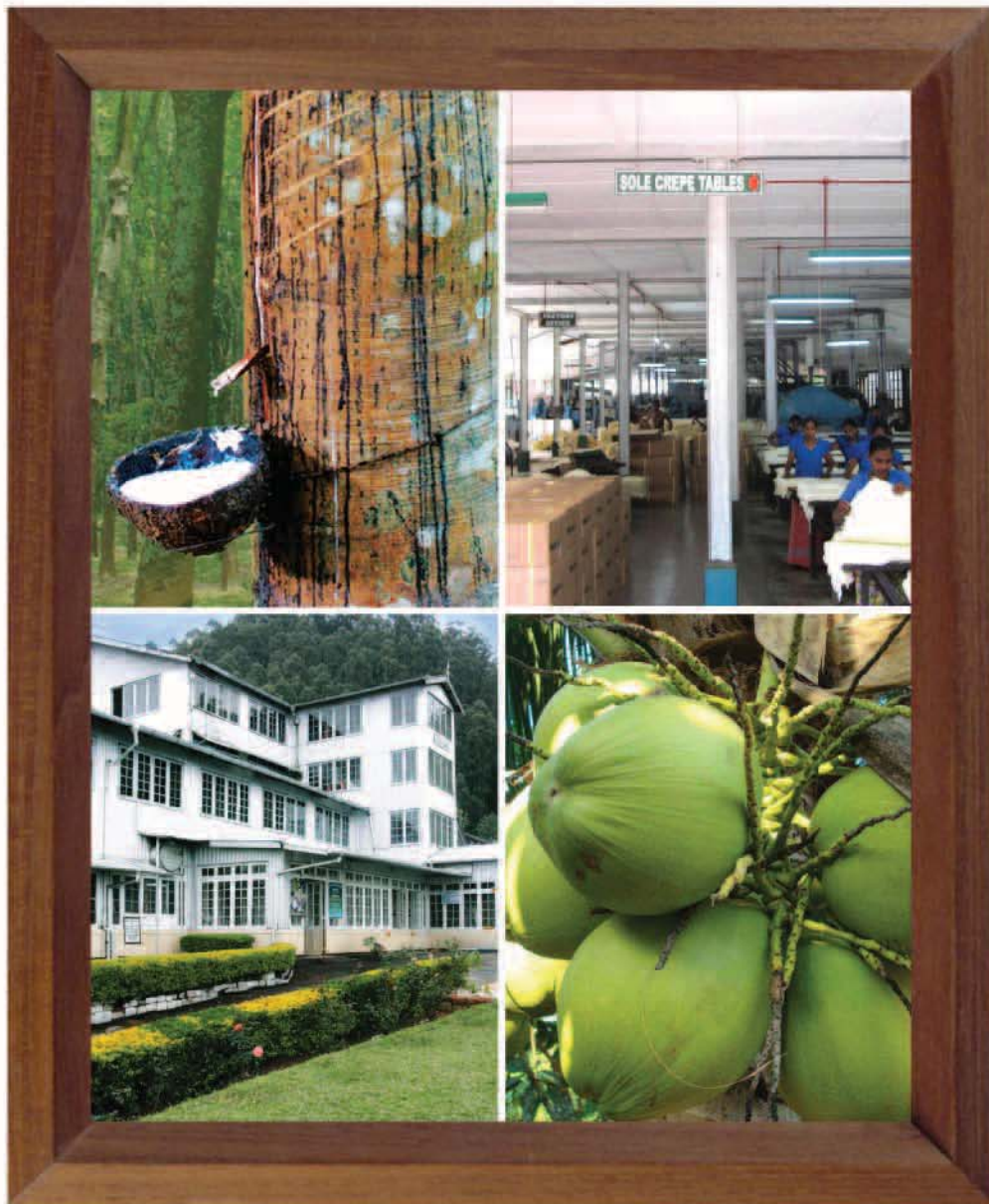


# ANNUAL REPORT 2011/12



**KEGALLE PLANTATIONS PLC**

## Our Vision

To seek excellence in all our pursuits.

## Our Mission

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

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

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

## Our Objectives

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

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

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

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

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

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

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Corporate Information	back inner cover
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# KEGALLE PLANTATIONS PLC 2012

Year ended 31 March 2012

## 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. Then the Government assigned these Companies, Estates that had been previously vested with the Government and managed by JEDB/SLPC on a 53 year lease. Separate Managing Agents were also selected to manage each of these Companies.

Kegalle Plantations PLC (KPL) was one such Company and it was allotted 21 Estates which in total have a land base of 10,000 Ha in and around Kegalle, Kurunegala Districts and in the Badulla District. Of this land base around 5,400 Ha are Rubber, 1,400 Ha are under Tea and another 500 Ha under Coconut. The Company produces around 4.2 Mn kg of Rubber and 2.6 Mn kg of Tea inclusive of bought crop. It has an employee strength of 7,110.

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

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

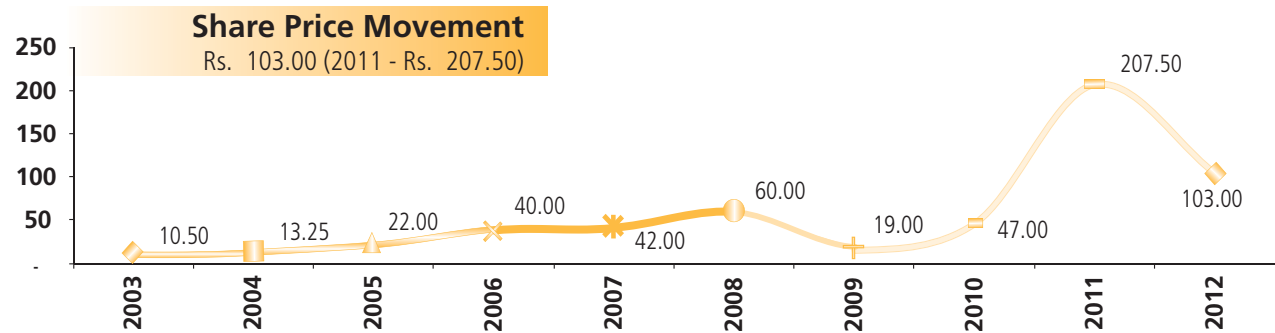
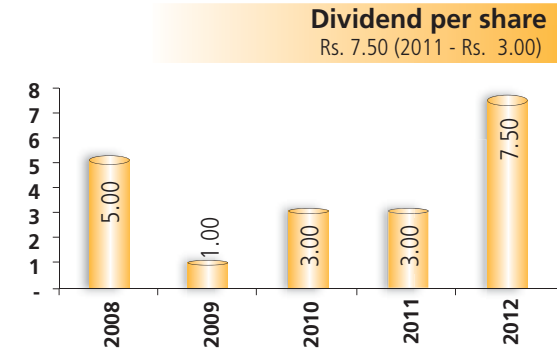
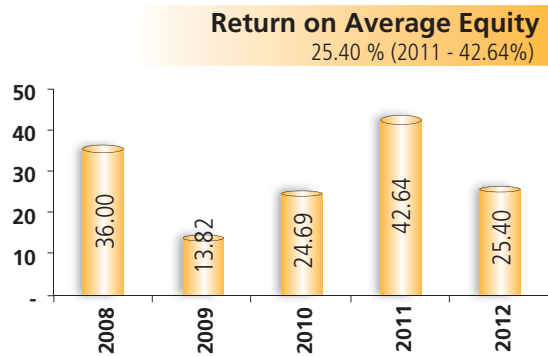
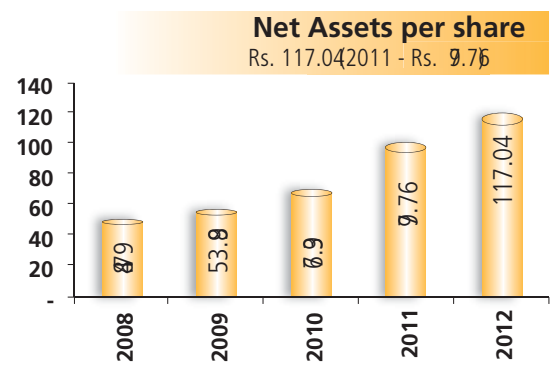
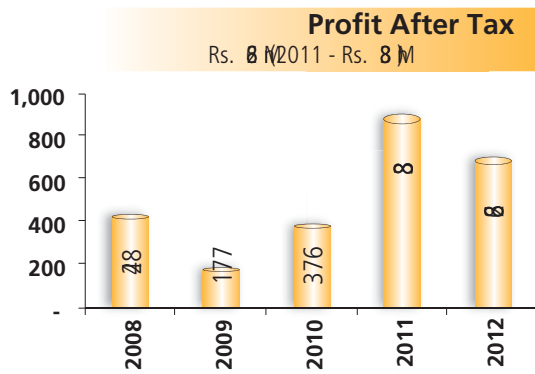
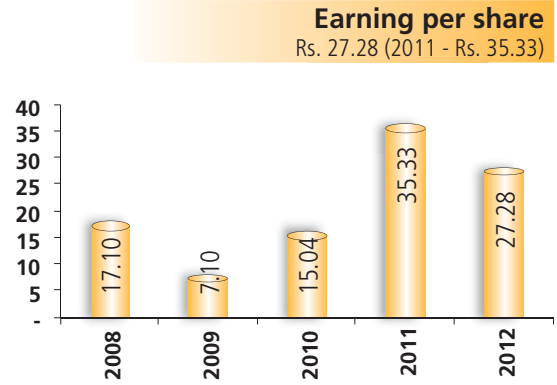
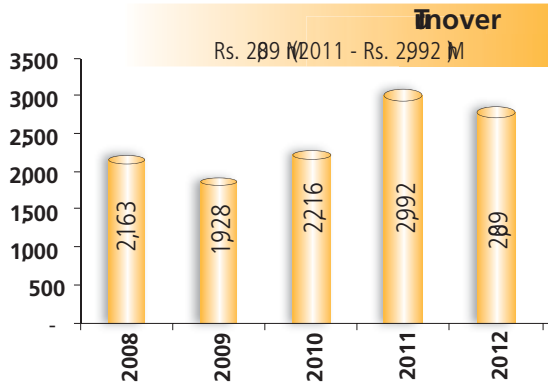
The Golden Shareholder has certain special rights than what is enjoyed by a normal shareholder and these rights are incorporated in the Articles of Association of the Company. The Prospectus offered to the public also contained these clauses. Some of the important clauses are given in this Annual Report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

At the time it acquired the 51% stake RPK also invested Rs. 50 Mn in convertible debentures of KPL. In February 1998, these debentures were converted to 5 million Ordinary Shares of Rs. 10/- each and assigned to RPK, increasing the Share Capital of the Company to Rs. 250 Mn. In March 2004, Richard Pieris & Company PLC purchased the balance 50% stake in RPK from John Keells Holdings PLC, thereby making RPK, a fully owned subsidiary. Consequent to the change in the ownership, RPK was renamed as RPC Management Services (Pvt) Limited. During the year 2008 the ownership of the Company was transferred from RPC Management Services (Pvt) Limited to RPC Plantation Management Services (Pvt) Limited. Currently RPC Plantation Management Services (Pvt) Limited holds 70% stake in KPL.

Kegalle Plantations PLC is the largest rubber producing Company among the Regional Plantation Companies accounting for 4.5 Mn kg of average production per annum.

# Financial Highlights

Year ended 31 March 2012



## Financial Highlights Contd....

Year ended 31 March 2012

### Performance – Year Ended 31 March

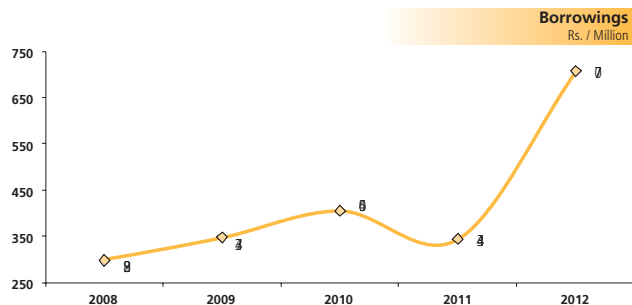
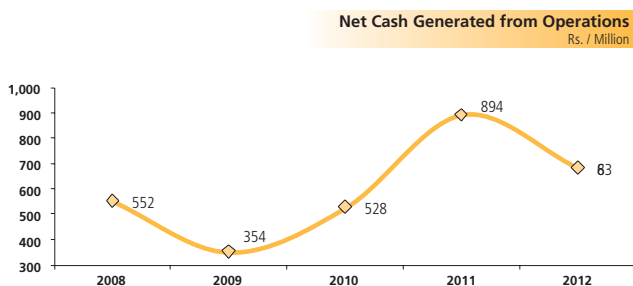
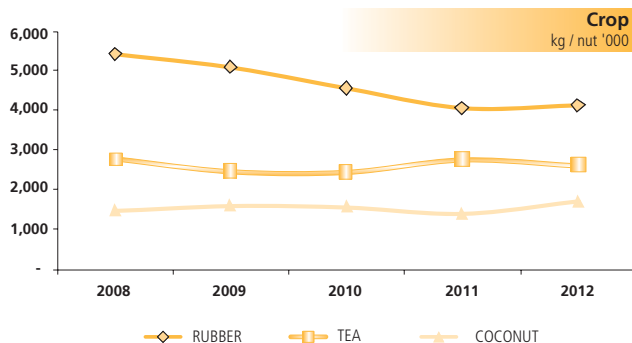
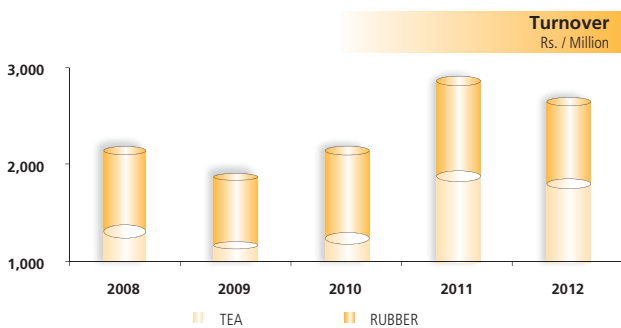
	2012 Rs. '000	2011 Rs. '000	Variance %
Turnover	2,809,230	2,991,762	(6.10)
Profit before Interest and Tax	906,720	1,031,593	(12.10)
Profit After Tax	682,106	883,127	(22.76)
Gross Dividends	187,500	75,000	150.00
Capital Expenditure	249,656	200,244	24.68

### Financial Position - As at 31 March

	2012 Rs. '000	2011 Rs. '000	Variance %
Fixed Assets	2,319,209	1,932,819	19.99
Current Assets	2,484,264	1,999,004	24.28
Total Assets	4,803,473	3,931,823	22.17
Current Liabilities	347,441	366,372	5.17
Shareholders' Funds	2,926,045	2,443,938	19.73
Stated Capital	250,000	250,000	-
Capital Employed	3,637,620	2,815,347	29.21

### Key Indicators

Earning per share	%	27.28	35.33	(22.76)
Net Assets per share	Rs.	117.04	97.76	19.73
Dividend per share	Rs.	7.50	3.00	150.00
Market Price per share	Rs.	103.00	207.50	(50.36)
Return on Capital Employed	%	21.97	32.58	(32.56)
Market Capitalisation	Rs. '000	2,575,000	5,187,500	(50.36)
Return on Average Equity	%	25.40	42.64	(40.42)



## Chairman's Review



It is with great pleasure I present to you the Annual Report of Kegalle Plantations PLC.

The Company completed yet another successful year with a profit of Rs. 682 Mn. Kegalle Plantations has the advantage of being the largest manufacturer of natural rubber in Sri Lanka. The performance of Kegalle Plantations demonstrated a more positive outlook with its diversified crops of Rubber, Tea and Coconut.

### OVERALL OUTLOOK

Rubber being the main crop for Kegalle Plantations, favourable weather conditions and attractive prices contributed to its robust performance this year as well. Although the previous financial year was the most profitable year in the history of

the Company, this year has been a challenging one. In the backdrop of a 28% wage increase for workers and giving due consideration to the gratuity adjustment of Rs. 67 Mn directly affecting the bottom line, Kegalle Plantations' performance has been exceedingly commendable.

The increase in wages has had an impact of Rs. 181 Mn on Rubber and Rs. 67 Mn on Tea. The inability to link the wage increase to an increase in productivity could have an adverse impact in the future cost of production, especially in the Tea sector.

Rubber production was low during the first quarter, which is a seasonal variant but picked up during the next three quarters totaling 4.2 Mn kg for the year. Just as demand and supply determine price, the first quarter recorded the highest

# Chairman's Review Contd....

Year ended 31 March 2012

NSA of the year at Rs. 560.00 per kg due to reduced supply, averaging out to Rs. 449.00 per kg at close. Contrastingly, tea crop was highest during the first quarter and displayed irregular movement in the ensuing quarters. Starting with an average of Rs. 290.00 per kg during the first quarter, the third quarter fetched an average NSA for tea at Rs. 307.00 per kg to close at Rs. 298 per kg.

Rupee depreciation no doubt contributed positively on its increased Net Sale Averages over the last few weeks of the year.

In the Udapussellawa region, Luckyland, Gampaha and Kirklees Estates fetched 86 top tea prices for BOPSp, BOP, BOPF and OP grades although tea growth and yields were hampered by drought throughout the year. Dual manufacturing systems in this region aided the best manufacturing mix to maximize on the demand patterns.

## FINANCIAL PERFORMANCE

Kegalle Plantations owns and manages 17 estates in Kegalle, Kurunegala and Udapussellawa Region with Tea, Rubber and Coconut. With a land base of 9,747 hectares, Kegalle Plantations is recognized as the largest Rubber producer with an annual production of 4.2 Mn kg. The Company also maximizes on the grade mix, having facilities for sole crepe, latex crepe and centrifuged latex which is the highest at 46%. The Company also continues direct export of 7% of the production of sole crepe to world renowned shoe manufacturers.

The year closed with a total Turnover of Rs. 2.80 Bn corresponding to a management profit of Rs. 682 Mn, which relates to a cash profit of Rs. 683 Mn. In comparison to the best ever profits in the year 2011, Kegalle Plantations did exceptionally well to achieve this profit.

Revenue from Rubber was recorded as Rs. 1.86 Bn for the year. This denotes a 5% decrease in comparison to that of the previous year corresponding to a per kg rate of Rs. 33.00. Revenue from Tea declined to Rs. 783 Mn from Rs. 909 Mn last year. With its high cost of production and inclement weather mainly in the Udapussellawa region, Tea recorded a net loss of Rs. 37 Mn at estate level, equivalent to a 138% decrease in comparison with that of last year. Coconut production was higher than the previous year and contributed Rs. 43 Mn to the Company's turnover.

## CAPITAL EXPENDITURE

Kegalle Plantations invested Rs. 250 Mn as capital expenditure in the year under review. 34 hectares of tea were replanted and maintained at a cost of Rs. 43 Mn, whilst 248 hectares of Rubber was replanted and maintained expending Rs. 145 Mn. Capital expenditure on Coconut and other crop replanting and maintenance amounted to Rs. 10.3 Mn.

Capital expenditure on factory development and new machinery for the year amounting to Rs. 19 Mn were purchased for Gampaha, Kirklees, Luckyland, Pallegama and Udapola CLP Estates. An effluent water treatment plant was constructed in Etana Estate and rain guarding of Rubber trees in 739 hectares of Rubber were carried out during the year under review. The Company purchased 4 supervisory vehicles during the year to the value of Rs. 23 Mn.

Kegalle Plantations own 5,370 hectares of both mature and immature Rubber plantations. Of this, 3,653 hectares are in mature fields with yields ranging from 1,000 kg/ha to 1,250 kg/ha. During the year 248 hectares of high yielding clones of rubber recommended by the Rubber Research Institute were replanted whilst removing the unproductive and old fields.

## FUTURE OF THE COMPANY

Natural Rubber output has been steadily increasing since 2001 in Sri Lanka. From 86 Mn kg in year 2001, 2010 annual output has increased to 153 Mn kg. It is predicted that global rubber production will increase by approximately 6% corresponding to 10.02 Mn tonnes. With all main rubber producing countries now looking at crop diversification to Oil Palm due to its low labour intensity, demand for local rubber will increase due to short supply, thereby increasing the rubber prices in the near future.

Further, with the resurrected automobile industry in the vehicle manufacturing countries, demand for tyres will increase shedding positive light to rubber prices. One has to be cautious about the increasing demand for natural rubber in the local market as 60% of production is consumed internally. Sri Lanka being a relatively low producer of natural Rubber in comparison to the rest of the world, this may pose a threat to the exporter.

Crude oil is being the main input for production of synthetic rubber, synthetic rubber production will rise when the crude oil price is low. However, with oil prices in escalation, synthetic rubber manufacture will be an expensive process.

# Chairman's Review Contd....

Year ended 31 March 2012

This will push natural rubber prices further ahead.

Additionally, sanctions imposed by USA on Iran and the unrest in Syria will further shrink the demand for tea. It is unlikely that the prices that prevailed before the recession in Europe will return to remain steady in the future. The depreciation of the local currency in many tea-importing countries added pressure to already aggravated demand and supply of tea prices.

Going forward together as an Industry is vital for the long-term survival of the Plantation sector. Pressure from various stakeholders can only be faced if the Sector forges ahead as one unit. A strategic approach towards wage negotiations in the ensuing years will determine the survival of the Plantations.

## ACCREDITATIONS

Kegalle Plantations continues to maintain ISO 9001:2008 for all their manufacturing facilities along with FSC certification for the rubber plantations in addition to well maintained forests. And also the Company obtained ISO 22000:2005 Certification for all tea factories with Ethical Tea Partnership Certification in the year under review.

With this achievement, a larger client base is envisaged in the future resulting in higher revenues for the Company.

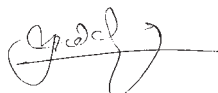
## ACKNOWLEDGEMENTS

I wish to thank our employees including middle and senior management and the Chief Executive Officer for their valued contribution in this year of excellent performance.

My thanks are also due to various stakeholders of the Company who have assisted in many ways towards its success. Of them, I must make special mention of the contributions made by the Brokers, Bankers, Trade Unions, The Planters Association, Employers' Federation of Ceylon, Plantation Development Project, and The Plantation Housing Development Trust towards the progress of the Company.

Once again I thank our valued Shareholders for their trust and confidence placed with our organization and ourselves.

Finally, I wish to express my gratitude to my colleagues on the Board for their support, expert advice, and guidance.

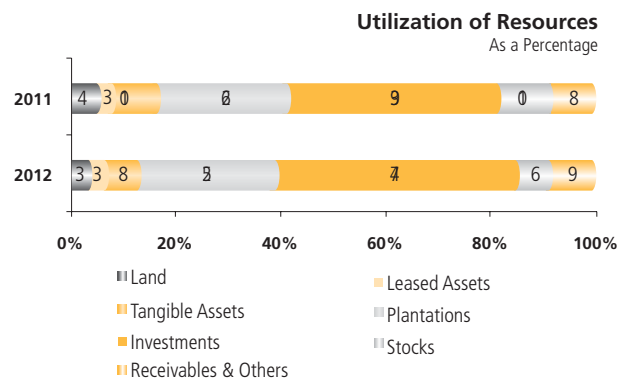
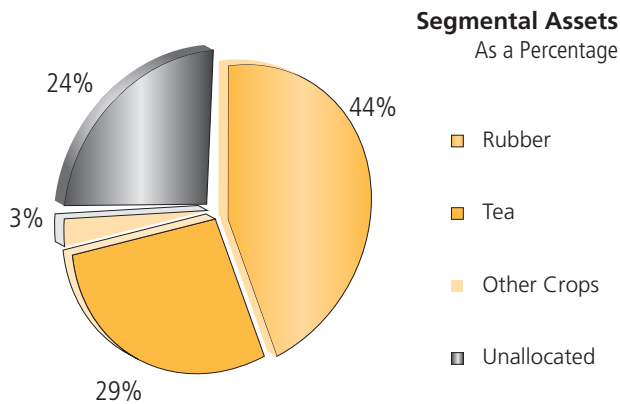
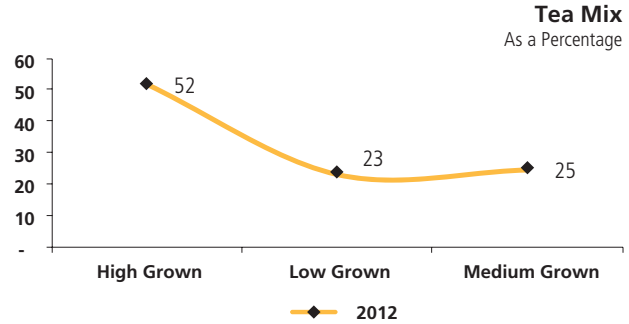
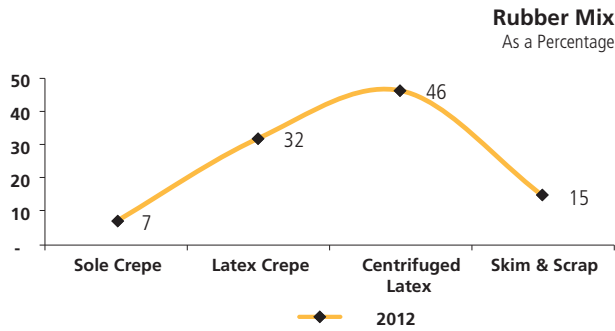
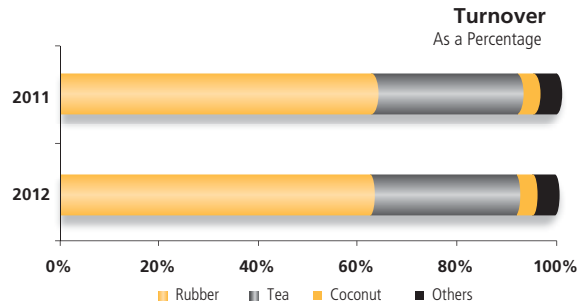
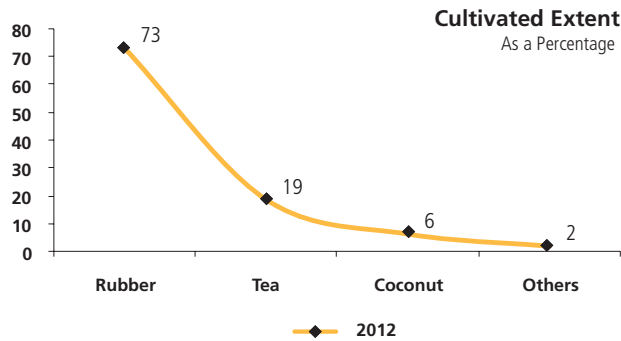


Dr. Sena Yaddehige  
Chairman

29 May 2012

# Segmental Information

Year ended 31 March 2012



## Segmental Information Contd....

Year ended 31 March 2012

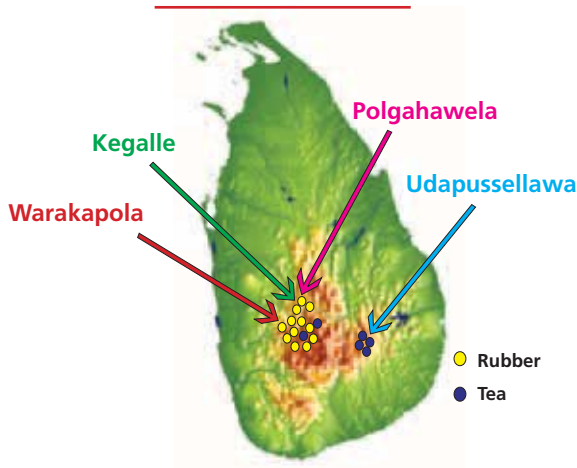
<b>RUBBER</b>			2012	2011	2010	2009	2008	2007	2006	2005
Production	- kg'000		4,155	4,082	4,578	5,102	5,436	5,375	5,688	5,486
NSA	- Rs./kg		448.87	481.15	279.12	237.25	245.66	225.00	163.65	137.74
COP	- Rs./kg		225.60	207.24	177.47	152.71	143.01	126.75	102.01	88.56
Yield	- kg/ha		1,016	936	976	1,013	1,021	984	1,021	1,021
Revenue Extent	- ha		3,764	3,798	3,971	4,178	4,300	4,280	4,292	4,285
<b>TEA</b>										
<b>PRODUCTION - kg '000</b>										
Uva		Elevation	1,364	1,428	1,109	1,340	1,391	1,715	1,865	1,524
Medium			652	630	634	496	571	620	696	724
Low			614	715	736	653	834	789	858	761
<b>NSA - Rs./kg</b>										
Uva		Elevation	282.95	307.23	324.06	234.79	244.34	180.30	151.63	154.20
Medium			313.01	341.69	361.08	288.82	297.08	205.59	168.09	179.99
Low			325.88	356.75	368.73	288.27	302.74	200.97	184.73	184.93
<b>COP - Rs./kg</b>										
Uva		Elevation	327.66	289.30	316.82	236.13	225.35	170.35	151.10	163.59
Medium			287.16	285.17	287.61	245.74	224.94	175.26	153.35	146.89
Low			303.00	303.27	302.14	254.60	244.46	175.15	161.02	156.83
<b>YIELD - kg/ha</b>										
Uva		Elevation	1,023	1,126	952	1,178	1,191	1,287	1,410	1,179
Medium			1,746	1,573	1,413	1,341	1,649	1,628	1,948	1,874
Low			1,445	1,396	1,255	1,133	1,327	1,199	1,372	1,326
<b>REVENUE EXTENT - ha</b>										
Uva		Elevation	945.75	956.04	972.19	974.36	972.37	975.87	992.04	1,000.04
Medium			173.95	183.69	188.69	188.69	188.69	190.69	191.69	189.69
Low			147.86	148.58	156.58	160.93	172.83	182.23	186.13	183.23
<b>COCONUT</b>										
			2012	2011	2010	2009	2008	2007	2006	2005
Production	- nut'000		1,731	1,413	1,572	1,610	1,472	1,788	1,406	1,230
NSA	- Rs./nut		25.01	26.45	17.99	19.31	18.46	10.68	10.50	10.40
COP	- Rs./nut		15.22	13.37	10.62	10.93	9.42	6.47	6.81	6.58
Yield	- nut/ha		4,268	3,582	3,986	4,074	3,725	4,777	3,787	3,369
Revenue Extent	- ha		405.50	394.40	394.40	395.20	395.20	374.29	364.99	371.29

