KEGALLE PLANTATIONS PLC

ANNUAL REPORT 2016 / 2017

Transforming from the Tradition...

The largest rubber producer of Sri Lanka, Kegalle Plantations PLC, made a radical change to its traditional stance through moving onto a new lucrative crop, Oil Palm Cultivation. This radical move was made with the focus of being competitive in the current global economic scenario in order to be a provider of high value to all our stakeholders. In a careful analysis of the current market trends in the plantation industry, it is obvious that there is a downturn trend in respect of traditional crops.

Under such situations, a Company which seeks to achieve a sustainable development and which aspires to be an outstanding performer in the industry requires to move its focus on a growing market.

Recognizing this reality, KPL took a competitive and challenging move to diversify its business and oil palm will be included in its product portfolio with the intention of capitalizing on the improving market conditions of the Palm Oil industry that will offer four major crops of economically important. This radical transformation will be a turning point of KPL which will direct the future growth of the Company.

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VISION

To seek excellence in all our pursuits.

MISSION

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

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

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

OBJECTIVES

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

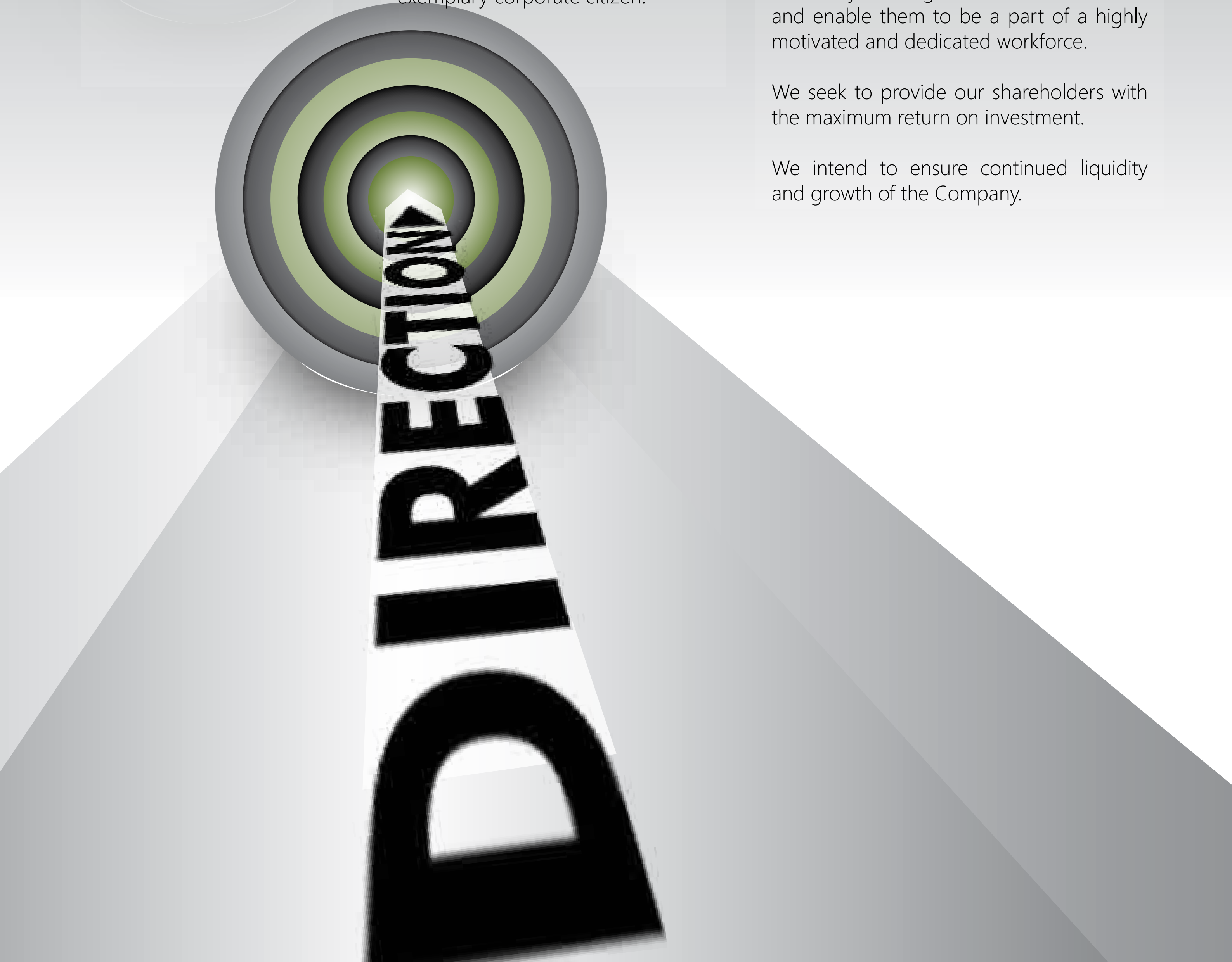
We seek to be acknowledged in Sri Lanka and Overseas as a Producer and Supplier of quality agricultural products and their derivatives through superior customer services.

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

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

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

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



Transforming from the Tradition...

Brief introduction of Oil Palm Cultivation and why it is important for KPL

Soil condition, weather pattern, temperature meets within the low country of KPL.

Soil & Climatic Requirements for Oil Palm Cultivation;

- Well drained soil with high humus content
- Terrain below 20%
- Rainfall above 2,000 mm
- Temperature 29- 33 oC
- Altitude - Up to 300 AMSL
- Sunlight minimum 5 hours per day

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About Us

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INTRODUCTION TO THE REPORT

This is the 24th annual report of Kegalle Plantations PLC which is presented for the year ended 31 March 2017. The report has mainly been prepared with the aim of providing the relevant financial and non-financial information related to the ended year so as to facilitate the understanding and decision making of stakeholders of the Company. Due to the inherent nature of the plantation industry, the Company has to experience a wide range of economic, environmental, social and other challenges and the operations of the Company were carried out amidst these challenges. Accordingly, this report is intended to reflect how the Company managed its operations in spite of these challenges and what the Company achieved during the year and what consequences emerged on the society due to the operations of the Company.

The Financial Statements contained in the report have been prepared in accordance with Sri Lanka Financial Reporting Standards to comply with the Companies Act No. 07 of 2007, the continuing listing requirements of Colombo Stock Exchange.

The adoption of the Global Reporting Initiatives G4 Core Criteria (GRI) for sustainability reporting for the first time in the history of Kegalle Plantations PLC can be recognized as a special development which should be emphasized during the current year. This can be considered a progressive movement towards the sustainable growth of the Company. However, these are carried out on voluntary basis and content of the sustainability report has not been externally assured.

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

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COMPANY PROFILE

The Government of Sri Lanka, as part of its restructuring plan for the Plantation Industry, decided to privatize this sector and in June 1992, incorporated 22 regional Plantation Companies. The Government then assigned these Companies, Estates that had been previously vested with the Government and managed by JEDB/ SLPC on a 53 years lease. Separate Management Agents were also selected to manage each of these Companies. Kegalle Plantations PLC (KPL) was one of such Companies and it was allotted 21 Estates which in total have a land base around 10,000 ha in Kegalle, Kurunegala and Badulla Districts. Of this land base, around 5,200 ha are Rubber, 1,400 ha under Tea and another 500 ha are Coconut. The Company produces around 3.7mn kg of Rubber and 2.2 mn kg of Tea inclusive of bought crop. It has employee strength of 5,866.

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

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

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

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

Kegalle Plantations PLC is the largest Rubber producer among regional Plantation Companies accounting for 4 mn kg of average production per annum.

MILESTONES

2017

Became the first Regional Plantation Company to obtain ISO 9001: 2015 and Four Factories namely Atale, Pallegama, Parambe and Udapola have been certified.

2016

KPL paid an incomparable dividend of Rs.45/- per share to its shareholders in the year 2015, recording the ever highest dividend per share issued by a Plantation Company.

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

2015

Invested Rs.1 bn in RPC debentures at rate of 11.25%.

Gold Award - Plantation Sector Category of Agri Business Awards - Conducted by the National Agri Business Council (NAC).

2014

Invested 1.485mn Ordinary Shares in Arpico Insurance PLC.

Gold award –Category of Rubber and Rubber Based Products initiated by CEA.

2013

Invested 12 mn Ordinary Shares in Richard Pieris Finance Ltd.

Invested 2.7 mn Ordinary Shares in Arpico Insurance PLC.

Winner - Category of Best Rubber Factory of Crepe Rubber & Centrifuged Latex Manufacturing Sectors in Sri Lanka

2011

Obtained ISO 22000:2005 Certification and the Ethical Tea Partnership Certificate.

Bronze Award – ICASL Annual Report Awards - Plantation Sector.

2nd Runner up – South Asian Federation of Accountants in Dhaka Bangladesh for Best Presented Annual Report Awards Ceremony 2010 – Agricultural Sector.

2010

Acquired 15mn Ordinary Shares in RPNF Ltd and has become an Associate of the Company.

FSC Forestry Management Certification.

ISO 9000: 2008 Certification for all rubber manufacturing factories.

2008

Hamefa Kegalle (Pvt) Ltd has become a fully owned Subsidiary of the Company.

The Company invested in 7.5 mn Ordinary Shares in Richard Pieris Natural Foams Ltd.

2007

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

2004

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

2003

Winner – ICASL Annual Report Awards - Plantation Companies.

2002

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

2000

Winner – ICASL Annual Report Awards - Plantation Companies.

1998

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

1997

The Ordinary Shares of the Company are listed with the CSE of Sri Lanka.

10% of the Share Capital, amounting to 2 mn shares were gifted to over 8,000 eligible employees.

Winner – ICASL Annual Report Awards - Plantation Companies.

1995

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

1992

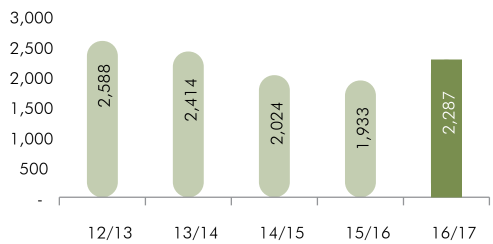
Formation of KPL as a Regional Plantation Company, and appointing a managing agent as RPK Management Services (Pvt) Ltd (RPK), a Joint Venture between Richard Pieris and John Keells.

1972-1992

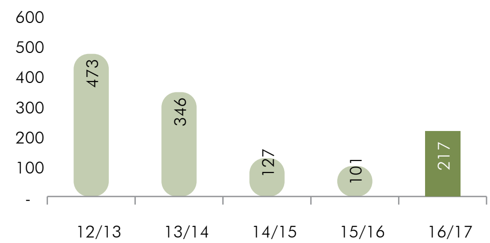
The estates were originally vested in the Land Reform Commission during the period 1972-1992 in terms of the Land Reform Act and subsequently vested in the JEDB.

FINANCIAL HIGHLIGHTS

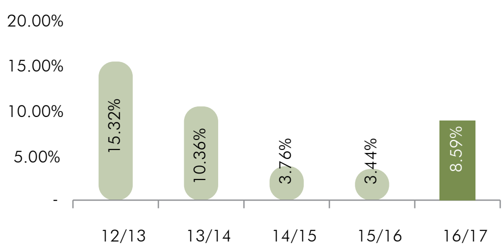
Turnover (Rs. mn)



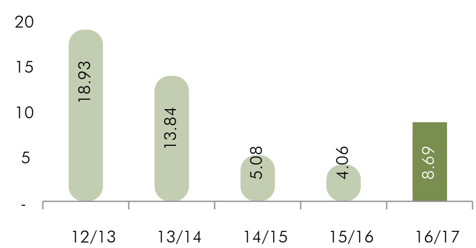
Profit After Tax (Rs. mn)



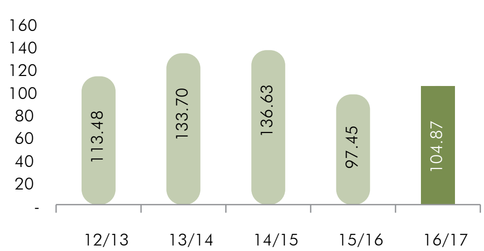
Return on Average Equity (%)



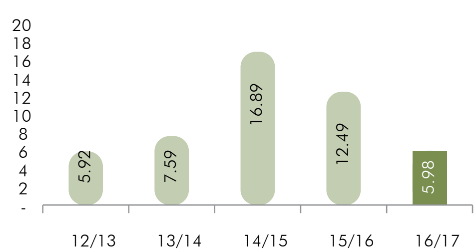
Earnings Per Share (Rs.)



Net Assets Per Share (Rs.)



