, its objectives, and to the degree possible, against the performance of other organizations.

Accuracy

The report consists of information that is sufficiently accurate and detailed for stakeholders to assess the performance of the Company.

Timeliness

Information is reported on a regular basis in order to ensure that information is available on time for stakeholders to make informed decisions.

Clarity

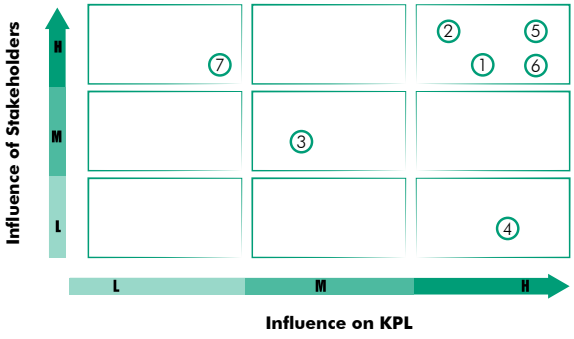
The report has presented information in a manner that is understandable and accessible to stakeholders using the report.

Reliability

The process of gathering, recording, analyzing and disclosing information contained in our report is subject to accuracy and establishes quality and materiality of information.

Prioritization of Material Issues

The aspects that have a high potential to exert influence on our Company can be recognized based on the following matrix and those aspects are prioritized so that stakeholders can understand the significant aspects that matter most the business process of our Company.



Material Issue for KPL	Corresponding GRI G4 Material Aspect	Aspect Boundary	
		Internal	External
1. Natural Environment	Materials		*
	Energy	*	
	Water	*	
	Biodiversity	*	
	Emissions	*	
	Effluent and Waste	*	
	Products and Services	*	
	Compliance	*	
	Transport		*
	Overall	*	
	Supplier Environmental Assessment		*
	Environmental Grievance Mechanisms	*	
2. Work Environment	Employment	*	
	Labour/Management Relations	*	
	Occupational Health and Safety	*	
	Training and Education	*	
	Diversity and Equal Opportunity	*	
	Equal Remuneration for Women and Men	*	
	Supplier Assessment for Labour Practices		*
	Labour Practices Grievance Mechanisms	*	
	Investment	*	
	Non-discrimination	*	
	Freedom of Association and Collective Bargaining	*	
	Child Labour	*	
	Forced or Compulsory Labour	*	
	Security Practices	*	
	Indigenous Rights		
	Assessment	*	
	Human Rights Grievance Mechanisms	*	
3. Local Development	Local Communities	*	
	Anti-corruption	*	
	Public Policy		
	Anti-competitive Behavior	*	
	Compliance	*	
	Grievance Mechanisms for Impacts on Society	*	
4. Supplier Management	Supplier Assessment for Impacts on Society		*
	Supplier Human Rights Assessment		*
5. Product Responsibility	Customer Health and Safety	*	
	Product and Service Labelling	*	
	Marketing Communications	*	
	Customer Privacy		
	Compliance	*	
6. Creating Value for Shareholders & Profitability	Economic Performance	*	
	Market Presence	*	
	Indirect Economic Impacts		
	Procurement Practices	*	
7. CSR Activities		*	

However, GRI reporting has been carried out on voluntary basis and content has not been externally assured.