## Our Estates

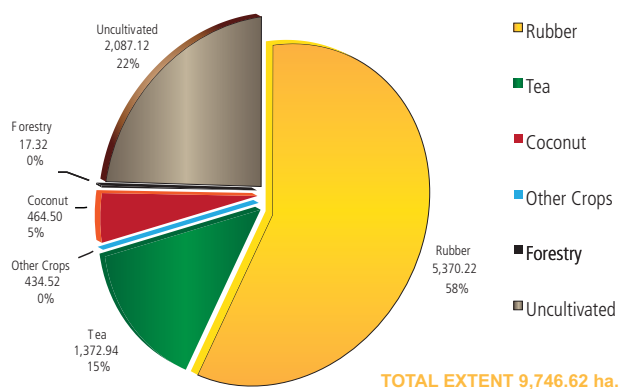
Year ended 31 March 2012

Estate	Planting District	Cultivated Area ( ha )					Total Area ( ha )	Annual Production		Factory Details		No. of Harvestors & Others
		Rubber	Tea	Coconut	Others	Total		Rubber	Tea	Crop Manfd.	Rated Kg'000/pa	
Allagolla	Badulla	-	182.19	-	32.21	214.40	243.76	-	196	-	-	274
Ambadeniya	Kegalle	443.08	2.86	20.60	11.79	478.33	583.25	543	-	-	-	341
Atale	Kegalle	954.13	-	32.16	11.16	997.45	1,150.36	364	-	Rubber	950	578
Doteloya	Kegalle	-	187.10	-	126.17	313.27	572.64	-	652	Tea	660	387
Eadella	Kurunegala	352.47	-	331.59	10.00	694.06	801.79	381	-	-	-	355
Etana	Kegalle	373.80	-	1.82	4.04	379.66	483.26	343	-	Rubber	228	335
Gampaha	Badulla	-	215.84	-	60.49	276.33	348.99	-	307	Tea	800	384
Hathbawa	Kegalle	269.71	-	-	5.00	274.71	467.67	213	-	-	-	222
Higgoda	Kegalle	228.07	-	-	0.80	228.87	302.23	155	-	-	-	149
Kirklees	Badulla	-	246.66	-	92.61	339.27	480.70	-	403	Tea	630	404
Luckyland	Badulla	-	384.87	-	61.18	446.05	488.75	-	458	Tea	850	722
Madeniya	Kegalle	439.32	-	-	14.19	453.51	551.92	276	-	-	-	332
Pallegama	Kegalle	698.96	-	1.88	3.33	704.17	863.91	411	-	Rubber	800	537
Parambe	Kegalle	572.17	33.42	-	2.52	608.11	795.41	370	31	Rubber	636	505
Udapola	Kurunegala	362.50	-	37.36	2.73	402.59	577.78	327	-	-	-	319
Weniwella	Kegalle	537.43	-	13.19	6.27	556.89	709.90	382	-	-	-	344
Yataderiya	Kegalle	138.58	120.00	25.90	7.35	291.83	324.30	60	583	Tea	1,161	433
Udapola CLP	Kurunegala	-	-	-	-	-	-	328	-	Rubber	5,000	51
		<b>5,370.22</b>	<b>1,372.94</b>	<b>464.50</b>	<b>451.84</b>	<b>7,659.50</b>	<b>9,746.62</b>	<b>4,155</b>	<b>2,630</b>	-	-	<b>6,672</b>

### Our Estates - Locations



### Our Estates - Land Base / Utilisation



### Employment Strength

Employment Strength	Senior Management	Middle Management	Estate Managers & Executives	Head Office Staff	Estate Staff	Harvestors & Others	Total
2011	5	10	37	10	391	6,913	7,366
2012	5	10	33	10	380	6,672	7,110

# Management Team

Year ended 31 March 2012

## Senior Management

S S Poholiyadde	–	Chief Executive Officer
L C Herath	–	Chief Financial Officer
Y S Nagahawatte	–	Deputy General Manager – Tea / Administration
G L H D Amaratunge	–	Deputy General Manager – Rubber
S C Bandaranayake	–	Engineer

## Middle Management

S Shantha	–	Manager – Plantations
J Wijesinghe	–	Manager – IT
T I Kodithuwakku	–	Accountant
U P Jayasinghe	–	Assistant Manager
M J Fajr Deen	–	Corporate Manager
E S D D Perera	–	Corporate Manager
BHMGS Katugaha	–	Corporate Manager
Maleeha Amit	–	Executive Secretary
E Ranjan	–	Secretary
A Wickrama Arachchi	–	Accounts Executive

## Estate Managers & Others

### Allagolla Estate – Udapussellawa

Vinoda de Silva	–	The Superintendent
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### Ambadeniya Estate – Aranayake

A S de Wijethunge	–	The Superintendent
B P Waidyatilleke	–	The Assistant Superintendent

### Atale Estate – Atale

G L H D Amarathunge	–	DGM–Rubber/Superintendent
D L S M Peiris	–	The Assistant Superintendent
B P S M Cooray	–	The Assistant Superintendent

### Doteloya Estate – Dolosbage

L M C Priyashatha	–	The Superintendent
V S Athauda	–	The Assistant Superintendent

### Eadella Estate – Polgahawela

A C S Munaweera	–	The Superintendent
D S R Jayasinghe	–	The Assistant Superintendent
C A Jayarathne	–	The Assistant Superintendent

### Etana Estate – Warakapola

S D Munasinghe	–	The Superintendent
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### Gampaha Estate – Udapussellawa

D V M de Runn	–	The Superintendent
B P D Mahesh	–	The Assistant Superintendent

### Hathbawe – Rambukkana

M W Liyanasekara	–	The Superintendent
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### Higgoda Estate – Undugoda

H S B Aluvihare	–	The Superintendent
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### Kirklees Estate – Udapussellawa

S R Aluvihare	–	The Superintendent
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### Luckyland Estate – Udapussellawa

I S Doranegama	–	The Superintendent
P D D S Gunawardena	–	The Assistant Superintendent

### Madeniya Estate – Warakapola

U D Liyanage	–	The Superintendent
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### Pallegama Estate – Niyadurupola

B M J A Moonamale	–	The Superintendent
U M U L P Udagedara	–	The Assistant Superintendent

### Parambe Estate – Undugoda

S A A P Jayatilake	–	The Superintendent
N A M O M Navaratne	–	The Assistant Superintendent

### Udapola Estate – Polgahawela

N B Ranathunge	–	The Superintendent
M R Vaidykaratne	–	The Assistant Superintendent

### Centrifuged Latex Project – Udapola Estate – Polgahawela

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

### Weniwella Estate – Alawwa

V C Hewage	–	The Superintendent
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### Yataderiya Estate – Undugoda

U K Wanniarachchi	–	The Superintendent
G M B Samaranyake	–	The Assistant Superintendent

## Profile of Directors

Year ended 31 March 2012



**Dr. Sena Yaddhige**  
Chairman

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

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

Dr. Yaddhige is the Chairman of the Richard Pieris Group of Companies comprising 5 Listed Companies and almost over 45 companies wholly or majority owned by Richard Pieris and Company PLC. He was appointed to the Board of Directors of National Development Bank PLC in December 2007 and was in the directorate until his resignation from the Bank in November 2010.

Dr. Yaddhige 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. Paul Ratnayake is a Senior Corporate Lawyer who is also the precedent partner of Paul Ratnayake Associates, a leading law firm in Sri Lanka which he founded in 1987 handling all areas of law and international legal consultancy work.

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

Currently Mr. Ratnayake holds directorship in several Companies including public quoted Companies. He has also been elected/appointed as Chairman/Deputy Chairman to several of these Companies.



**Mr. J H P Ratnayake**  
Deputy Chairman



**Mr. S S Poholiyadde**  
Chief Executive Officer

Mr. Sunil Poholiyadde has over 36 years experience in the Plantation Industry, commencing his career as an Assistant Superintendent. He has been a Senior Superintendent and joined the corporate management of Kegalle Plantations PLC in 1997 and now holds the position of Director/Chief Executive Officer of Kegalle Plantations PLC and Namunukula Plantations PLC. He is also a Director of Eastern Brokers Ltd., Richard Pieris Natural Foams Ltd., Exotic Horticulture (Pvt) Ltd., AEN Oil Palm Processing (Pvt) Ltd., Rubber Research Board and the Wages Board for the Rubber Growing and Manufacturing Trade. He is also in the Advisory Committee on Rubber and Plastic of the Sri Lanka Export Development Board and the Vice Chairman of the Colombo Rubber Traders' Association. He is the current Chairman of the Plantation Services Group of the Employers' Federation of Ceylon (EFC), Council Member of the EFC and the Ceylon Chamber of Commerce.

## Profile of Directors Contd....

Year ended 31 March 2012

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 32 years in the capacities of a Botanist, Head of Plant Science Department, Deputy Director Research (Biology) and as a Director in Rubber Research Institute. In January 2011, Prof. Nugawela resigned from the post of Director of Rubber Research Institute to assume duties as a Professor in the Department of Plantation Management, Wayamba University of Sri Lanka.

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

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

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

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



**Prof. R C W M R A Nugawela**  
Director

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

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

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

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

He has over 41 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 more than 100 co-authored publications.

He has participated in more than 75 International Conferences related to agriculture, development, research management, food security, bio-diversity, environmental etc., in many countries in the world.

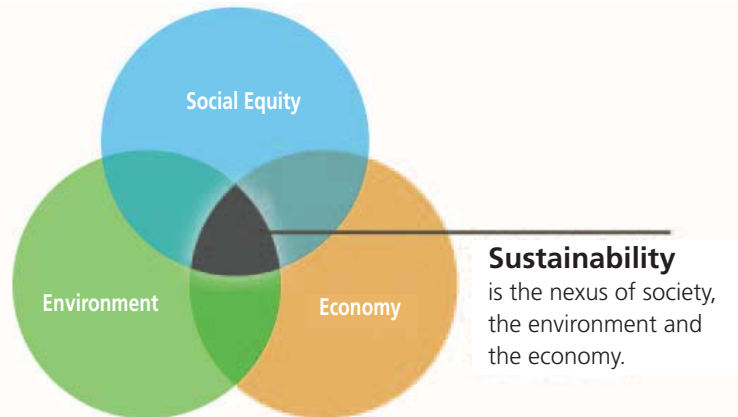


**Dr. S S B D G Jayawardena**  
Director

# Sustainability Report

Year ended 31 March 2012

Sustainability can be referred to as, taking the long-term view of how our actions affect future generations and making sure we don't deplete natural resources, or cause pollution at rates faster than the earth is able to renew them. Kegalle Plantations PLC recognized that living sustainably is subsisting within the means of the natural systems that belong to nature and developing and meeting up the needs of the present without compromising the ability of future generations to meet their needs. Company also believes that, as a corporate entity, owes the community and its stakeholders, assurance on how this efforts have benefited them. In Sustainability Reporting we capture how the Company endeavored to match human well-being and nature together with our responsibility to our stakeholders.



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

## Estate Skill Development - Employees

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

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



*Training Session conducted to improve the knowledge of Factory employees by sharing knowledge on Japanese "5S" System, Kaizen, Muda and Gemba Culture.*

# Sustainability Report Contd....

Year ended 31 March 2012

## Community Development

As a measure of assistance to the Government, in their Village expansion programs, an extent of 25 Acres of land was released from Hathbawe Estate. In addition, clearing of surroundings and renovation of wards are undertaken annually at the Government Hospitals.

## Health and Welfare

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

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

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

Some of these Health camps conducted are on the following subjects:-

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



*Eye Clinic at Kirklees Estate with the assistant of Lions Club*



*Celebration of 2600 Sambuddha Jayanthiya.*



*Maintaining a Community Rest Room at Eadella Estate.*



*Health Camp at Atale Estate*



## Sustainability Report Contd....

Year ended 31 March 2012

### Child Development and Welfare

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

Children's Day and various other programs were conducted in some of our estates organized by staff welfare societies participated by the children of the resident workers and in some instances, children of the villagers.

To educate the workers and employees on child rights and the parents' responsibility, estates conducted programs with the assistance of the Divisional Secretary of the area.

The staff and workers of the estates participate in 'Shramadana' campaigns in cleaning and repairing village roads, cleaning of wards of the government hospitals donating funds and goods etc.



*Celebrations of Sinhala - Tamil New Year Festival*

### Employee Safety

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



*Training Session conducted to improve employee safety methods by the Superintendent at Gampaha Estate.*

# Sustainability Report Contd....

Year ended 31 March 2012

## Employment Opportunities

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



*Identified and rewarded the best Employees*

## Sports Activities

The annual Inter-estate Volley Ball and Cricket tournaments were conducted, with the participation of the workers and staff of estates.

## Co-operative Functions

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

## Assistance for Higher Studies

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

## Current Scholarships



- 01- P.G.M. Wimalaratne - Pallegama Estate
- 02- D.D.N. Dissanayake - Pallegama Estate
- 03- K.S. Samarapala - Head Office
- 04- D.P.S.L. Jayasundara - Atale Estate
- 05- R.K.N.S. Bandara - Atale Estate
- 06- M.P.M.S. Kumari - Atale Estate
- 07- J.G.S.U. Gunawardena - Atale Estate
- 08- H.A.I.C. Kumari - Atale Estate

# Sustainability Report Contd....

Year ended 31 March 2012



**ISO 9001:2008 Certification for all Tea Manufacturing Factories of the Companies**

## Forestry Management

The Company's forest management plans formulated for the sustainable management of forest plantation blocks and harvestable timber extents on estates continued to be in force. Guidelines have been issued to the Superintendents pertaining to the selection of land, species, cultivation practices and the need to preserve the environment, having in mind the need to protect the environment. Planting of dendroid thermal forestry on very steep or inaccessible land have been prohibited. As a Company that is engaged in Plantation Agriculture, we are deeply involved in forestry conservation. The Company manages rubber plantations in an extent of 5,400 ha; itself are in fact a forest cover. Rivers and stream banks are in conservation forestry 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; first and extreme vigilance is being exercised.



**Certifications**



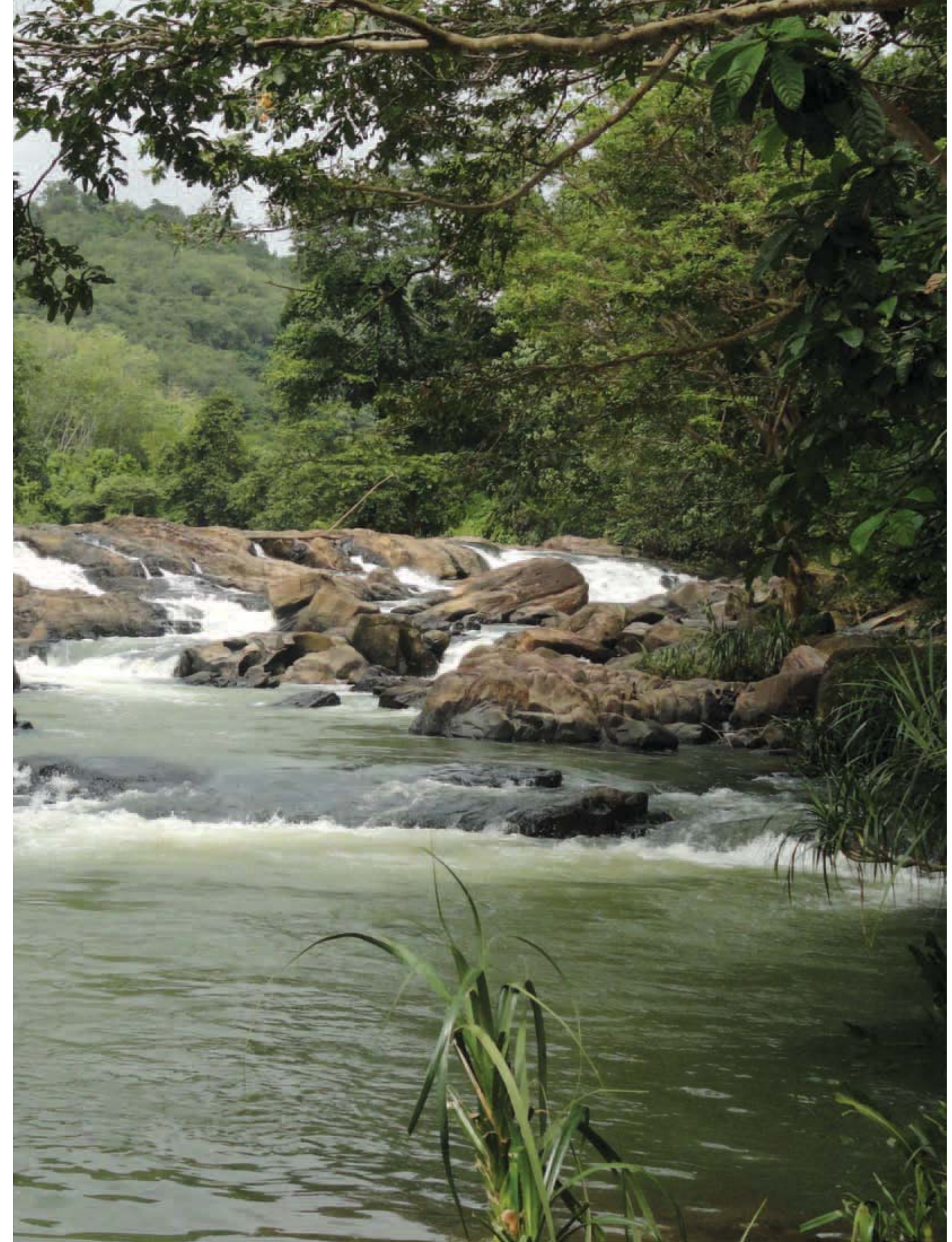
**ISO 9001:2008 Certification**





***Biodiversity - Legacy for the Future***

*Biodiversity and functioning ecosystems make up the foundation for human well-being. We recognize that improving livelihoods, security, and human health depends on the conservation of biodiversity in healthy ecosystems. Our biodiversity conservation work is carried out by its various programmes covering Water, Forestry, Species, Ecosystem Management and Protected Areas .*



## Biodiversity - Legacy for the Future

Year ended 31 March 2012

### THE POTENTIAL FOR CONSERVING NATIVE BIODIVERSITY ON DOTELE OYA, KIRKLEES AND ALLAGOLLA ESTATES

Sri Lanka is a small but biologically diverse country. Its native biota (fauna and flora) is rich in species endemic (unique) to the island, and is considered to be of global importance. Most of Sri Lanka's biota is dependent on the country's natural forests for their long-term survival, with most endemic species being concentrated in the rain and moist monsoon forests of the wet and intermediate zones of the island. Forest accounts for less than 20% of the land area in these two climatic zones and is distributed across many isolated patches. Commercial plantations form a significant, and often dominant, component of the landscapes surrounding these forest patches. They, therefore, have a potentially important role to play in the long-term conservation of Sri Lanka's fragmented forests and forest biota, and this is exemplified by three of the estates under the management of Richard Pieris & Company PLC, Dotel Oya, Kirklees and Allagolla Estates.

#### Dotel Oya Estate

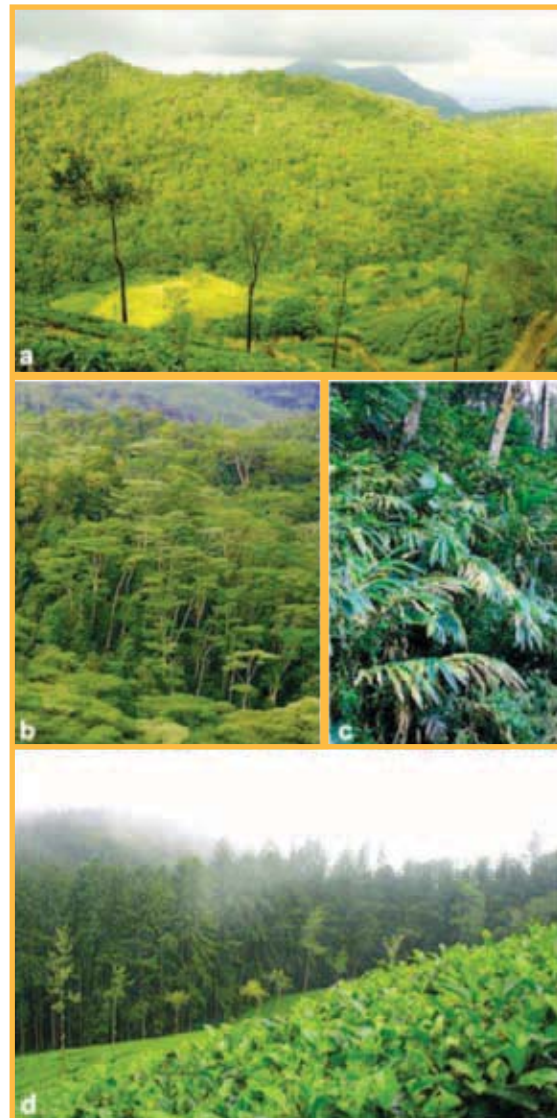
Dotel Oya is located in the Dolosbage hills, the tract of about 400 km<sup>2</sup> between Kegalle, Yatiyantota, Nawalapitiya and Gampola. Land use in and around Dotel Oya Estate is highly varied, including: monoculture tea; forest plantations; old-growth natural forest (areas under permanent forest cover) in the form of lowland and submontane/montane rainforest; and re-growth forest (forest regenerating on previously cultivated land).

Lowland rainforest is the characteristic vegetation type of the wet zone at elevations between sea level and 1000 m, with submontane/montane rainforest replacing it above 1000 m.

The old-growth and re-growth forests in and around Dotel Oya Estate are of high importance for biodiversity conservation. Forest cover is scarce in the Dolosbage hills as a whole, and the Dotel Oya area represents one of the last parts of the Dolosbage Hills to contain remnants of both lowland and submontane/montane rainforest. Furthermore, the Dotel Oya area and much of the Dolosbage hills lie in a zone of climatic transition, so that the native flora and fauna of this area is rich, containing rainforest as well as some intermediate zone forest species. The land-snail fauna, for example, contains rainforest species such as *Beddomea albizonata*, *Cryptozona chenui*, and *Satiella* sp., as well as some intermediate zone species.

Most native plants and animals, including the snails just mentioned, are primarily or entirely dependent on natural

forest for their survival – they are unable to survive in intensive monoculture habitats such as tea and rubber, although some species can survive in and/or make use of re-growth forest and less intensive polyculture habitats such as home gardens. The old- and re-growth forest areas in and around Dotel Oya Estate are therefore crucial for the survival of the native biota, which include rare and threatened endemic species such as the lizard *Ceratophora stoddartii* and the bird, the Sri Lanka Magpie (*Urocissa ornata*). Key areas in this respect include the estate's c.120 ha of old- and re-growth forest (scattered across



**Land uses of Dotel Oya, from top to bottom: (a) lowland rainforest with tea in the foreground; (b, c) abandoned cardamom; and (d) tea with a Pinus plantation in the background.**

# Biodiversity - Legacy for the Future Contd....

Year ended 31 March 2012

several different patches), and the c. 2.5 mile-long ridge on the estate's eastern boundary, which rises above 1200 m and has some of the most pristine and extensive forest remaining in the Dolosbage Hills.

Dotel Oya Estate, itself, has a central role to play in the conservation of the forests in and around the estate in three key ways:

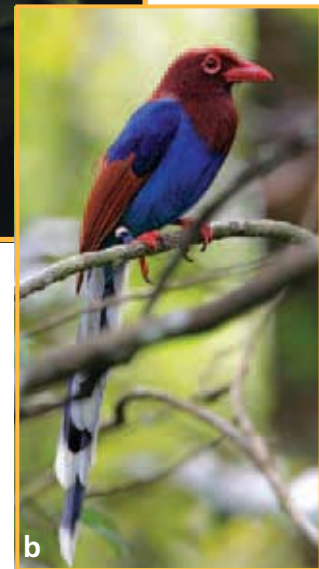
(1) It contains some remnants of old-growth rainforest with a likely very diverse flora and fauna. These remnants have

been conserved and protected by the estate, and these efforts need to be sustained.

(2) It includes re-growth forest areas, largely in the form of abandoned cardamom cultivation. These areas act as important supplementary habitats for native forest species, and serve as habitat corridors between the patches of remnant old-growth forest on the estate and in the



The endemic rainforest fauna of the Dotel Oya area includes, from top to bottom: the endemic snails, (a) *Cryptozона chenui*, (b) *Beddomea albizonata* and (c) *Satiella* sp.



The endemic rainforest fauna of Dotel Oya includes (a) the lizard *Ceratophora stoddartii*, a species of Sri Lanka's Central Highlands, and (b), the Sri Lanka Magpie, which is largely restricted to the more extensively forested tracts of the wet zone.

## Biodiversity - Legacy for the Future Contd....

Year ended 31 March 2012

surrounding area. There is a strong case, therefore, for allowing these areas to be left uncultivated so that natural regeneration can take place, and they can return over time to permanent forest cover.

- (3) It acts as a protective buffer minimising village encroachment into the forests on the c. 1200 m-high on the estate's eastern boundary.

Conserving the old-growth and re-growth forests of the Dotel Oya area will not only be critical for the protection of native biodiversity, but will also be important for watershed and soil conservation because these forests are usually on steep slopes and hill crests and are the sources of a number of streams feeding into two of the tributaries of the Kelani Ganga.

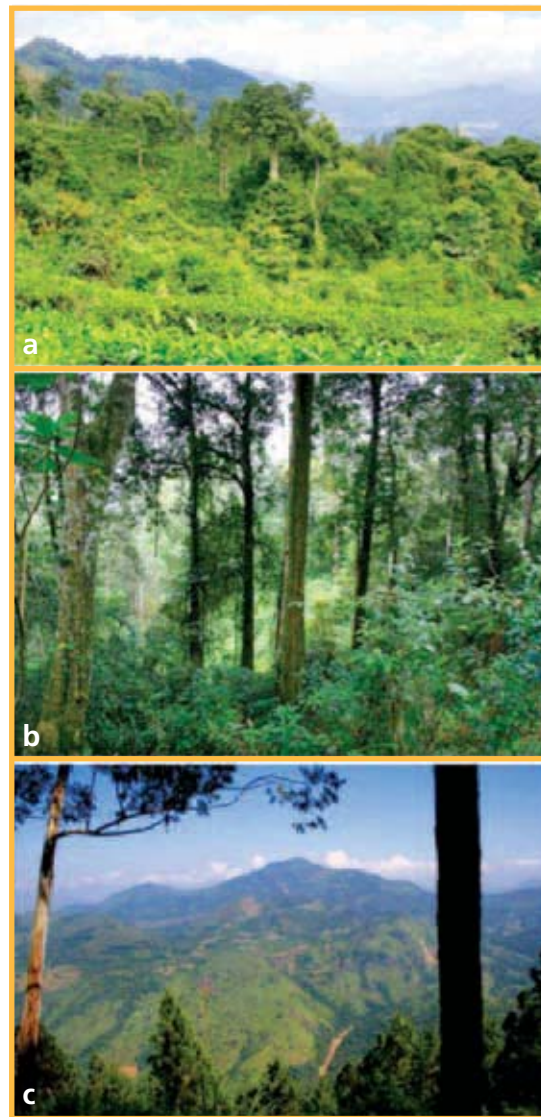
### Kirklees and Allagolla Estates

These estates lie in the Upper Uva region (broadly speaking the Uva Basin and the hills to the north, east and south), one of the most severely deforested regions of Sri Lanka's wet zone.