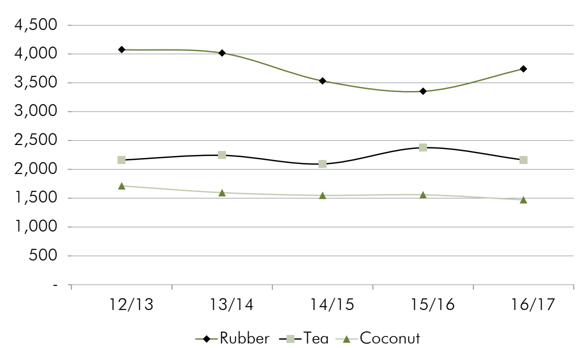
Price Earnings Ratio (Times)



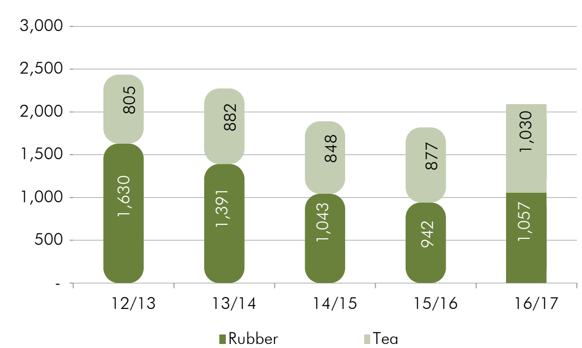
Share Price (Rs.)

Performance - Year Ended 31 March		2017 Rs.'000	2016 Rs.'000	Variance %
Turnover		2,287,161	1,933,063	18%
Profit before Interest and Tax		457,275	262,085	74%
Profit After Tax		217,263	101,330	114%
Gross Dividends		125,000	1,125,000	(89%)
Capital Expenditure		175,924	220,648	(20%)
Financial Position - As at 31 March				
Fixed Assets		4,315,057	4,189,791	3%
Current Assets		2,089,323	2,168,563	(4%)
Total Assets		6,404,381	6,358,353	1%
Current Liabilities		1,879,047	1,476,510	27%
Shareholders' Funds		2,621,695	2,436,309	8%
Stated Capital		250,000	250,000	-
Capital Employed		5,198,191	5,163,821	1%
Key Indicators				
Earnings per share	Rs.	8.69	4.06	114%
Net Assets per share	Rs.	104.87	97.45	8%
Dividend per share	Rs.	5.00	45.00	(89%)
Market Price per share	Rs.	52.00	50.70	3%
Return on Capital Employed	%	8.80%	5.08%	73%
Market Capitalisation	Rs. '000	1,300,000	1,267,500	3%
Return on Average Equity	%	8.59%	3.44%	150%

Production (kg/nuts' 000)



Turnover (Rs. mn)



CHAIRMAN'S REVIEW

Dear Shareholders,

It is with great pleasure that I welcome you to the 24th Annual General Meeting of Kegalle Plantations PLC, at which I present the Annual Report and Audited Financial Statements of your Company for the year ended 31 March 2017.

It is with great pride that I remind you that your Company continued to be the largest natural rubber producer in Sri Lanka, a title which we have successfully secured over the past years. The year under review has been a challenging year for the plantation industry as a whole, with irregular weather patterns hampering the sector. The reduction in demand due to geopolitical tension in key export markets was yet another factor which placed its negative footprint on the rubber industry. However your Company was able to withstand these difficulties to a greater extent due to timely focus and effective management of resources.

During the year, Kegalle Plantations PLC recorded revenue of Rs. 2.3 bn and a profit after tax of Rs. 217 mn. Effective cost and finance management enabled the Company to stand strong in yet another extremely challenging year for the plantation industry.

ECONOMIC ENVIRONMENT

Continued uncertainties in the global economy as well as volatility in international politics shrouded economic decision making for policymakers as well as private investors. Prices of most commodities including food and base metals displayed an increasing trend, particularly towards the latter part of the year. The momentum in the global economy is expected to persist in 2017 and 2018 with the ongoing cyclical recovery in investment, manufacturing and trade. For the first time since the onset of the great recession, the first quarter of 2017 has seen a synchronized upturn in the USA, Europe, Japan and some key emerging markets.

Unfavorable weather conditions and sluggish global economic recovery caused the economy to grow at a slower rate of 4.4 per cent in 2016 in real terms, in comparison to 4.8 per cent in the previous year. The Government's revenue based fiscal consolidation process, helped contain the overall budget deficit at the targeted level of 5.4 per cent of GDP in 2016 in comparison to the deficit of 7.6 per cent in the previous year. The trade deficit as a percentage of GDP expanded to 11.2 per cent in 2016 compared to 10.4 per cent in 2015. Sri Lanka's gross reserve asset position declined to US dollars 6.0 billion, as at end 2016. The rupee depreciated against all major currencies except the pound sterling in 2016. An overall depreciation of the rupee against the US dollar by 3.83 per cent in 2016

INDUSTRY REVIEW

TEA

Tea production in 2016 witnessed a substantial decline due to both supply and demand side factors. The prolonged drought in tea growing areas during early 2016, the changes in weather patterns with overcast conditions in mid-2016 and the severe drought condition in late 2016 had a negative effect on tea production. Reductions in the application of fertilizer and weedicides may also have contributed to this decline. Total tea production in 2016 declined by 11 per cent to 292.6 million kilograms from 328.8 million kilograms in 2015. The demand side was affected by, low global commodity prices and the decline in oil and gas revenues of key tea importing countries specially in the 1st half of the year.

The prices of high, medium and low grown teas at the Colombo Tea Auction (CTA) were above the corresponding prices recorded in 2015. Accordingly, the average price of tea at the CTA increased by 17.8 per cent to Rs. 473.15 per kilogram in 2016, from Rs. 401.46 per kilogram recorded in the previous year. The highest year-on-year increase in average tea prices at CTA was recorded for medium grown tea (17.6 per cent), followed by low grown tea (17.4 per cent) and high grown tea (16.5 per cent).

RUBBER

Rubber production at 79.1 million kilograms in 2016 declined by 10.7 per cent to record the lowest production volume reported in the past 50 years. This was mainly due to reduction of the extent under tapping and the number of tapping days in response to the lower prices mainly in the smallholder sector.

YPH increased by 3.9 per cent to 851 kg in 2016, mainly due to the reduction of the extent under tapping in marginal lands. Domestic consumption of rubber in the industrial sector, which has stagnated during the last few years, increased marginally to reach 69 million kg, accounting for 87.2 per cent of the domestic rubber production.

Natural rubber exports declined by 55.8 per cent to 16.2 million kg and the cost of production of rubber increased by 5.9 per cent to Rs. 180.00 per kg in 2016. Prices at the Colombo Rubber Auction decreased during the year as a result of a slowdown in global demand owing to high inventories in major consuming countries, including China and Japan, and the subdued global prices caused mainly by low international crude oil prices. The average price of Ribbed Smoked Sheet 1 (RSS1) at Rs. 239.28 per kg at the Colombo Rubber Auction in 2016 witnessed a 3.6 per cent decline over the average price recorded in 2015.

The price of latex rubber also decreased by 13.0 per cent to Rs. 262.31 per kg during the year. The average price of natural rubber per kg declined by 30.1 per cent to US dollars 1.6 in 2016 from US dollars 2.2 recorded in 2015. As a result of the decrease in prices, the profit margin available to the producer remained low, making rubber cultivation less attractive.

COCONUT

Coconut production in 2016, was 3,011 million nuts, declined by 1.5 per cent over the output recorded last year mainly due to the low rainfall received in main coconut growing areas during the year in line with increased industrial demand, desicated coconut production which reported a 17.1 per cent contraction in 2015, rebounded with a growth of 22.3 per cent which is the highest quantum of desiccated coconut production in the last decade. Coconut oil production decreased by 7.5 per cent, caused mainly by the increased prices of fresh nuts. Desiccated coconut exports of 72,000 metric tons, recorded a significant growth of 56.7 per cent from the previous year. High domestic prices for coconut, amidst the low production were partly attributed to the increased demand from coconuts based industries and high export prices. In 2016, the average retail price of fresh nuts decreased by 8.3 per cent to Rs. 45.82 per nut.

COMPANY PERFORMANCE

During the year under review, the Company recorded revenue of Rs. 2.29 billion; indicating a 18% per cent increase over the previous year reported value of Rs. 1.93 billion. Thus, profit after tax of Kegalle Plantations PLC increased by 114% to record Rs. 217 mn from Rs. 101 mn in the corresponding period. Total assets of the Company were Rs. 6.404 bn in 2017 while the Shareholders fund was Rs. 2.6 bn. The Company incurred a capital expenditure of Rs. 176 mn during the year, out of which Rs. 173 mn was allocated for field development. Out of the field development expenses, Rs. 139 mn and Rs. 23 mn were incurred respectively for rubber and tea.

The Company's operations in the rubber industry achieved a growth of 12 per cent in 2016/17 although the national rubber production of the economy recorded the lowest production volume reported in the last 50 years. In 2016/17, the Company's production of rubber has risen to 3.74 million kilograms from 3.35 million kilograms in 2015/16. On the other hand, the NSA of rubber has risen to Rs. 276.34 by just 1 per cent from Rs. 274.04 in 2016. Under such circumstances, financial performance of the rubber sector stood at a better position compared to the previous year. Furthermore, the revenue from rubber segment has increased to Rs. 1.06 billion from Rs. 942 mn previous year and it is a 12 per cent increase compared to the previous year. Basically the gross profits from rubber sector have increased to Rs. 32 mn from Rs. 10 mn previous year which is almost two fold increase over the corresponding period.

During the year under review, the Company's production of tea dropped by 8.8 per cent to 2.2 million kilogram compared to 2.4 mn in 2015/16. This drop of the production was mainly driven by adverse weather condition prevailed during the year 2016/17. Despite the decline in the production of tea, the Company was able to achieve a gross profit from the tea business which was a gross loss in the last year. The increase in the gross profit was mainly driven by the increase in the NSA compared to the previous year.

Financial results of the coconut plantation experienced a downturn in the year under review. The Company's production of coconuts has dropped to 1.47 mn nuts in 2016/17 comparison to 1.56 mn nuts in 2015/16 which is a reduction of 6 per cent. On the other hand, the NSA of coconut operation has declined to Rs. 24.11 in 2016/17 from Rs. 31.95 in 2015/16.

SUSTAINABILITY

During the ensuing year, the Company intends to allocate circa Rs. 400 mn for the field development. Out of which Rs. 200 mn will be allocated to the field development in the rubber sector. As a whole, these resources are expected to be allocated to the field development of 1,130 ha including the preliminary work, replanting and upkeep of these areas.

Investment in oil palm sector can be considered as a significant step taken in order to achieve a sustainable development from the perspective of the shareholders of the Company.

PRODUCTIVITY & VALUE ADDITION

The Company expects to increase Tea yield to 1,171 kg/ha compared to the actual yield of 808 kg/ha in 2016/17. On the other hand Company expects to enhance the yield of rubber up to 1,059 kg/ha which is 6 per cent above the actual yield of 998 kg/ha during the year. Also with respect to the Company's responsibility towards the community and the environment, the Company has initiated a bio latex project which focuses on the reduction of usage of chemical fertilizer. The Company intends to enhance the quality of the rubber through technological and agricultural enhancements.

FUTURE OUTLOOK

The Sri Lankan economy is expected to grow at a moderate rate of around 5 per cent in 2017 amidst the adverse impact of unfavorable weather conditions, and is expected to improve gradually thereafter to record an annual growth rate of 7 per cent by 2020. The private sector is expected to play a key role in achieving this higher growth momentum by exploiting potential growth opportunities in the economy and the external markets. Foreign investors are also expected to contribute towards a higher level of investment with particular emphasis on service related activities and export oriented industries. Monetary policy measures are expected to maintain inflation at around 5.0 per cent, on average. Even if global market improved tea prices are continued, rigidities in the domestic supply and ascending cost of production could make it challenging for the country's tea industry to reap the full benefit of global market improvement.

ACKNOWLEDGMENTS

I would like to extend my sincere gratitude to the Board of Directors, Acting CEO & Management Team for their commitment and dedication displayed during our journey towards success amidst challenging environment. All the hard work and effort of employees across all levels are also greatly acknowledged. I would like to thank our valued customers, suppliers and business partners for their continued loyalty and support.

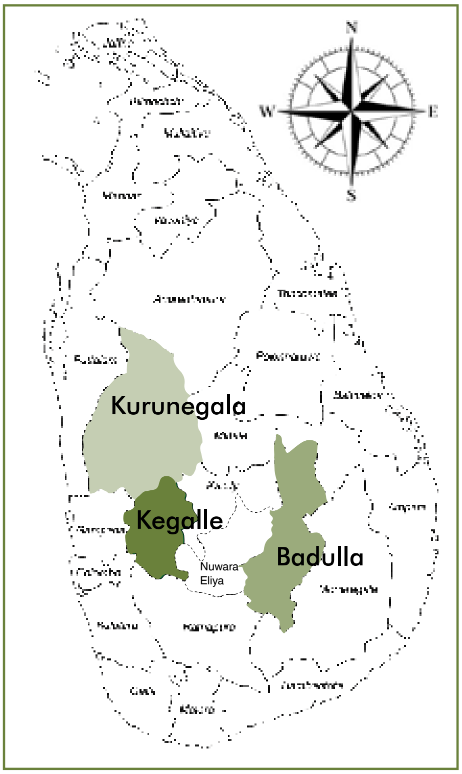
My sincere gratitude also goes out to all our Shareholders, for their trust and support placed in our Company. I hope you will continue to be our long term partners, who will join us in taking our Company to the next level.