GRI CONTENT INDEX : "In accordance" - Core

GENERAL STANDARD DISCLOSURES				
GRI Indicator	Description	Page Reference	Page No.	External Assurance
STRATEGY AND ANALYSIS				
G4-1	Statement from the most senior decision maker from the organization	Chairman Review	12	No
ORGANIZATIONAL PROFILE				
G4-3	Report the name of the organization	Corporate Information	B.I.C.*	No
G4-4	Report the primary brands, products, and services	Operating Environment	18	No
G4-5	Report the location of the organization's headquarters	Corporate Information	B.I.C.*	No
G4-6	Report the number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report	N/A	12	No
G4-7	Report the nature of ownership and legal form	Corporate Information	B.I.C.*	No
G4-8	Report the markets served	Operating Environment	18	No
G4-9	Report the scale of the organization	Financial Highlights	8	No
G4-10	Total workforce by employment type, employment contract and region broken down by gender	Our Employees	44	No
G4-11	Report the percentage of total employees covered by collective bargaining agreements	Industrial Relations & Collective Agreements	47	No
G4-12	Describe the organization's supply chain	Sustainable Procurement Practices	48	No
G4-13	Significant changes during the reporting period regarding the organization's size, structure & ownership	No Such Changes	-	No
G4-14	Report whether and how the precautionary approach or principle is addressed by the organization	Risk Management	64	No
G4-15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses	Conservation of Environment	38	No
G4-16	Memberships in associations (such as industry associations) and national or international advocacy organizations	Product Responsibility	49	No
IDENTIFIED MATERIAL ASPECTS & BOUNDARIES				
G4-17	Organisation's entities covered by the report	Identified Material Aspects & Boundaries	136	No
G4-18	Process for defining the report content	Identified Material Aspects & Boundaries	136	No
G4-19	List all the material Aspects identified in the process for defining report content	Identified Material Aspects & Boundaries	136	No
G4-20	For each material Aspect, report the Aspect Boundary within the organization	Identified Material Aspects & Boundaries	136	No
G4-21	Aspect Boundary for each material aspect report outside the organization	Identified Material Aspects & Boundaries	136	No
G4-22	Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements	No Such Restatements		No
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	No Such Changes	-	-
Stakeholder Engagement				
G4-24	Provide a list of stakeholder groups engaged by the organization	Stakeholder Engagement	38	No
G4-25	Report the basis for identification and selection of stakeholders withwhom to engage	Stakeholder Engagement	38	No
G4-26	Approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group	Stakeholder Engagement	38	No

STANDARD SPECIFIC DISCLOSURES				
GRI Indicator	Description	Page Reference	Page No.	External Assurance
G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns	Stakeholder Engagement	38	No
Report Profile				
G4-28	Reporting period	Introduction to the Report	04	No
G4-29	Date of most recent previous report	Financial Calendar	10	No
G4-30	Reporting cycle	Introduction to the Report	04	No
G4-31	Contact point for questions regarding the report or its contents	Introduction to the Report	04	No
G4-32	'In accordance' option the organization has chosen & GRI Content Index for the chosen option	Introduction to the Report	04	No
G4-33	Policy and current practices with regard to seeking external assurance for the Report	Introduction to the Report	04	No
Governance				
G4-34	Governance Strucure of the Organisation, including committees of the highest governance body	Corporate Governance	57	No
Ethics & Integrity				
G4-56	Organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics	Ethical Behaviour	49	No

STANDARD SPECIFIC DISCLOSURES				
Category : Economic				
Material Aspect : Economic Performance				
G4-DMA	Generic disclosure on Economic performance	Financial Review	31	No
G4-EC1	Direct economic value generated and distributed	Statement of Valued Added	43	No
G4-EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	Risk Management	64	No
G4-EC3	Coverage of the organization's defined benefit plan obligations	Notes to the Financial Statements	122	No
G4-EC4	Financial assistance received from Government	Notes to the Financial Statements	123	No
Material Aspect : Market Presence				
G4-DMA	General disclosures on market presence	Human Development	44	No
G4-EC5	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	Not Reported	-	-
Material Aspect : Indirect Economic Impacts				
G4-DMA	General Disclosures on Indirect economic impacts	Human Development	45	No
G4-EC7	Development and impact of infrastructure investments and services supported	Human Development	45	No
G4-EC8	Significant indirect economic impacts, including the extent of impacts	Risk Management	64	No
Material Aspect : Procurement Practice				
G4-DMA	General Disclosures on procurement practices	Sustainable Procurement Practices	48	No
G4-EC9	Proportion of spending on local suppliers at significant locations of operation	Not Reported	-	-
Category : Environment				
Material Aspect : Material				
G4-DMA	General Disclosures on Material	Conservation of Environment	50	No