Although Kirklees and Allagolla Estates are largely dominated by intensive monoculture tea cultivation they contain 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 (Gum Block No. 1) on Allagolla Estate and the narrow forest strip on the Kirklees-Allagolla boundary. Both of these areas harbour a number of plant 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. Every effort should be maintained to secure their long-term conservation.

Monoculture forest plantations may also be of some conservation value. The Eucalyptus/Acacia plantation in Beckington Division, Kirklees Estate for example has clearly been colonised by a numbers of shrub and tree species, and even by a few native forest-living animals. 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.

**Image credits:** H.W. Vishan Pushpamal, D. Raheem, H. Taylor.



**Landscapes of Kirklees and Allagolla Estates, from top to bottom: (a) forest patch on the Allagolla-Kirklees boundary, with tea in the foreground; (b) forest interior of the montane rainforest remnant on Allagolla; and (c) view of Uma Oya valley and the Narangala range from Beckington Division, Kirklees Estate.**

**About the Author:** Dinarzarde Raheem is a Sri Lankan biologist with a particular interest in the role of commercial plantations in the conservation of Sri Lanka's rich endemic biota.

# Achievements

Year ended 31 March 2012

## Annual Report Awards 2011

### The Institute of Chartered Accountants of Sri Lanka.

Kegalle Plantations PLC was able to obtain the award of excellence in the presentation of Annual Reports, awarded by the Institute of Chartered Accountants since 1997 and are pleased to report that The Certificate of Compliance has been awarded to our Annual Report for the year 2011 in the plantations sector category.



*Mr. S S Poholiyadde, Chief Executive Officer of Kegalle Plantations PLC, receiving the Award from Past President of ICASL Mr. Yohan Perera (FCA).*



*Annual Report Award 2011 - Plantations Sector - Certificate of Compliance - The Institute of Chartered Accountants of Sri Lanka*

## Achievements Contd....

Year ended 31 March 2012

### Best Presented Annual Report Awards 2010 South Asian Federation of Accountants

Kegalle Plantations PLC was the winner of the Bronze Award for Best Presented Annual Reports, awarded by South Asian Federation of Accountants (SAFA) in Dhaka Bangladesh for the Annual Report for the year 2010.



*Mrs. L C Herath, Chief Financial Officer of Kegalle Plantations PLC, receiving the SAFA award from the Minister of Foreign Affairs in Bangladesh.*



### ANNUAL RUGBY SEVENS MARCH 2012

Kegalle Plantations Rugby Team participated in the Championship of the Annual Rugby Sevens which was organized by Dickoya & Maskeliya Cricket Club at Dickoya in March 2012 with the presence of CEO of the Company.



*Rugby Team – Kegalle Plantations PLC*

# Financial Review

Year ended 31 March 2012

## Industrial Overview

Kegalle Plantations performed exceedingly well during the year under review with a Rs. 682 Mn profit for the year. Although this profit corresponds to a drop in comparison to the previous year, one has to be mindful of the fact that last year was the best ever performance of the industry and the Company.

The entire plantation industry faced key challenges during the year. The geopolitical unrest and embargos on main tea buying countries significantly contributed to the uncertainty the sector is faced with, as the effects of the European economic recovery was not clearly seen during the year.

Disturbed global economic conditions, inclement weather all over the world, prohibitive wage increases and other adversities will keep the energy prices high. Managing costs will be challenging during the ensuing years.

However, the Company being the largest Rubber producer in the country is at an advantage against these adversities as Rubber is less labour intensive thus creating a more positive outlook in comparison to other plantation companies.

The Financial Review discusses an overview of the Company's Financial Performance reflected in the Financial Statements of the Company, which forms a part of this Annual Report, setting out the financial performance and the financial position of the Company.

## Revenue

The Turnover of the Company was Rs 2.8 Bn, drop of 6% compared to the Turnover of Rs. 2.9 Bn recorded in the previous year. Turnover contribution of both rubber and tea decreased by 5% & 14% compared to the previous season.

The Company exported rubber to the value of Rs. 193 Mn during the year.

Total revenue contribution from Rubber, Tea and Coconut was 66%, 28% and 1.5% respectively. 4.5% of the Revenue was from Other crops and Sale of Rubber Trees.

Turnover Vs. Profit After Tax

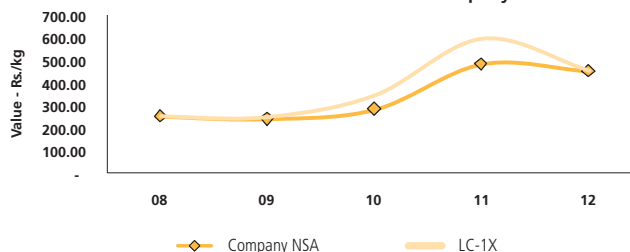


## RUBBER

The year commenced with high Rubber prices, which maintained its momentum towards the second quarter of the year. However, with main rubber producing countries recording less production during the year continued to maintain a decent demand throughout the year. The Company produced 4,155 Mt of Rubber and generated a Revenue of Rs. 1.87 Bn for the year.

Gross Profit from Rubber was Rs. 830 Mn in the year under review. Rubber Production details have been explained in the Review of Operations on Page 31 of this Report.

Company NSA Vs. LC-1X



## TEA

Total revenue generated from Tea was Rs. 783 Mn for the year under review. Total production was 2.6 Mn kg out of which 44% or 1,143 Mn kg of made tea was from Bought Leaf operations. Due to continuous inclement weather in all tea growing areas during the year and the deleterious wage increase, a gross loss of Rs. 92 Mn was recorded for the period.

## COCONUT

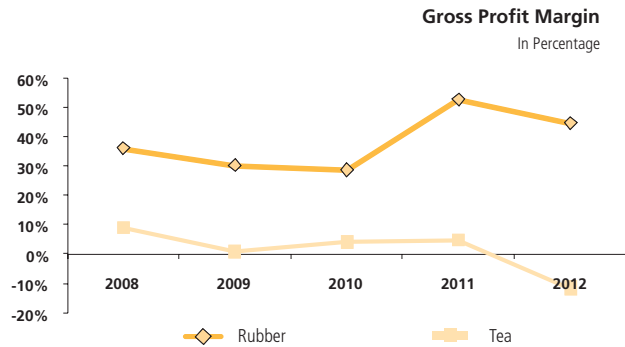
Total revenue generated from Coconut was Rs. 43 Mn, an increase of 16% over last year with the production of 1.7 Mn nuts for the year under review.

# Financial Review Contd....

Year ended 31 March 2012

## Profitability

The Gross Profit (GP) Margin for rubber decreased from 53% to 44% compared to last year whilst the GP margin for tea changed to a negative margin 12% from 4% last season.

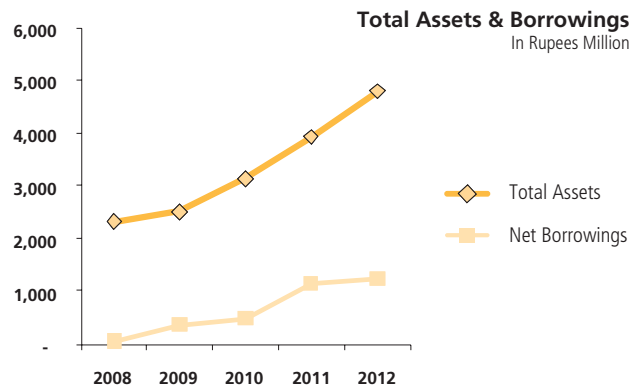


## Financial Position

The Balance Sheet of the Company has been further strengthened during the financial year under review. Non current assets and current assets increased by Rs. 386 Mn and Rs. 485 Mn respectively resulting in the net asset value of the Company increasing from Rs. 2.44 Bn in the previous year to Rs. 2.92 Bn in the current year.

Total debt of the Company was increased from Rs. 371 Mn to Rs. 712 Mn during the year. This was mainly due to refinancing the capital expenditure of the Company with a long-term loan facility at very attractive interest rates that prevailed during the year.

The Company spent Rs. 250 Mn on capital expenditure and will be discussed further under the caption Capital expenditure in this Report.

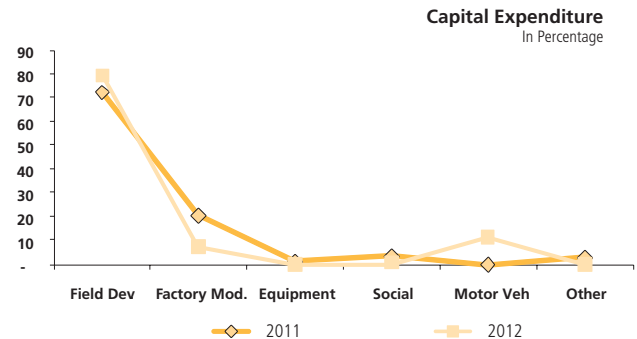


## Capital Expenditure

Kegalle Plantations spent Rs. 250 Mn on capital expenditure this year by replanting, field development and factory upgardes.

34 hectares of tea were replanted and maintained at a cost of Rs. 43 Mn, whilst 248 hectares of Rubber was replanted and maintained expending Rs. 145 Mn. Capital expenditure on Coconut and other crop replanting and maintenance amounted to Rs. 10.3 Mn.

Capital expenditure on factory development and new machinery amounted to Rs. 19 Mn. An effluent water treatment plant was constructed whilst rain guarding of Rubber trees in 739 hectares of Rubber were carried out during the year under review. The Company purchased 4 supervisory vehicles for Rs. 23 Mn with a new 10 wheeler Bowser to the Centrifuged Latex Project at a cost of Rs. 5 Mn.



## Cash Flows

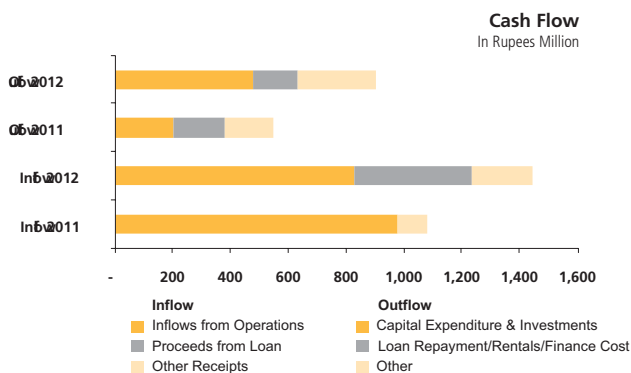
The cash generated from operations amounted to Rs. 875 Mn as against a Rs. 1,008 Mn in the previous year. Interest, Dividend and Income tax payments during the year amounted to Rs. 69 Mn, Rs. 200 Mn and Rs. 74.5 Mn respectively.

The Company made new investments amounting to Rs. 225 Mn whilst both dollar and rupee reserves fetched Rs. 203 Mn in the form of Interest Income.

The Company recorded a net cash increase of Rs. 543 Mn and carried forward a surplus of cash amounting to Rs. 1.81 Bn.

# Financial Review Contd....

Year ended 31 March 2012

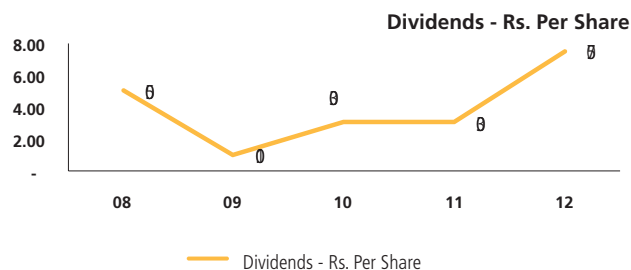


## New Investment

Rs. 225 Mn was invested in one of the new ventures of the Group under Arpico Insurance Ltd in June 2011.

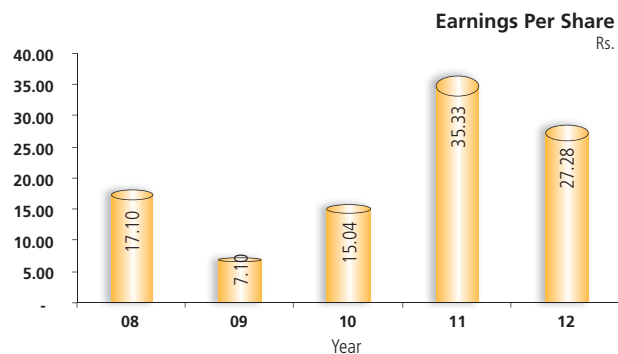
## Dividends

The Board of Directors of the Company proposed and paid an Interim dividend of Rs. 7.50 per share, a total of Rs. 188 Mn for the year 2011/12.



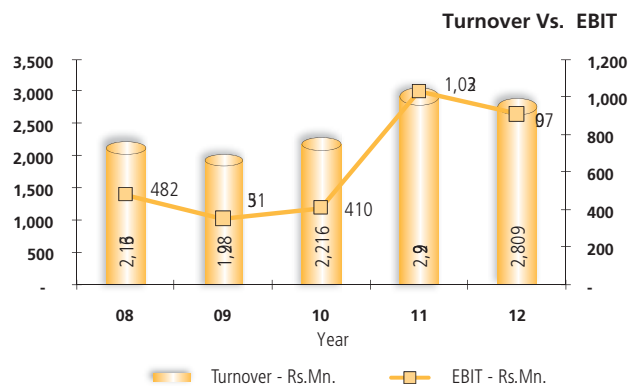
## Earnings Per Share

Basic Earnings per share dropped to Rs. 27.28 against Rs. 35.33 which was due to decrease in profits by 23% over last year.



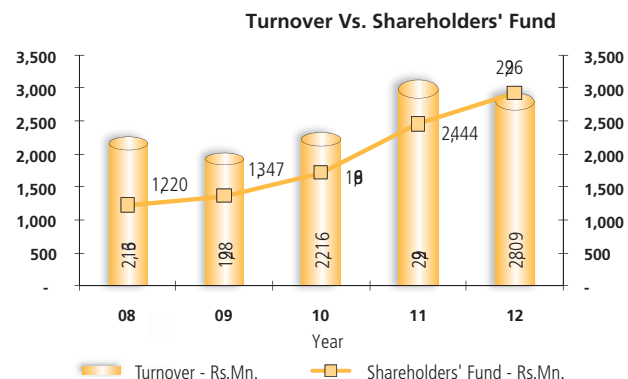
## Net Assets Per Share

Net assets at the end of the year was Rs. 117.04 per share which is an increase of Rs. 19.28 compared to the previous year.



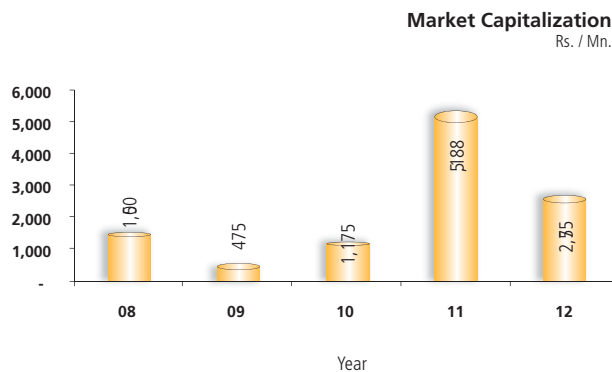
## Return on Capital Employed

Return on Capital Employed was 21.97% (2011 - 32.58%) which is 10.6% decline in return over previous year.



## Market Capitalisation

The Company's market capitalization as at 31 March 2012 stands at Rs. 2.6 Bn as against Rs. 5.2 Bn as of 31 March 2011. During the year under review the share of the Company traded in the range of Rs. 76.00 to Rs. 234.90 per share.

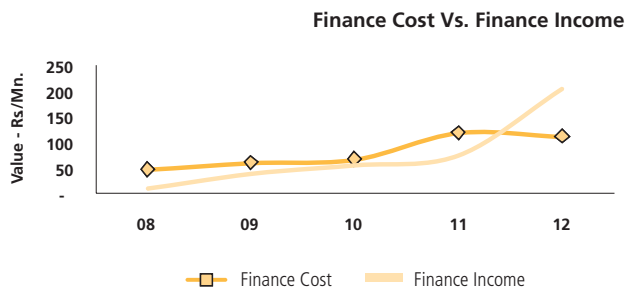
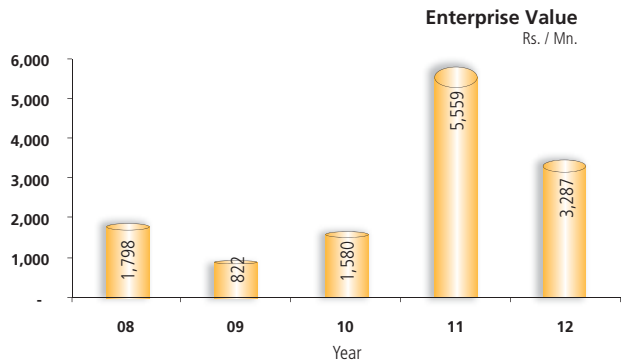
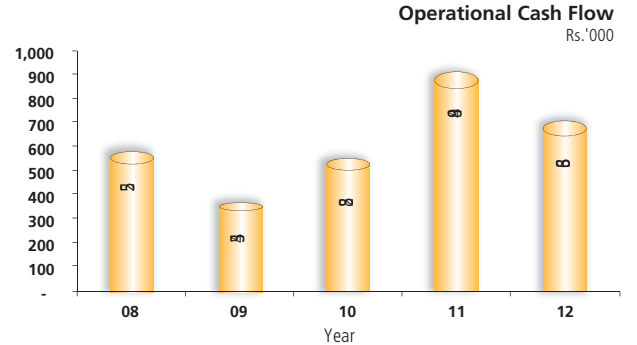
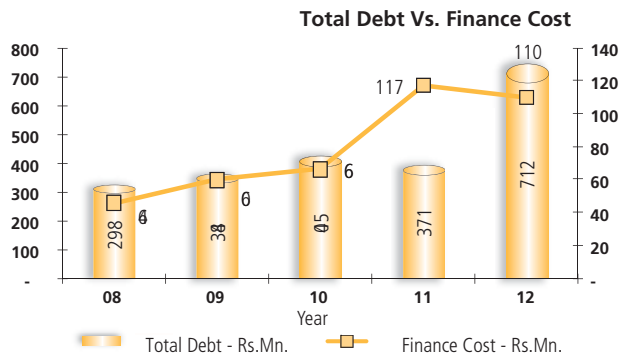
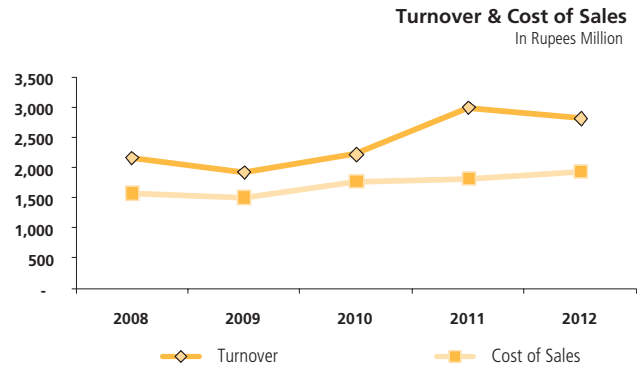
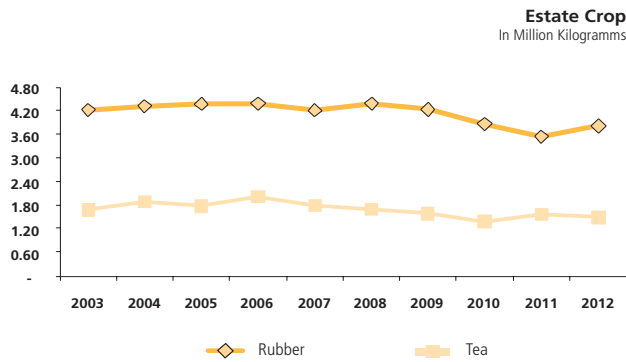


# Financial Review Contd....

Year ended 31 March 2012

## QUARTERLY PERFORMANCE AT A GLANCE Financial Year 2011/12

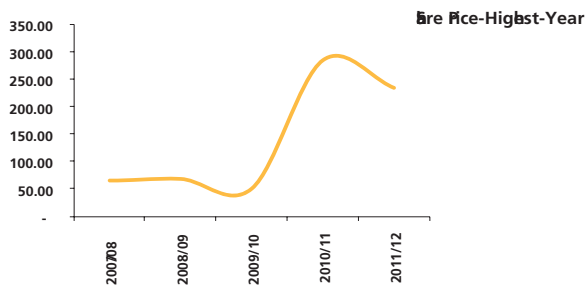
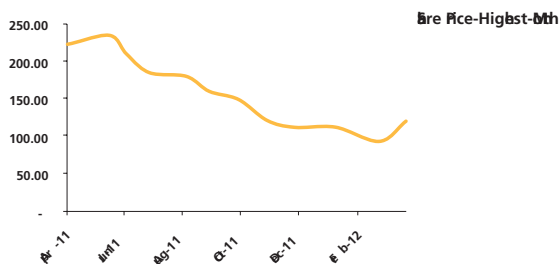
Rs.'000	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
Revenue	693,581	787,460	657,370	670,819	2,809,230
GP	57,094	332,922	183,123	298,986	872,125
PBI & T	66,153	296,622	196,701	347,244	906,720
PBT	41,148	270,931	169,458	317,623	799,160
PAT	31,374	254,281	150,933	245,518	682,106
EPS	1.25	10.17	6.04	9.82	27.28
Last Traded MP/Share	183.10	147.50	105.00	103.00	103.00



# Review of Operations

Year ended 31 March 2012

Kegalle Plantations PLC was able to maintain its position of being the highest producer of Natural Rubber in the Country. The rubber market remained steady throughout the year excepting the period of unrest in the Middle Eastern Countries, instability in the global economy and debt crisis in the Europe Zone, during the second half of the period under review. Nevertheless, the Company recorded a profit of Rs. 681 Mn for the year, after taxes. With these profits, the Company was able to pay an interim dividend of Rs. 7.50 per share. The last traded price of the Company was Rs. 103/- per share.

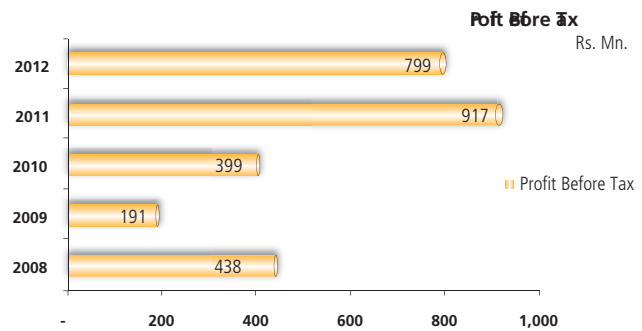


## RUBBER

### Revenue

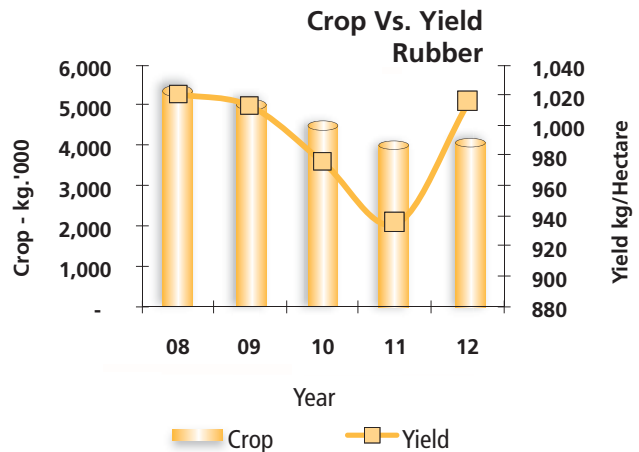
The Company achieved the Rs 2.8 Bn Turnover in the year under review compared to the Turnover of Rs. 2.9 Bn last year. The revenue from rubber 66% of the total whereas the contribution of revenue from Tea has been 28%.

Kegalle Plantations earned Rs. 117 Mn from Sale of Rubber trees and Rs. 203 Mn as income derived from interest.



## Production

The Company was able to produce 4,155 MT of rubber during the year with a YPH of 1016, which is an increase of around 9% against the last financial year. The bearing extent was reduced by 34 hectares compared to last season, due to the suspending of rubber replanting from the year 2002 to 2004. The productivity of the workers with increased intakes contributed to the increase in crop.



## Small Holder Latex

The Company sustained its contribution to the rural economy by purchasing the field latex from the small holders. Competitive prices were paid to the small holder for the field latex. However, most small holders opted to process Sheet rubber due to the demand for this variety of rubber in the market.

## Cost of Production

The Cost of Production recorded for the year was Rs. 225.60 as against Rs. 207.24 last year. The increase of 9% against last season is mainly due to the workers' wage increase

## Review of Operations Contd....

Year ended 31 March 2012

effective from April, 2011. In addition price increases in material too contributed to the increase in the COP.

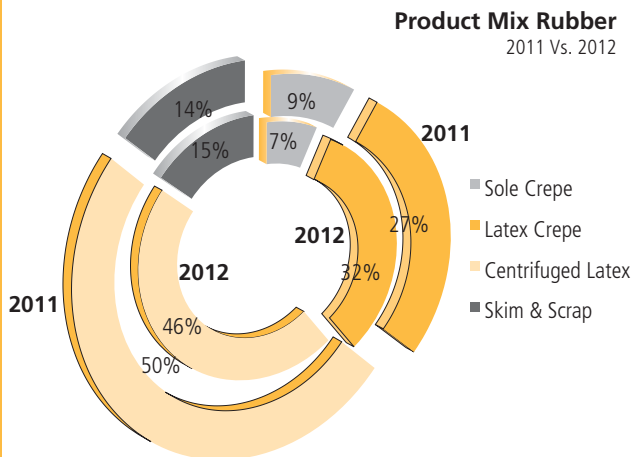
### Product Mix

The Company monitored the Grade Mix of Rubber to suit the demand in the market. Production of Centrifuged Latex remained the highest with a share of 46% and was sold through the Brokers and to Messrs. Richard Pieris Natural Foams Ltd, our long standing customer.

Trading of our Sole crepe rubber to World famous manufacturers of Shoes was continued.

The product mix for the period under review is given below:

	2011/12	2010/11
Centrifuged Latex	46%	50%
Latex Crepe	32%	27%
Sole Crepe	7%	9%
Skim & Scrap	15%	14%



### Market Outlook

The market for rubber remained steady and healthy throughout the year. The highest price achieved for pale crepe rubber during the period was Rs. 690/- per kg in the month of June 2011 and the lowest Rs. 335/- in the month of January 2012. By way of direct exports we were able to fetch higher prices for Sole Crepe Rubber.

### Comparative Economic Indicators

For the Year Ended 31 December		2011	2010	Change %
<b>Gross Domestic Product</b>				
GDP at Market Prices	Rs. Bn	6,543	5,604	16.8
Real GDP Growth	%	8.3	8.0	3.8
GDP Deflator	%	7.8	7.3	6.8

<b>Agriculture Crops</b>				
Rubber	Rs.Mn	61,476	44,096	39.4
Tea	Rs.Mn	68,097	72,314	(5.8)
Coconut	Rs.Mn	72,439	60,439	19.9

### Agriculture Production Index (2007-2010 = 100)

<b>Agriculture Crops</b>				
Rubber		117.7	114.0	3.2
Tea		105.5	106.4	(0.8)
Coconut		100.1	92.2	8.6

<b>Agriculture Crops</b>				
<b>Rubber</b>				
Production	kg mn	157.9	152.9	3.3
Total Extent	ha'000	127	126	0.8
Extent under Tapping	ha'000	102	98	4.1
Cost of Production	Rs./kg	120.50	119.83	0.6
Average Price				
Colombo Auction - RSS1	Rs./kg	508.80	403.02	26.2
Export - fob	Rs./kg	535.40	377.54	41.8
YPH	kg/ha	1,552	1,561	(0.6)
Value added as % GDP		1.2	1.0	20.0

<b>Tea</b>				
Production	kg mn	328.6	331.4	(0.8)
Total Extent	ha'000	222	222	-
Extent Bearing	ha'000	185	186	(0.5)
Cost of Production	Rs./kg	350.00	314.17	11.4
Average Price				
Colombo Auction	Rs./kg	360.68	371.54	(2.9)
Export - fob	Rs./kg	510.41	496.27	2.8
Value added as % GDP		1.3	1.6	(18.8)

<b>Coconut</b>				
Production	nuts mn	2,808.0	2,584.0	8.7
Total Extent	ha'000	395	395	-
Cost of Production	Rs./nut	10.00	11.27	(11.3)
Average Price				
Producer Price	Rs./nut	27.56	22.24	23.9
Export - fob (h)	Rs./nut	39.15	24.64	58.9
Value added as % GDP		1.4	1.4	-

Source: Annual Report 2011 - Central Bank of Sri Lanka

### Top Prices - RUBBER

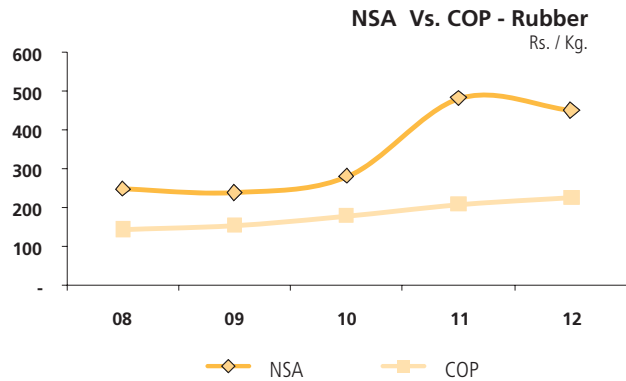
Atale Estate obtained top prices in the Auctions on 11 occasions, Parambe achieved on two occasions and Pallegama one.