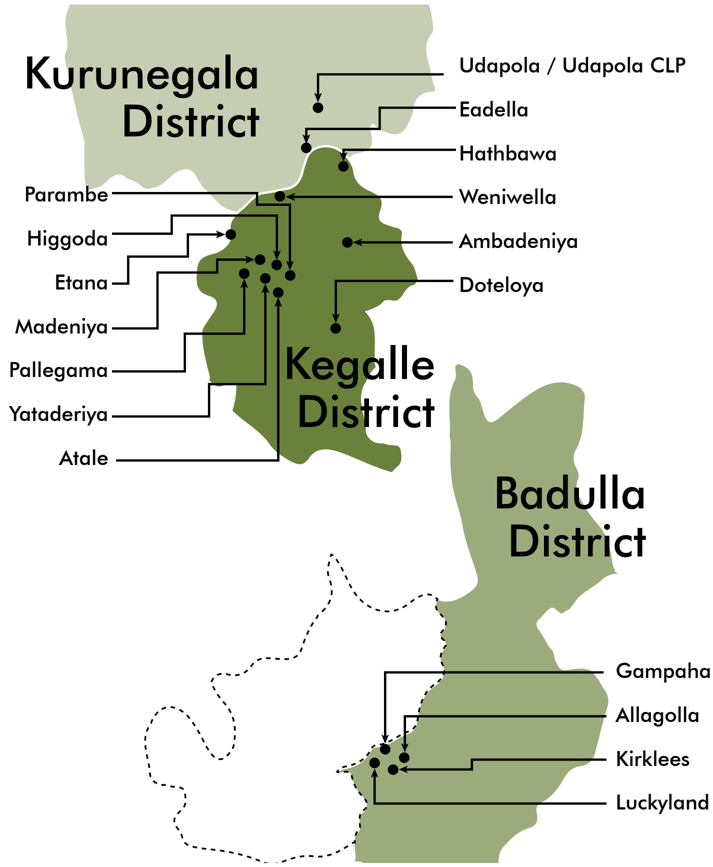
Dr. Sena Yaddehige
Chairman

31 May 2017
Colombo

OUR ESTATES

Our Estates - Locations

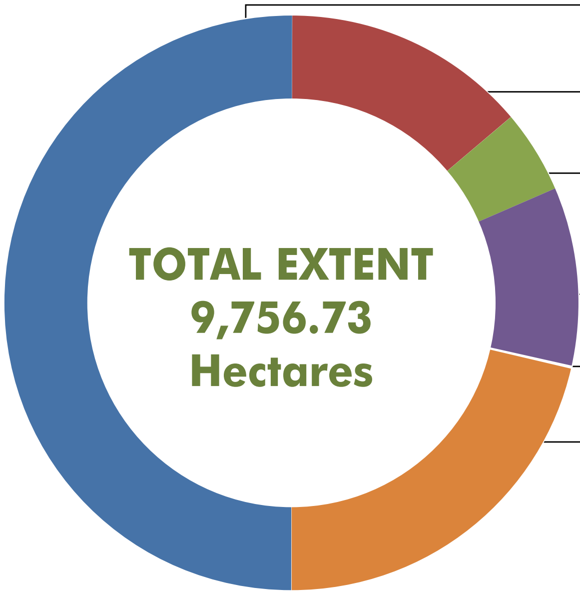




Estate Name	Planting District	Location	Cultivated Area (hectare)						Elevation
			Rubber	Tea	Coconut	Others	Total	Total Area (hectare)	(Metres)
Allagolla	Badulla	Udapussellawa	-	174.78	-	39.61	214.39	243.75	1311
Ambadeniya	Kegalle	Aranayake	418.09	0.75	20.60	33.79	473.23	583.25	244-355
Atale	Kegalle	Atale	908.51	-	28.66	39.06	976.23	1,150.36	119-154
Doteloya	Kegalle	Dolosbage	-	187.10	-	271.65	458.75	572.64	825-955
Eadella	Kurunegala	Polgahawela	336.24	-	325.59	20.88	682.71	801.79	91-122
Etana	Kegalle	Warakapola	373.80	-	1.82	11.21	386.83	483.26	76-244
Gampaha	Badulla	Udapussellawa	-	213.52	-	62.13	275.65	348.99	1538
Hathbawa	Kegalle	Rambukkana	259.22	-	-	5.00	264.22	477.79	122-244
Higgoda	Kegalle	Undugoda	222.29	-	-	0.80	223.09	302.23	146-411
Kirklees	Badulla	Udapussellawa	-	246.75	-	93.96	340.71	480.70	1446
Luckyland	Badulla	Udapussellawa	-	369.98	-	74.88	444.86	488.75	1500
Madeniya	Kegalle	Warakapola	394.22	-	-	56.09	450.31	551.92	80-229
Pallegama	Kegalle	Niyadurupola	564.82	-	1.88	127.28	693.98	863.91	90-200
Parambe	Kegalle	Undugoda	513.66	30.02	-	40.00	583.68	795.41	122-274
Udapola	Kurunegala	Polgahawela	346.29	-	37.36	14.57	398.22	577.78	107-195
Weniwella	Kegalle	Alawwa	408.13	-	13.19	95.88	517.20	709.90	152-183
Yataderiya	Kegalle	Undugoda	137.78	121.00	25.90	7.35	292.03	324.30	244-290
Udapola CLP	Kurunegala	Polgahawela	-	-	-	-	-	-	-
			4,883.05	1,343.90	455.00	994.14	7,676.09	9,756.73	

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

Our Estates - Land Base / Utilisation



Land Base	Extent	%
Rubber	4,883.05	50%
Tea	1,343.90	14.0%
Coconut	455.00	5%
Other Crops	976.82	10%
Forestry	17.32	0.0%
Others	2,080.64	21.0%

Estate Name	Production - kg/nut'000			Factory Details			Certification				No. of		
	Rubber	Tea	Coconut	Crop Manufactured	Factory Type	Rated Kg'000/pa	ISO 9001 : 2015 Rubber	EU & USDA-NOP Organic Rubber	ISO 22000 : 2005 Tea	Ethical Tea Partnership	Executives	Staff	Workers
Allagolla	-	131	-	-	-	-	-	-	-	-	1	14	217
Ambadeniya	325	-	31	-	-	-	-	-	-	-	2	17	319
Atale	413	-	83	Rubber	Sole Crepe	950	√	-	-	-	3	34	458
Doteloya	-	542	-	Tea	Leafy/Orthodox	1,394	-	-	√	√	2	16	309
Eadella	264	-	1,082	-	-	-	-	-	-	-	3	17	262
Etana	315	-	4	Rubber	Scrap	228	-	√	-	-	1	14	308
Gampaha	-	316	-	Tea	Leafy/Orthodox	929	-	-	√	√	2	20	352
Hathbawa	234	-	-	-	-	-	-	-	-	-	1	14	169
Higgoda	181	-	-	-	-	-	-	√	-	-	1	9	155
Kirklees	-	442	-	Tea	Rotorvane	1,239	-	-	√	√	2	21	326
Luckyland	-	302	-	Tea	Dual Manufacture	1,355	-	-	√	√	3	35	577
Madeniya	227	-	-	-	-	-	-	√	-	-	1	13	332
Pallegama	370	-	7	Rubber	Sole Crepe	800	√	-	-	-	3	22	372
Parambe	337	22	-	Rubber	Crepe	636	√	-	-	-	2	24	388
Udapola	230	-	142	-	-	-	-	√	-	-	2	18	236
Weniwella	233	-	29	-	-	-	-	-	-	-	2	14	215
Yataderiya	89	409	93	Tea	Leafy/Orthodox	1,239	-	-	√	√	2	21	425
Udapola CLP	524	-	-	Rubber	Centrifuged Latex	5,000	√	√	-	-	5	13	45
	3,742	2,165	1,471								38	336	5,465

FINANCIAL CALENDAR

2016/17		2015/16
11 August 2016	1st Quarter Reports	13 August 2015
09 November 2016	2nd Quarter Reports	10 November 2015
13 February 2017	3rd Quarter Reports	11 February 2016
30 May 2017	4th Quarter Reports	26 May 2016
16 March 2017 (Rs. 5/- per Share)	Interim Dividend	10 July 2015 (Rs. 45/- per Share)

Annual Report	Published	Meetings	Date
2005/06	29 May 2006	13th Annual General Meeting	29 June 2006
2006/07	21 May 2007	14th Annual General Meeting	29 June 2007
2007/08	15 May 2008	15th Annual General Meeting	23 July 2008
2008/09	09 June 2009	16th Annual General Meeting	28 July 2009
2009/10	19 May 2010	17th Annual General Meeting	29 June 2010
2010/11	27 May 2011	18th Annual General Meeting	30 June 2011
2011/12	29 May 2012	19th Annual General Meeting	29 June 2012
2012/13	30 May 2013	20th Annual General Meeting	28 June 2013
2013/14	30 May 2014	21st Annual General Meeting	30 June 2014
2014/15	28 May 2015	22nd Annual General Meeting	30 June 2015
2015/16	31 May 2016	23rd Annual General Meeting	30 June 2016
2016/17	**31 May 2017**	**24th Annual General Meeting**	**30 June 2017**

Transforming from the Tradition...

Planting Material / Nurseries

Selected high quality seeds are imported from the world most reputed Palm Seeds Supplier. The germinated seeds are airfreighted under careful packing conditions, meeting all quarantine requirements of Sri Lanka.

These seeds are initially planted in insect proof net houses for 06 months. This stage is called the Stage I Palm Oil Nursery. The selected vigorous seedlings are then transferred to the Stage II Nurseries, and these plants are well cared in the Stage II nurseries for a period of 6 – 9 months before they get transferred to the Field for planting.

Although the financial outflows are greater at this stage ruthless culling of undesired plants are done, as this is the most important exercise of racing high productive Oil Palm Cultivation.

Continued in page no. 35...

Management Discussion & Analysis

Contents

OPERATING ENVIRONMENT

The operations of the Company are often affected by the uncontrollable external environment factors in both favorable and unfavorable manners. Economic growth, Exchange rates, Unemployment levels, Fiscal and Monetary policy changes are the more crucial factors.

The global environmental factors have also hindered the operations of the Company for a greater extent. Specially the global demand and supply conditions seem to be adverse since past few years. The excess supply of natural rubber and the low demand from major export destinations has resulted in a low price for natural rubber in the global market.

Current government activities achieve advantageous opportunities in Euro zone and it will generate future economic developments. In the local market context the production is slowed down due to low market prices and low demand. This situation has resulted in reducing national production during the year under review.

Sri Lankan Economic Performance

Economic Growth

Economic Growth over Last Five Years

Sector\Year	2016	2015	2014	2013	2012
Agricultural	(4.2%)	4.8%	4.6%	3.2%	3.9%
Industrial	6.7%	2.1%	4.7%	4.1%	9.0%
Service	4.2%	5.7%	4.8%	3.8%	11.2%
Total Economy	4.4%	4.8%	5.0%	3.4%	9.1%

The recorded GDP growth in 2016 is 4.4% and this is a reduction in growth rate when it is compared to the 2015 figure which was 4.8%. At the same time GDP per capita decreased from USD 3,843 to USD 3,835. Specially, the rate of growth in the Agriculture sector has become negative in 2016. Due to the declined production in Agriculture sector and the grown production in other sectors, the contribution of Agriculture sector to the GDP has become very low. It is a decline from 7.8% to 7.1% compared to 2015.

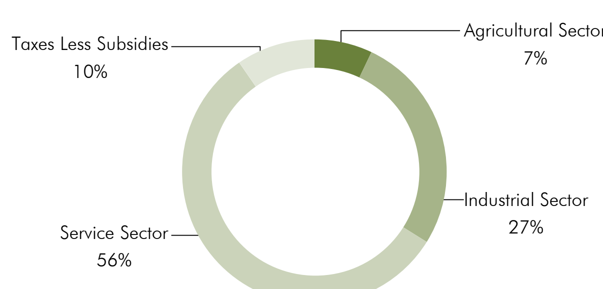
In 2016 the rubber production has faced a decline for the fifth consecutive year recording the lowest production volume in the past 50 years. The rubber production in 2016 is 79.1 million Kilograms. This is a 10.7% reduction compared to the 2015 figure, which was 88.6 million Kilograms. The low demand and price for rubber in global market has resulted in the declining production from small holders. In addition to that, the reduction of both extent under tapping and the tapping days has also led to the declined production.

The tea production in 2016 witnessed a substantial decline due to both supply and demand factors. The tea production has declined by 11% to 292.6 million kilograms from 328.8 million kilograms during the period under review. Both supply and demand conditions have impacted to the declined production. On the supply side, drought in tea growing areas in mid 2016 has majorly resulted in the reduction of tea supply. On the demand side, the demand arises from major export destinations seem to be declining through the past few years.