STANDARD SPECIFIC DISCLOSURES				
GRI Indicator	Description	Page Reference	Page No.	External Assurance
G4-EN1	Total weight or volume of materials that are used to produce and package the organization's primary products and services during the reporting period	Utilization of Material	51	No
G4-EN2	Percentage of materials used that are recycled input materials	Not reported	-	-
MATERIAL ASPECT: ENERGY				
G4-DMA	General Disclosures on energy	Utilization of Energy	51	No
G4-EN3	Energy consumption within the organization	Utilization of Energy	51	No
G4-EN6	Reduction of energy consumption	Utilization of Energy	51	No
Material Aspect : Water				
G4-DMA	General Disclosures on water	Environmental Protection & Water Management	50	No
G4-EN8	Total water withdrawal by source	Not reported	-	-
Material Aspect : Biodiversity				
G4-DMA	General Disclosures on Biodiversity	Forestry Management & Soil Conservation	51	No
G4-EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Forestry Management & Soil Conservation	51	No
G4-EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiveraity value outside protected areas	Forestry Management & Soil Conservation	51	No
Maerial Aspect : Emission				
G4-DMA	General Disclosures on Emissions	Not Reported	-	-
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	Not Reported	-	-
Material Aspect : Products and Services				
G4-DMA	General Disclosures on Products & Services	Prodcut Responsibilty / Product Labeling	49	No
G4-EN27	Extent of impact mitigation of environmental impacts of products and services	Prodcut Responsibilty / Product Labeling	49	No
Material Aspect : Compliance				
G4-DMA	General Disclosures on Compliance	Introduction to Report / Ethical Behavior	04/49	No
G4-EN29	Monetary value of significant fines and total number of nonmonetary sanctions for non-compliance with environmental laws and regulations	No suh incidents occurred.	-	-
Material Aspect : Overall				
G4-DMA	General Disclosures	Conservation of Environment	50	No
G4-EN31	Total environmental protection expenditures and investments by type	Not reported	-	-
Material Aspect : Employment				
G4-DMA	General Disclosures on Employment	Human Development	44	No
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	Human Development	44	No
Material Aspect : Labor / Management Relations				
G4-DMA	General Disclosures on Labour/Management Relations	Industrial Relations & Collective Agreements	47	No
G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	Not reported	-	-
Material Aspect : Occupational Health & Safety				
G4-DMA	General Disclosures on Occupational Health & Safety	Employee Development	45	No
G4-LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and saftey programs	Not reported	-	-

STANDARD SPECIFIC DISCLOSURES				
GRI Indicator	Description	Page Reference	Page No.	External Assurance
Material Aspect : Training & Education				
G4-DMA	General Disclosures on Training & Education	Employee Development	45	No
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Employee Development	45	No
Material Aspect : Diversity & Equal Opportunity				
G4-DMA	General Disclosures on Diversity & Equal Opportunity	Employees & Trade Unions	39	No
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	Not Reported	-	-
Material Aspect : Equal Remuneration for Women & Men				
G4-DMA	General Disclosures on Equal Remuneration for Women & Men	Operating Environment	18	No
G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	Not Reported	-	-
Sub Category : Human Rights				
Material Aspect : Non-Discrimination				
G4-DMA	General Disclosures on Non Discrimination	Employees & Trade Unions	39	No
G4-HR3	Total number of incidents of discrimination and corrective actions taken	No incidents were reported	-	No
Material Aspect : Freedom of Associations & Colective Bargaining				
G4-DMA	General Disclosures on Freedom of Association & Collective Bargaining	Industrial Relations & Collective Agreements	47	No
G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	Industrial Relations & Collective Agreements	47	No
Material Aspect : Child Labor				
G4-DMA	General Disclosures on Child Labor	No operations having significant risk for incidents of child labour	-	No
G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the effective abolition of child labour	No operations having significant risk for incidents of child labour	-	No
Material Aspect : Indigenous Rights				
G4-DMA	General Disclosures on Indigenous Rights	Not Applicable	-	-
G4-HR8	Total number of incidents of violations involving rights of indigenous peoples and actions taken	Not Applicable	-	-
Material Aspect : Local Communities				
G4-DMA	General Disclosures on Local Communities	Soicial Engagement	48	No
G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	Not Reported	-	-
Material Aspect : Public Policy				
G4-DMA	General Disclosures on Public Policy	Not Reported	-	-
G4-SO6	Total value of political contributions by country and recipient/ beneficiary	Not Reported	-	-
Material Aspect : Anti Competitive Behaviour				
G4-DMA	General Disclosures on Anti-Competitor Behaviour	No incidents Reported	-	No
G4-SO7	Total number of legal actions for anti-competitive behaviour, antitrust, and monopoly practices and their outcomes	No incidents Reported	-	No
Material Aspect : Compliance				