### NSA FOR RUBBER

The Company achieved an overall NSA of Rs. 448.87, which is 9% below last season was mainly due to the drop in prices in the second half of the period under review. The NSA during the first half was Rs. 538.55. Also the change in the product/grade mix to suit the Market maintained the NSA.

# Review of Operations Contd....

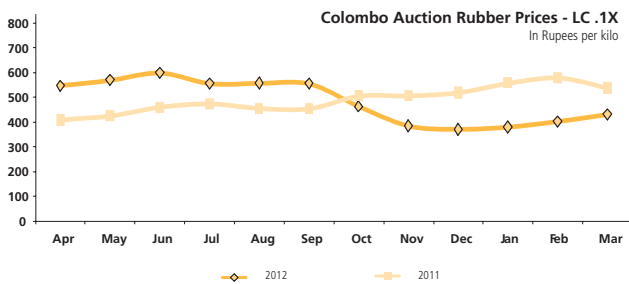
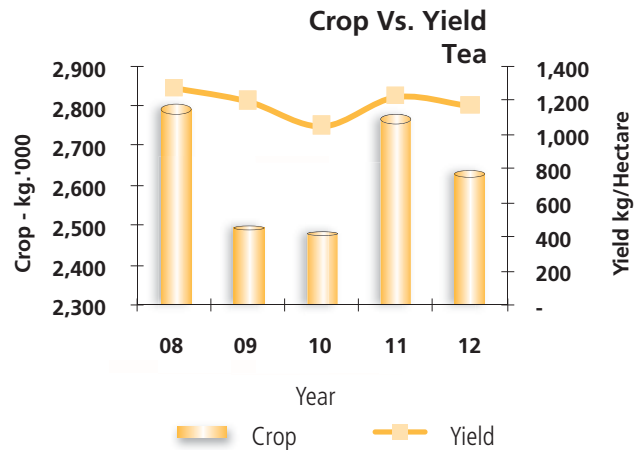
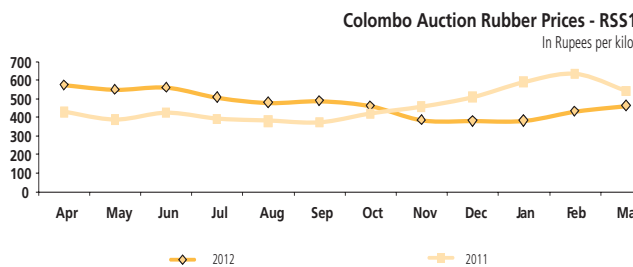
Year ended 31 March 2012



## TEA

### Revenue

The tea production in Sri Lanka in the year 2011 declined below 2010 recording 331 Mn kg, a decrease of 01% below last season. The Company's total tea production was 2.629 Mn kg of made tea and is equivalent to a 05% decline from previous year.



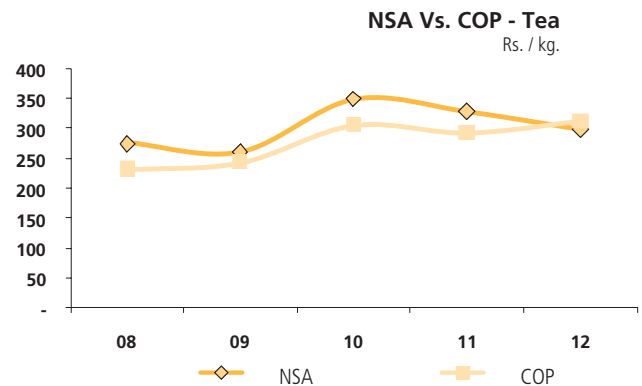
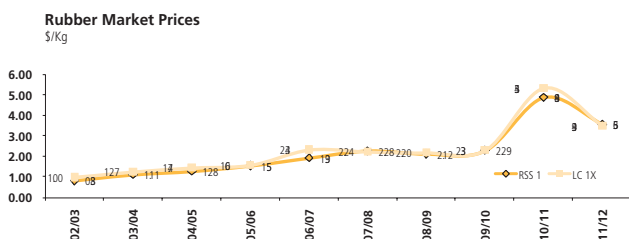
In the year under review too, the weather condition in Udapussellawa was unfavorable, but despite the fact that adverse weather conditions had an effect on the supply of bought leaf. Consequently, Udapussellawa region estates achieved 395,969 kg compared to 351,463 kg last season.

The Company obtained ISO 22000 Certification for all five tea manufacturing factories in the year under review.



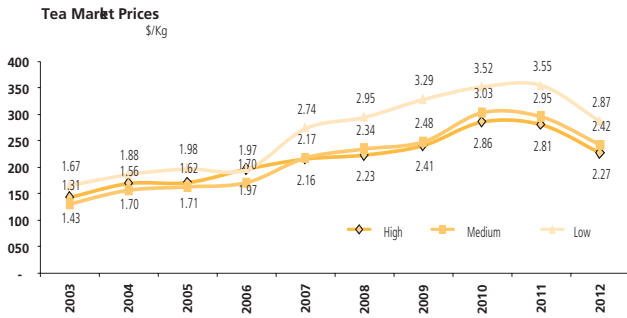
## NSA For Tea

Tea fetched a reasonable NSA of Rs. 297.75 per kg which is a 9% drop in comparison to previous year.



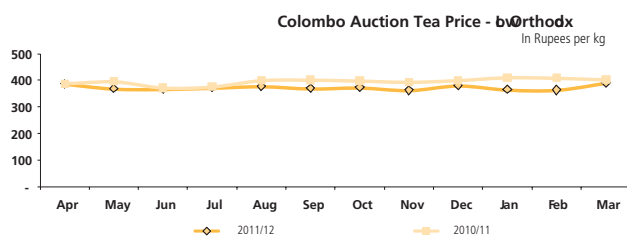
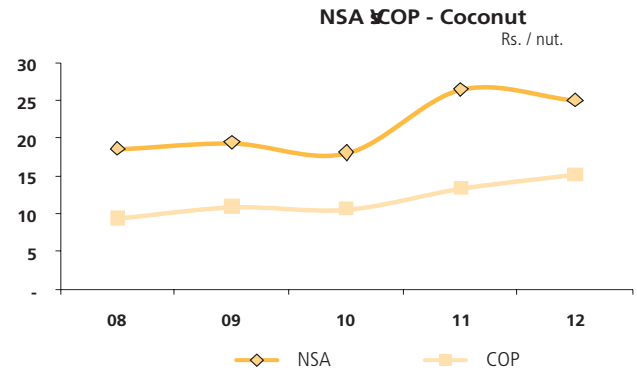
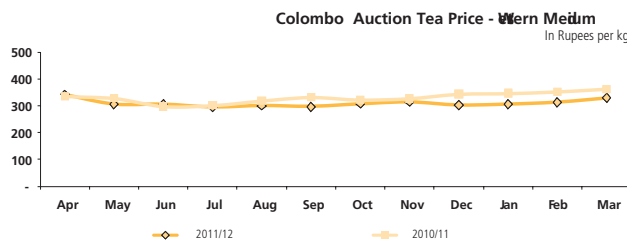
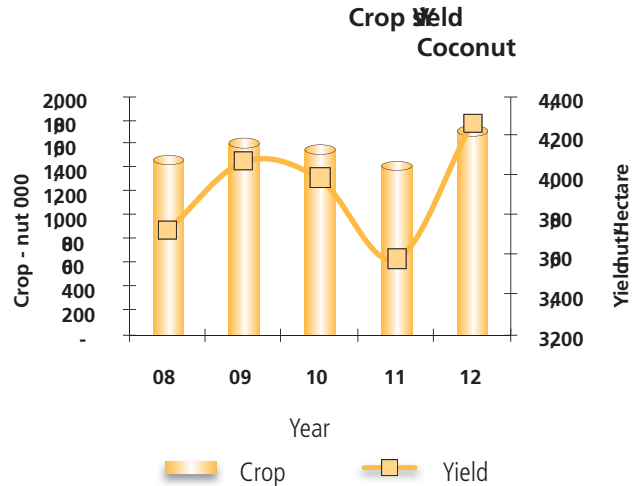
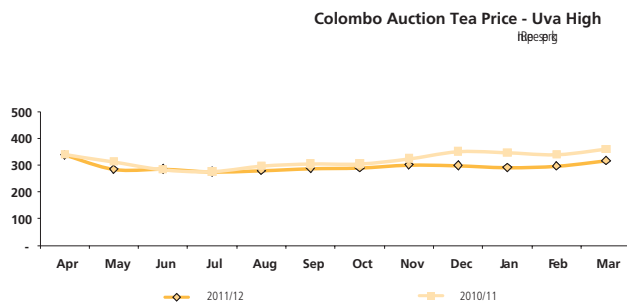
# Review of Operations Contd....

Year ended 31 March 2012



## COCONUT

Company produced 1.7 Mn nuts during the year, which is a 22% growth in production from last year. Average price fetched during the year was Rs. 25.00 per nut, a 5% drop from previous year's Rs. 26.45 per nut. This resulted in a profit of Rs. 16.9 Mn in comparison to Rs. 18.5 Mn in the last year.



## Top Prices - TEA

Gampaha Factory obtained 61 top prices, whilst Luckyland gaining 13 top prices, Doteloya obtaining 10 top prices, and Kirklees with 02 top prices during the period under review.

## Investments

During the year under review replanting of rubber was undertaken in an extent of 247.78 Ha. The Company has replanted an extent of 1182 Ha; since the Company resumed Replanting in the year 2004. Subsidy due for Replanting from the Rubber Cess Fund has been claimed appropriately.

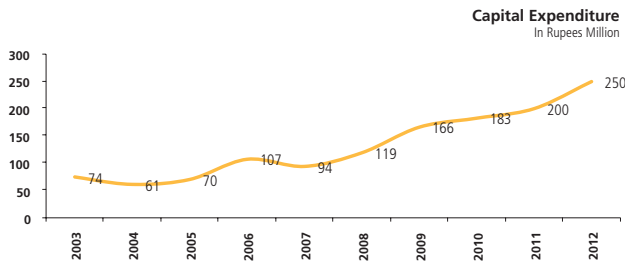
Soil conservation methods, such as proliferation of leguminous cover crops, terracing including "live terraces" and draining have been undertaken in all extents replanted and in other areas on an annual basis.

## Review of Operations Contd....

Year ended 31 March 2012

The Company installed rain guards in our estates, in an extent of 739 Ha and increased the crop intakes by achieving increased tapping days. The additional crop harvested was 51,375 Kilos with a margin of Rs. 3.9 Mn over the expenditure of Rs. 11.7 Mn to install rain guards.

In keeping with our Environmental Policy, Effluent Treatment Plants commissioned in all our Rubber Factories were maintained, treating the toxic waste within the estate boundaries.



### Worker Welfare

The Company continued to extend financial assistance of Rs. 1,500/- per month to each student who qualified for University Education and four Children of Workers' from Atale and Pallegama Estates have benefited from this scheme.

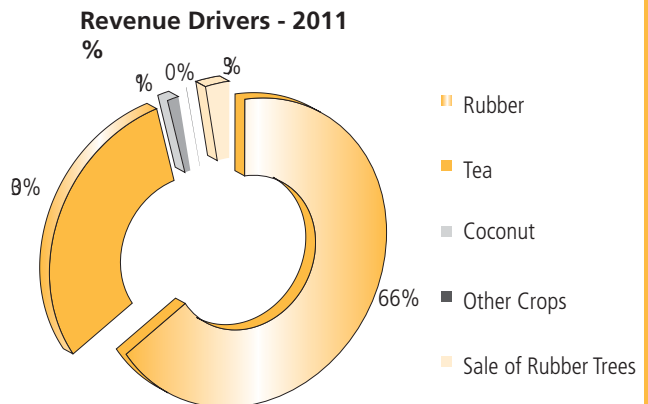
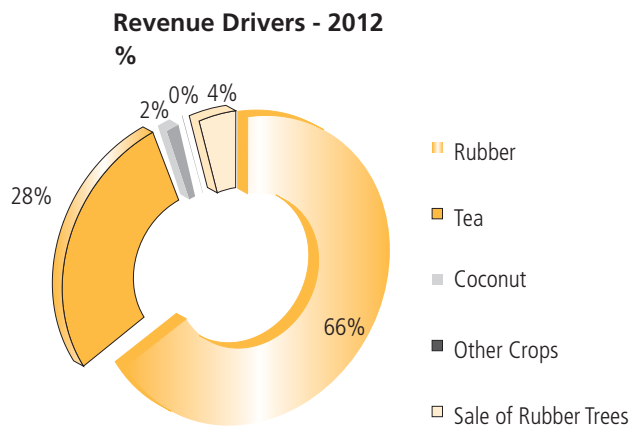
### Training & Development

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

The following Programmes were undertaken during the period under review.

Workers	-	Tapping & other agricultural practices, Plucking & other agricultural practices, Rubber Manufacture & Factory practices, Low Grown tea manufacture, Inter Cropping & Cultivation of export agriculture, Institutional Development (Leadership Team & Attitude), Fire Protection, Bud Grafting and Personal Hygiene.
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Staff	-	Leadership, Teamwork & Tapping Managing Occupational Stress, Skill Development, Energy Saving, Methods and Fire Protection.
Executives	-	Personal Development and Career Growth, Leadership, Development Competencies, Forestry Management for SGS Certification System Certification for ISO 22000 : 2005.

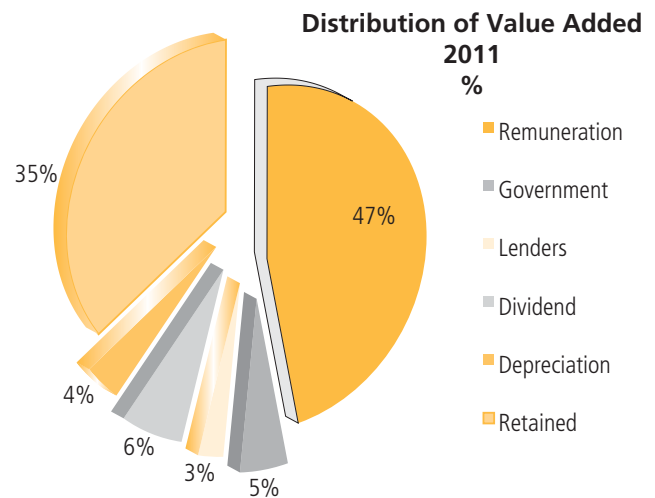
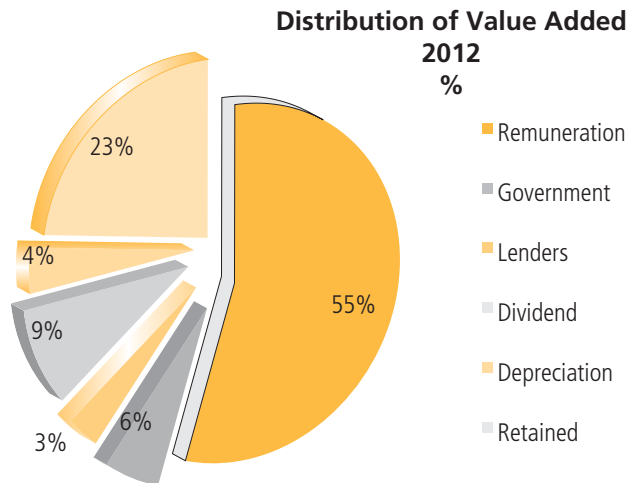


Revenue Drivers - Rs. Mn.	2012	2011
Rubber	1,865	1,964
Tea	783	909
Coconut	43	37
Other Crops	1	1
Sale of Rubber Trees	117	80
<b>Total</b>	<b>2,809</b>	<b>2,992</b>

## Statement of Value Added

Year ended 31 March 2012

Rupees in Millions	2012		2011	
Turnover	2,809		2,992	
Other Income	229		106	
	3,038		3,098	
Cost of Materials and Services	(914)		(990)	
<b>Value Addition</b>	<b>2,124</b>		<b>2,108</b>	
<b>DISTRIBUTION OF VALUE ADDED</b>				
To Employees as Remuneration	1,163	55%	987	47%
To Government as Taxes and Lease Rent	119	6%	101	5%
To Lenders of Capital as Interest	72	3%	54	3%
To Shareholders as Dividend	200	9%	138	6%
<b>Retained in the Business as;</b>				
Provision for Depreciation	88	4%	82	4%
Profit Retained	482	23%	746	35%
	<b>2,124</b>	<b>100%</b>	<b>2,108</b>	<b>100%</b>
Value Added Per Employee - Rs.	298,770		286,121	
Turnover Per Employee - Rs.	395,110		406,158	



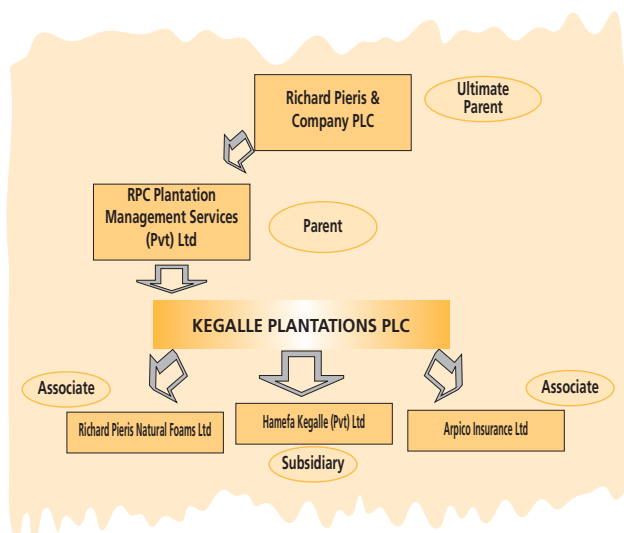
# Corporate Governance

Year ended 31 March 2012

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

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

## Group Structure



## The Board of Directors

The Company is governed by its Board of Directors, who directs and supervises the business and affairs of the Company on behalf of the shareholders.

The Board comprises five Directors, of which three are Executive Directors whilst two are Non-Executive Directors who are Independent, ensuring an independent outlook to temper the expediency of the experts. Brief profiles of the Directors are set out on pages 12 and 13. The Board has assessed the independence of the Non-Executive Directors.

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

The Chairman is responsible for matters relating to policy, maintaining regular contact with the other Directors, shareholders and external stakeholders of the Company. He is responsible for overall commercial, operational and strategic development and assisted by the Group Director Operations and 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 Chief Financial Officer of the Sector, 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.

Name of Directors	Executive	Non-Executive	Independent	No. of Meeting Attended
Dr. Sena Yaddehige		-	-	2
Mr. J H P Ratnayake		-	-	2
Mr. S S Poholiyadde		-	-	3
Prof. R C W M R A Nugawela	-			2
Dr. S S B D G Jayawardena	-			3

# Corporate Governance Contd....

Year ended 31 March 2012

## The main functions of the Board are to:

for the operational plans of the Company and monitor implementation.

adequate risk management systems in place.

and review performance against budgets.

the Company.

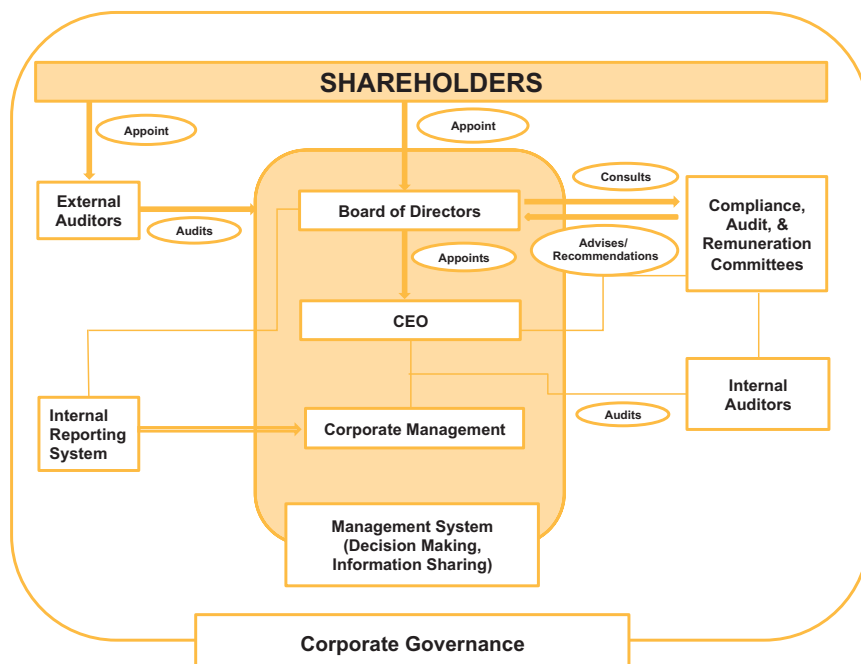
for the approval of shareholders.

of assets and approve capital projects.

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

## Corporate Governance Structure

The Company's Governance Framework is depicted in 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 two Board Sub Committees which operate within clearly defined terms of reference.

### Audit Committee

Kegalle Plantations PLC is one of the Group Companies of the Richard Pieris & Company PLC. Richard Pieris & Company is also the majority shareholder and as such the Group Audit Committee acts as the Audit Committee of the Company. Audit Committee Report on Pages 40 to 41 describes the activities carried out during the Financial Year.

### Remuneration Committee

The Report of the Remuneration Committee is on Page 42 and highlights its main activities.

### Appointment of Directors

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

## Relationship with Shareholders

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

# Corporate Governance Contd....

Year ended 31 March 2012

## Internal Controls

The Board is responsible for instituting an 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 43 - 46.

Apart from the strategic plans covering a three year time horizon, a comprehensive budgetary process is in place, where annual budgets, identifying the critical success factors and functional objectives, prepared by the Company are, approved by the Board, at the commencement of a financial year, and its achievement monitored monthly, through a comprehensive monthly management reporting system. Clear criteria and benchmarks have also been set out for the evaluation of capital projects and new investments.

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

## Relationship with Other Stakeholders

The Board identifies the importance of maintaining a healthy relationship with its key stakeholders and ensures the Company inculcates this practice. Internal communication is mainly conducted through the quarterly newsletter, e-mails, memos and circulars.

The Board also ensures that the Group policies and practices are in line with the Company's values and its social responsibilities. The Company promotes protection of the environment, health and safety standards of its employees and others within the organization. The relevant measures taken are given in detail in the Sustainability Report on pages 14 - 19.

## Compliance

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

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

CSE Section Reference	Requirement	Status of Kegalle Plantations PLC
7.10.1 (a) to (c)	Non Executive Directors	In Compliance
7.10.2	Independent Directors	In Compliance
7.10.3	Disclosures relating to Directors	In Compliance
7.10.5	Remuneration Committee	In Compliance
7.10.6	Audit 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

Year ended 31 March 2012

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

The purpose of the Audit Committee is to:

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

The Audit Committee consisted of two independent and Non Executive Directors of the Richard Pieris & Company PLC, the Ultimate Parent Company, namely Prof. Lakshman R. Watawala and Prof. Susantha Pathirana. The Chairman of the Committee is a Senior Chartered Accountant. The Company Secretaries function as Secretary to the Audit Committee.

The principal activities of the Committee are detailed below;

## Meetings

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

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

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

## Internal Audit and Risk Management

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

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

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

## Internal Controls

During its meetings, the Committee reviewed the adequacy and effectiveness of the internal control systems and the Company's approach to its exposure to the business and financial risks. Processes are in place to safeguard the assets of the organisation 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 Accounting Standards and other statutory requirements, including the Companies Act, No 7 of 2007, prior to issuance. It also reviewed the adequacy of disclosure in published Financial Statements.

## Report of the Audit Committee Contd....

Year ended 31 March 2012

The Group will be adopting 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. The Group has commenced reviewing its accounting policies and financial reporting in readiness for the transition. Training activities were conducted in house and members in finance division of the Company have attended seminars conducted by the leading accounting bodies in Sri Lanka.

### External Auditors

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

The Committee reviewed the Management Letters issued by the External Auditors, the Management response thereto and also attended to matters specifically addressed to them. The External Auditors kept the Audit Committee informed on an ongoing basis of all matters of significance. The Committee met with the Auditors and discussed issues arising from the audit and corrective action taken where necessary.

The Audit Committee has recommended to the Board of Directors that Messrs. Ernst & Young be re-appointed as Auditors for the financial year ending 31 March, 2013 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 organisation provides reasonable assurance regarding the reliability of the financial reporting of the Company, the assets are safeguarded and that the Listing Rules of the Colombo Stock Exchange have been met.



Prof. Lakshman R Watawala  
Chairman

29 May 2012

## Report of the Remuneration Committee

Year ended 31 March 2012

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

The Remuneration Committee, appointed by and responsible to the Board of Directors, consists of two independent Non Executive Directors Prof. Lakshman R Watawala and Prof. Susantha Pathirana of Richard Pieris & Company PLC, the ultimate Parent Company. The Committee is chaired by Prof. Lakshman R Watawala. The Committee met on several occasions during the financial year.

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

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

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



Prof. Lakshman R Watawala  
Chairman

29 May 2012

# Risk Management

Year ended 31 March 2012

Kegalle Plantations PLC is exposed to a multitude of risks associated with the cultivation and processing of Tea and Rubber and the economic environment in which it operates. The Board of Directors therefore places special emphasis on the management of business risks and together with the management Committee, ensures that a sound system of controls including financial, operational and compliance are in place, to safeguard shareholder investment and assets and reviews regularly the effectiveness of such controls.

## Risk Management Process

The Company's risk management process comprises of risk assessment, risk minimization, risk monitoring, risk reporting, and risk evaluation of uncertainty in business decision-making.

The diagram below shows the above steps of risk management in the overall context of Kegalle Plantations PLC.



## Strategic Risks

### ★ Technological Risk

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

## Risk Management Contd....

Year ended 31 March 2012

### ★ Reputation Risk

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

## Operative Risks

### ★ Procurement Risk

- ★ To minimize risk associated with price and availability.
  - ★ Continuous replanting activities of all corps.
  - ★ 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 of Competition

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

### ★ Information Systems Risk

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

# Risk Management Contd....

Year ended 31 March 2012

## Internal Controls

- To maintain a sound system of internal control to safeguard shareholders wealth and Company's assets.
  - Carrying out of system audits and other control mechanisms such as inventory counts and cash counts throughout the estates by the Central Internal Audit Department of the main Group.

## Inventory

- To reduce stock obsolescence and manage stock holding costs.
- Reducing the risk associated with theft and shrinkage.
  - Adopting a monthly declaration policy.
  - Identifying slow moving stocks and effectively laying out a channel for these to be sold off.

## Risk of Injury or Damage

### Human Capital & Labour Risk

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

### Environmental & Political Risk

- To minimize the negative & Regulatory Risk external environment which are beyond our control.
  - Ensure compliance with all regulatory impact from changes in the requirements.

### Asset Risk





- To minimize risks from fire, theft and machinery & equipment breakdown.
  - 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.

## Risk Management Contd....







Year ended 31 March 2012

### Financial Risk






#### Credit Risk

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




#### Liquidity & Cash Management

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



#### Interest Rate Risk

-  To minimize adverse effects of interest rate volatility and currency denominated borrowings.
  -  To ensure cost of borrowing is at the optimum level with the assistance of Group Treasury.
  -  Maximum utilization of the concessionary funding available to Plantation Companies.
  -  Structuring the loan portfolio to combine foreign currency and local.
  -  Effective utilization of hedging techniques such as interest rate swaps.