The supply of coconut and coconut products has experienced a slowdown during the year under review. Coconut production in 2016, estimated at 3,011 million nuts, declined by 1.5% over the output recorded. The decrease in coconut production was mainly due to low rainfall received in main coconut growing areas in 2016.

Despite the fact that Agriculture sector has shown a decline in production, fishing sector alone has shown a growth of 1.6%. The industrial sector has grown at a rate of 6.7% through the year 2016. Mining, Electricity, Gas, Water and Construction sectors alone have shown growth rates over 10% while manufacturing sector has grown at 1.7%. Due to the inclined rate of growth, the contribution of industrial sector to GDP has also increased to 26.8% from 26.2% through the year under review. Mining and Constructions sectors have gained positive changes in production wiping out the negative changes recorded in 2015. The Service sector has grown at a rate of 4.2% but the contribution to GDP has reduced due to the declined growth rate compared to 5.7% in 2015. The contribution of Service sector towards the GDP is 22.9% and it was 23.1% in 2015. Public administration and defense activities recorded an accelerated growth while all other sub sectors under service sector have recorded a declined growth rate.

Sector Wise Contribution to the Total GDP



Interest, Inflation & Exchange Rate

The National Consumer Price Index (NCPI 2013=100) was 112 in January 2016 and increased to 118 in December 2016. The NCPI, which declined from January 2016 to March 2016, increased from April 2016 to June 2016. However, it declined in July 2016 and August 2016, after which it reversed its trend and moved on a gradual increasing path. NCIP majorly followed the movements of the prices of food category.

Rupee liquidity in the money market, which was in surplus during the first quarter of 2016, turned to a deficit thereafter. Average Weighted call money rate has increased through the year 2016. Monthly average AWCMR was 6.4% at the beginning and it has increased to 8.4% through 2016

Year	2016	2015	2014	2013	2012
Inflation	4.0%	2.8%	3.3%	6.9%	7.6%
Interest Rate (AWPR)	11.7%	7.5%	6.3%	10.1%	14.4%

Sri Lankan currency has depreciated substantially in 2016 when compared to currencies of major buyers. Sri Lankan Rupee has depreciated against US Dollar by 3.8% as the exchange rate was recorded 1USD=149LKR at the end of the year. At the same time value of LKR has increased compared to GBP. It has become 1GBP=186LKR at the end of the year and it was 1GBP=215LKR at the beginning.

LKR Against Major Buyers' Currencies

Currency	Rupee Depreciated/ Appreciated	Amount As %
USD	Depreciated	(3.79%)
EURO	Depreciated	(0.59%)
Japanese yen	Depreciated	(9.01%)
Pound sterling	Appreciated	13.70%

LKR Against Our Major Competitors' Currencies

Currency	Rupee Depreciated/ Appreciated	Amount As %
Indian Rupee	Depreciated	(0.75%)
Pakistan Rupee	Depreciated	(3.62%)
Kenyan Schilling	Depreciated	(5.20%)
Thailand Baht	Depreciated	(3.84%)
Chinese Yuan	Appreciated	3.66%

Global Economic Performance

Global economic performance has been affected to a greater extent by June due to U.K. vote in favor of leaving the European Union (Brexit) and weaker-than-expected growth in the United States. These developments have created further downward pressure on global interest rates, as monetary policy is now expected to extend. Although the market reaction to the Brexit shock was reassuringly orderly, the ultimate impact remains very unclear, as the fate of institutional and trade arrangements between the United Kingdom and the European Union is uncertain. Financial market sentiment toward emerging market economies has improved with expectations of lower interest rates in advanced economies, reduced concern about China's near-term prospects following policy support to growth, and some firming of commodity prices. But prospects differ sharply across countries and regions, with Asia in general and India in particular showing robust growth and sub-Saharan Africa experiencing a sharp slowdown. In advanced economies, a subdued outlook subject to sizable uncertainty and downside risks may fuel further political discontent, with anti-integration policy platforms gaining more traction. Several emerging market and developing economies still face daunting policy challenges in adjusting to weaker commodity prices. These grim prospects make the need for a broad-based policy response to raise growth and manage vulnerabilities more urgent than ever.

Economic Growth of 5 Major Economies

Country	2016	2015
USA	1.6%	2.5%
China	6.7%	6.9%
European Union	1.8%	1.5%
India	7.1%	7.3%
Russia	(3.0%)	(3.8%)

Government Policies

The government is planning to improve productivity, value addition and competiveness of tea industry while concentrating on expansion to nontraditional cultivation areas and improving productivity through promoting good agricultural practices. As a powerful stakeholder who is holding the ownership of the land on which the Company holds its prosperity, the government continued the subsidy schemes for rubber, tea and coconut new planting and replanting to encourage the traditional export productions. The short term working capital loan schemes provided for the registered tea factory holders helped them to muddle through short term financial difficulties. New technological practices of improved tapping knives, power mats, single day drying system and new, high yielding clones in the smallholder sector have been introduced to improve the product quality.

Nevertheless, removing fertilizer subsidies and imposing subsidies only on paddy cultivation negatively affected the Plantation Industry as a whole and increased the cost of production.

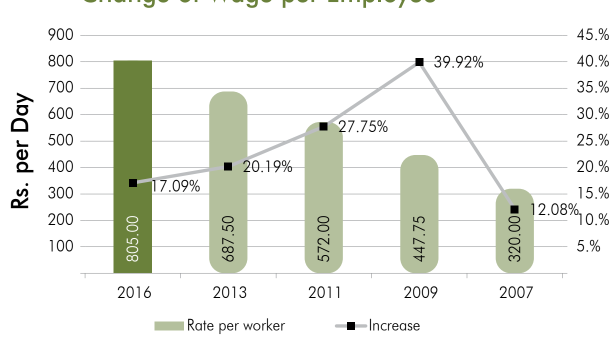
Employment & Wages

Two major acts on the National Minimum wage and the

Budgetary Relief Allowance which were introduced by the government led to an increase in the nominal wages of employees in private sector. Nominal wages of the employees in the formal private sector, as measured by the minimum wage rate index of employees whose wages are governed by the Wages Boards Trades (1978 Dec=100), increased marginally. Further, nominal wages of informal private sector employees, as measured by the Informal Private Sector Wage Rate Index (2012=100) increased modestly in 2016. Consequently, real wages of employees in the formal private sector declined in 2016, as the percentage increase in the nominal wage rate index remained insignificant during the period, while employees in the informal private sector enjoyed a real wage growth in 2016. With the expansion of the construction sector, an increase of the wages in masonry and carpentry trades was observed owing to the increased demand for labor in these sectors. On the other hand, the growth in wages partly suggests higher levels of bargaining power of workers in related activities, due to the shortage of labor supply with required quality.

The labor force, which is defined as the economically active population aged 15 years and above, increased by 1.2 per cent during 2016 to 8.311 million, from 8.214 million in 2015. However, the LFPR, which is the ratio of the labor force to the house hold population aged 15 years and above, remained at the same level of 53.8 per cent in 2016 as in 2015. This was due to the similar increase in both the household population aged 15 years and the labor force. The gender gap in labor force participation continued to remain in favor of the male labor force in the Country. The female LFPR was recorded as 35.9 per cent during the year 2016, while the male LFPR was 75.1 per cent during the same period, which reflects that the willingness of the females to participate in the labor force is less than half of that of males. Over the years, the female LFPR has shown signs of only marginal improvements, leading to a steady level of overall LFPR of around 54 per cent. The reasons for low female LFPR are lack of provisions for flexible working hours or work-from-home facilities, lack of regularized and proper child care facilities, a higher share of household responsibilities being shouldered by females and limitations on mobility to and from work due to difficulties associated with public transport. However, the remuneration levels of workers in Tea, Rubber sector are not showing a gender inequality.

Change of Wage per Employee



The labor wages in the plantation sector is decided by the Collective Agreements with Trade unions. The industrial activities, such as "Go slow", asking for wage hikes hindered the national tea production last year. The increase of wage rates directly affects the profitability through increase in cost of sales and also affects the cash flow of the Company.

Technology

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

Weather Conditions

Since the plantation sector affixed with the agricultural Viability of Plantations contribute mainly on supply and demand factors. In this context the supply of tea crop declined due to prolonged drought in tea growing areas during early 2016 with overcast conditions in the mid-year and the severe drought conditions continued during end year hindered the production. On the demand factor the fever demand globally due to low commodity prices and the decline in the oil and gas revenues in the key tea importing countries adversely affected the prices for tea. Rubber crop declined to 79.1 Mn; Kilos, which is the lowest production reported in the last 50 years, due to a decrease in extent under tapping and the number of tapping days.

In the local market the prices of tea increased in 2016 by 18% to Rs.473.15 per kilo as against RS. 401.46 per kilo recorded in the year 2015. According the green leaf prices of the small holders increased to Rs. 68.53 from Rs. 58.80. The rubber prices declined due to the poor demand, globally, owing to high inventories in major consuming countries inclusive of China and Japan.

Our Company produced 2.165 Mn Kilos of tea as against 2.375 Mn Kilos previous season. The drop was due to the inconsistent weather patterns prevailed especially in the Uva Region. The continuous drought that prolonged for a period of over five months was the main contributor. In addition the overcast conditions, the high day temperature and blowing made further damage to the harvest of crop.

In the rubber sector the production for the year was 3.742 Kilos as against 3.353 Mn kilos in the previous season, despite the loss of tapping days due to trade union and "go slow" action taken by the workers on a demand for higher wages.

Rubber prices advantageously ascended during the second half of the season therefore the Company was able to record an NSA of Rs. 276.34 during the year as against Rs. 274.04 last year.

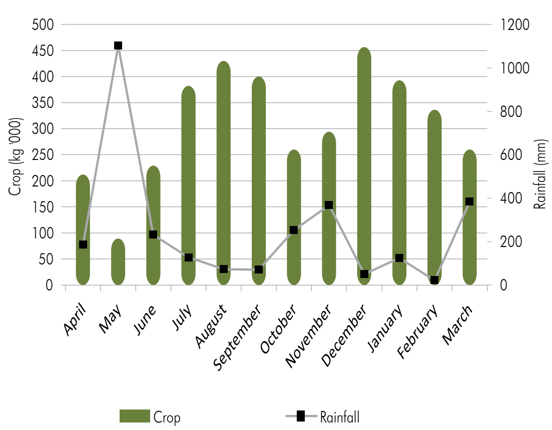
Outlook

The government expects to sustain a real GDP growth of 5 percent in 2017. The future growth plans will be initiated through improvements of investor sentiments and new policy initiatives to increase private sector participation in all major sectors in the economy via investor friendly environments.

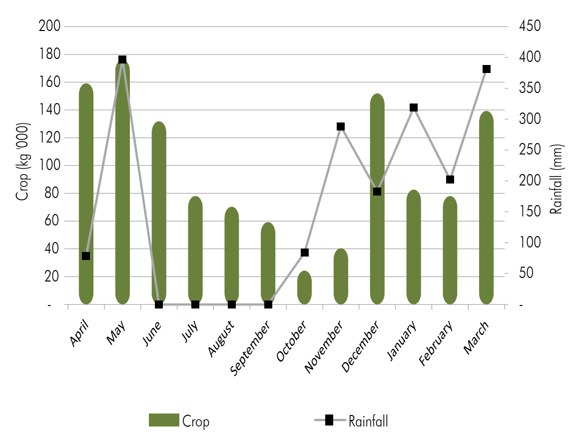
With the adverse effect of the structural transition of the Sri Lankan economy, it is expected to achieve and sustain high growth trajectory in the medium term and it will open several opportunities to uplift the standard of living.

In the medium term, inflation is expected to be maintained within the desired range of 3-5 per cent on average, by appropriately adjusting monetary policy instruments, particularly maintaining broad liquid money market, high exchange rate flexibility and public monetary concentration.