STANDARD SPECIFIC DISCLOSURES				
GRI Indicator	Description	Page Reference	Page No.	External Assurance
G4-DMA	General Disclosures on Compliance	Introduction to the Report / Ethical Behaviour	04/49	No
G4-SO8	Monetary value of significant fines and total number of nonmonetary sanctions for non-compliance with laws and regulations	No incidents Reported	-	No
Material Aspects : Supplier Assessment for Impacts on Society				
G4-DMA	General Disclosures on Supplier Assessment for Impacts on Society	Sustainable Procurement Practices	48	No
G4-SO9	Percentage of new suppliers that were screened using criteria for impacts on society	Not Reported	-	-
Material Aspect : Grievance Mechanism for Impacts on the society				
G4-DMA	General Disclosures on Grievance Mechanisms for Impacts on Society	Not Reported	-	-
G4-SO11	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms	Not Reported	-	-
Sub Category : Product Responsibility				
Material Aspect : Customer Health & Safety				
G4-DMA	General Disclosures on Customer Health & Safety	Product Responsibility	49	No
G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	No such incidents occurred	-	No
Material Aspect : Product & Service Labeling				
G4-DMA	General Disclosures on Product & Service Labeling	Product Responsibility	49	No
G4-PR3	Type of product and service information required by the organization's procedures for product and service information and labelling, and percentage of significant product and service categories subject to such information requirements	Product Responsibility	49	No
Material Aspect : Customer Privacy				
G4-DMA	General Disclosures on Customer Privacy	No incident reported	-	No
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	No incident reported	-	No
Material Aspect : Compliance				
G4-DMA	General Disclosures on Compliance	No incident reported	-	No
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	No incident reported	-	No

SHAREHOLDER & INVESTOR INFORMATION

1. Stock Exchange Listing

The issued Ordinary Share of Kegalle Plantations PLC, are listed with Colombo Stock Exchange (CSE) of Sri Lanka (Quoted 1996.01.08).

2. Distribution of Shareholders

No of Shares Held	2017/18 No of Share Holders	2017/18 No of Shares	2017/18 % Holdings	2016/17 % Holdings
1 - 1,000	8,589	1,835,757	7.34%	7.43%
1,001 - 10,000	303	1,036,920	4.15%	4.20%
10,001 - 100,000	41	1,102,832	4.41%	4.40%
100,001 - 1,000,000	7	1,254,015	5.02%	4.89%
1,000,001 - & above	1	19,770,477	79.08%	79.08%
Total	8,941	25,000,001	100.00%	100.00%
Resident Investors	8,917	24,351,508	97.41%	97.41%
Non Resident Investors	24	648,493	2.59%	2.59%
Total	8,941	25,000,001	100.00%	100.00%
Individual Investors	8,841	3,652,183	14.61%	13.96%
Institutional Investors	100	21,347,818	85.39%	86.04%
Total	8,941	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	8,937	5,212,817	20.85%	20.85%
Total	8,941	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 2018 (31 March 2017 – 20.85%).

The Company complies with Option 5 of the Listing Rules 7.13.1 (a) - Less than Rs. 2.5 billion, Float Adjusted Market Capitalization which requires 20% minimum Public Holding.

		Year Ended 31 March 2018	Year Ended 31 March 2017
Market Capitalization	Rs.'000	1,647,500	1,300,000
Price Earning Ratio	Times	6.99	5.98
Public Holding Percentage	%	20.85%	20.85%
Total number of Shareholders representing the Public Holding	Nos	8,937	8,984
Float Adjusted Market Capitalization	Rs.'000	343,525	271,066

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.