#### Currency Risk

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

#### Capital Investments Risk

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

## Financial Calender 2011/2012

### INTERIM QUARTERLY REPORTS

Quarter	2011/12	2010/11
1st Quarter	14 August 2011	30 July 2010
2nd Quarter	11 November 2011	03 November 2010
3rd Quarter	02 February 2012	08 February 2011
4th Quarter	25 May 2012	27 May 2011

### MEETINGS

Annual Report	Published	Meetings	Date
2000/01	15 May 2001	8th Annual General Meeting	27 June 2001
2001/02	10 May 2002	9th Annual General Meeting	01 July 2002
2002/03	19 May 2003	10th Annual General Meeting	30 June 2003
2003/04	27 May 2004	11th Annual General Meeting	28 June 2004
2004/05	26 May 2005	12th Annual General Meeting	27 June 2005
2005/06	29 May 2006	13th Annual General Meeting	29 June 2006
2006/07	21 May 2007	14th Annual General Meeting	29 June 2007
2007/08	15 May 2008	15th Annual General Meeting	23 July 2008
2008/09	09 June 2009	16th Annual General Meeting	28 July 2009
2009/10	19 May 2010	17th Annual General Meeting	29 June 2010
2010/11	27 May 2011	18th Annual General Meeting	30 June 2011
2011/12	29 May 2012	19th Annual General Meeting	29 June 2012

# Annual Report of the Board of Directors

Year ended 31 March 2012

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 2012 and the Auditors' Report thereon.

The Board of Directors approved this report at the Board meeting held on 29 May 2012.

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 Tea, Rubber, Coconut and other crops and remains unchanged from the previous year. The number of estates manage remained the same as last year - 17 estates with a total extent cultivated being 7,352 Ha (6,880 Ha in 2011).

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. 2,809,230,278/- (2011 - Rs. 2,991,761,775/-) which is a 6% decrease over last year, Composition of the Revenue is given in Note 22 to the Accounts.

## Financial Results

Year Ended 31 March	2012 Rs.'000	2011 Rs.'000
Profit from operations after deducting all expenses, depreciation and all known liabilities	799,159	917,123
Taxation	(117,054)	(33,996)
Profit After Tax	682,106	883,127
Un-appropriated Profit Brought forward	1,968,938	1,223,311
Profit available for distribution	2,651,044	2,106,438
<b>Appropriation</b>		
Dividends paid	(200,000)	(137,500)
Un-appropriated Profit Carried forward	2,451,044	1,968,938

## Results and Dividends

The Company has paid an interim dividend amounting to Rs. 7.50 per share (2011 – Rs. 2.50 per share) for the year under review. The dividend subjected to a 10% withholding tax deduction.

## Investments

On 30th June 2011 Company acquired 22.5Mn ordinary shares in Arpico Insurance Limited for Rs.10 /- per share. As a result, Arpico Insurance Limited has become an Associate of the Company and information relating to the movement of this investment is given in Note 7 to the Accounts.

The Board of Directors of Hamefa Kegalle (Pvt) Ltd decided to discontinue commercial operations with effect from April 2009 and information relating to the discontinued operations of this Company is given in Note 28 to the Accounts.

# Annual Report of the Board of Directors Contd....

Year ended 31 March 2012

## Property, Plant and Equipment

The total capital expenditure incurred on the acquisition of fixed assets during the year amounted to Rs. 249,655,815/- (2011 - Rs. 200,243,722/-), out of which expenditure on Replanting and Field Development amounts to Rs. 198,597,465/- (2011 - Rs. 144,914,598/-). Further information relating to the movement of Fixed Assets is given in Notes 5 to 6 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 Balance Sheet date is given in Note 13 to the Accounts.

## Stated Capital

The Stated Capital of the Company as at 31 March 2012 was Rs. 250,000,010/-. Details of the Stated Capital is given in Note 12 to the Financial Statements.

## Reserves

The Reserves of the Company as at 31 March 2012 was Rs. 2,676,044,702/- (2011 - Rs. 2,193,938,229/-). The details are given in the Statement of Changes in Equity on Page 59 to the Financial Statements.

## Donations

The Donations made during the year by the Company amounted to Rs. 432,220/- (2011 - Rs. 1,148,850/-).

## 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 last year 2010/11. Further details of Taxation are given in Note 27 to the Financial Statements.

## Share Information

Information on Earnings, Dividend, Net Assets and Market Value per share is given on Pages 94 to 96 of this report.

## Major Shareholders

The twenty largest shareholders of the Company as at 31 March 2012 together with percentages held are given under the caption "Shareholder & Investor Information" on Page 95.

## Directors

The Names of the Directors who held Office during the year are given below. Their brief profile appears on Pages 12 to 13.

### Name

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

In accordance with the Provisions of the Article 92 of the Articles of Association of the Company, Mr. Sunil Poholiyadde, who retires by rotation at the AGM will offer himself for re-election.

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

## Directors' Interest in Contracts

Directors' interest in Contracts in relation to transactions with related entities, transactions with Key Management Personnel and other related disclosures are stated in Note 34 (Related party disclosures) to the Financial Statements. In addition, the Company carried out transactions in the ordinary course of business with the following entities having one or more directors in common is shown in Page 50.

## Directors' Interest in Shares

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

	2012 No.of shares	2011 No.of shares
Mr. S S Poholiyadde	307	307

## Annual Report of the Board of Directors Contd....

*Year ended 31 March 2012*

### Transactions with related undertakings;

Company	Name of Director	Position	Nature of Transaction	Amount Rs. '000	
				2012	2011
National Development Bank PLC	Dr. S.Yaddehige (Resigned w.e.f 11.11.2010)	Director	Term Loan Capital Paid	-	27,280
			Term Loan Interest Paid	-	29,189
			Commitment Fee Paid	-	557
			Escrow Fee	-	168
Asian Alliance Insurance Co. PLC	Mr. J.H.P. Ratnayeke	Deputy Chairman	Insurance Premium	5,770	5,041
Asia Siyaka Commodities (Pvt) Ltd	Mr.J.H.P. Ratnayeke (Resigned w.e.f 29.08.2011)	Director	Packing Materials	-	849
			Brokerage	-	34
			Tea Board Charges	-	2

### Directors' Remuneration and Other Benefits

The Remuneration of the Directors for the year ended 31 March 2012 is given in Note 25 of the Financial Statements.

### Environmental Protection

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

The Company's efforts in relation to environmental protection are set out on Page 14 under "Sustainability Report".

### Employment Policy

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

### Statutory Payments

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

### Post Balance Sheet Events

No circumstances have arisen since the Balance Sheet date, which would require adjustment or disclosure in the Accounts.

### Board Committees

Information on Board Committees is given in Pages 37 to 39 under Corporate Governance. Audit Committee and Remuneration Committee Reports are given on Pages 40 and 42 respectively.

### Corporate Governance and Internal Control

The policies adopted by the Company in relation to Best Practices and Good Corporate Governance are given on Pages 37 to 39.

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

### Directors' Responsibility for Financial Reporting

The Statement of Directors' Responsibility is given on Page 52 of this report.

# Annual Report of the Board of Directors Contd....

Year ended 31 March 2012

## Compliance with Laws and Regulations

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

## Auditors

The Financial Statements for the year ended 31 March 2012 have been audited by Messrs. Ernst & Young, Chartered Accountants. The Auditors Report is given on Page 54.

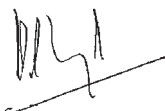
In accordance with the Companies Act No. 7 of 2007, a resolution proposing their re-appointment as Auditors to the Company and authorizing the Directors of the Company to fix their remuneration will be proposed at the Annual General Meeting.

The Audit Fee of Messrs. Ernst & Young for the current year was Rs.1,883,365/- (2011 Rs.1,712,150/-). In addition Rs. 529,648/- (2011 Rs. 568,708/-) was paid by the Company for non-audit related work which consists mainly of certifications issued to Inland Revenue Department 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.

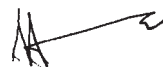
## Annual General Meeting

The Annual General Meeting will be held on 29 June 2012 at the registered office of the Company at 310, High Level Road, Nawinna, Maharagama. The notice of the Annual General Meeting is on Page 100 of this Report.

On behalf of the Board,



S S Poholiyadde  
Director



J H P Ratnayeke  
Director



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

29 May 2012

## Statement of Directors' Responsibility

Year ended 31 March 2012

In keeping with the provisions under the Companies Act No.7 of 2007, the Directors of Kegalle Plantations PLC, acknowledge their responsibility in relation to financial reporting of both, the Company and that of its Group. These responsibilities differ from those of its Auditors, Messrs. Ernst & Young, which are set out in their report, appearing on page 54 of this report.

The Financial Statements of the Company and its subsidiary for the year ended 31 March 2012 included in this report have been prepared and presented in accordance with the Sri Lanka Accounting 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 55 to 90 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.

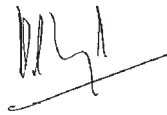
The Directors confirm their responsibility for ensuring that all Companies within the Group maintain adequate accounting records, which are sufficient enough to prepare Financial Statements that disclose with reasonable accuracy, the financial position of the Company and its subsidiary. They also confirm 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 2012 and that of the profit for the year then ended.

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

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

The Directors have provided the Auditors Messrs. Ernst & Young, Chartered Accountants, with every opportunity to carry out reviews and tests that they consider appropriate and necessary for the performance of their responsibilities. The Company's Auditors, Messrs. Ernst & Young, Chartered Accountants have examined the Financial Statements together with all financial records and related data and express their opinion which appears as reported by them on page 54 of this report. In arriving at their opinion, they have carried out reviews and sample checks on the system of internal controls.

On behalf of the Board,



Mr. S S Poholiyadde  
Director



Mr. J H P Ratnayake  
Director

Colombo

29 May 2012

# Chief Executive Officer's and Chief Financial Officer's Responsibility Statement

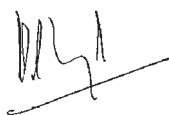
Year ended 31 March 2012

The Financial Statements are prepared in conformity with requirements of the Sri Lanka Accounting Standards issued by The Institute of Chartered Accountants of Sri Lanka, Companies Act No. 7 of 2007, Sri Lanka Auditing Standards, the Listing Rules of the Colombo Stock Exchange and Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and Securities and Exchange Commission of Sri Lanka.

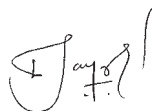
The Board of Directors and the management of our Company accept responsibility for the integrity and objectivity of these Financial Statements. The estimates and judgments relating to the Financial Statements were made on a prudent and reasonable basis, in order that the Financial Statements reflect in a true and fair manner, the form and substance of transactions, and reasonably present the Company's state of affairs. To ensure this, the Company has taken proper and sufficient care in installing a system of internal control and accounting records, for safeguarding assets, and for preventing and detecting frauds as well as other irregularities, which is reviewed, evaluated and updated on an ongoing basis. Our internal auditors have conducted periodic audit to provide reasonable assurance that the established policies and procedures of the Company were consistently followed. However, there are inherent limitations that should be recognized in weighing the assurances provide by any system of internal controls and accounting.

The Financial Statements were audited by Messrs. Ernst & Young, Chartered Accountants, Independent Auditors.

The Audit Committee meets periodically with the internal auditors and the independent auditors to review the manner in which these auditors are performing their responsibilities, and to discuss auditing, internal control and reporting issues. To ensure complete independence, the independent auditors and the internal auditors have full and free access to the members of the audit committee to discuss any matter of substance.



S S Poholiyadde  
Director/CEO



L C Herath  
Chief Financial Officer

29 May 2012

# Independent Auditor's Report

Year ended 31 March 2012



## Chartered Accountants

201 De Saram Place  
P.O. Box 101  
Colombo 10  
Sri Lanka

Tel : (0) 11 2463500  
Fax Gen : (0) 11 2697369  
Tax : (0) 11 5578180  
eysl@lk.ey.com

## INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF KEGALLE PLANTATIONS PLC Report on the Financial Statements

We have audited the accompanying Financial Statements of Kegalle Plantations PLC and the consolidated Financial Statements of the Company and its subsidiary which comprise the Balance Sheets as at March 31, 2012 and the Income Statements, Statements of Changes in Equity and Cash Flow Statements for the year then ended, and a summary of significant Accounting Policies and other explanatory notes.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Financial Statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Scope of Audit and Basis of Opinion

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatements.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

### Opinion

#### – Company

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended March 31, 2012, and the financial statements give a true and fair view of the Company's state of affairs as at March 31, 2012 and its profit and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

#### – Group

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs as at March 31, 2012 and the profit and cash flows for the year then ended, in accordance with Sri Lanka Accounting Standards, of the Company and its subsidiary dealt with thereby, so far as concerns the shareholders of the Company.

### Report on Other Legal and Regulatory Requirements

In our opinion, these financial statements also comply with the requirements of Section 151(2) and 153 (2) to 153 (7) of the Companies Act No. 07 of 2007.

29 May 2012

Colombo

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

# Balance Sheet

Year ended 31 March 2012

ASSETS	Notes	Company		Group	
		2012 Rs.'000	2011 Rs.'000	2012 Rs.'000	2011 Rs.'000
<b>Non Current Assets</b>					
Leasehold Property	3	163,128	168,036	163,128	168,036
Immovable estates assets on Finance Lease (other than leasehold Property)	4	124,340	135,259	124,340	135,259
Tangible assets other than Immature/Mature Plantations	5	400,195	388,585	467,490	460,851
Immature/Mature Plantations	6	1,181,547	1,015,940	1,181,547	1,015,940
Long Term Investments	7	450,000	225,000	411,244	183,307
<b>Total Non Current Assets</b>		<b>2,319,210</b>	<b>1,932,820</b>	<b>2,347,749</b>	<b>1,963,393</b>
<b>Current Assets</b>					
Inventories	8	264,269	391,655	264,495	393,378
Trade and Other Receivables	9	275,548	230,410	281,007	235,871
VAT Recoverable		21,492	20,004	28,777	28,289
Amounts due from Related Companies	10	104,077	57,177	59,039	12,897
Short Term Investment	11	1,806,093	1,289,494	1,806,093	1,289,494
Cash and Bank Balances		12,783	10,263	12,802	10,307
<b>Total Current Assets</b>		<b>2,484,262</b>	<b>1,999,003</b>	<b>2,452,213</b>	<b>1,970,236</b>
<b>TOTAL ASSETS</b>		<b>4,803,472</b>	<b>3,931,823</b>	<b>4,799,962</b>	<b>3,933,629</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and Reserves</b>					
Stated Capital	12	250,000	250,000	250,000	250,000
General Reserve	12.1	225,000	225,000	225,000	225,000
Retained Profit		2,451,044	1,968,938	2,415,979	1,934,489
<b>Shareholders' Fund</b>		<b>2,926,044</b>	<b>2,443,938</b>	<b>2,890,979</b>	<b>2,409,489</b>
<b>Non Current Liabilities</b>					
Interest Bearing Loans & Borrowings	13	604,444	303,089	604,444	303,089
Retirement Benefit Obligations	14	403,037	335,025	403,132	335,120
Deferred Income	15	199,634	196,738	218,266	219,722
Deferred Tax Liabilities	16	40,492	-	40,492	-
Net liability to the lessor payable after one year	17	282,381	286,660	282,381	286,660
<b>Total Non Current Liabilities</b>		<b>1,529,988</b>	<b>1,121,512</b>	<b>1,548,715</b>	<b>1,144,591</b>
<b>Current Liabilities</b>					
Interest Bearing Loans & Borrowings	13	107,132	68,319	107,132	68,319
Net liability to the lessor payable within one year	17	4,278	4,113	4,278	4,113
Trade and Other Payables	18	209,406	260,034	217,139	267,799
Dividend Payable	19	1,870	1,225	1,870	1,225
Amounts due to Related Companies	21	5,854	15,798	10,949	21,210
Income Tax Payable	27.2	18,900	16,884	18,900	16,884
<b>Total Current Liabilities</b>		<b>347,440</b>	<b>366,373</b>	<b>360,268</b>	<b>379,550</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>4,803,472</b>	<b>3,931,823</b>	<b>4,799,962</b>	<b>3,933,629</b>

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

L C Herath (Mrs.)  
Chief Financial Officer

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

S S Poholiyadde  
Director

J H P Ratnayake  
Director

The Accounting Policies and notes on Pages 60 through 90 form an integral part of the Financial Statements.

Colombo  
29 May 2012

## Income Statement

Year ended 31 March 2012

	Notes	Company		Group	
		2012 Rs.'000	2011 Rs.'000	2012 Rs.'000	2010 Rs.'000
<b>Continuing Operations</b>					
Revenue	22	2,809,230	2,991,762	2,809,230	2,991,762
Cost of Sales		(1,937,105)	(1,817,992)	(1,937,105)	(1,817,992)
<b>Gross Profit</b>		<b>872,125</b>	<b>1,173,770</b>	<b>872,125</b>	<b>1,173,770</b>
Other Income	23	229,264	105,951	229,264	105,951
Administration Expenses		(51,703)	(54,636)	(51,703)	(54,636)
Management Fee		(142,967)	(193,492)	(142,967)	(193,492)
Finance Cost	24	(107,560)	(114,470)	(107,560)	(114,470)
<b>Profit from Operations</b>	25	<b>799,159</b>	<b>917,123</b>	<b>799,159</b>	<b>917,123</b>
Share of Result of Associates	26	-	-	6,020	(41,676)
<b>Profit Before Taxation</b>		<b>799,159</b>	<b>917,123</b>	<b>805,179</b>	<b>875,447</b>
Income Tax Expenses	27	(117,054)	(33,996)	(120,137)	(34,014)
<b>Profit for the year from Continuing Operations</b>		<b>682,106</b>	<b>883,127</b>	<b>685,043</b>	<b>841,434</b>
<b>Discontinued Operations</b>					
Loss after tax for the year from discontinued operations	28	-	-	(3,553)	(3,684)
<b>Profit for the year</b>		<b>682,106</b>	<b>883,127</b>	<b>681,490</b>	<b>837,750</b>
Basic Earnings Per Share	29	27.28	35.33	27.26	33.51
Basic Earnings Per Share from Continuing Operations		27.28	35.33	27.40	33.66

The Accounting Policies and notes on Pages 60 through 90 form an integral part of the Financial Statements.

# Cash Flow Statement

Year ended 31 March 2012

	Notes	Company		Group	
		2012 Rs.'000	2011 Rs.'000	2012 Rs.'000	2011 Rs.'000
<b>CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES</b>					
Net Profit/(Loss) before Taxation from continuing Operations		799,159	917,123	805,179	875,447
Net Profit/(Loss) before Taxation from discontinuing Operations		-	-	(3,553)	(3,684)
<b>ADJUSTMENTS FOR</b>					
Interest Income	23	(203,496)	(74,240)	(203,496)	(74,240)
Depreciation / Amortization	25	88,264	82,104	88,264	82,104
Provision for Defined Benefit Plan Costs	14	115,547	52,223	115,547	52,223
Amortization of Grants	15	(5,749)	(5,758)	(10,101)	(10,109)
Finance Costs	24	107,560	114,470	107,560	114,470
Impairment of Property, Plant & Equipment		-	-	4,971	7,019
Share of Result of Associates		-	-	(6,020)	41,676
<b>Operating Profit before Working Capital Changes</b>					
		901,285	1,085,922	898,351	1,084,906
(Increase)/Decrease in Trade & Other Receivables		(46,626)	33,435	(45,626)	33,435
(Increase)/Decrease in Inventories		127,386	(143,940)	128,886	(143,917)
(Increase)/Decrease in amounts due from Related Companies		(46,900)	(4,315)	(46,900)	(4,315)
Increase/(Decrease) in Trade & Other Payables		(50,626)	60,882	(50,659)	60,882
Increase/(Decrease) in amounts due to Related Companies		(9,944)	(24,029)	(9,502)	(25,294)
<b>Cash Generated from / (used in) Operations</b>					
		874,575	1,007,955	874,550	1,005,697
Defined Benefit Plan Costs paid	14	(47,535)	(33,952)	(47,535)	(33,952)
ESC Paid		(7,683)	(7,140)	(7,683)	(7,140)
Finance Cost Paid		(69,309)	(50,988)	(69,309)	(50,988)
Income Tax Paid		(66,862)	(22,341)	(66,862)	(22,341)
<b>Net Cash from / (used in) Operating Activities</b>					
		683,186	893,534	683,161	891,276
<b>CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES</b>					
Investments		(225,000)	-	(225,000)	-
Interest Received		203,496	74,240	203,496	74,240
Grant Received	15	8,645	29,839	8,645	29,839
Field Development Expenditure	Note A	(198,597)	(144,915)	(198,597)	(144,915)
Purchase of Property, Plant & Equipment	Note B	(51,058)	(55,329)	(51,058)	(55,329)
<b>Net Cash from / (used in) Investing Activities</b>					
		(262,514)	(96,165)	(262,514)	(96,165)
<b>CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES</b>					
Dividend Paid		(199,355)	(137,404)	(199,355)	(137,404)
Payment of Government Lease Rentals		(38,251)	(63,482)	(38,251)	(63,482)
Payment of Government Lease Rentals - Capital		(4,114)	(3,955)	(4,114)	(3,955)
Proceeds from Loans		405,733	-	405,733	-
Repayment of Loans		(41,814)	(61,288)	(41,814)	(61,288)
<b>Net Cash from / (used in) Financing Activities</b>					
		122,199	(266,129)	122,199	(266,129)
<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>					
		542,871	531,241	542,846	528,982
Cash & Cash Equivalents at the beginning of the year	Note C	1,271,919	740,678	1,271,963	742,981
Cash & Cash Equivalents at the end of the year	Note D	1,814,790	1,271,919	1,814,809	1,271,963

The Accounting Policies and notes on Pages 60 through 90 form an integral part of the Financial Statements.

## Cash Flow Statement Contd.....

Year ended 31 March 2012

NOTE A	Tea Rs.'000	Rubber Rs.'000	Other Crops Rs.'000	Unallocated Rs.'000	Total Rs.'000
<b>Investment in Field Development Expenditure</b>					
Investment in Immature Plantations 2011/12	42,850	145,400	1,676	8,671	198,597
Investment in Immature Plantations 2010/11	33,619	103,773	1,967	5,555	144,915

### NOTE B

#### Investment in Property, Plant & Equipment

Investment in Property, Plant & Equipment 2011/12 (Company)	29,954	21,022	-	82	51,058
Investment in Property, Plant & Equipment 2011/12 (Group)	29,954	21,022	-	82	51,058
Investment in Property, Plant & Equipment 2010/11 (Company)	29,240	25,151	-	938	55,329
Investment in Property, Plant & Equipment 2010/11 (Group)	29,240	25,151	-	938	55,329

NOTE C	Company		Group	
	2012 Rs.'000	2011 Rs.'000	2012 Rs.'000	2011 Rs.'000
<b>Cash &amp; Cash Equivalents at the beginning of the year</b>				
Cash in Hand & at Bank	10,263	20,685	10,307	22,988
Bank Overdraft	(27,838)	-	(27,838)	-
Investment in Treasury Bills, REPO & Others	1,289,494	719,993	1,289,494	719,993
	1,271,919	740,678	1,271,963	742,981

### NOTE D

#### Cash & Cash Equivalents at the end of the year

Cash in Hand & at Bank	12,783	10,263	12,802	10,307
Bank Overdraft	(4,086)	(27,838)	(4,086)	(27,838)
Investment in Treasury Bills, REPO & Others	1,806,093	1,289,494	1,806,093	1,289,494
	1,814,790	1,271,919	1,814,809	1,271,963

## Statement of Changes in Equity

Year ended 31 March 2012

Company	Stated Capital Rs.'000	General Reserve Rs.'000	Accumulated Profit Rs.'000	Total Rs.'000
Balance as at 31 March 2010	250,000	225,000	1,223,311	1,698,311
Net profit for the year	-	-	883,127	883,127
Dividends paid	-	-	(137,500)	(137,500)
Balance as at 31 March 2011	250,000	225,000	1,968,938	2,443,938
Net profit for the year	-	-	682,106	682,106
Dividends paid	-	-	(200,000)	(200,000)
Balance as at 31 March 2012	250,000	225,000	2,451,044	2,926,044

Group	Stated Capital Rs.'000	General Reserve Rs.'000	Accumulated Profit Rs.'000	Total Rs.'000
Balance as at 31 March 2010	250,000	225,000	1,234,239	1,709,239
Net profit for the year	-	-	837,750	837,750
Dividends paid	-	-	(137,500)	(137,500)
Balance as at 31 March 2011	250,000	225,000	1,934,489	2,409,489
Net profit for the year	-	-	681,490	681,490
Dividends paid	-	-	(200,000)	(200,000)
Balance as at 31 March 2012	250,000	225,000	2,415,979	2,890,979

The Accounting Policies and notes on Pages 60 through 90 form an integral part of the Financial Statements.

# Notes to the Financial Statements

Year ended 31 March 2012

## 1. CORPORATE INFORMATION

### 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 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 310, High Level Road, Nawinna, Maharagama, and Plantations are situated in the planting districts of Kegalle, Kurunegala & Badulla.

### 1.2 Principal Activities and Nature of Operations

During the year, the principal activities of the company were the cultivation, manufacture and sale of Tea, Rubber, Coconut, Cardamon & other agricultural produce.

### 1.3 Parent Enterprise and Ultimate Parent Enterprise

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

### 1.4 Date of Authorization for issue.

The Financial Statements of Kegalle Plantations PLC for the year ended 31 March 2012 were authorized for issue in accordance with a resolution of the board of directors on 29 May 2012.

## 2.1 BASIS OF PREPARATION

These Financial Statements have been prepared on a historical cost basis except for certain Property, Plant and Equipment which are stated at revalued amounts. The Financial Statements are presented in Sri Lankan Rupees and all values are rounded to the nearest Rupee.

### 2.1.1 Statement of Compliance

The Financial Statements of Kegalle Plantations PLC have been prepared in accordance with the Sri Lanka Accounting Standards (SLAS) adopted by the Institute

of Chartered Accountants of Sri Lanka (ICASL) and also in compliance with the requirements of the Companies Act No 07 of 2007.

### 2.1.2 Going Concern

The Directors have made an assessment of the Company's ability to continue as a going concern and they do not intend either to liquidate or to cease trading.

### 2.1.3 Comparative Information

The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year unless otherwise stated.

### 2.1.4 Consolidation Policy

#### Subsidiary – Hamefa Kegalle (Pvt) Ltd

**2.1.4.1** Kegalle Plantations PLC own 100% ordinary shares of Hamefa Kegalle (Pvt) Ltd which is incorporated in Sri Lanka.

**2.1.4.2** The consolidated Financial Statements include results, assets & liabilities of Kegalle Plantations PLC and its subsidiary, Hamefa Kegalle (Pvt) Ltd.

**2.1.4.3** All companies in the Group have a common financial year end on 31 March.

**2.1.4.4** Goodwill arising on the acquisition of the subsidiaries written off to the Income Statements.

#### Associates - Richard Pieris Natural Foams Ltd and Arpico Insurance Ltd

**2.1.4.5** Associates are those investments over which the group has significant influence and holds 20% to 50% of the equity.

**2.1.4.6** Associates are accounted for using the equity method and are recognized initially at cost.

**2.1.4.7** The Consolidated Financial Statements include the Group's share of income and expenses and equity movements of associates, from the date on which significant influence commences until the date

# Notes to the Financial Statements Contd...

Year ended 31 March 2012

on which significant influence ceases. When the Group's share of losses in an associate equals or exceeds the interest in the undertaking, the group does not recognize further losses unless it has incurred obligations or made payments on behalf of the entity. The group ceases to use the equity method of accounting on the date from which it no longer has significant influence in the associate.

## 2.2 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

### Judgments

In the purpose of applying the company's accounting policies, management has made the following judgments, apart from those involving estimations, which has the most significant effect on the amounts recognized in the Financial Statements.

### Inventory valuation – Produce stock

Company has valued part of unsold produce stock at since realized prices. The balance unsold stock remained as at the Balance Sheet date valued at estimated selling prices based on most recent selling prices available subsequent to the year end.

### Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the Balance Sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

### Impairment of Goodwill

The company determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the "value in use" of the cash generating units to which the goodwill is allocated. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the cash generating unit and also to choose a suitable discount rate in order to calculate present value of those cash flows. However, at present Company does not have any recorded Goodwill balance as at the Balance Sheet date.

### Deferred Tax Assets

Deferred tax assets are recognised for all 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 judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

### Defined Benefit Plans

The cost of defined benefit pension plan is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. The net employee liability as per actuary as at 31 March 2012 is Rs. 403,036,784/- (2011 - Rs. 335,025,357 /-) Further details are given in Note 14.

## 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.3.1 Foreign Currency Translation

The Financial Statements are presented in Sri Lankan rupees, which is the Company's functional and presentation currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the Balance Sheet date. All differences are taken to profit or loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in equity. Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non monetary items measured at fair value in a foreign currency are translated using the exchange

## Notes to the Financial Statements Contd...

*Year ended 31 March 2012*

rates at the date when the fair value was determined. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

### 2.3.2 Taxation

#### a) Current Taxes

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the Commissioner General of Inland Revenue. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the Balance Sheet date.

The provision for income tax is based on the elements of income and expenditure as reported in the Financial Statements and computed in accordance with the provisions of the Inland Revenue Act.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the Income Statement.

#### b) Deferred Taxation

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

Deferred income tax liabilities are recognised for all taxable temporary differences:

from goodwill amortisation or 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; and

with investments in subsidiaries, associates and

interests in joint ventures, except where 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 income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, 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 assets and unused tax losses can be utilised:

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; and

associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised 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 utilised.