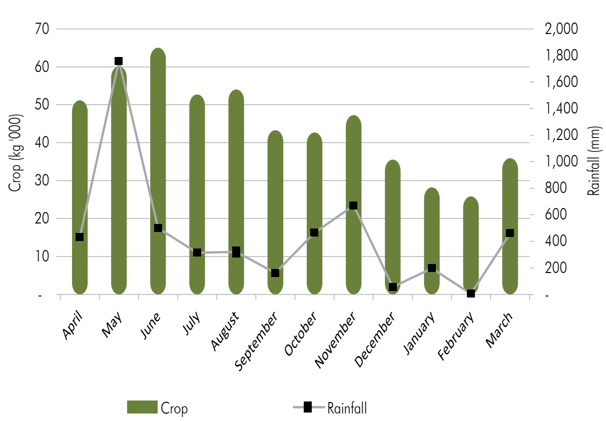
Rubber
Crop Vs Rainfall



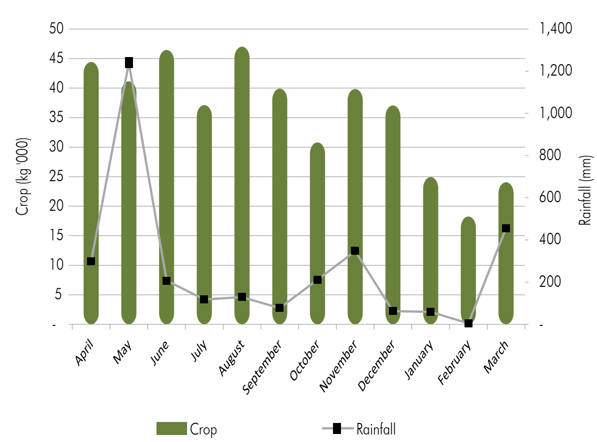
Tea
Crop Vs Rainfall - Udapussellawa Region



Tea
Crop Vs Rainfall - Doteloya Estate

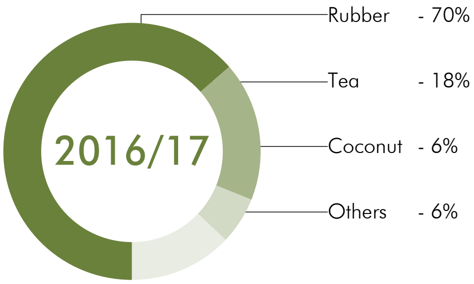


Tea
Crop Vs Rainfall - Yataderiya & Parambe Estates

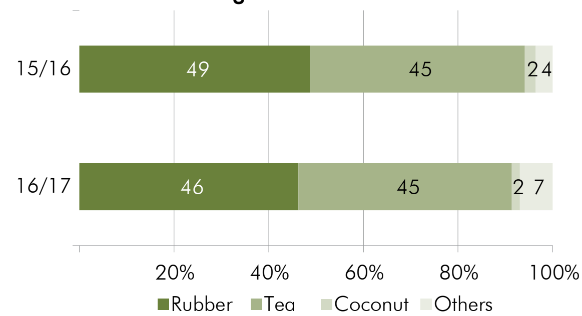


SEGMENTAL INFORMATION

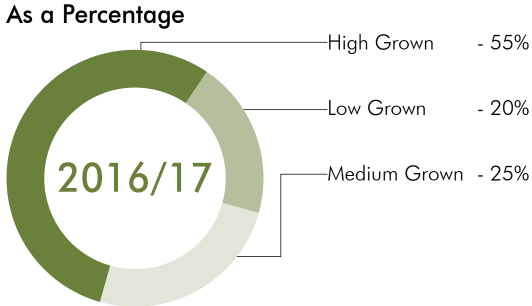
Cultivated Extent
As a Percentage



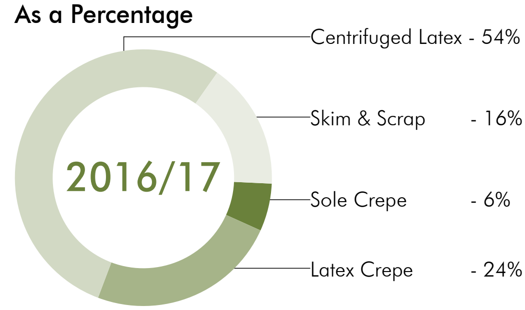
Turnover
As a Percentage



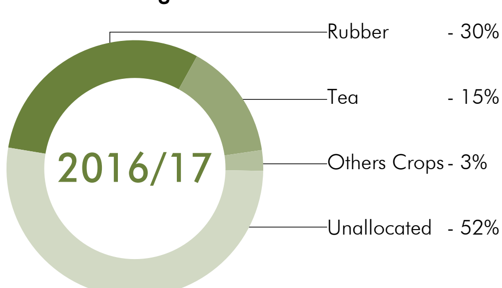
Tea Mix
As a Percentage



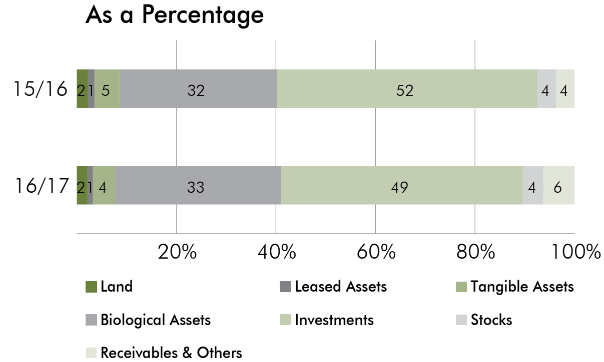
Rubber Mix
As a Percentage



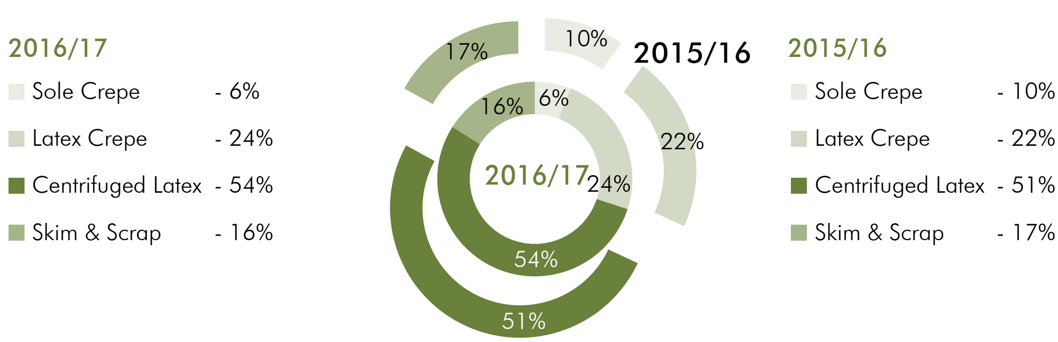
Segmental Asset
As a Percentage



Utilization of Resources
As a Percentage



Rubber Mix - 2016/17 Vs 2015/16



RUBBER

			2016/17	2015/16	2014/15	2013/14	2012/13	2011/12	2010/11	2009/10
Production	-	kg'000	3,742	3,353	3,534	4,016	4,076	4,155	4,082	4,578
NSA	-	Rs./kg	276.34	274.04	291.26	353.16	415.14	459.76	481.15	279.12
COP	-	Rs./kg	248.13	249.26	261.23	254.21	257.27	247.47	207.24	177.47
Yield	-	kg /ha	998	872	883	1,011	977	1,016	936	976
Revenue Extent	-	ha	3,224	3,489	3,535	3,591	3,653	3,764	3,798	3,971

TEA

PRODUCTION - Kg '000		2016/17	2015/16	2014/15	2013/14	2012/13	2011/12	2010/11	2009/10
Uva	Elevation	1,191	1,286	1,074	1,143	1,065	1,364	1,428	1,109
Medium		542	583	523	600	549	652	630	634
Low		431	505	496	500	548	614	715	736

NSA - Rs./Kg		2016/17	2015/16	2014/15	2013/14	2012/13	2011/12	2010/11	2009/10
Uva	Elevation	460.53	365.93	381.53	380.19	361.39	282.39	307.23	324.06
Medium		467.95	356.95	413.35	436.38	383.36	311.66	341.69	361.08
Low		482.48	373.23	416.60	427.58	375.62	323.62	356.75	368.73

COP - Rs./Kg		2016/17	2015/16	2014/15	2013/14	2012/13	2011/12	2010/11	2009/10
Uva	Elevation	457.05	409.88	449.37	415.00	405.49	353.47	289.30	316.82
Medium		408.53	360.25	368.09	374.81	329.34	291.77	285.17	287.61
Low		440.56	381.36	401.52	400.23	371.36	299.73	303.27	302.14

YIELD - Kg/ha		2016/17	2015/16	2014/15	2013/14	2012/13	2011/12	2010/11	2009/10
Uva	Elevation	677	806	858	1,021	840	1,023	1,126	952
Medium		1,356	1,265	1,582	1,652	1,690	1,746	1,573	1,413
Low		1,001	1,068	1,178	1,204	1,337	1,445	1,396	1,255

REVENUE EXTENT - ha		2016/17	2015/16	2014/15	2013/14	2012/13	2011/12	2010/11	2009/10
Uva	Elevation	967	952	952	952	951	946	956	972
Medium		178	177	173	173	173	174	184	189
Low		148	150	149	149	148	148	149	157

COCONUT

			2016/17	2015/16	2014/15	2013/14	2012/13	2011/12	2010/11	2009/10
Production	-	nut'000	1,471	1,559	1,549	1,596	1,713	1,731	1,413	1,572
NSA	-	Rs./nut	24.11	31.95	31.71	32.62	23.31	26.78	26.45	17.99
COP	-	Rs./nut	16.57	14.69	15.15	13.16	13.23	15.17	13.37	10.62
Yield	-	nut /ha	3,241	3,569	3,379	3,652	4,205	4,268	3,582	3,986
Revenue Extent	-	ha	454	437	437	437	408	406	394	394

REVIEW OF OPERATIONS

Kegalle Plantations PLC's estates are located in the geological districts of Kegalle in Sabaragamuwa Province, Kurunegala in North Western Province and Badulla (Udapussellawa) in Uva Province. Whilst Rubber estates are in Kegalle and Kurunegala Districts, tea estates are in Udapussellawa, Kegalle and Dolosbage.

The rainfall received in the rubber areas are 3,068 mm during 158 wet days whilst the tea estate areas received fever rainfall in 2,782 mm in 119 days.

The Company, in addition to the estates crop, Green Leaf and rubber latex are purchased from the small holders as an estate village integration Programme.

RUBBER SEGMENT

The Company experienced trade union actions over the demand for wage increase, which ultimately resulted in their favour with an increase of 17% against the prevailed rate. The labour component on Cost of Production is around 70% which increased further, thus providing a negative impact on rubber production and an increase in the Cost of Production.

The Rubber market too behaved in an erratic manner although a marginal increase of 3% was shown compared to the previous year. But in compare to that of 2014/2015 season the realized price showed a negative variance of 2.5%. This trend was due to declining Crude Oil prices and fever demand for Natural Rubber locally and internationally.

Production

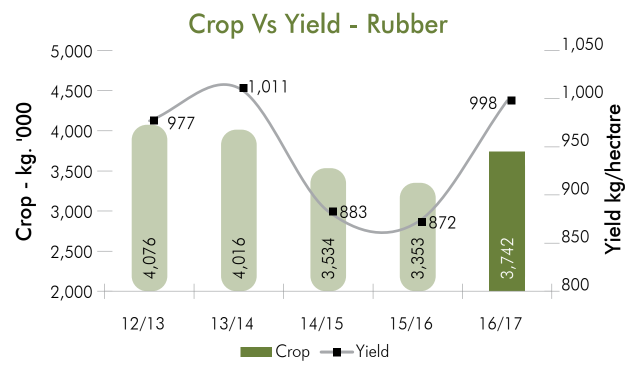
The actual production for the season at 3.742 mn kilos compared to the previous year production of 3.353 mn kilos, denoted an increase of 12%. This was possible despite the obstacles of loss of man-days due to trade union actions, a reduction of 264.35 hectares of rubber uprooted for replanting and landslides due to inclement weather conditions in the month of May 2016.

The National Production had dropped to 79 mn kilos during the period as per the Rubber Development Department Statistics and Annual Report 2016 by Central Bank of Sri Lanka. The Company contribution was 5% of the National Production.

The YPH recorded by Kegalle Plantations PLC., for the period is 998 kilos which is 14% above the previous year and 17% higher than that of National Yield Per Hectare which is recorded as 851 kilos, declared by the Rubber Development Department for the season.

These achievements were possible due to stringent controls adopted by the team of Management of the Company to secure high intakes from tapping operations and monitoring tapper outturn regularly. The recorded intakes for the season denote as 6.5 kilos and this shows a positive variance of 8% over that of last season.

The current season revenue extent Rubber was 3,224 hectares against the previous year extent of 3,489 hectares denoting 8% drop. Factoring the same the achievements could be reported commendable.

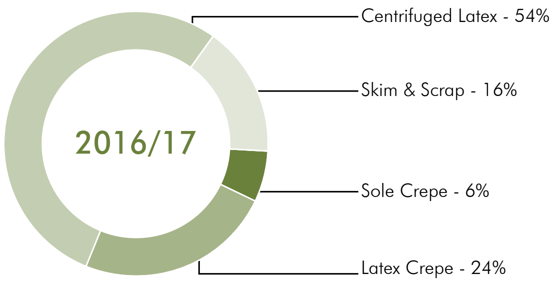


Product Mix

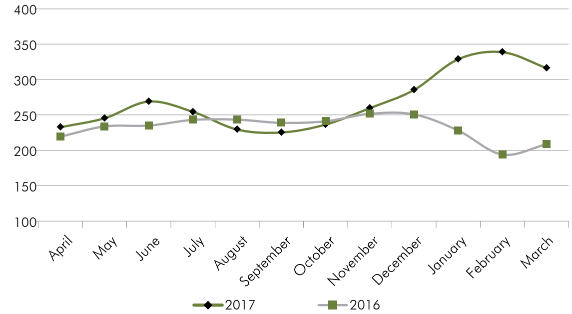
Kegalle Plantations PLC., maintains the same product mix as previous year with high emphasis was made for Sole Crepe production in spite of very low demand Internationally for the same Grade. We are pleased to report that when the Country almost lost the Sole Crepe market we managed to convert 6% of our production or 233,266 kilos as Sole Crepe for a special export market. The major part of our crop was converted to Centrifuged Latex that was marketed for value added product, this accounts to 54% of the Company production. Further 24% of our production was marketed in the Foam of Crepe Rubber through Colombo Auctions and through Forward Contracts. The balance 16% accounts to Skim and Scrap Crepe Rubber that too were marketed through Colombo Auctions and through Forward Contracts.