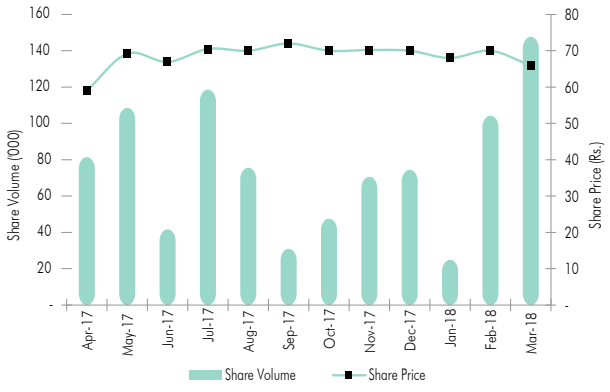
4. Share Information

Market Value		2017/18		2016/17	
Highest Price	- Rs.	78.20	(12 September 2017)	72.50	(22 April 2016)
Lowest Price	- Rs.	51.00	(03 April 2017)	45.00	(28 December 2016)
Closing Price	- Rs.	65.90	(29 March 2018)	52.00	(31 March 2017)

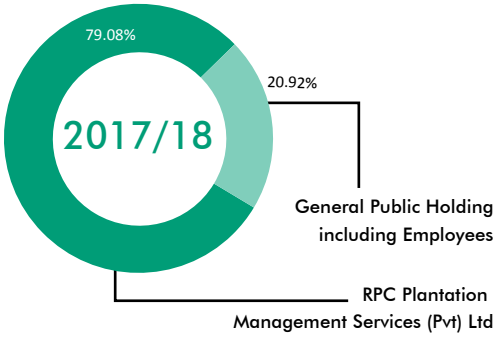
Share Trading	2017/18	2016/17
No. of Shares Traded	926,043	726,591
No. of Trades	2,388	1,535
Value of Shares Traded - Rs.	63,388,263	40,884,358

Key Ratios	2017/18	2016/17
Earnings per Share	9.43	8.69
Net Assets per Share	106.70	104.87
Dividends per Share	7.50	5.00

KPL Share Price & Transaction Volume - 2017/18



Shareholder Structure As At 31 March 2018



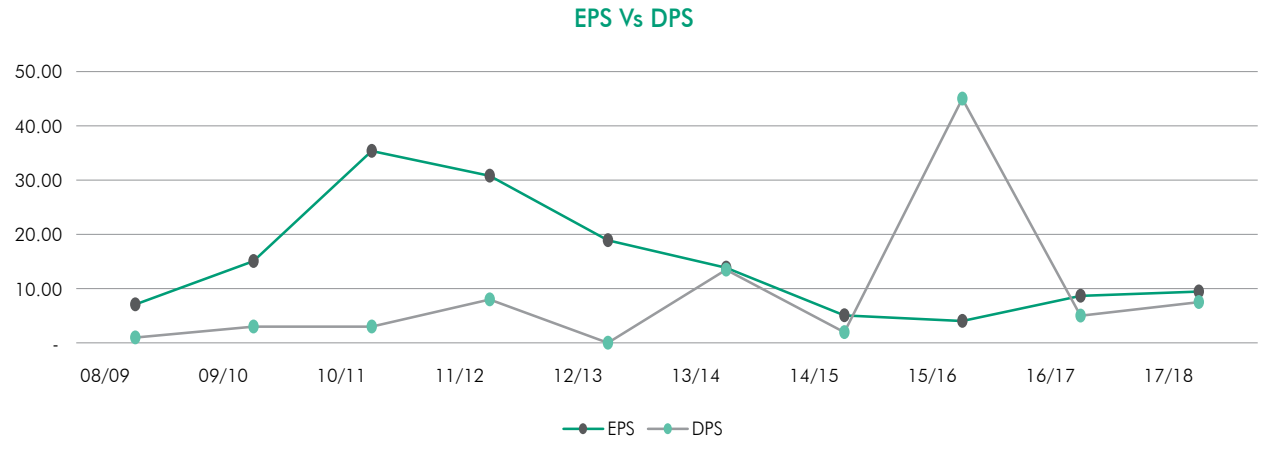
5. Twenty Largest Shareholders of the Company