The carrying amount of deferred income tax assets is reviewed at each Balance Sheet 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 income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to 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 Balance Sheet date.

Deferred income tax relating to items recognised directly in equity is recognised in equity and not in the Income Statement.

### 2.3.3 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred, except to the extent where borrowing costs that are directly attributable

# Notes to the Financial Statements Contd...

Year ended 31 March 2012

to the acquisition, construction, or production of a qualifying asset that takes a substantial period of time to get ready for its intended use or sale is capitalised as part of that asset.

Borrowing Costs amounting to Rs. 2,373,155/- (2011 - Rs. 2,963,681/-) incurred on borrowings obtained to meet expenses relating to immature plantations have been capitalised as part of the cost of the immature plantations.

## 2.3.4 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following the initial recognition of the intangible assets, the cost model is applied requiring the assets to be carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs are not capitalised and expenditure is reflected in the Income Statement in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be 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 is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the Income Statement in the expense category consistent with the function of the intangible asset. Amortisation was commenced when the assets were available for use.

As at the Balance Sheet date, company does not have any intangible assets with finite lives.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangibles are not

amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Intangible assets that are not yet available for sale are tested for impairments at each financial year end, even if there is no indication that the asset is impaired. As at the Balance Sheet date, company does not have any intangible assets with indefinite lives.

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 Income Statement when the asset is derecognised

## Research and Development Costs

Research and development costs are expensed as incurred, except for development costs, which are recognized as an asset to the extent that it is expected that such asset will generate future economic benefits. Where development costs are recognized as an asset, such costs are amortized on a straight-line basis over the period of expected future benefits. At each Balance Sheet date, the Company assesses whether there is any indication of impairment of development costs recognized as assets i.e. whether it is no longer probable that further economic benefits will be generated. If any such indication exists, only the estimated recoverable amount is further deferred.

Research costs are expensed as incurred. An intangible asset arising from development expenditure on an individual project is recognised only when the company can demonstrate the technical feasibility of completing the intangible assets so that it will be available for use or sale, its intention to complete and its ability to use or sell the assets, how the assets will generate future economic benefits, the availability of resources to complete the assets and the ability to measure reliably the expenditure during the development.

During the period of development, the assets is tested for impairment annually, Following the initial recognition of the development expenditure, the cost model is applied requiring the assets to be carried at cost

## Notes to the Financial Statements Contd...

*Year ended 31 March 2012*

less any accumulated amortisation and accumulated impairment losses. Amortisation of the assets begins when development is complete and the asset is available for use. It is amortised over the period of expected future sales. During the period of which the assets are not yet in use it is tested for impairments annually.

### 2.3.5 Deferred Expenditure

Expenditure which is deemed to have a benefit or relationship to more than one financial year is classified as deferred expenditure. Such expenditure is written off over the period to which it relates, on a straight-line basis.

### 2.3.6 Inventories

Inventories other than produce stocks are valued at the lower of cost and net realisable value, after making due allowances for obsolete and slow moving items. Net realisable value is the price at which inventories can be sold in the ordinary course of business less the estimated cost of completion and estimated cost necessary to make the sale.

Input Material	- At average cost.
Growing Crop-Nurseries	- At the cost of direct materials, direct labour and an appropriate proportion of directly attributable overheads.
Produce Stocks	- Valued at estimated selling prices or since realised prices.
Spares & Consumables	- At average cost

### 2.3.7 Trade and Other Receivables

Trade receivables are stated at the amounts they are estimated to realise net of provisions for bad and doubtful receivables.

Other receivables and dues from related parties are recognised at cost less provision for bad and doubtful receivables.

### 2.3.8 Cash and Cash Equivalents

Cash and Cash Equivalents are defined as cash in hand, demand 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.

Interest paid and received is classified as operating Cash Flows.

The Cash Flow Statement is reported based on the indirect method.

### 2.3.9 Property, Plant and Equipment

#### a) Cost

Property, Plant & Equipment is recorded at cost less accumulated depreciation and less any impairment in value.

#### b) Cost and Valuation

All items of Property, Plant & Equipment are initially recorded at cost. Where items of Property, Plant and Equipment are subsequently revalued, the entire class of such assets is revalued. Revaluations are made with sufficient regularity to ensure that their carrying amounts do not differ materially from their fair values at the Balance Sheet date. Subsequent to the initial recognition as an asset at cost, revalued Property, Plant and Equipment are carried at revalued amounts less any subsequent depreciation thereon. All other Property, Plant and Equipment are stated at historical cost less depreciation.

When an asset is revalued, any increase in the carrying amount is credited directly to a revaluation surplus unless it reverses a previous revaluation decrease relating to the same asset, which was previously recognized as an expense. In these circumstances the increase is recognized as income to the extent of

# Notes to the Financial Statements Contd...

Year ended 31 March 2012

the previous written down. When an asset's carrying amount is decreased as a result of a revaluation, the decrease is recognized as an expense unless it reverses a previous increment relating to that asset, in which case it is charged against any related revaluation surplus, to the extent that the decrease does not exceed the amount held in the revaluation surplus in respect of that same asset. Any balance remaining in the revaluation surplus in respect of an asset, is transferred directly to accumulated profits or loss on retirement or disposal of the asset.

## c) Restoration Costs

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

## d) Depreciation

The provision for depreciation is calculated on the cost or valuation of all property, plant and equipment other than freehold land, in order to write off such amounts over the estimated useful lives by equal instalments as follows:

Buildings	Over 40 years
Plant & Machinery	Over 12.5 years
Furniture & Fittings	Over 10 years
Vehicles	Over 05 years
Equipments	Over 08 years
Sanitation, Water	
Supply & Electricity	Over 20 years
Computers/Computer Software	Over 08 years
Lines & Latrines	Over 40 years

## Replanting and New Planting

Tea	Over 33 years
Rubber	Over 20 years
Coconut	Over 50 years

The leasehold rights are being amortised in equal amounts over the following periods.

Leasehold Property	Over 53 years
--------------------	---------------

Mature Plantations	Over 30 years
Buildings	Over 25 years
Machinery	Over 15 years
Improvements to Land	Over 30 years

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

## e) Derecognition

An item of property, plant and equipment 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 Income Statement in the year the asset is derecognised.

## 2.3.10 Immature and Mature Plantations

The cost of Replanting and New Planting are classified as immature plantations up to the time of harvesting the crop.

The cost of areas coming into bearing are transferred to mature plantations and depreciated over their useful life period.

## 2.3.11 Infilling Cost

Where infilling results in an increase in the economic life of the relevant field beyond its previously assessed standard of performance, the costs are capitalised in accordance with Sri Lanka Accounting Standard No. 32 and depreciated over the useful life at rates applicable to mature plantation.

Infilling costs that are not capitalised have been charged to the Income Statement in the year in which they are incurred.

## 2.3.12 Leases

### a) Finance leases - where the company is the lessee

Property, plant and equipment on finance leases, (which effectively transfer to the company substantially all of the risks and benefits incidental to ownership of the

## Notes to the Financial Statements Contd...

Year ended 31 March 2012

leased item) are capitalised at their cash price, and depreciated/amortised over the period the company is expected to benefit from the use of the leased assets.

The corresponding principal amount payable to the lessor is shown as a liability.

The finance charges allocated to future periods are separately disclosed under Note 17.

The interest element of the rental obligation applicable to each financial year is charged to the Income Statement over the period of the lease so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The cost of improvements to or on leased property is capitalised, and depreciated over the unexpired period of the lease or the estimated useful lives of the improvements, whichever is shorter.

### b) Operating Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership over the leased term are classified as operating leases.

Lease payments (excluding costs for services such as insurance and maintenance) paid under operating leases are recognised as an expense in the Income Statement on a straight-line basis over the lease term.

### c) Leasehold Property

Leasehold property comprising of land use rights obtained on a long term basis, is stated at the recorded carrying values as at the effective date of Sri Lanka Accounting Standard 19 – Leases in line with Ruling of the Urgent Issues Task Force of The Institute of Chartered Accountants of Sri Lanka. Such carrying amounts are amortised over the remaining lease term or useful life of the leased property whichever is shorter.

## 2.3.13 Investments

### a) Initial Recognition:

Cost of investment includes purchase cost and acquisition charges such as brokerages, fees, duties

and bank regulatory fees. The company distinguishes and presents current and non current investment in the Balance Sheet.

### b) Measurement

#### Current Investment:

Current investments are carried at the lower of cost and market value, determined on the basis of aggregate portfolio.

Unrealized losses arising from reduction to market value and reversals of such reduction required to state current investments at lower of cost and market value are included in Income Statement.

#### Long Term Investments:

Long term investments are stated at cost. Carrying amounts are reduced to recognize a decline other than temporary, determined for each investment individually. These reductions for other than temporary declines in carrying amounts are charged to Income Statement.

#### Disposal of Investment:

On disposal of an investment, the difference between net disposal proceeds and the carrying amount is recognized as income or expense.

## 2.3.14 Provisions

Provisions are recognized when the company has a present obligation (legal or constructive) as a result of a past event, where 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. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

# Notes to the Financial Statements Contd...

Year ended 31 March 2012

## 2.3.15 Retirement Benefit Obligation

### a) Defined Benefit Plans –Gratuity

The Company measures the present value of the promised retirement benefits of gratuity which is a defined benefit plan with the advice of an actuary every two years using projected benefits valuation method. Actuarial gains and losses are recognized as income or expenses over the expected average remaining working lives of the participants of the plan. The key assumptions used by the actuary include the followings:

- |      |   |                       |
|------|---|-----------------------|
| i)   | Rate of Discount                              | 11% (per annum)       |
| ii)  | Rate of Salary Increase                       |                       |
|      | - Workers                                     | 16% (every two years) |
|      | - Staff                                       | 10% (per annum)       |
| iii) | Retirement Age                                |                       |
|      | - Estate Workers                              | 60 years              |
|      | - Estate Staff                                | 58 years              |
|      | - Head office Staff                           | 55 years              |
| iv)  | The company will continue as a going concern. |                       |

The actuarial present value of the accrued benefits as at 31 March 2012 is Rs. 403,036,784/-. This item is grouped under retirement benefit obligations in the Balance Sheet. The liability is not externally funded.

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

Employees are eligible for Employees' Provident Fund Contributions and Employees' Trust Fund Contributions in line with the respective statutes and regulations. The Company contributes 12% and 3% of gross emoluments of employees to the Employees' Provident Fund and to the Employees' Trust Fund respectively.

## 2.3.16 Grants and Subsidies

Grants and subsidies are recognized at their fair value where there is reasonable assurance that the grant/subsidy will be received and all attaching conditions, if any, will be complied with. When the grant or subsidy relates to an income item it is recognized as income over the periods necessary to match them to the costs to

which it is intended to compensate on a systematic basis.

Grants and subsidies related to assets, including non-monetary grants at fair value are deferred in the Balance Sheet and credited to the Income Statement over the useful life of the asset.

## 2.3.17 Impairment of Non Financial Assets

The company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and 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. Where the carrying amount of an asset 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 to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices or other available fair value indicators.

Impairment losses of continuing operations are recognised in the Income Statement in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to equity. In this case the impairment is also recognised in equity up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the company makes an estimate of recoverable amount. A previously

# Notes to the Financial Statements Contd...

Year ended 31 March 2012

recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot "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 Income Statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment losses recognised in relation to goodwill are not reversed for subsequent increases in its recoverable amount.

The following criteria are also applied in assessing impairment of specific assets:

## Goodwill

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (group of cash-generating units) to which goodwill has been allocated, an impairment loss is recognised. Impairment losses relating to Goodwill cannot be reversed in future periods. The Company performs its annual impairment test of goodwill as at 31 March. However, at present company does not have any recorded Goodwill as at the Balance Sheet date.

## Intangible Assets

Intangible assets with indefinite useful lives are tested for impairment annually as of 31 March either individually or at the cash generating unit level, as appropriate. However, at present Company does not have any recorded intangible assets as at the Balance Sheet date.

## 2.3.18 Income Statement

### Revenue Recognition

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

#### (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 recognized on a cash basis.

#### (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 non current assets including investments have been accounted for in the Income Statement, having deducted from proceeds on disposal, the carrying amount of the assets

# Notes to the Financial Statements Contd...

Year ended 31 March 2012

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 Accumulated 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.

## Expenditure Recognition

- a) Expenses are recognized in the Income Statement 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.
- b) For the purpose of presentation of the Income Statement the directors are of the opinion that function of expenses method presents fairly the elements of the Company's performance, and hence such presentation method is adopted.

## 2.3.19 Sri Lanka Accounting Standards effective from 01 January 2012

The Group will be adopting 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. The Group has commenced reviewing its accounting policies and financial reporting in readiness for the transition and is in the process of quantifying the impact on the Financial Statements.

The Institute of Chartered Accountants of Sri Lanka has resolved an amendment to Sri Lanka Accounting Standard 10, whereby the provision contained in paragraphs 30 and 31 of SLAS 10 – Accounting Policies, Changes in Accounting Estimates and Errors, would not be applicable for Financial Statements prepared in respect of financial periods commencing before 1 January 2012 and hence the impact of this transition is not required to be disclosed in these Financial Statements.

## Notes to the Financial Statements Contd...

Year ended 31 March 2012

**3. LEASEHOLD PROPERTY - COMPANY/GROUP**

Of the 21 JEDB Estates handed over to the Company, leases in respect of Ambanpitiya estate have not been executed as at the Balance Sheet date. All of these leases will be retroactive to June 22, 1992 the date of formation of the Company. The leasehold right to bare land on all of these estates has been taken into the books of the Company to June 22, 1992 immediately after the formation of the Company in terms of the ruling obtained from the Urgent Issues Task Force (UITF) of the Institute of Chartered Accountants of Sri Lanka. For this purpose the Board decided at the meeting on March 8, 1995 that this bare land would be revalued at the value established for the land by Valuation Specialist, Mr. D.R. Wickremasinghe, just prior to the formation of the Company.

The above mentioned leasehold right to bare land comprising of land use rights obtained on a long term basis is re-classified as leasehold property and stated at the recorded carrying values as at the effective date of Sri Lanka Accounting Standard 19 Leases, in line with revised Ruling of the Urgent Issues Task Force of the Institute of Chartered Accountants of Sri Lanka. Such carrying amounts are amortized over the remaining lease term or useful life of the leased property whichever is shorter. The leasehold right to land is disclosed under non current assets under leasehold property. The revised UITF ruling does not permit further revaluation of Leasehold Property. The values taken into the 22 June 1992 Balance Sheet and amortization of the leasehold property up to 31 March 2012 are as follows;

	Revaluation as at 22.06.92 Rs.'000	Balance as at 01.04.11 Rs.'000	Accumulated Amortization as at 01.04.11 Rs.'000	Amortization during the year Rs.'000	Accumulated Amortization as at 31.03.12 Rs.'000	W.D.V As At 31.03.12 Rs.'000	W.D.V As At 31.03.11 Rs.'000
Leasehold Property	260,142	260,142	92,106	4,908	97,014	163,128	168,036
	260,142	260,142	92,106	4,908	97,014	163,128	168,036

The unexpired period of the lease as at the Balance Sheet date is 33 years.

**4. IMMOVABLE JEDB ESTATE ASSETS ON FINANCE LEASE (OTHER THAN LEASEHOLD PROPERTY) - COMPANY/GROUP**

As explained in Note 3, although all JEDB estate leases have not been executed as at the Balance Sheet date, in terms of the ruling of the UITF of the Institute of Chartered Accountants of Sri Lanka, all immovable assets in these estates under finance leases have been taken into books of the Company retroactive to June 22, 1992. For this purpose the Board decided at its meeting on March 8, 1995 that these assets would be revalued at their book values as they appear in the books of the JEDB as the case may be on the day immediately preceding the date of formation of the Company. These assets are taken into the 22 June 1992 Balance Sheet and amortised as follows;

	Revaluation As At 22.06.92 Rs.'000	Accumulated Transfers as at 01.04.03 Rs.'000	Disposal during the year 99/00 Rs.'000	Value as at 01.04.11 Rs.'000	Accumulated Amortization as at 01.04.11 Rs.'000	Amortization during the year Rs.'000	Accumulated Amortization as at 31.03.12 Rs.'000	W.D.V As At 31.03.12 Rs.'000	W.D.V As At 31.03.11 Rs.'000
Improvements to Land	192	-	-	192	120	6	126	66	72
Mature Plantations	75,165	188,150	(634)	262,680	140,905	8,756	149,661	113,019	121,775
Immature Plantations	188,150	(188,150)	-	-	-	-	-	-	-
Buildings	53,935	-	-	53,935	40,523	2,157	42,680	11,255	13,412
Machinery	24,289	-	-	24,289	24,289	-	24,289	-	-
	341,730	-	(634)	341,096	205,837	10,919	216,756	124,340	135,259

**Note :**

Investment in plantation assets which were immature at the time of handing over to the Company by way of estate leases are shown under immature plantation (revalued as at 22 June 1992) all of which have been transferred to mature plantations as at the Balance Sheet date.

## Notes to the Financial Statements Contd...

Year ended 31 March 2012

5. TANGIBLE ASSETS OTHER THAN IMMATURE/MATURE PLANTATIONS	Balance as at 01.04.11 Rs.'000	Additions for the year Rs.'000	Disposals/Transfers during the year Rs.'000	Balance as at 31.03.12 Rs.'000
<b>Company</b>				
<b>Cost</b>				
Buildings	51,558	5,486	-	57,044
Motor Vehicles	81,067	28,898	-	109,965
Furniture & Fittings	5,442	21	-	5,463
Equipment	56,109	561	-	56,670
Water Sanitation	2,150	-	-	2,150
Computer & Computer Software	14,319	55	-	14,374
Plant & Machinery	286,052	19,025	-	305,077
Other Assets on Grants	210,566	2,280	-	212,846
	707,263	56,326	-	763,589
<b>Depreciation</b>				
Buildings	7,361	1,563	-	8,924
Motor Vehicles	75,393	6,864	-	82,257
Furniture & Fittings	3,308	193	-	3,501
Equipment	45,924	3,069	-	48,993
Water Sanitation	1,526	106	-	1,632
Computer & Computer Software	11,141	738	-	11,879
Plant & Machinery	140,942	18,997	-	159,939
Other Assets on Grants	43,822	7,287	-	51,109
	329,417	38,817	-	368,234
<b>WRITTEN DOWN VALUE</b>	377,846			395,355
Assets Acquired on Finance Leases				
Cost				
Plant & Machinery	8,417	-	-	8,417
	8,417	-	-	8,417
Depreciation				
Plant & Machinery	5,066	631	-	5,697
	5,066	631	-	5,697
<b>WRITTEN DOWN VALUE</b>	3,350			2,719
<b>Capital Work-in-Progress</b>				
Capital Work-in-Progress	7,389		(5,268)	2,121
<b>TOTAL WRITTEN DOWN VALUE</b>	388,585			400,195

The assets shown above are those movable assets vested in the Company by gazette notification on the date of formation of the Company (22 June 1992) and all investments in tangible assets by the Company since its formation. The assets taken over by way of estate leases are set out in notes 3 & 4.

Further, the valuation of immovable JEDB estate assets on finance lease (other than leasehold property) 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 us by individual asset.

## Notes to the Financial Statements Contd...

Year ended 31 March 2012

TANGIBLE ASSETS OTHER THAN IMMATURE/MATURE PLANTATIONS	Balance as at 01.04.11 Rs.'000	Additions for the year Rs.'000	Disposals/Transfers during the year Rs.'000	Balance as at 31.03.12 Rs.'000
<b>Group</b>				
<b>Cost</b>				
Buildings	92,107	5,486	-	97,593
Motor Vehicles	81,067	28,898	-	109,965
Furniture & Fittings	5,519	21	-	5,540
Equipment	56,782	561	-	57,343
Water Sanitation	2,150	-	-	2,150
Computer & Computer Software	14,696	55	-	14,751
Plant & Machinery	355,083	19,025	-	374,108
Other Assets on Grants	210,566	2,280	-	212,846
	817,971	56,326	-	874,297
	<b>Balance as at 01.04.11 Rs.'000</b>	<b>Charged for the year Rs.'000</b>	<b>Impairment loss during the year Rs.'000</b>	<b>Balance as at 31.03.12 Rs.'000</b>
<b>Depreciation</b>				
Buildings	17,344	1,563	316	19,223
Motor Vehicles	75,393	6,864	-	82,257
Furniture & Fittings	3,335	193	-	3,528
Equipment	46,217	3,069	-	49,286
Water Sanitation	1,526	106	-	1,632
Computer & Computer Software	11,398	738	-	12,136
Plant & Machinery	168,823	18,997	4,655	192,475
Other Assets on Grants	43,823	7,287	-	51,110
	367,859	38,817	4,971	411,647
<b>WRITTEN DOWN VALUE</b>	450,112			462,650
<b>Assets Acquired on Finance Leases</b>				
<b>Cost</b>				
Plant & Machinery	8,417	-	-	8,417
	8,417	-	-	8,417
<b>Depreciation</b>				
Plant & Machinery	5,066	631	-	5,697
	5,066	631	-	5,697
<b>WRITTEN DOWN VALUE</b>	3,350			2,719
	<b>Balance as at 01.04.11 Rs.'000</b>	<b>Additions for the Year Rs.'000</b>	<b>Capitalised during the Year Rs.'000</b>	<b>Balance as at 31.03.12 Rs.'000</b>
<b>Capital Work-in-Progress</b>				
Capital Work-in-Progress	7,389	-	(5,268)	2,121
<b>TOTAL WRITTEN DOWN VALUE</b>	460,851			467,490

# Notes to the Financial Statements Contd...

Year ended 31 March 2012

## 6. IMMATURE/MATURE PLANTATIONS - COMPANY/GROUP

	Immature Plantations				Mature Plantations				Total Rs.'000
	Tea Rs.'000	Rubber Rs.'000	Coconut Rs.'000	Others Rs.'000	Tea Rs.'000	Rubber Rs.'000	Coconut Rs.'000	Others Rs.'000	
<b>Cost</b>									
As at 01.04.11	89,122	386,478	37,059	48,262	124,539	527,059	1,741	11,883	1,226,143
Additions	42,850	145,400	1,676	8,671	-	-	-	-	198,597
Transfers	(11,385)	(86,362)	(16)	(219)	11,385	86,362	16	219	-
As at 31.03.12	120,587	445,516	38,719	56,714	135,924	613,421	1,757	12,102	1,424,740
<b>Depreciation</b>									
As at 01.04.11	-	-	-	-	29,847	176,467	279	3,611	210,204
Charge for the year	-	-	-	-	4,776	27,987	27	199	32,989
As at 31.03.12	-	-	-	-	34,623	204,454	306	3,810	243,193
<b>Net Book Value</b>									
as at 31.03.12	120,587	445,516	38,719	56,714	101,301	408,967	1,451	8,292	1,181,547
<b>Net Book Value</b>									
as at 31.03.11	89,122	386,478	37,059	48,262	94,693	350,592	1,462	8,272	1,015,940

**Note:** These are investments made in immature/mature plantations since the formation of the Company. The assets (including plantations assets) taken over by way of estate leases are set out in Notes 3 and 4. Further, investments made in immature plantations taken over by way of these leases are shown in the above note all of which have been transferred to mature plantations as at the Balance Sheet date. Borrowing costs amounting to Rs. 2,373,155/- incurred on long term loans obtained to meet expenses relating to immature plantations have been capitalised as part of the cost of the immature plantations.

## 7. LONG TERM INVESTMENTS

### 7.1 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.

### 7.2 Investments in Associates

	% Holding		No of Shares		Value - Rs.'000		
	31.03.2012	31.03.2011	31.03.2012	31.03.2011	31.03.2012	Movement	31.03.2011
<b>Company</b>							
<b>Unquoted Investments</b>							
Richard Pieris Natural Foams Ltd	35.11	35.11	22,500,000	22,500,000	225,000	-	225,000
Arpico Insurance Ltd	44.73	-	22,500,001	-	225,000	225,000	-
Company investments in associates (at cost)	-	-	45,000,001	22,500,000	450,000	225,000	225,000

### 7.3 Other Long Term Investments

	% Holding		No of Shares		Value - Rs.'000		
	31.03.2012	31.03.2011	31.03.2012	31.03.2011	31.03.2012	Movement	31.03.2011
Maskeliya Tea Garden Ceylon Ltd	-	-	1	1	-	-	-
Exotic Horticulture (Pvt) Ltd	-	-	1	1	-	-	-
Total Investment	-	-	2	2	-	-	-
Long Term Investments - Total - Company					450,000	225,000	225,000

## Notes to the Financial Statements Contd...

Year ended 31 March 2012

7.4 Investments in Associates	% Holding		No of Shares		Value - Rs.'000		
	31.03.2012	31.03.2011	31.03.2012	31.03.2011	31.03.2012	Movement	31.03.2011
<b>Group</b>							
Unquoted Investments							
Richard Pieris Natural Foams Ltd	35.11	35.11	22,500,000	22,500,000	188,116	4,809	183,307
Arpico Insurance Ltd	44.73	-	22,500,001	-	223,128	223,128	-
Company investments in associates (at cost)			45,000,001	22,500,000	411,244	227,937	183,307

7.4 Other Long Term Investments	% Holding		No of Shares		Value - Rs.'000		
	31.03.2012	31.03.2011	31.03.2012	31.03.2011	31.03.2012	Movement	31.03.2011
Maskeliya Tea Garden Ceylon Ltd	-	-	1	1	-	-	-
Exotic Horticulture (Pvt) Ltd	-	-	1	1	-	-	-
Total Investment	-	-	2	2	-	-	-
Long Term Investments - Total - Group					411,244	227,937	183,307

### Summarised Information of Associates

Richard Pieris Natural Foams Ltd	Value - Rs.'000	
	31.03.2012	31.03.2011
Revenue	1,017,087	806,200
Profit / (Loss) Before Tax	18,187	(118,700)
Total Assets	709,584	634,435
Total Liabilities	668,289	606,840

Arpico Insurance Ltd	Value - Rs.'000	
	31.03.2012	31.03.2011
Revenue	10,150	-
Profit / (Loss) Before Tax	(817)	-
Total Assets	524,294	-
Total Liabilities	25,479	-

8. INVENTORIES	Company		Group	
	2012 Rs.'000	2011 Rs.'000	2012 Rs.'000	2011 Rs.'000
Input Materials	25,672	26,403	33,398	34,126
Growing Crop - Nurseries	9,114	6,605	9,114	6,605
Produce Stock	227,605	356,376	227,605	356,376
Spares and Consumables	1,878	2,271	1,878	2,271
	264,269	391,655	271,995	399,378
( - ) Provision for slow moving stocks	-	-	(7,500)	(6,000)
	264,269	391,655	264,495	393,378

9. TRADE & OTHER RECEIVABLES	Company		Group	
	2012 Rs.'000	2011 Rs.'000	2012 Rs.'000	2011 Rs.'000
Produce Debtors - Related Companies (9.1)	26,803	117,749	26,803	117,749
- Others	77,847	48,831	77,847	48,831
Advances & Prepayments	18,689	10,802	18,689	10,802
Other Debtors	152,209	53,028	157,668	58,489
	275,548	230,410	281,007	235,871

# Notes to the Financial Statements Contd...

Year ended 31 March 2012

9.1 TRADE RECEIVABLES FROM RELATED COMPANIES	Relationship	Company		Group	
		2012 Rs.'000	2011 Rs.'000	2012 Rs.'000	2011 Rs.'000
Richard Pieris Natural Foams Ltd	Associate Company	20,673	93,465	20,673	93,465
Arpico Natural Latex Foam (Pvt) Ltd	Related Company	32,055	32,055	32,055	32,055
Richard Pieris Exports PLC	Related Company	6,130	21,878	6,130	21,878
Richard Pieris Rubber Products Ltd	Related Company	-	2,406	-	2,406
		58,858	149,804	58,858	149,804
( - ) Provision for doubtful receivables		(32,055)	(32,055)	(32,055)	(32,055)
		26,803	117,749	26,803	117,749

10. AMOUNTS DUE FROM RELATED COMPANIES	Relationship	Company		Group	
		2012 Rs.'000	2011 Rs.'000	2012 Rs.'000	2011 Rs.'000
Namunukula Plantations PLC	Related Company	1,810	2,389	1,810	2,389
Maskeliya Plantations PLC	Related Company	1,839	2,319	1,839	2,319
Hamefa Kegalle (Pvt) Limited	Subsidiary Company	99,929	99,171	-	-
Richard Pieris & Company PLC	Ultimate Parent Company	54,979	7,789	54,979	7,789
RPC Management Services (Pvt) Ltd	Related Company	411	400	411	400
		158,968	112,068	59,039	12,897
( - ) Provision for doubtful receivables		(54,891)	(54,891)	-	-
		104,077	57,177	59,039	12,897

11. SHORT TERM INVESTMENT	Company		Group	
	2012 Rs.'000	2010 Rs.'000	2012 Rs.'000	2011 Rs.'000
Investment in Treasury Bills, REPO & Others	1,806,093	1,289,494	1,806,093	1,289,494
	1,806,093	1,289,494	1,806,093	1,289,494

12. STATED CAPITAL	Company		Group	
	2012 Rs.'000	2011 Rs.'000	2012 Rs.'000	2011 Rs.'000
Issued and Fully Paid Number of Shares Ordinary Shares Including one Golden Share held by the Treasury which has Special rights	25,000,001	25,000,001	25,000,001	25,000,001
Value of Issued and Fully Paid Shares Ordinary Shares Including one Golden Share held by the Treasury which has Special rights	250,000	250,000	250,000	250,000

**Note** - Stated Capital represents the amount paid to the Company in respect of issuing 25,000,001 ordinary shares including one Golden Share which has special rights.