Product Mix (%)	2017	2016
Sole Crepe	6	10
Latex Crepe	24	22
Centrifuged Latex	54	51
Skim & Scrap	16	17
Total	100	100

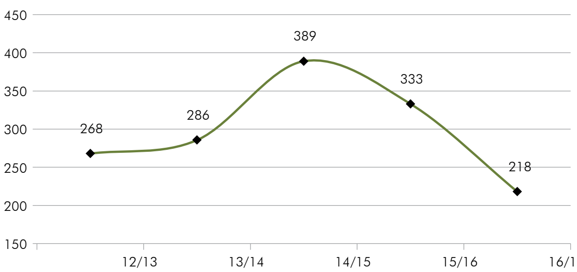
Product Mix - Rubber



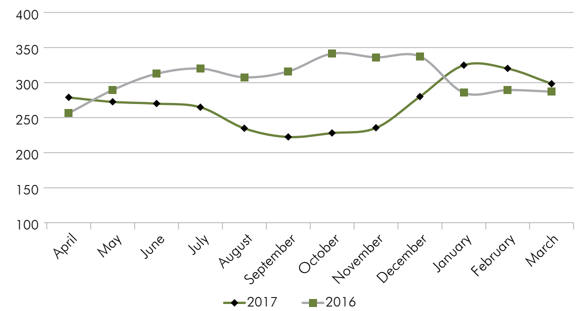
Colombo Auction Rubber Price - RSS.1
In Rupees per kilo



Direct Export - Rubber
In metric tons



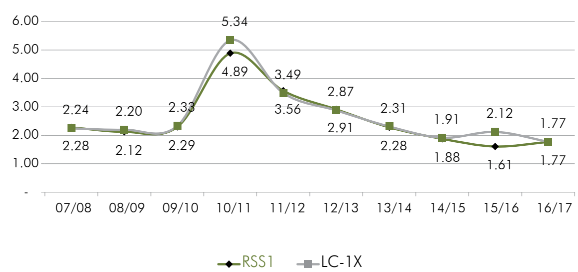
Colombo Auction Rubber Price - LC.1X
In Rupees per kilo



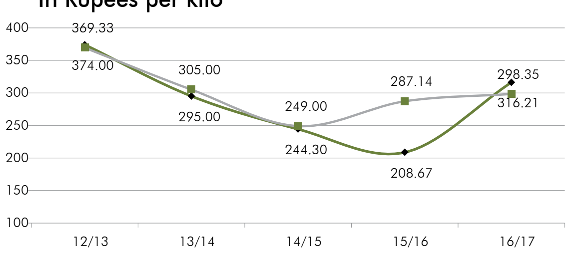
Rubber Prices

During the season concluded, the average Crepe Rubber prices were at Rs. 269/- per kilo for 1X Grade and the Off Grades were sold at Rs. 224/- per kilo. The No 1 RSS price was maintained at an average of Rs. 268/- and the 3X Brown Scrap Crepe average prices were around Rs. 208/-. The Skim Rubber realized only Rs. 183/- as an average for the period under review. The Company was able to achieve a NSA of Rs. 276.34 per kilo during this period mainly due to the contribution made from the Sole Crepe Exports.

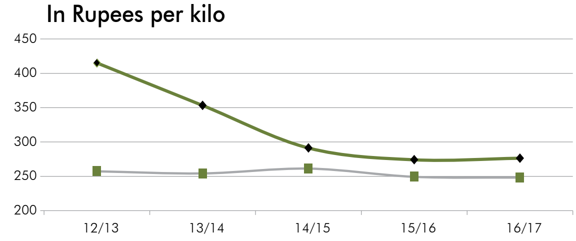
Rubber Market Prices
In Dollars per kilo



Colombo Auction Averages
In Rupees per kilo

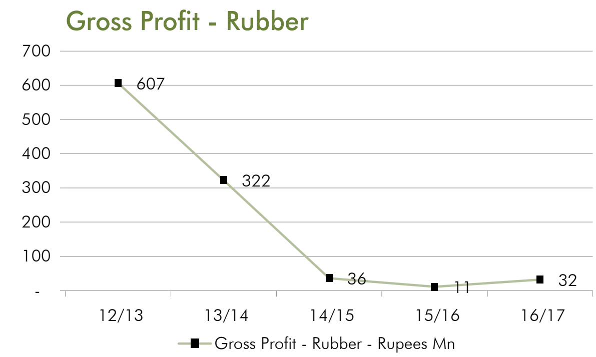


NSA Vs COP - Rubber
In Rupees per kilo



Profitability

The Gross Profit recorded was Rs. 32 mn from which this sector recorded an increase of 198% against last season Rs. 10.8mn gross profit, despite the obstacles of 17% increase in Labour Wages, material cost and the stringent controls made in outgoings and improved tapping intakes.



Market Outlook

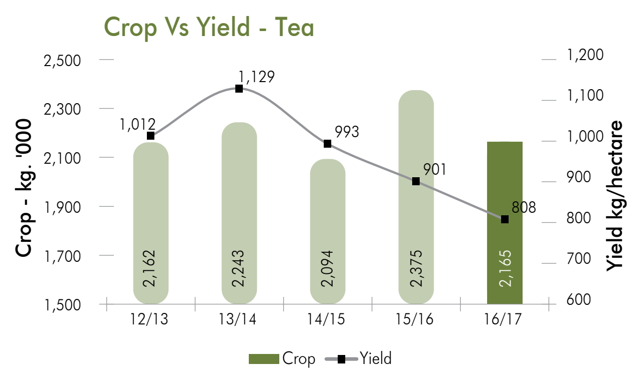
With continuous Crude Oil prices fluctuating negatively and increased production of Natural Rubber in South East Asian Countries' the prices are not expected to move upward in the near future. However, if Chinese markets reopened, there will be a possibility the market to improve towards the 3rd and 4th quarter of the new season. If the Sri Lankan Government brought restrictions on importation of Natural Rubber to BOI industries, an improvement in prices locally could also be seen.

Although the Dollar has fluctuated positively during the season similar improvement was not seen in the Rubber market. However, the Dollar appreciation has affected our input raw materials such as Fertilizer and Processing Chemicals.

TEA SEGMENT

With changing of world affairs and political scenarios associated with low production in Kenya. Sri Lankan teas once again got an edge over the others to sustain the industries. The prices realized in the 3rd and 04th quarter for all elevations of tea were attractive and encouraging. The price impact was related to currency fluctuation and supply and demand. Although, Sri Lanka was historically producing over 329 mn kilos annually was dropped down to 293 mn kilos denoting a 11% drop in production. All elevations tea productions were reported below corresponding period of last season and the previous. Weather factor was the major impact and the trade union actions associated with the demand for increased Labour Wages too had an impact.

The 01st and 2nd quarters of the year tea prices were stagnating in par with the previous prices. However, at the beginning of 3rd quarter price improvements in all Grades of teas of all elevations were recorded in the tea market. The production of tea at 2.165 mn kilos recorded a drop of 9% against the crop of 2.375 mn kilos last season. This impact was due to inconsistent weather patterns prevailed in the tea growing areas, especially in the Uva Sector. The continuous drought that prolonged for a period of 5 ½ months from May 2016 to October 2016 was the main contributory factor. In addition the high day temperatures and blowing made further destruction to crop harvest. However the Mid Grown tea estate was able to increase the crop intake with a YPH of 1,356 as against the YPH of 1,265 last season.

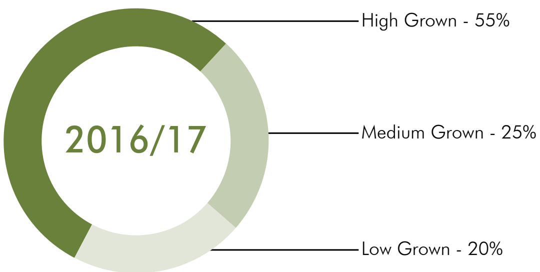


Product Mix

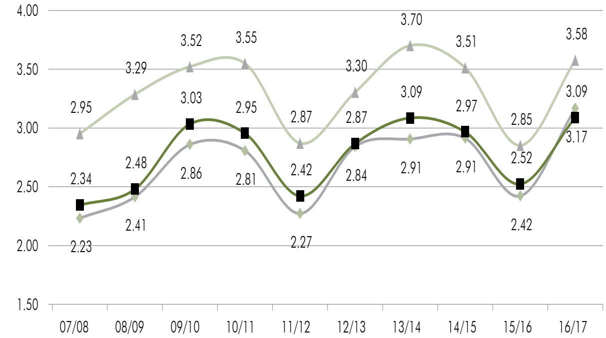
Out of the total production of the Company the High Grown Uva accounts for 55% and Mid Grown 25% and the balance 20% comes from the Low Grown region. The demand in general in the tea market was for leafy grades for which the estates were equipped. However the prices of small leaf grades moved upwards unexpectedly in the second half and therefore the estates gradually increased the category upto 30%.

Product Mix - Tea	2017	2016
Uva High	55%	54%
Western Medium	25%	25%
Low Grown	20%	21%
Total	**100%**	**100%**

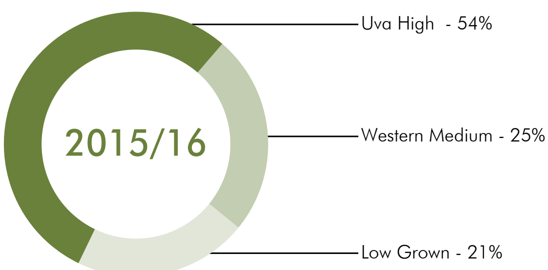
Product Mix - Tea



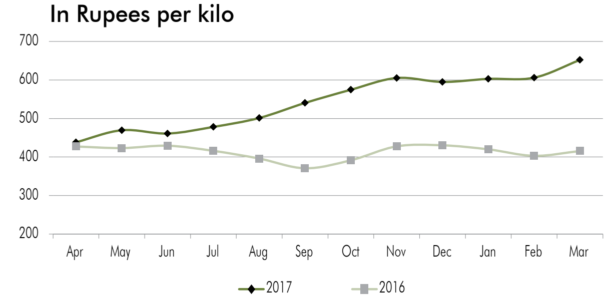
Tea Market Prices
In Dollars per kilo



Product Mix - Tea



Colombo Auction Tea Price - Low Orthodox
In Rupees per kilo

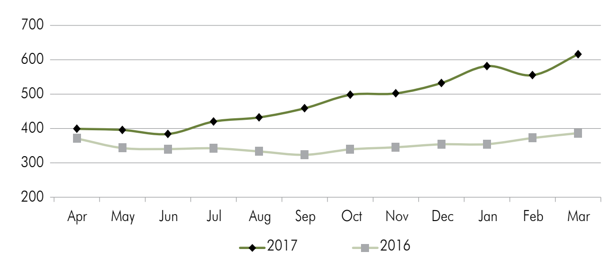


Market Outlook

The tea market as explained earlier, behaved differently in the 01st and 2nd half of the year. The demand during the 01st six months was only for selected well-made teas of Low Grown. However, during the second half this trend changed completely and the prices of all elevations moved up narrowing the price differences between well-made and average made teas.

The change in the market trend was due to short supply of tea with a drop in production in Kenya, appreciation of Dollar and the increased demand in the Middle East buying Countries for Sri Lankan teas following the stable political environment in those countries.