As at		31 March 2018		31 March 2017	
	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%	319,305	1.28%
3	HSBC International Nominees Ltd - SSBT - Deustche Bank	200,000	0.80%	200,000	0.80%
4	Tranz Dominion, L.L.C	185,000	0.74%	185,000	0.74%
5	Mr. D. F. G. Dalpethado	152,386	0.61%	-	-
6	Pershing LLC S/A Averbach Grauson & Co.	142,000	0.57%	190,000	0.76%
7	Mubasher Financial Services BSC	133,024	0.53%	204,972	0.82%
8	Employees Provident Fund	122,300	0.49%	122,300	0.49%
9	Mr. D. M. Kodikara	90,000	0.36%	85,000	0.34%
10	Mrs. M. S. E. V. E. A. U. Von Stumm	59,349	0.24%	59,349	0.24%
11	Mr. N. Balasingam	50,600	0.20%	50,600	0.20%
12	Bank of Ceylon - No. 1 Account	50,600	0.20%	50,600	0.20%
13	Commercial Bank of Ceylon PLC/Sithijaya Fund	48,886	0.20%	-	-
14	Mr. P. F. Nandasiri	42,500	0.17%	42,500	0.17%
15	Mr. I. S. P. Perera	40,105	0.16%	-	-
16	Mr. J. G. De Mel	40,000	0.16%	38,200	0.15%
17	Alliance Finance Company PLC	37,100	0.15%	37,100	0.15%
18	Mrs. C. A. D. S. Woodward	35,706	0.14%	-	-
19	Mr. R. Gautam	34,500	0.14%	-	-
20	Mr. G. Hettige	32,011	0.13%	-	-
	Sub Total	**21,585,849**	**86.34%**	**-**	**-**
	Balance held by 8,921 Shareholders (31 March 2017 - 8,968 Shareholders)	3,414,152	13.66%	3,353,019	13.41%
	Total Shares	**25,000,001**	**100.00%**	**25,000,001**	**100.00%**

6. Exchange Rates - US $ (Selling)

	2018	2017	2016	2015	2014
As at 31 March (Rs.)	157.49	153.91	146.78	134.73	132.17

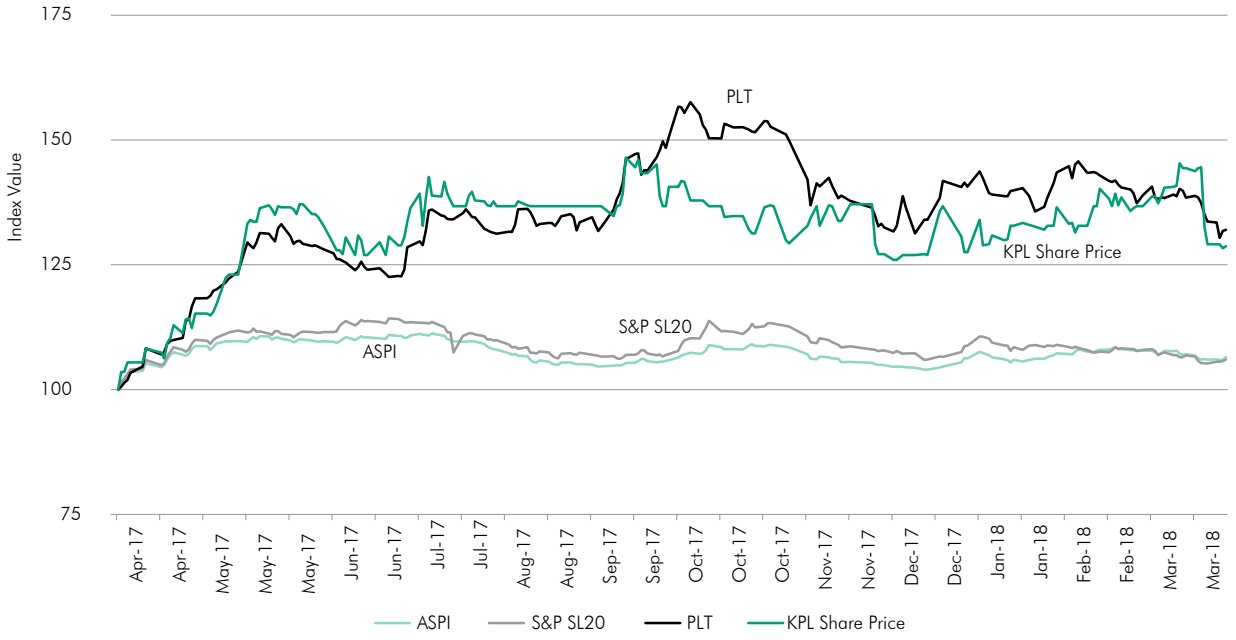
7. Company Earnings Per Share (EPS) Vs Dividend Per Share (DPS) Over Last Decate