## Notes to the Financial Statements Contd...

Year ended 31 March 2012

### 12.1. 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.

### 13. INTEREST BEARING LOANS & BORROWINGS - COMPANY/GROUP

	2012 Repayable within 1 year Rs.'000	2012 Repayable within 2-5 years Rs.'000	2012 Repayable after 5 years Rs.'000	2012 Total Repayable after 1 year Rs.'000	2012 Total Rs.'000
<b>Long Term Loans 13.1</b>	103,046	457,111	147,333	604,444	707,490
Bank Overdraft	4,086	-	-	-	4,086
	107,132	457,111	147,333	604,444	711,576

	2011 Repayable within 1 year Rs.'000	2011 Repayable after 1 year Rs.'000	2011 Total Rs.'000
<b>Long Term Loans 13.1</b>	40,481	303,089	343,570
Bank Overdraft	27,838	-	27,838
	68,319	303,089	371,40

## Notes to the Financial Statements Contd...

Year ended 31 March 2012

### 13.1. LONG TERM LOANS (Secured)

Asian Development Bank Credit Line	2012 Repayable within 1 year Rs.'000	2012 Repayable within 2-5 years Rs.'000	2012 Repayable after 5 years Rs.'000	2012 Total Repayable after 1 year Rs.'000	2012 Total Rs.'000	2011 Total Rs.'000	Rate of Interest
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NDB Disbursement 1 Received 96/97	-	-	-	-	-	4,133	11.78%
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**Terms of Repayment** - 1 Month Installment @ Rs. 459,270.55 and 119 Installments @ Rs. 459,229.55 commencing from 31.01.2002

NDB Disbursement 2 Received 97/98	5,826	3,057	-	3,057	8,883	14,709	11.51%
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**Terms of Repayment** - 1 Month Installment @ Rs. 485,490 and 119 Installments @ Rs. 485,490 commencing from 30.11.2003

NDB Disbursement 3 Received 98/99 Field & Processing Development	6,334	4,981	-	4,981	11,315	17,649	11.51%
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**Terms of Repayment** - 1 Month Installment @ Rs. 527,792 and 119 Installments @ Rs. 527,827 commencing from 31.12.2003

ADB Seylan Bank PLC Received 2003/04	5,569	13,542	-	13,542	19,111	24,681	12.91%
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**Terms of Repayment** - 1 Month Installment @ Rs. 464,107 and 119 Installments @ Rs. 464,097 commencing from 30.09.2005

LOLC Term Loan	1,514	4,164	-	4,164	5,678	7,193	14.06%
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**Terms of Repayment** - 1 Month Installment @ Rs. 126,147 and 83 Installments @ Rs. 126,191 commencing from 31.01.2009

NDB/DFCC Disbursement 1 Field Development	9,432	37,728	3,651	41,379	50,811	56,313	10.99%
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**Terms of Repayment** - 1 Month Installment @ Rs. 507,091 and 71 Installments @ Rs. 786,000 commencing from 30.09.2011

## Notes to the Financial Statements Contd...

Year ended 31 March 2012

	2012 Repayable within 1 year Rs.'000	2012 Repayable within 2-5 years Rs.'000	2012 Repayable after 5 years Rs.'000	2012 Total Repayable after 1 year Rs.'000	2012 Total Rs.'000	2011 Total Rs.'000	Rate of Interest
Disbursement 2 Factory Consolidation <b>Terms of Repayment</b> - 1 Month Installment @ Rs. 407,645 and 71 Installments @ Rs. 407,668 commencing from 31.10.2011	4,892	19,568	2,446	22,014	26,906	29,352	11.30%
NDB Tea Relief Loan <b>Terms of Repayment</b> - 24 Installments @ different amounts	-	-	-	-	-	6,000	AWPLR-3%
HNB E-Friend Credit Line <b>Terms of Repayment</b> - 1 Month Installment @ Rs.283,000 and 59 Installments @ Rs. 263,000 commencing from 31.08.2009	3,156	4,228	-	4,228	7,384	10,540	6.50%
ADB/NDB Field Development & Factory Consolidation <b>Terms of Repayment</b> - 1 Month Installment @ Rs.2,880,209 and 59 Installments @ Rs. 2,883,395 commencing from 31.12.2012	11,534	138,403	23,064	161,467	173,001	173,000	AWPLR+0.5%
NDB Field Development & <b>Terms of Repayment</b> - 1 Month Installment @ Rs.6,550,000 and 83 Factory Consolidation Installments @ Rs. 6,150,000 commencing from 31.05.2012	52,122	227,440	118,172	345,612	397,734	-	AWPLR+0.25%
NDB <b>Terms of Repayment</b> - 1 Month Installment @ Rs.222,230 and 83 Installments @ Rs. 222,222 commencing E-Friend Credit Line from 31.10.2011	2,667	4,000	-	4,000	6,667	-	8.50%
	<b>103,046</b>	<b>457,111</b>	<b>147,333</b>	<b>604,444</b>	<b>707,490</b>	<b>343,570</b>	

## Notes to the Financial Statements Contd...

Year ended 31 March 2012

### 14. RETIREMENT BENEFIT OBLIGATIONS

	Company		Group	
	2012 Rs.'000	2011 Rs.'000	2012 Rs.'000	2011 Rs.'000
Balance at the beginning of the year	335,025	316,754	335,120	316,849
Add: Charge for the year	115,547	52,223	115,547	52,223
Less: Paid during the year	(47,535)	(33,952)	(47,535)	33,952)
Balance at the end of the year	403,037	335,025	403,132	335,120

The actuarial valuations had been carried out by Messrs. Actuarial & Management Consultants (Pvt) Ltd, for retiring gratuity for all the employees of the Company as at 31 March 2012, which amounts to Rs. 403,036,784/-. 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 2012, in line with the Gratuity Act No.12 of 1983 the liability would have been Rs. 481,023,949/-. Hence, there is a contingent liability of Rs. 77,987,165/- which would crystallise only if the Company ceases to be a going concern, or the resignation or termination of employees which ever is earliest.

### 15. DEFERRED INCOME

	Company		Group	
	2012 Rs.'000	2011 Rs.'000	2012 Rs.'000	2011 Rs.'000
At the beginning of the year	196,738	172,656	219,722	199,992
Add: Grant Received for the year	8,645	29,839	8,645	29,839
Less: Amortisation for the year	(5,749)	(5,758)	(10,101)	(10,109)
At the end of the year	199,634	196,738	218,266	219,722

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

### 16. DEFERRED TAX LIABILITIES

	Company		Group	
	2012 Rs.'000	2011 Rs.'000	2012 Rs.'000	2011 Rs.'000
At the beginning of the year	-	-	-	-
Provision for the year	40,492	-	40,492	-
At the end of the year	40,492	-	40,492	-

## Notes to the Financial Statements Contd...

Year ended 31 March 2012

### 17. NET LIABILITY TO THE LESSOR OF JEDB ESTATES

	Company		Group	
	2012 Rs.'000	2011 Rs.'000	2012 Rs.'000	2011 Rs.'000
<b>Repayable after 5 years</b>				
Gross Liability	444,230	459,974	444,230	459,974
Less : Finance Charges	(180,741)	(191,480)	(180,741)	(191,480)
<b>Net Liability</b>	<b>263,489</b>	<b>268,494</b>	<b>263,489</b>	<b>268,494</b>
<b>Repayable after 1 year less than 5 years</b>				
Gross Liability	62,976	62,976	62,976	62,976
Less : Finance Charges	(44,084)	(44,810)	(44,084)	(44,810)
<b>Net Liability</b>	<b>18,892</b>	<b>18,166</b>	<b>18,892</b>	<b>18,166</b>
<b>Repayable after 1 year</b>	<b>282,381</b>	<b>286,660</b>	<b>282,381</b>	<b>286,660</b>
<b>Repayable within 1 year</b>				
Gross Liability	15,744	15,744	15,744	15,744
Less : Finance Charges	(11,466)	(11,631)	(11,466)	(11,631)
<b>Net Liability</b>	<b>4,278</b>	<b>4,113</b>	<b>4,278</b>	<b>4,113</b>
<b>Total</b>	<b>286,659</b>	<b>290,773</b>	<b>286,659</b>	<b>290,773</b>

The leases of the estates have been amended with effect from 22 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 Mn from 22 June 1996 to 21 June 1997. This amount was to be inflated annually by the Gross Domestic Product (GDP) deflator, and is in the form of a contingent rental.

The contingent rental during the current year charged to Income Statement amounted Rs.26,620,251/- (2011 - Rs. 14,375,890/-) and is based on GDP deflator of 7.3% (2010).

# Notes to the Financial Statements Contd...

Year ended 31 March 2012

## 18. TRADE & OTHER PAYABLES

	Company		Group	
	2012 Rs.'000	2011 Rs.'000	2012 Rs.'000	2011 Rs.'000
Trade Creditors	175,535	200,572	177,811	205,071
Other Creditors	33,871	59,462	39,328	62,729
	209,406	260,034	217,139	267,800

## 19. DIVIDEND PAYABLE

	Unclaimed Dividend				Total			
	Company		Group		Company		Group	
	2012 Rs.'000	2011 Rs.'000	2012 Rs.'000	2011 Rs.'000	2012 Rs.'000	2011 Rs.'000	2012 Rs.'000	2011 Rs.'000
Payable to - Related Companies	-	-	-	-	-	-	-	-
- Others	1,870	1,225	1,870	1,225	1,870	1,225	1,870	1,225
	1,870	1,225	1,870	1,225	1,870	1,225	1,870	1,225

## 20. DIVIDEND PAYABLE

Ordinary Shares	Company		Group	
	2012 Rs.'000	2011 Rs.'000	2012 Rs.'000	2011 Rs.'000
Dividend Payable (2011 - 50 Cents per share )	-	12,500	-	12,500
	-	12,500	-	12,500

## 21. AMOUNTS DUE TO RELATED COMPANIES

	Relationship	Company		Group	
		2012 Rs.'000	2011 Rs.'000	2012 Rs.'000	2011 Rs.'000
Namunukula Plantations PLC	Related Company	-	-	-	159
Maskeliya Plantations PLC	Related Company	-	-	-	159
RPC Logistics (Pvt) Ltd	Related Company	-	92	-	92
Richard Pieris Group Services (Pvt) Ltd	Related Company	-	233	-	233
Richard Pieris & Company PLC	Ultimate Parent Company	-	-	5,095	5,094
Richard Pieris Plantations (Pvt) Ltd	Related Company	-	-	-	-
RPC Plantation Management Services (Pvt) Ltd	Parent Company	5,854	15,473	5,854	15,473
		5,854	15,798	10,949	21,210

## Notes to the Financial Statements Contd...

Year ended 31 March 2012

### 22 REVENUE

#### 22.1 Summary

##### Sale of Goods:

	2012 Rs.'000	2011 Rs.'000
Tea	783,128	908,632
Rubber	1,865,057	1,964,121
Coconut	43,266	37,374
Other Crops	1,075	1,212
Sale of Rubber Trees	116,704	80,422

2,809,230 2,991,762

#### 22.2 Geographical Segment - Revenue

Local	2,615,935	2,779,597
Export - Vietnam	193,295	212,165

2,809,230 2,991,762

#### 22.3 Segment Information

Company	Tea 2012 Rs.'000	Rubber 2012 Rs.'000	Coconut 2012 Rs.'000	Other Crops 2012 Rs.'000	Sale of Rubber Trees 2012 Rs.'000	Total 2012 Rs.'000	Total 2011 Rs.'000
Revenue	783,128	1,865,057	43,266	1,075	116,704	2,809,230	2,991,762
Revenue Expenditure	(800,297)	(910,671)	(23,771)	(11)	-	(1,734,750)	(1,685,257)
Depreciation / Amortization	(29,348)	(56,649)	(723)	(88)	-	(86,808)	(80,512)
Other Non Cash Expenses - Gratuity	(45,547)	(68,100)	(1,900)	-	-	(115,547)	(52,223)

##### Segment Results -

Gross Profit	(92,064)	829,637	16,872	976	116,704	872,125	1,173,770
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##### Other Income

Administration Expenses						229,264	105,951
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Management Fee						(51,703)	(54,635)
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Finance Cost						(142,967)	(193,492)
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						(107,560)	(114,470)
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##### Profit Before Tax

799,159 917,123

Segment Assets	Tea 2012 Rs.'000	Rubber 2012 Rs.'000	Other Crops 2012 Rs.'000	Unallocated 2012 Rs.'000	Total 2012 Rs.'000	Total 2011 Rs.'000
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Non Current Assets - Cost	848,109	1,819,292	110,711	471,993	3,250,105	2,775,449
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Accumulated Depreciation /						
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Amortization	(296,327)	(603,918)	(3,912)	(26,738)	(930,895)	(842,630)
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Current Assets	836,223	918,221	32,072	697,747	2,484,264	1,999,004
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1,388,005 2,133,595 138,871 1,143,002

4,803,474 3,931,823

##### Total Assets

##### Segment Liabilities

Non Current Liabilities	338,321	669,816	33,199	488,653	1,529,989	1,121,512
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Current Liabilities	76,828	152,107	7,539	110,967	347,441	366,373
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415,149 821,923 40,738 599,620

##### Total Liability

1,877,430 1,487,885

##### Segment Capital Expenditure

Cost	72,804	166,422	1,676	8,753		
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##### Total Capital Expenditure

249,655 200,244

## Notes to the Financial Statements Contd...

Year ended 31 March 2012

Segment Information	Tea	Rubber	Coconut	Other Crops	Sale of Rubber Trees	Total 2012	Total 2011
Group	2012 Rs.'000	2012 Rs.'000	2012 Rs.'000	2012 Rs.'000	2012 Rs.'000	Group Rs.'000	Group Rs.'000
Revenue	783,128	1,865,057	43,266	1,075	116,704	2,809,230	2,991,762
Revenue Expenditure	(800,297)	(910,671)	(23,771)	(11)	-	(1,734,750)	(1,685,257)
Depreciation / Amortization	(29,348)	(56,649)	(723)	(88)	-	(86,808)	(80,512)
Other Non Cash Expenses - Gratuity	(45,547)	(68,100)	(1,900)	-	-	(115,547)	(52,223)
Segment Results - Gross Profit	(92,064)	829,637	16,872	976	116,704	872,125	1,173,770
Other Operating Income						229,264	105,951
Administration Expenses						(51,703)	(54,635)
Management Fee						(142,967)	(193,492)
Finance Cost						(107,560)	(114,470)
Share of Result of Associates						6,020	(41,676)
Profit/(Loss) for the period from continuing operations						805,179	875,447
Loss after tax for the year from discontinued operations						(3,553)	(3,684)
<b>Profit Before Tax</b>						801,626	871,763
<b>Segment Assets</b>		<b>Tea 2012 Rs.'000</b>	<b>Rubber 2012 Rs.'000</b>	<b>Other Crops 2012 Rs.'000</b>	<b>Unallocated 2012 Rs.'000</b>	<b>Total 2012 Rs.'000</b>	<b>Total 2011 Rs.'000</b>
Non Current Assets - Cost		848,109	1,819,292	110,711	543,946	3,322,058	2,844,465
Accumulated Depreciation / Amortization		(296,327)	(603,918)	(3,912)	(70,152)	(974,309)	(881,072)
Current Assets		836,223	918,221	32,072	665,696	2,452,213	1,970,237
		1,388,005	2,133,595	138,871	1,139,490		
<b>Total Assets</b>						4,799,962	3,933,630
Non Current Liabilities		338,321	669,816	33,199	507,380	1,548,716	1,144,590
Current Liabilities		76,828	152,107	7,539	123,794	360,268	379,550
		415,149	821,923	40,738	631,174		
<b>Total Liability</b>						1,908,984	1,524,140
Segment Capital Expenditure Cost		72,804	166,422	1,676	8,753		
<b>Total Capital Expenditure</b>						249,655	200,244

## Notes to the Financial Statements Contd...

Year ended 31 March 2012

### 23. OTHER INCOME

	Company		Group	
	2012 Rs.'000	2011 Rs.'000	2012 Rs.'000	2011 Rs.'000
Interest Income - Related Companies	-	-	-	-
- Others	203,496	74,240	203,496	74,240
Amortisation of Capital Grants	5,749	5,758	5,749	5,758
Sundry Income	20,019	25,953	20,019	25,953
	229,264	105,951	229,264	105,951

### 24. FINANCE COST

	Company		Group	
	2012 Rs.'000	2011 Rs.'000	2012 Rs.'000	2011 Rs.'000
Overdraft Interest	55	16	55	16
Interest paid to Related Companies	-	4	-	4
Interest on Government Lease	11,631	11,789	11,631	11,789
Variable Lease Rental	26,620	14,376	26,620	14,376
Arrears on Lease Rental	-	37,317	-	37,317
Term Loan Interest	71,627	53,932	71,627	53,932
	109,933	117,434	109,933	117,434
Less : Interest Capitalised	(2,373)	(2,964)	(2,373)	(2,964)
	107,560	114,470	107,560	114,470

### 25. PROFIT BEFORE TAXATION IS STATED AFTER CHARGING

	Company		Group	
	2012 Rs.'000	2011 Rs.'000	2012 Rs.'000	2011 Rs.'000
Auditor's Remuneration	1,883	1,712	1,883	1,712
Depreciation / Amortization	88,264	82,104	88,264	82,104
Directors' Remuneration	800	1,701	800	1,701
Defined Benefit Plan Cost	115,547	52,223	115,547	52,223
Defined Contribution Plans - Provident Funds & ETF	116,417	92,266	116,417	92,266
Others - Staff Cost	930,510	754,361	930,510	754,361

# Notes to the Financial Statements Contd...

Year ended 31 March 2012

## 26. SHARE OF RESULT OF ASSOCIATES

### 26.1. Richard Pieris Natural Foams Ltd

	Group	
	2012 Rs.'000	2011 Rs.'000
Turnover	1,017,087	806,200
Profit / (Loss) Before Tax	18,187	(118,700)
Group's Share of Profit / (Loss) Before Tax	6,385	(41,676)
Total Assets	709,584	634,435
Total Liabilities	668,289	606,840

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.

### 26.2. Arpico Insurance Ltd

	Group	
	2012 Rs.'000	2011 Rs.'000
Turnover	10,150	-
Profit / (Loss) Before Tax	(817)	-
Group's Share of Profit / (Loss) Before Tax	(365)	-
Total Assets	524,294	-
Total Liabilities	25,479	-

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

## 27. INCOME TAX EXPENSES

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 last year 2010/11.

Current Tax Expenses	Company		Group	
	2012 Rs.'000	2011 Rs.'000	2012 Rs.'000	2011 Rs.'000
Current Income Tax Expenses	76,562	33,996	79,645	34,014
Deferred Tax Expenses	40,492	-	40,492	-
	117,054	33,996	120,137	34,014

## Notes to the Financial Statements Contd...

Year ended 31 March 2012

### 27.1. Reconciliation between Current Tax Expense and Accounting Profit

	Company		Group	
	2012 Rs.'000	2011 Rs.'000	2012 Rs.'000	2011 Rs.'000
Accounting Profit Before Tax	799,159	917,123	799,159	917,123
Aggregate Disallowed Items	252,341	204,543	252,341	204,543
Aggregate Allowable Items	(556,570)	(370,158)	(556,570)	(370,158)
Tax Exempt Income	-	(678,890)	-	(678,890)
Total Statutory Income	494,930	72,618	494,930	72,618
Interest Income	114,498	73,726	114,498	73,726
	609,428	146,344	609,428	146,344
Tax Losses Utilized During the Year	(173,226)	(51,220)	(173,226)	(51,220)
Total Assessable Income / Taxable Income	436,203	95,124	436,203	95,124
Assessable Income / Taxable Income from Agriculture	293,007	-	293,007	-
Assessable Income / Taxable Income from Manufacture	143,196	95,124	143,196	95,124
Total Assessable Income / Taxable Income	436,203	95,124	436,203	95,124
Income Tax @ 10%	29,301	-	29,301	-
Income Tax @ 28%	40,095	-	40,095	-
Income Tax @ 35%	-	33,293	-	33,293
Income Tax on Current Year Profits	69,396	33,293	69,396	33,293
Social Responsibility Levy	-	703	-	703
Additional Income Tax on Interest income for the Y/A 2009/10	7,166	-	7,166	-
	76,562	33,996	76,562	33,996
Share of Tax of Associate	-	-	3,083	18
Current Income Tax Expenses	76,562	33,996	79,645	34,014
Deferred Tax Expenses	40,492	-	40,492	-
Provided in the Accounts	117,054	33,996	120,137	34,014
<b>Details of Business Losses Carried Forward</b>				
Loss Brought Forward	332,633	383,853	332,633	383,853
Loss Appropriate during the year	(173,226)	(51,220)	(173,226)	(51,220)
Loss Carried Forward	159,407	332,633	159,407	332,633

### 27.2. Income Tax Payable

	Company		Group	
	2012 Rs.'000	2011 Rs.'000	2012 Rs.'000	2011 Rs.'000
Income Tax Payable	17,190	14,329	17,190	14,329
ESC Payable	1,710	2,276	1,710	2,276
SRL Payable	-	279	-	279
	18,900	16,884	18,900	16,884

# Notes to the Financial Statements Contd...

Year ended 31 March 2012

## 28. Discontinued Operations

During the year 2009/10 the group has discontinued the operation of its subsidiary Hamefa Kegalle (Pvt) Ltd.

The results of discontinued operation for the current year is given below.

	Group	
	2012 Rs.'000	2011 Rs.'000
Revenue	-	-
Cost of Sales	-	-
Gross Profit	-	-
Other Income	4,352	4,349
Expenses	(2,921)	(999)
Provision for Impairment Loss	(4,971)	(7,019)
Finance Cost	(13)	(15)
Loss from discontinued operations	(3,553)	(3,684)
Taxation	-	-
Loss for the year from discontinued operations	(3,553)	(3,684)
Earnings / (Loss) per share - Basic	(1.27)	(1.32)

Operating and investing cash flows for the year are presented below:

	2012 Rs.'000	2011 Rs.'000
Net cash flows from / (used in) operating activities	(25)	(2,258)
Net cash flows from investing activities	-	-

### Assets and Liabilities

The Financial Statements of the Hamefa Kegalle (Pvt) Ltd stated above have been prepared on a basis other than on a going concern reflecting the closure of operations. The aggregated amount of assets and liabilities of the above company as at 31 March 2012 are as follows;

Total Assets - Rs. 81,213,345/-

Total Liabilities - Rs. 112,851,307/-

Accordingly, adjustments have been made for the diminution in value of all property plant & equipment so as to reduce their carrying value to their estimated realisable amount, and for any further liabilities which will arise.

## 29. EARNINGS PER SHARE

### 29.1

The basic earnings per share has been calculated based on after tax profit for the year divided by the weighted average number of ordinary shares outstanding during the period.

## Notes to the Financial Statements Contd...

Year ended 31 March 2012

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

	Company		Group	
	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
<b>Amounts used as the Numerator:</b>				
Net profit applicable to Ordinary Shareholders	682,106	883,127	681,490	837,750
	682,106	883,127	681,490	837,750
<b>Amounts used as the Denominator:</b>				
Weighted average number of Ordinary Shares in issue	25,000	25,000	25,000	25,000
	25,000	25,000	25,000	25,000
<b>Amounts used as the Numerator for:</b>				
Basic Earnings from Continuing Operations	682,106	883,127	685,043	841,434
	682,106	883,127	685,043	841,434

### 30. SECURITIES PLEDGED

The following assets have been pledged as securities for liabilities.

Name of Bank	Loan Facility Rs/Mn	Security	Nature of Liability	Carrying Amount Pledged	
				2012 Rs.'000	2011 Rs.'000
Bank of Ceylon	35.0Mn	Primary mortgage over leasehold rights of Gampaha Estate.	Overdraft	100,588	87,940
Hatton National Bank PLC	50.0Mn	Primary mortgage over leasehold rights of Luckyland Estate.	Overdraft	150,952	133,353
Hatton National Bank PLC	15.8Mn	Existing primary mortgage over leasehold rights of Luckyland Estate	Term Loan		
Asian Development Bank / National Development Bank PLC	1,051.7Mn	Corporate Guarantee by Richard Pieris and Company PLC for Rs. 33Mn. Primary and secondary mortgage over leasehold rights of Atale, Pallegama, Parambe, Weniwella, and Yataderiya Estates. Primary mortgage over leasehold rights of Etana, Doteloya, Kirklees, and further mortgage over Pallegama, Parambe, Weniwella, and Yataderiya Estates.	Term Loan	950,909	869,112
Asian Development Bank / Seylan Bank PLC	55.7Mn	Primary mortgage over leasehold rights of Eadella Estate.	Term Loan	120,395	114,361
Lanka Orix Leasing Company PLC	10.6Mn	Pledged over a Colour Sorter of Luckyland Estate	Term Loan	7,664	9,580

\* Corporate Guarantee by Kegalle Plantations PLC for Rs. 25 Mn given to Maskeliya Tea Gardens Ceylon Ltd.

# Notes to the Financial Statements Contd...

Year ended 31 March 2012

## 31. CAPITAL COMMITMENTS

Followings are the capital commitments as at the Balance Sheet date;

	Company		Group	
	2012 Rs.'000	2011 Rs.'000	2012 Rs.'000	2011 Rs.'000
Approved by the Board & Contracted for	Nil	Nil	Nil	Nil
Approved by the Board & not Contracted for	523,301	408,848	523,301	408,848
	523,301	408,848	523,301	408,848

## 32. CONTINGENT LIABILITIES

No known contingent liabilities exist as at the Balance Sheet date, other than those disclosed in Notes 14 & 17 to the Financial Statements.

## 33. POST BALANCE SHEET EVENTS

There have been no material events occurring after the Balance Sheet date that require adjustment or disclosure in the Financial Statements.

## 34. Related Party Disclosures

### 34.1 Transaction with related entities

Nature of Transaction	Company		Group	
	2012 Rs.'000	2011 Rs.'000	2012 Rs.'000	2011 Rs.'000
<b>34.1.1. Parent Company</b>				
Amount Receivable as at 31 March	-	-	-	-
Amount Payable as at 31 March	(5,854)	(15,473)	(5,854)	(15,473)
Managing Agent's Fee	(143,802)	(195,503)	(143,802)	(195,503)
Settlement of Management Fee	154,130	218,463	154,130	218,463
Recovery of Expenses	(709)	(1,804)	(709)	(1,804)
<b>34.1.2 Subsidiaries</b>				
Amount Receivable as at 31 March	99,929	99,171	-	-
Amount Payable as at 31 March	-	-	-	-
Administration Expenses	758	833	-	-
<b>34.1.3 Associates</b>				
Amount Receivable as at 31 March	(204,327)	93,465	(204,327)	93,465
Amount Payable as at 31 March	-	-	-	-
Investment in Ordinary Shares	(225,000)	-	(225,000)	-
Sale of Latex	551,691	559,729	551,691	559,729
Settlement Amount	(624,483)	(528,698)	(624,483)	(528,698)

## Notes to the Financial Statements Contd...

Year ended 31 March 2012

### 34.1.4 Related Companies

Nature of Transaction	Company		Group	
	2012 Rs.'000	2011 Rs.'000	2012 Rs.'000	2011 Rs.'000
Amount Receivable as at 31 March	97,224	69,235	97,224	69,235
Amount Payable as at 31 March	-	(324)	(5,095)	(9,003)
Salaries, Rent, Vehicle repairs & other Expenses	(1,599)	(2,800)	(1,599)	(2,800)
Purchase of Goods	(1,596)	(81,720)	(1,596)	(81,720)
Settlement of Dues	(2,767)	87,189	315,715	89,287
Sale of Goods	231,394	262,253	231,394	262,253
Sales cash Receipts	(249,548)	(269,079)	(249,548)	(269,079)
Secretarial Fees	(200)	(200)	(200)	(200)
Freight Charges	(1,026)	(2,471)	(1,026)	(2,471)
Repo Interest Receivable	110,788	68,357	110,788	68,357
Repo Interest Settlement	(60,000)	(62,000)	(60,000)	(62,000)

### 34.1.5 Terms and conditions

Transactions with related parties are carried out in the ordinary course of business. Outstanding balances at the year end are unsecured and net settlement occurs in cash.