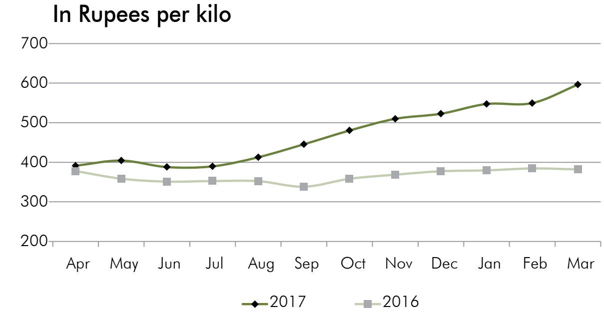
Colombo Auction Tea Price - Uva High
In Rupees per kilo

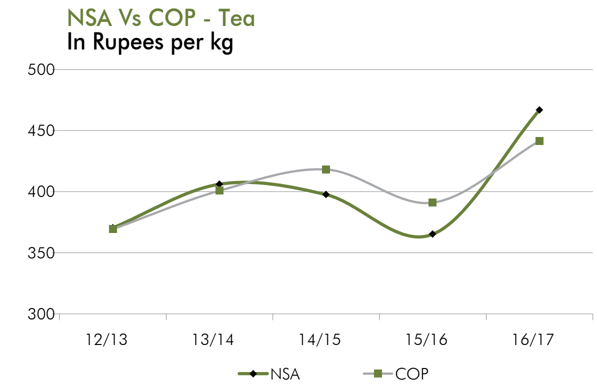


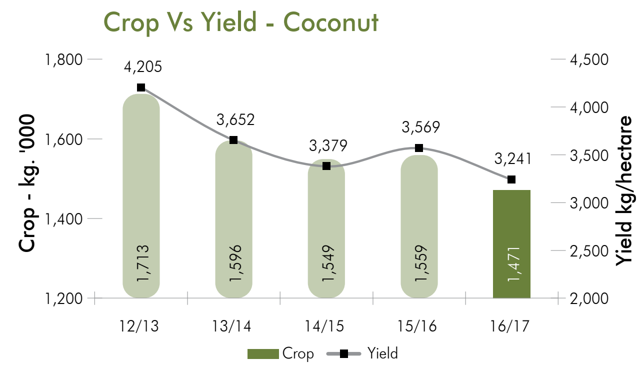
Top Prices

It is pleasing to report that our estates were able to achieve Top Prices on 301 occasions during the season out of which Kirklees Estate recorded two all-time records for Dust No. 1 Grades. Kirklees Estate has recorded the most denoting 137 times and the second highest is Gampaha Estate with 97 top prices and Luckyland Estate achieving 41 Top Prices.

Colombo Auction Tea Price - Western Medium
In Rupees per kilo



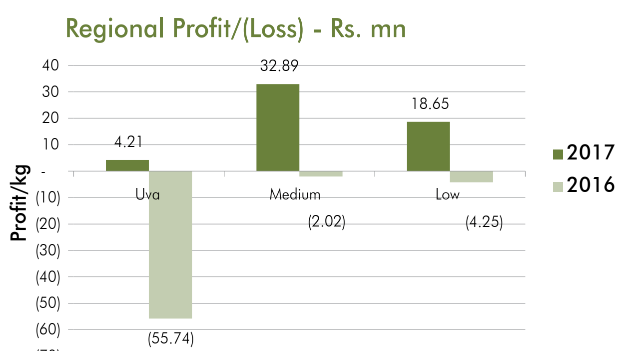




Profitability

The turnover from the tea sector increased to Rs. 1.030 bn compared to Rs. 0.87 bn in the previous year, denoting an improvement of 17% over the previous year. This was possible mainly due to the improved tea prices. Similarly the gross profit for the season reported at Rs. 23 mn and compared to the loss of Rs. 95 mn last season, which is an increase of 124%.

This was possible despite the wage increase of 17% and the increase in cost of materials. The stringent controls on Labour utilization and other input costs by the team of Management to reduce the Cost of Production need to be commended.



COCONUT SEGMENT

Production

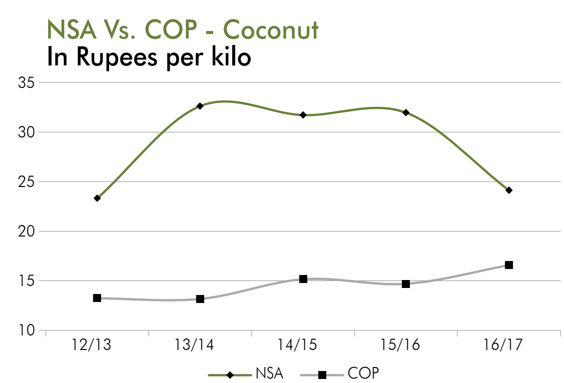
Coconut is the 03rd highest revenue initiated crop for Kegalle Plantations PLC, and it accounts 9% of the total revenue extent. The production recorded for the current season denotes a 6% drop over the previous season. The adverse effect is mainly due to the erratic weather prevailed during the 03rd and 4th quarters of the season.

Prices

Due to the low demand for Virgin Coconut Oil the demand for Coconut dropped and as a result the market prices upto the 3rd quarter of the year was stagnant at around Rs. 20/- per nut. However, with the drop in production from December 2016 onwards the prices escalated, recording upto Rs. 40/- per nut in the auctions. Market indications are that the prices may ascend or remain at the current level due to the drop in production which will continue following the inclement weather patterns prevailed.

Cost of Production

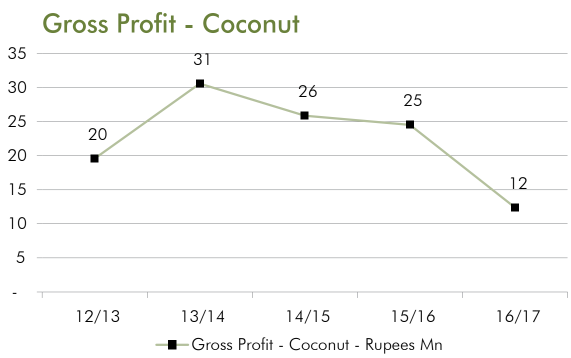
The cost of production per nut was maintained at Rs. 16.57 against Rs. 14.69 in the previous season. Here again the increase of 13% is mainly due to the wage increase of the workers and other material cost such as fertilizer etc.



Profitability

The recorded profit per nut reported at Rs. 7.54 due to the low NSA recorded at Rs. 24.11 in the current season. The previous season NSA was Rs. 31.95. The low profit margin is recorded due to the drop in NSA.

In spite of the inevitable increase in input costs of Labour Wages, material and shortfall in Crop this segment recorded a profit of Rs. 12 mn as against Rs. 24 mn last season. The shortfall is mainly due to drop in NSA and harvest of crop.



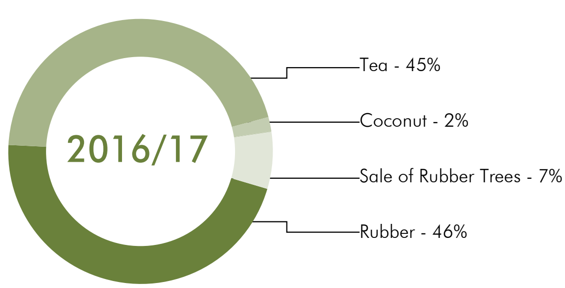
OTHER SEGMENTS

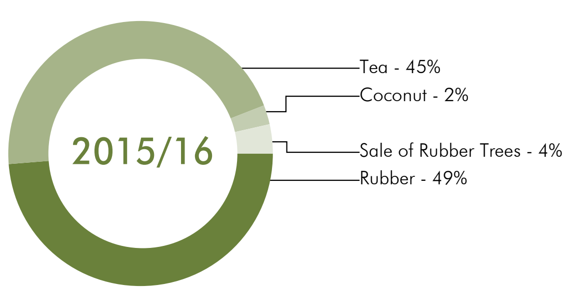
Kegalle Plantations earned Rs. 157 mn from Sale of Rubber trees and Rs. 2 mn as profit derived from other small crops for the year under review.

OVERALL REVENUE SEGMENTS

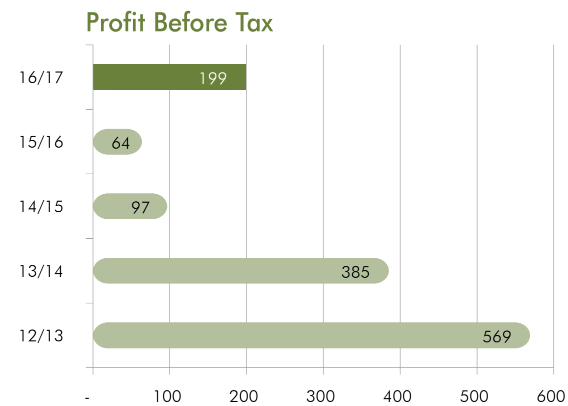
Revenue Drivers (Rs.'000)	2016/17	2015/16
Rubber	1,057	942
Tea	1,030	877
Coconut	39	45
Other Crops	2	1
Sale of Rubber Trees	158	68
Total Revenue	**2,287**	**1,933**

Revenue Drivers





OVERALL PROFITABILITY



The profit recorded for the year after tax is Rs. 199 mn where the growth rate is over 210% compared to last year. Gross Profits generated from Rubber, Tea and other Crops recorded significant, amounting to Rs. 227 mn compared to last year of Rs. 64 mn.

All Segment Results - Gross Profit (Rs.'000)	2016/17	2015/16
Rubber	32,187	10,817
Tea	23,318	(95,371)
Coconut	12,355	24,522
Other Crops	2,098	483
Sale of Rubber Trees	157,236	67,835
Total Gross Profit	**227,194**	**8,287**

INVESTMENTS

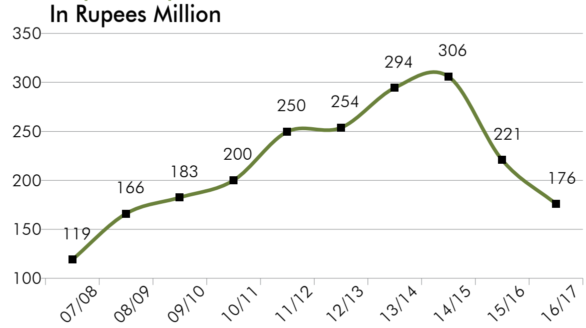
The main business of the Company relates with rubber, tea and coconut production. Therefore, the Company's objective is to maintain the respective fields as per the standards. Fulfilling this objective the management has invested Rs. 176 million on fixed assets – Field Development, property, plant and equipment.

Rs. 139 million on rubber, Rs. 23 million on tea and Rs. 1 million on coconut were invested on replanting & maintenance in the year under review. Furthermore, Rs. 10 million was invested on the timber/fuel wood plantations and Rs. 3 was spent on property, plant and equipments of the Company.

Sector	16/17	15/16	14/15
Rubber	139	175	206
Tea	23	32	43
Coconut	1	1	0.25
Timber/Fuel Wood	10	11	14
PPE	3	2	43
Total Capex	**176**	**221**	**306**

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

Capital Expenditure
In Rupees Million



Comparative Economic Indicators

For the Year Ended 31 December		2015	2016	Change %
Gross Domestic Product				
GDP at Current Market Price	Rs. bn	10,952	11,839	8.1
Real GDP Growth	%	4.8	4.4	(8.3)
GDP Deflator	%	0.8	3.6	350.0
Agriculture Crops				
Rubber	Rs.mn	14,218	10,643	(25.1)
Tea (Green Leaves)	Rs.mn	75,746	82,321	8.7
Growing of Oleaginous Fruits (Coconut/King Coconut/Oil Palm)	Rs.mn	95,573	70,860	(25.9)
Agriculture Production Index (2007-2010 = 100)				
Agriculture Crops				
Rubber		66.0	59.0	(10.6)
Tea		105.5	93.9	(11.0)
Coconut		107.9	106.3	(1.5)
Agriculture Crops				
Rubber				
Production	kg mn	88.6	79.1	(10.7)
Total Extent	ha'000	137	136	(0.7)
Extent under Tapping	ha'000	108	93	(13.9)
Cost of Production	Rs./kg	170.00	180.00	5.9
Average Price				
Colombo Auction - RSS1	Rs./kg	248.17	239.28	(3.6)
Export - FOB	Rs./kg	342.03	294.33	(13.9)
Replanting	hectares	621	591	(4.8)
New Planting	hectares	769	592	(23.0)
Value added as % of GDP		0.3	0.3	-
Tea				
Production	kg mn	328.8	292.6	(11.0)
Total Extent	ha'000	203	203	-
Extent Bearing	ha'000	195	195	-
Cost of Production	Rs./kg	458.84	469.24	2.3
Average Price				
Colombo Auction	Rs./kg	401.46	473.15	17.9
Export - FOB	Rs./kg	593.08	639.88	7.9
Replanting	hectares	1,226	1,044	(14.8)
New Planting	hectares	495	115	(76.8)
Value added as % of GDP		0.8	0.7	(12.5)
Coconut				
Production	nuts mn	3,056	3,011	(1.5)
Total Extent	ha'000	455	466	2.4
Cost of Production	Rs./nut	16.39	16.70	1.9
Average Price				
Producer Price	Rs./nut	33.88	32.13	(5.2)
Export - FOB h	Rs./nut	54.54	41.16	(24.5)
Replanting / Under Planting	hectares	4,919	5,000	1.6
New Planting	hectares	14,408	10,996	(23.7)
Value added as % of GDP		0.8	0.7	(12.5)

Source: Annual Report 2016 - Central Bank of Sri Lanka

FINANCIAL REVIEW

The reporting financial year for Kegalle Plantations PLC has been a challenging year due to many adverse influences from the external environment. Prolonged drought condition influenced the agricultural operations of the Company. Despite such adverse impacts the Company was able to achieve a sound financial standing in the financial year 2016/2017.