8. Other Share Information

The performance of Kegalle Plantations PLC's share is as follows compared to the performances of All Share Price Index (ASPI), Standard & Poor's Sri Lanka 20 Index (S&P SL20) and Plantation Sector Index (PLT) in the Share Market during the year 2017/18.

KPL Share Price Vs Market Indices

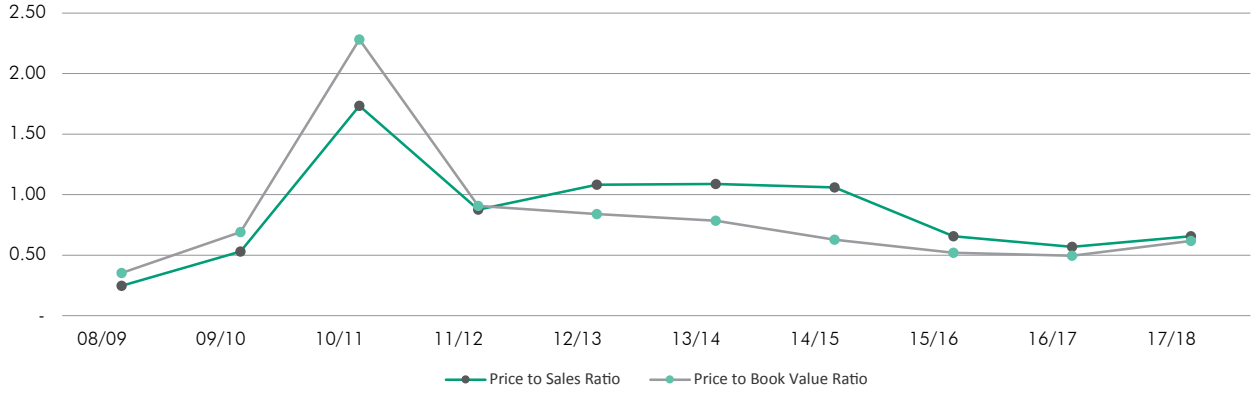


Kegalle Plantations PLC's share information from Colombo Stock Exchange (CSE) website:

- 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.

9. Company Price to Sales Ratio Vs Price to Book Value Ratio Over Last Decate

Price to Sales Ratio Vs Price to Book Value Ratio



GLOSSARY OF FINANCIAL TERMINOLOGY

Financial Terms

Accounting Policies
The specific principles, bases, conventions, rules, and practices adopted by an enterprise in preparing and presenting Financial Statement.

Agricultural Activity
Agricultural activity is the management by an entity of the biological transformation and harvest of biological assets for sale or for conversion into agricultural biological assets.

Amortisation
The systematic allocation of the depreciable amount of an intangible asset over its useful life.

Associate
An associate is an entity, including an unincorporated entity such as a partnership, over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

AWPLR
Average Weighted Prime Lending Rate.

Bearer Biological Assets
Biological assets those are not to be harvested as agricultural produce or sold as biological assets. The biological assets other than the consumable biological assets.

Biological Assets
Is a living animal or plant.

Borrowing Costs
Borrowing Costs are interest and other costs incurred by an enterprise in connection with borrowing of funds.

Capital Employed
The sum of Shareholders' Funds, Long Term & Short Term Interest bearing Borrowings.

Consumable Biological Assets
The biological assets those that are to be harvested as agricultural produce or sold as biological assets.

Contingent Liabilities
Condition or situations at the Balance Sheet date, the financial effects of which are to be determined by future events, which may or may not occur.

Current Ratio
Current Assets divided by Current liabilities.

Deferred Taxation
The Tax effect of timing differences deferred to/ from other periods, which would only qualify for inclusion on a tax return at a future date.