### 34.2 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 2012. Further there were no key management compensation paid during the year other than those disclosed in Note 25.

### 34.3 Other related party disclosures

Legal fees amounting to Rs. 207,804/- (2011 - Rs. 369,675/-) by the Company was paid to an entity in which a key management personnel was a partner.

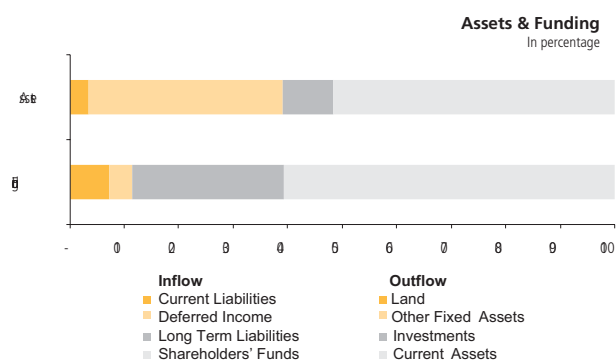
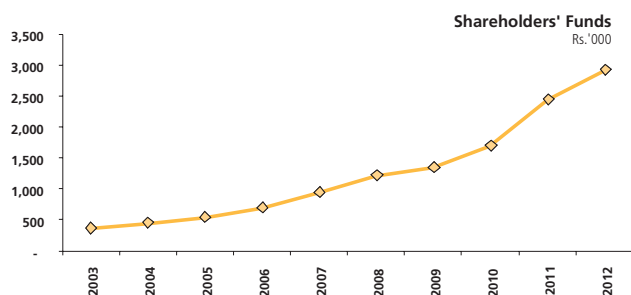
### 34.4 Related Party Transactions

There are no related party transactions other than those disclosed in Notes 7, 9.1, 10, 21, 23, 24, 25, 26, 27, 28, 30 & 34 to the Financial Statements.

# Ten Year Summary

Year ended 31 March 2012

Year Ended 31 March	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	
Rs '000											
<b>Operating Results</b>											
Turnover	2,809,230	2,991,762	2,216,497	1,927,762	2,163,030	1,819,020	1,513,578	1,294,220	1,112,598	850,368	
Operating Profit before Mgt Fee	1,049,686	1,225,085	492,193	423,185	589,392	480,736	333,147	228,324	189,315	97,584	
Profit before Interest and tax	906,719	1,031,593	410,000	351,436	481,984	393,599	250,466	173,789	127,866	60,695	
Profit/ (Loss) after Tax	682,106	883,127	376,030	177,411	427,597	311,323	191,447	125,217	80,656	(69,489)	
Dividends	187,500	75,000	75,000	25,000	125,000	75,000	62,500	37,500	37,500	nil	
Capital Expenditure	249,655	200,244	183,036	165,940	119,209	94,448	107,168	69,958	61,228	73,540	
<b>Financial Position</b>											
Fixed Assets	2,319,210	1,932,820	1,814,679	1,564,998	1,466,538	1,333,664	1,295,555	1,224,646	1,193,426	1,841,541	
Investments	450,000	225,000	225,000	80,298	75,000	2,401	8,709	12,828	12,908	-	
Current Assets	2,484,262	1,999,003	1,325,104	946,549	863,732	674,825	516,227	350,715	231,085	189,072	
Current Liabilities	347,440	366,373	317,718	196,801	214,234	269,562	422,592	310,681	248,562	245,721	
Shareholders' Funds	2,926,044	2,443,938	1,698,311	1,347,281	1,219,870	942,273	692,118	538,171	450,454	369,798	
Share Capital	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	
Reserves	2,676,044	2,193,938	1,448,311	1,097,281	969,870	692,273	442,118	288,171	200,454	119,798	
<b>Key Financial Indicators</b>											
Current Ratio	Times	7.15	5.46	4.17	4.81	4.03	2.50	1.22	1.13	0.93	0.77
Quick Asset Ratio	Times	6.39	4.39	3.39	4.07	3.09	1.73	0.82	0.70	0.53	0.43
Debt Equity Ratio	Times	0.20	0.13	0.19	0.21	0.19	0.25	0.38	0.41	0.44	0.49
Interest Cover	Times	8.25	8.78	6.22	5.90	10.53	5.65	4.01	2.96	2.10	0.98
Equity /Asset Ratio	Times	0.61	0.62	0.54	0.54	0.52	0.47	0.38	0.34	0.31	0.27
Earnings per Share	Rs.	27.28	35.33	15.04	7.10	17.10	12.45	7.66	5.01	3.23	(2.78)
Market Price of a Share	Rs.	103.00	207.50	47.00	19.00	60.00	42.00	40.00	22.00	13.25	10.50
Price Earning Ratio	Times	3.78	5.87	3.12	2.68	3.51	3.37	5.22	4.39	4.10	(3.78)
Dividend Cover	Times	3.41	11.78	5.01	7.10	3.42	4.15	3.06	3.34	2.15	n/a
Dividend Pay Out Ratio	%	29.32	8.49	19.95	14.08	29.24	24.09	32.64	29.94	46.44	-
<b>Annual Production</b>											
Rubber	kg'000	4,155	4,082	4,578	5,102	5,436	5,375	5,688	5,486	5,736	5,378
Tea	kg'000	2,630	2,773	2,479	2,492	2,797	3,126	3,422	3,021	3,034	2,568
Coconuts	nuts'000	1,731	1,413	1,572	1,610	1,472	1,788	1,406	1,230	1,392	1,243



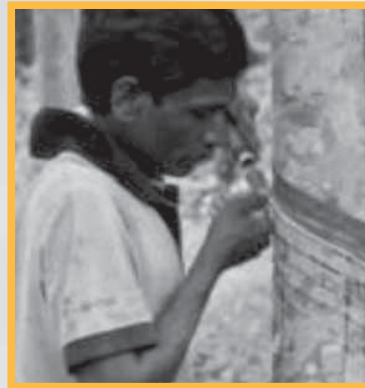
## Historical Note

Year ended 31 March 2012

### Pallegama Estate - Kegalle

Pallegama Estate had been planted in 1920 under the Ownership of Messrs. Grand Central (Ceylon) Rubber Estates Limited who had owned 28,000 acres of prime Rubber land in Sri Lanka. The Managing Agents of the Company had been Messrs. Carson Cumberbatch & Co. Ltd. In October 1974, Messrs. Upali Group, A Local Company bought over Messrs. Grand Central (Ceylon) Rubber Estates Ltd; but, retained the name of the original Company. In 1976, under the Land Reform Act, all Estates including Grand Central were vested with the Government and managed by 02 Government Organizations, namely State Plantations Corporation & Janatha Estates Development Board. Pallegama Estate was managed by the Regional Board of Janatha Estates Development Board in Kegalle.

Pallegama Estate originally consisted of 800.96 hectares constituting 06 Divisions. Subsequently Narangoda and Dedigama Estates consisting of 144.74 hectares & 71.33 hectares respectively were amalgamated with Pallegama Estate, after which the total extent increased to 1,017.03 hectares. In the year 1990. Panana & Upper Divisions consisting of 321.94 hectares of Pallegama Estate were amalgamated to Madeniya Estate and Dunumale Estate consisting of 168.83 hectares was amalgamated to Pallegama Estate. The total extent of Pallegama since then has been 863.91 hectares.



## Historical Note Contd....

Year ended 31 March 2012

### The Factory

The Factory of Pallegama had been constructed in the year 1920 and initially manufacture had been confined to Blanket Crepe. In 1959, Sole Crepe manufacture was commenced. The Factory was run on power supplied by an engine since commencement of operations and electrified in the year 1981. The upgrading of the Factory had been done mainly during 1981 to 1986 under the MTIP Programme. Further improvements were done after 1992. An Effluent Treatment Project was commissioned in the year 1999. This project was modified at a total cost of Rs. 5.5 Mn in 2008.

As there had been frequent interruption to power supply to the factory, a 250 KVA Generator was installed in 1995 to overcome this situation.

An extension to the factory front section was undertaken in 2001. Upgrading of the Factory was undertaken in the years 2005, 2006 and 2011– floor board, re-roofing including drying towers.

This factory has received ISO 9001:2008 Certification.

### The Superintendent's Bungalow

The Superintendent's Bungalow had been constructed in the year 1925. Prior to this the Superintendent had been residing in a bungalow situated above the Factory premises which has been since demolished. It has also been found that the Estate office originally was situated on Galapitamada Division. Could be reached from the Colombo-Kandy Road turn right

at Anguruwella road junction at Warakapola town. From the Anguruwella junction the distance to the estate is 8 km. It is about 150 feet above the sea level and has an average rainfall of 3000 mm.

### Superintendents

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

Names of Superintendent	From	To
Mr. R.A.V. Godian	1948	1958
Mr. P.J. Weetly	1958	1960
Mr. D. Emersley	1960	1965
Mr. A.B. Weerasekara	1965	1970
Mr. D.H. Giragama	1970	1975
Mr. R.C. Peiris	1975	1982
Mr. R.V. Goonewardena	1982	1986
Mr. T.M.P. De Alwis	1986	1990
Mr. R.C. Peries	1990	1992
Mr. I.L.A. Fernando	1992	1996
Mr. S.S. Poholiyadde	1996	1998
Mr. G. Bulankulama	1998	2001
Mr. J.R. Perera	2001	2002
Mr. Y.U.S. Prematilaka	2002	2003
Mr. P.A.F.R. Goonewardena	2003	2004
Mr. B M J A. Moonemale	2004	up to now

## Shareholder & Investor Information

*Year ended 31 March 2012*

### 1. Stock Exchange Listing

The issued Ordinary Share of Kegalle Plantations PLC, are listed with Colombo Stock Exchange (CSE) of Sri Lanka. The Audited Financials of the Company for the year ended 31 March, 2012 have been submitted to the Colombo Stock Exchange within two months of the Balance Sheet date.

### 2. Distribution of Shareholders

No of SharesHeld	2012		2011	
	No of Share Holders	No of Shares	% Holdings	% Holdings
1 - 1,000	8,980	1,994,052	7.98%	8.31%
1,001 - 5,000	241	608,565	2.43%	2.82%
5,001 - 10,000	61	443,044	1.77%	1.74%
10,001 - 50,000	49	975,178	3.90%	4.61%
50,001 - 100,000	14	1,022,065	4.09%	6.17%
100,001 - 500,000	10	1,759,097	7.04%	5.77%
500,001 - 1,000,000	1	606,500	2.43%	2.52%
1,000,001 - & above	1	17,591,500	70.37%	68.06%
<b>Total</b>	<b>9,357</b>	<b>25,000,001</b>	<b>100.00%</b>	<b>100.00%</b>
Resident	9,327	24,582,601	98.33%	96.99%
Non Resident	30	417,400	1.67%	3.01%
<b>Total</b>	<b>9,357</b>	<b>25,000,001</b>	<b>100.00%</b>	<b>100.00%</b>
Individuals	9,227	4,237,604	16.95%	16.89%
Company	130	20,762,397	83.05%	83.11%
<b>Total</b>	<b>9,357</b>	<b>25,000,001</b>	<b>100.00%</b>	<b>100.00%</b>
Related Company	1	17,591,500	70.37%	68.06%
General Public including Employees	9,356	7,408,501	29.63%	31.94%
<b>Total</b>	<b>9,357</b>	<b>25,000,001</b>	<b>100.00%</b>	<b>100.00%</b>

**Public Holding:** The percentage of shares held by the public is 29.63% of the issued Share Capital of the Company (31 March 2012).

### 3. Dividends

An Interim Dividend of Rs. 7.50 per share paid in March 2012 (2011 – Rs. 2.50).

### 4. 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.

# Shareholder & Investor Information Contd....

Year ended 31 March 2012

## 5. Share Information

Market Value		2012	2011
Highest Price	- Rs.	234.90 (20 May 2011)	285.00 (08 February 2011)
Lowest Price	- Rs.	76.00 (14 February 2012)	47.50 (01 April 2010)
Closing Price	- Rs.	103.00 (30 March 2012)	207.50 (31 March 2011)
Share Trading		2012	2011
No. of Shares Traded	-	4,470,626	18,287,600
No. of Trades	-	4,516	11,488
Value of Shares Traded	- Rs.	761,550,831	2,561,497,450
Key Ratios		2012	2011
Earnings per Share		27.28	35.33
Net Assets per Share		117.04	97.76
Dividends per Share		7.50	3.00

## 6. Twenty Largest Shareholders

As at	31 March 2012		31 March 2011	
	Number of Shares	% of the Holding	Number of Shares	% of the Holding
RPC Plantation Management Services (Pvt) Ltd	17,591,500	70.37%	17,015,100	68.06%
J B Cocoshell (Pvt) Ltd	606,500	2.43%	628,800	2.52%
Mr. T. T. Al Nakib	360,000	1.44%	-	-
Almar Trading Co. (Pvt) Ltd	270,000	1.08%	221,300	0.89%
HSBC International Nominees Ltd-SSBT-Deustche Bank	200,000	0.80%	200,000	0.80%
Tranz Dominion, L.L.C	185,000	0.74%	185,000	0.74%
Waldock Mackenzie Ltd / Hi-Line Trading (Pvt) Ltd	131,999	0.53%	-	-
Waldock Mackenzie Ltd / Hi-Line Towers (Pvt) Ltd	129,600	0.52%	129,600	0.52%
Seylan Bank PLC / Symphony Capital Ltd	123,798	0.50%	-	-
Employees Provident Fund	122,300	0.49%	-	-
Mr. A. Singh	118,800	0.48%	-	-
Mr. M. M. Fuad	117,600	0.47%	92,300	0.37%
Deutsche Bank AG - Namal Acuity Fund	100,000	0.40%	100,000	0.40%
Deutsche Bank AG - National Equity Fund	100,000	0.40%	100,000	0.40%
Cocoshell Activated Carbon Company Limited	97,700	0.39%	153,500	0.61%
Waldock Mackenzie Ltd / Symphony Capital Ltd	94,200	0.38%	-	-
Mr. M. J. Fernando	85,500	0.34%	85,500	0.34%
Commercial Bank of Ceylon PLC / D. R. Costa	76,600	0.31%	154,600	0.62%
Askold (Pvt) Ltd	75,000	0.30%	85,000	0.34%
Commercial Bank of Ceylon PLC / D. S. J. V. Costa	69,200	0.28%	140,500	0.56%
<b>Sub Total</b>	<b>20,655,297</b>	<b>82.62%</b>	-	-
Balance held by 9,337 Shareholders (31 March 2011 - 9,582 Shareholders)	4,344,704	17.38%	5,080,701	20.32%
<b>Total Shares</b>	<b>25,000,001</b>	<b>100.00%</b>	<b>25,000,001</b>	<b>100.00%</b>

## Shareholder & Investor Information Contd....

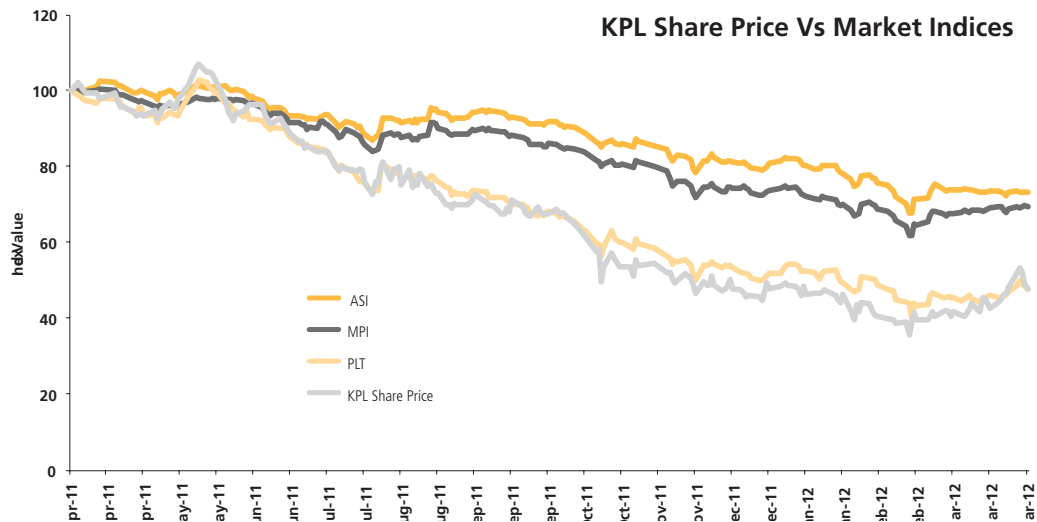
*Year ended 31 March 2012*

### 7. Exchange Rates - US \$ (Selling)

	2012	2011	2010	2009
As at 31 March (Rs.)	129.57	111.33	114.84	115.50

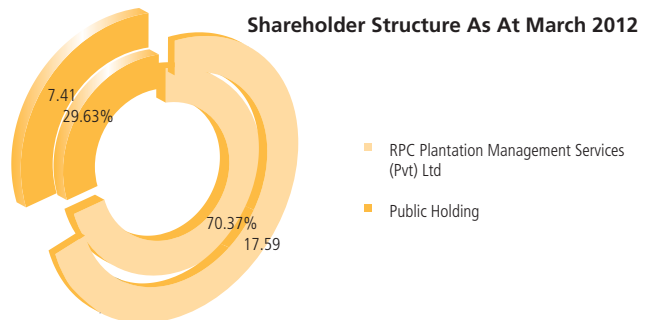
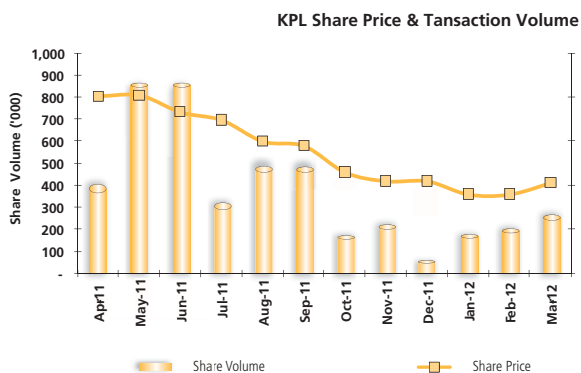
### 8. Other Share Information

The performance of Kegalle Plantations PLC's share is as follows compared to the performances of Plantations Sector Index (PLT), Milanka Price Index (MPI), and All Share Price Index (ASI) in the Share Market during the year.



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

- Log on to Colombo Stock Exchange - website: [www.cse.lk](http://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.



# Milestones

Year ended 31 March 2012

- 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 Kegalle Plantations PLC as a Regional Plantation Company, and appointing a managing agents as RPK Management Services (Pvt) Ltd (RPK), a Joint Venture Company between Richard Pieris & Company PLC (RPC) and John Keells Holdings PLC (JKH).
- 1995** Acquisition of controlling interest by RPK Management Services (Pvt) Ltd.
- 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.
- 1997** The Ordinary Shares of the Company are listed with the CSE of Sri Lanka.  
At the final stage of the government's privatization programme, 10% of the Share Capital, amounting to 2 Mn shares were gifted to over 8000 eligible employees.  
Winner – ICASL Annual Report Awards - Plantation Companies.
- 2000** Winner – ICASL Annual Report Awards - Plantation Companies.
- 2002** The Company 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** The Company invested Rs. 14 Mn in the equity of Hamefa Kegalle (Pvt) Ltd, a joint venture between Hamefa BV of Netherlands and Kegalle Plantations PLC.
- 2008** The ownership was transferred from RPC Management Services (Pvt) Ltd to RPC Plantation Management Services (Pvt) Ltd.  
The Company has acquired the balance 50% shares in Hamefa Kegalle (Pvt) Ltd, resulted a Subsidiary of the Company.  
The Company invested in 7.5 Mn Ordinary Shares in Richard Pieris Natural Foams Ltd at Rs. 10/- per share.
- 2010** The Company acquired 15 Mn Ordinary Shares in Richard Pieris Natural Foams Ltd at Rs. 10/- per share increasing the existing stake to 35%, which resulted in an Associate of the Company being formed  
FSC Forestry Management Certification  
ISO 9000: 2008 Certification for all rubber manufacturing factories.
- 2011** The Company obtained ISO 22000:2005 Certification and the Ethical Tea Partnership Certificate for all tea manufacturing factories.  
Bronze Award - ICASL Annual Report Awards - Plantation Sector.  
2nd Runner up – at the competition held by South Asian Federation of Accountants in Dhaka Bangladesh for Best Presented Annual Report Awards Ceremony 2010 – Agricultural Sector.
- 2012** RPC Plantation Management (Pvt) Ltd increased the current stake of in the Company's shareholding from 68% to 70%.  
The Company acquired 22.5Mn Ordinary Shares in Arpico Insurance Limited for Rs.10 /- per share, and Arpico Insurance Limited has become an Associate of the Company.

# Definitions

Year ended 31 March 2012

## **ANRPC**

Association of Natural Rubber Producing Countries.

## **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.

## **COP**

Cost of Production. Generally refers to the cost of producing one kilo of produce (Tea/Rubber).

## **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.

## **Dividend Cover**

Profits after tax divided by Dividends.

## **Equity/Assets Ratio**

Shareholders Funds divided by Long Term Assets plus Current Assets.

## **Earnings Per Share**

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

## **Enterprise Value**

Market Capitalization plus net debt.

## **Gearing**

Long Term Interest bearing Borrowings/Liabilities as a percentage of Shareholders' Funds plus Long Term Interest bearing Borrowings/Liabilities.

## **HACCP**

Hazard Analysis and Critical Control Point System, Internationally accepted food safety standard.

## **ISO**

International Standards Organization.

## **Interest Cover**

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

## **Infilling**

A method of field development whereby planting of individual plants is done in order to fill the vacancies of existing revenue fields.

## **Net Assets**

Sum of Fixed Assets and Current Assets less Total Liabilities.

## **Net price Per Share**

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

## **Market Capitalization**

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

## **Price Earning Ratio**

Market price of a share divided by Earnings per Share.

## **Related Parties**

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

## **Return on Average Equity**

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

## **Return on Capital Employed (ROCE)**

Profit after Tax plus Interest on Loans divided by the Equity Funds, Long Term Loans and Short Term Loans.

## **General Reserve**

Reserve available for distribution and investment.

## **RSS-1**

Ribbed Smoked Sheet - Grade 1

## **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.

## **Turnover per Employee**

Consolidated turnover of the Company for the year divided by the number of employees at the year end.

## **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.

## **NSA**

Net Sales Average per kilo.

## **Shareholders' Funds**

Funds attributable to Shareholders which consist of Share Capital, Reserves and Retained Profit.

## **SLAS**

Sri Lanka Accounting Standards.

## **UITF**

Urgent Issues Task Force of the Institute of Chartered Accountants.

## **Value Addition**

The quantum of wealth generated by the activities of the Company and its application.

## **Yield (YPH)**

Average yearly output of produce from a hectare of plantation.



## Notice of Meeting

*Year ended 31 March 2012*

NOTICE IS HEREBY GIVEN that the Nineteenth (19th) 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 2012 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 2012 with the Report of the Auditors thereon.
2. To re-elect Mr. Sunil Poholiyadde, who retires by rotation in terms of Article 92 at the Annual General Meeting, a Director.
3. To re-elect Prof. Asoka Nugawela, who retires by rotation in terms of Article 92 at the Annual General Meeting, a Director.
4. To re-appoint Messrs. Ernst & Young, Chartered Accountants as Auditors of the Company and to authorize the Directors to determine their remuneration.
5. To authorize the Directors to determine contributions to charities.
6. To consider any other business of which due notice has been given.

By Order of the Board

(Sgd.)  
Richard Pieris Group Services (Private) Limited  
Secretaries  
No. 310, High Level Road, Nawinna, Maharagama

29 May 2012

**Note:**

- a) A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him/her.
- b) A proxy need not be a member of the Company. The form of proxy will be found inserted in the Annual Report.
- c) The completed form of proxy should be deposited at No. 310, High Level Road, Nawinna, Maharagama., not less than 48 hours before the time appointed for the holding of the meeting.

## Form of Proxy

I/We\* (in block letters) ..... of .....  
 ..... being a member /members of the KEGALLE PLANTATIONS PLC, hereby  
 appoint ..... of.....  
 ..... whom failing  
 DR. SENA YADDEHIGE whom failing JAMES HENRY PAUL RATNAYEKE whom failing SUNIL SOMINDRANATH POHOLIYADDE  
 whom failing PROF. ASOKA NUGAWELA whom failing DR. GERRY JAYAWARDENA \* as my/our proxy to represent me/us and  
 to vote on my/our behalf at the 19th ANNUAL GENERAL MEETING of the Company to be held on 29 June 2012 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 2012 with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-elect Mr. Sunil Poholiyadde, who retires by rotation in terms of Article 92 at the Annual General Meeting, a Director.	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect Prof. Asoka Nugawela, who retires by rotation in terms of Article 92 at the Annual General Meeting, a Director.	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-appoint Messrs. Ernst & Young, Chartered Accountants as Auditors of the Company and to authorise the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
5. To authorize the Directors to determine contributions to charities.	<input type="checkbox"/>	<input type="checkbox"/>
6. To consider any other business of which due notice has been given.	<input type="checkbox"/>	<input type="checkbox"/>

Dated this ..... day of ..... 2012

.....  
Signature of shareholder

**Notes:**

- (i) Please delete the inappropriate words.
- (ii) A proxy need not be a member of the Company.
- (iii) Instruction as to completion appear on the reverse of this form.

### INSTRUCTIONS AS TO COMPLETION OF PROXY FORM

To be valid, this Form of Proxy must be deposited at No. 310, High Level Road,  
Nawinna, Maharagama., not later than 10.00 a.m. on  
Wednesday, 27 June 2012.

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

In the case of a Company/Corporation, the proxy must be under its Common Seal,  
which should be affixed and attested in the manner prescribed by its Articles of Association.

Please indicate with an 'X' in the space provided how your proxy is to vote on each resolution.

If no indication is given the proxy at his/her discretion will vote as he/she thinks fit.

This Form of Proxy shall in the case of an individual be signed by the appointer 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

<b>Name of the Company</b>	:	<b>KEGALLE PLANTATIONS PLC</b>
<b>Legal Form</b>	:	A Quoted Public Company with limited liability, Incorporated in Sri Lanka under the Companies Act No. 07 of 2007.
<b>Date of Incorporation</b>	:	22 June 1992
<b>Company Registration No</b>	:	New registration No. P Q 135 [Old No. N(PBS/CGB) 140 ]
<b>Head/Registered Office</b>	:	No. 310, High Level Road, Nawinna, Maharagama, Sri Lanka.
<b>Principal Business Activities</b>	:	Cultivation, Manufacture and Sale of Rubber, Tea, Coconut, Cardamom & other agricultural Produce.
<b>Ultimate Parent Enterprise</b>	:	Richard Pieris & Company PLC No. 310, High Level Road, Nawinna, Maharagama, Sri Lanka.
<b>Board of Directors</b>	:	Dr. Sena Yaddhige - Chairman Mr. J H P Ratnayake - Deputy Chairman Mr. S S Poholiyadde - Director/Chief Executive Officer Prof. R C W M R A Nugawela - Director Dr. S S B D G Jayawardena - Director
<b>Stock Exchange Listing</b>	:	The Ordinary Shares of the Company are listed with the Colombo Stock Exchange of Sri Lanka.
<b>Management</b>	:	Mr. S S Poholiyadde - Chief Executive Officer Mrs. L C Herath - Chief Financial Officer Mr. Y S Nagahawatte - DGM - Tea & Administration Mr. G L H D Amarathunge - DGM - Rubber Mr. S C Bandaranayake - Engineer Mr. J Wijesinghe - Manager - IT Mr. T I Kodithuwakku - Accountant
<b>Secretaries</b>	:	Richard Pieris Group Services (Pvt) Limited No. 310, High Level Road, Nawinna, Maharagama, Sri Lanka Telephone : + (94) 11 4310500
<b>Auditors</b>	:	Messrs. Ernst & Young, Chartered Accountants, 201, De Saram Place, Colombo 10.
<b>Bankers</b>	:	Hatton National Bank PLC Bank of Ceylon - Corporate Branch & Regional Branches National Development Bank PLC Peoples Bank Seylan Bank PLC
<b>Legal Advisors</b>	:	Paul Ratnayake Associates International Legal Consultants, Solicitors and Attorneys-at-Law, No. 59, Gregory's Road, Colombo 7, Sri Lanka.
<b>Contact Details</b>	:	Telephone : + (94) 11 4310500 Facsimile : + (94) 11 4310799 Website : www.arpico.com E-mail : kpl.rpk@arpico.com

## **Kegalle Plantations PLC**

No. 310, High Level Road, Nawinna, Maharagama, Sri Lanka.

Tel : + 94 11 4310500  
Fax : + 94 11 4310799  
Internet : [www.arpico.com](http://www.arpico.com)  
E-mail : [kpl.rpk@arpico.com](mailto:kpl.rpk@arpico.com)