Dividend Cover
Profits after tax divided by Dividends.

Earnings Per Share
Profit after Tax divided by weighted average number of Ordinary Shares outstanding during the period.

EBITDA
Abbreviation for Earnings before Interest, Tax, Depreciation, and Amortization.

Enterprise Value
Market Capitalization plus net debt.

Equity/Assets Ratio
Shareholders' Funds divided by Long Term Assets plus Current Assets.

Fair Value
Fair value is the amount for which an asset could be exchanged between a knowledgeable, willing buying and a knowledgeable willing seller in arm's length transaction.

Gearing (D/E ratio)
Long Term Interest bearing Borrowings/Liabilities as a percentage of Shareholders' Funds plus Long Term Interest bearing Borrowings/Liabilities.

General Reserve
Reserve available for distribution and investment.

IFRS
International Financial Reporting Standards

Interest Cover
Profit before Tax plus Interest Charges divided by Interest Charges, including Interest Capitalized.

Market Capitalization
Number of shares in issue, multiplied by the market value of each shares at the year end.

Net Assets
Sum of Fixed Assets and Current Assets less Total Liabilities.

Net Assets per Share
Shareholders' funds divided by the number of Ordinary Shares.

Net price Per Share
Net Assets at the end of period divided by the number of Ordinary Shares issued.

Price Earnings Ratio
Market price of a share divided by Earnings per Share.

Related Parties
Parties who could control or significantly influence the financial and operating policies of the Company.

Return on Average Equity
Net income expressed as a percentage of Average Shareholders' Funds.

Return on Capital Employed (ROCE)
Profit before 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

CDA
Coconut Development Authority.

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.

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

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Twenty Fifth (25th) Annual General Meeting of Kegalle Plantations PLC will be held at the Registered Office, No. 310, High Level Road, Nawinna, Maharagama on Friday, 29 June 2018 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 2018 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 72 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 75 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 re- elect Prof. Asoka Nugawela who retires by rotation in terms of Article 92 at the Annual General Meeting, a Director.

5. To re- elect Mr. Shaminda Yaddehige who retires by rotation in terms of Article 92 at the Annual General Meeting, a Director.

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

7. To authorize the Directors to determine contributions to charities.

8. 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

30 May 2018

Notes:

a) A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him/her.

b) A proxy need not be a member of the Company. The form of proxy will be found inserted in the Annual Report.

c) The completed form of proxy should be deposited at No. 310, High Level Road, Nawinna, Maharagama., not less than 48 hours before the time appointed for the holding of the meeting.

FORM OF PROXY

I/We* (in block letters) ..... of .....

..... being a member /members of the KEGALLE PLANTATIONS PLC, hereby appoint .....

..... of .....

.....

.....

whom failing DR. SENA YADDEHIGE whom failing 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 25TH ANNUAL GENERAL MEETING of the Company to be held on 29 June 2018 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 2018 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 re-elect Prof. Asoka Nugawela who retires by rotation in terms of Article 92 as a Director.		
5.	To re-elect Mr. Shaminda Yaddehige who retires by rotation in terms of Article 92 as a Director.		
6.	To re-appoint Messrs. Ernst & Young, Chartered Accountants as Auditors of the Company and to authorise the Directors to determine their remuneration.		
7.	To authorize the Directors to determine contributions to charities.		
8.	To consider any other business of which due notice has been given.		

Dated this ..... day of 2018

.....

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 Wednesday, 27 June 2018.

- In perfecting the Form of Proxy, please ensure that all details are legible.

- n 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. S S Poholiyadde - Director Prof. R C W M R A Nugawela - Director Dr. S S B D G Jayawardena - Director Mr. Shaminda Yaddehige - Director
Stock Exchange Listing	:	The Ordinary Shares of the Company are listed with the Colombo Stock Exchange of Sri Lanka.
Management	:	Mr. S S Poholiyadde - Managing Director - Plantations Mr. Sriyan Eriyagama - Chief Executive Officer Mr. Sudheera Epitakumbura - Financial Controller Mr. I S Doranegama - General Manager Mr. T I Kodithuwakku - Senior 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 DFCC Bank PLC
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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