Rubber

The national rubber production declined for the fifth consecutive year and reported the lowest production volume reported in the last 50 years. Annual rubber production declined by 10.7 per cent. Such a decline in the rubber industry was experienced mainly due to the reduction of both the extent under tapping and the number of tapping days, in response to the lower prices mainly in the smallholder sector.

Despite the declining trend in the rubber industry, the Company recorded a production of 3,742 metric tons of rubber during the year with a 12 per cent increase in comparison to 3,353 metric tons in 2015/2016. The net sales average (NSA) of rubber also experienced an increase from Rs. 274.04 in 2015/2016 to Rs. 276.34 in 2016/2017 speaking to 1 per cent increase over the corresponding year. The combined effect of the increased production volume and the improved NSA contributed towards the total revenue of Rs.1.05 billion in 2016/2017, recording an increase of 12 per cent in comparison to the revenue of Rs. 942 million in 2015/2016.

Even though the adverse weather condition exerted a negative impact towards the operations of the Company, the Company was able to maintain its cost of production at a relatively constant level. During the year under review, cost of production per kg was Rs. 248.86 compared to Rs.249.26 in 2015/2016.

Accordingly, the Company was able to record a gross profit of Rs. 32.2 million from rubber in 2016/2017 indicating a two fold increase against the gross profit of Rs. 10.8 million in 2015/2016. Such a considerable improvement in the rubber sector was mainly driven by the increased production, increased NSA and relatively low cost of production.

Tea

The national tea production witnessed a substantial decline in 2016/2017 for the consecutive third year due to both supply and demand side factors. Total tea production in this year declined by 11.0 per cent to 292.6 million kilograms from 328.8 million kilogram last year.

The operations of the tea business of KPL unfolded a pattern which was in conformity with the national behavior of the tea industry. Accordingly, the production of tea declined to 2,165 metric tons in 2016/2017 indicating a reduction of 9 per cent in comparison to the production of 2,375 metric tons reported in 2015/2016. Such a decline has mainly been driven by the adverse weather conditions such as prolonged droughts. In spite of such a decline in the production of tea in 2016/2017, the Company recorded an increase in revenue in comparison to the year 2015/2016 due to the increase of NSA from Rs. 365.23 in 2015/2016 to Rs. 466.81 in 2016/2017, speaking to a 27.8 per cent increase between these two time periods.

The cost of production at Rs. 441.56 per kg recorded a 13 per cent increase compared to previous year of Rs. 391.05 per kg. Even though the cost of production increased compared to the last year, the Company was able to record a gross profit of Rs. 23.3 million in 2016/2017 in comparison to the gross loss of Rs. 95.4 million reported in 2015/2016. In spite of unfavorable conditions prevailed in the industry, the Company was in a position to achieve a sound financial standing in 2016/2017 relating to the tea business.

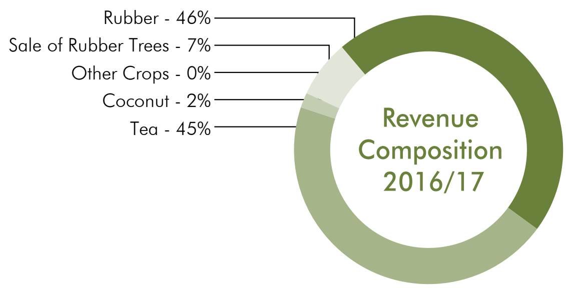
Operating Highlights

	2016/17 Rs.'000	2015/16 Rs.'000	Variance Rs.'000	Variance %
Revenue	2,287,161	1,933,063	354,098	18%
Cost of Sales	2,059,968	1,924,776	135,192	7%
Gross Profit	227,193	8,287	218,906	2,642%
Net Profit - Group	330,112	135,015	195,097	145%
Net Profit - Company	217,263	101,330	115,933	114%

During the period under review, KPL recorded gross profit of Rs. 227.2 million speaking to over 20 fold increase Compared to the gross profit of Rs. 8.3 mn reported in 2015/2016. The proportionate increase of 18.32 per cent in the revenue has mainly influenced in achieving such improved financial performance. In addition to the increase in revenue, significant improvement in margins during relevant two financial periods also contributed towards increase in the gross profit compared to the previous year.

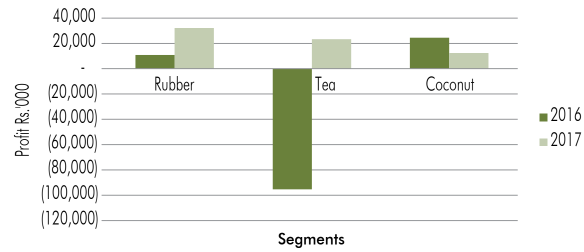
As a result of the improved gross profit, the net profit of the Company has increased by 114 per cent compared to the last year , and the Group's net profit also increased by 145 per cent compared to the last year.

Revenue



Segmental Profit - 2017

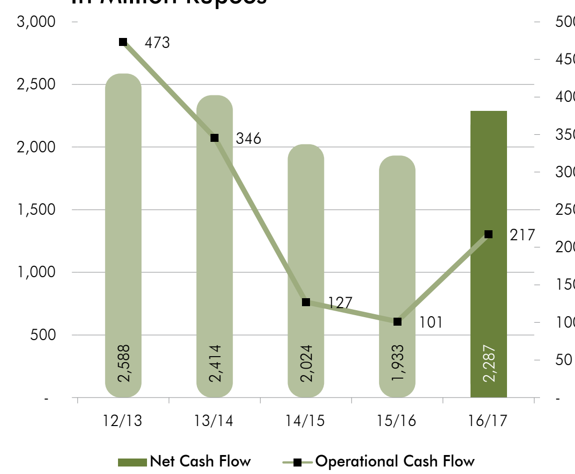
In Thousand Rupees



Despite of various global and local challenges, the Company was able to achieve combined revenue of Rs. 2.29 billion in 2016/2017 which indicates 18 per cent increase in comparison to the revenue of Rs. 1.93 billion in 2015/2016. Such an increase has mainly been driven by increase in turnover in the segments of rubber, tea, other crops and sale of rubber tree which reported proportionate increases of 12 per cent, 17 per cent, 345 per cent and 131 per cent respectively.

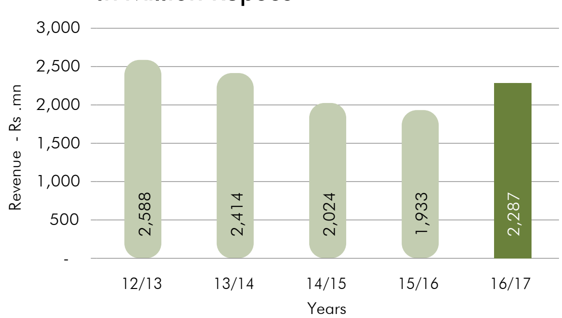
Revenue Vs Profit After Tax

In Million Rupees



Revenue Overlook

In Million Rupees



Profitability

Gross profit for the year indicated an increase of 2,642 per cent over the previous year as a result of the improved financial performance achieved in certain business segments in comparison to the previous year. Specially, the tea segment of the Company's operation recorded a gross profit of Rs. 23.3 million this year compared to a gross loss of Rs. 95.4 million reported in last year. Due to the increases in the revenue in the segments of tea, rubber and rubber trees sale along with the increases in gross margins compared to the previous year, net profit of the Company reported an increase of 114 percent to report Rs. 217 million compared to the previous year.

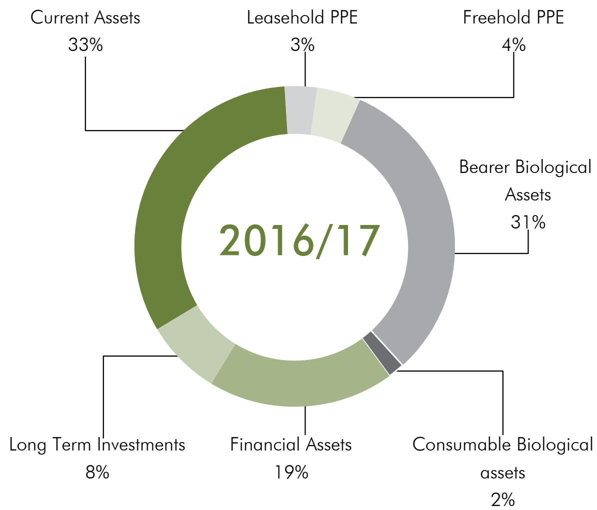
The finance income was Rs. 199 million which is a 9 per cent decrease compared to the previous year. The finance cost has increased by 30 per cent compared to the previous year mainly due to the utilization of short term facilities and the higher level of interest rates prevailed in the economy during the period under review.

Assets Base

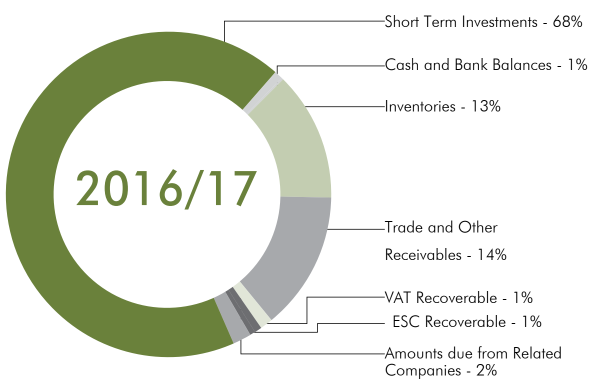
The asset base of the Company has increased by 0.72 per cent to 6.404 billion in 2016/2017 from 6.358 billion in 2015/2016. The increase in the non-current asset base has mainly driven the increase in the total asset base. Non-current assets of the Company has increased by 3 per cent to Rs. 4.32 billion from Rs. 4.19 billion. The largest portion of the non-current assets consists of bearer biological assets recording Rs. 2.02 billion which is a 6 per cent increase compared to the last year due to investment in field development activities amounting to Rs. 172.8 million which lead to increase yield of the Company in the future.

The current asset base of the Company declined to Rs.2.09 billion in 2016/2017 which is a reduction of 4 per cent in comparison to Rs. 2.17 billion in 2015/2016.

Composition of Assets



Current Assets



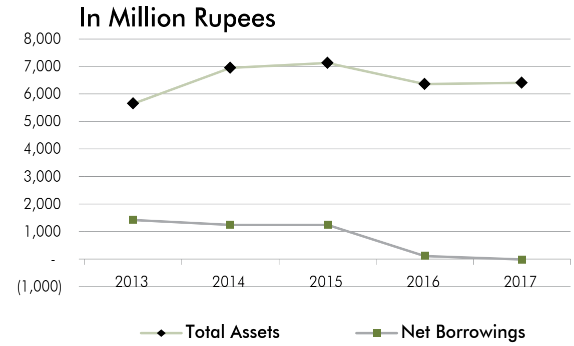
Net Assets per Share

During the year under review, net assets per share increased from Rs. 97.45 in 2015/2016 to Rs. 104.87 in 2016/2017 which indicates an increase of 8 per cent between these two time periods. The total assets increased by 0.72 per cent whereas total liabilities decreased by 4%. This has led to increase the net assets per share during the year 2016/2017.

Debt Position

Total debt (Gross borrowings) of the Company has decreased by 6 per cent to Rs. 2,576 million from Rs. 2,728 million reported in the prior year. Despite the 22 per cent reduction in non-current liabilities, the current liabilities increased by 27 per cent to Rs. 1,879 million.

Total Assets Vs Net Borrowings



Liquidity Position

The working capital of the Company recorded Rs. 210 million speaking to a 70 per cent reduction compared to last year amount of Rs. 692 million.The increase in current liabilities by 27 per cent while the decrease in current assets by 4 per cent compared to the previous year contributed towards the decrease in the overall liquidity of the Company compared to last year.

Cash Flows

Net Operating Cash Flows

During the year under review, the Company has experienced a negative net operating cash flow of Rs. 64 million which was Rs. 49.6 million positive in last year. Accordingly, net operating cash flows have decreased by 229 per cent compared to last year. Even though the net operating cash flows recorded a 229 per cent drop, the cash flows generated from operations have decreased only by 15 per cent compared to last year.

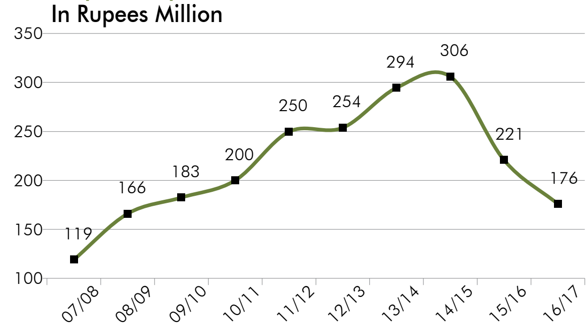
Cash Generated After Investing and Financing Activities

The Company has recorded a cash and cash equivalent balance of Rs. 425 million as at the year end.

Capital Expenditure

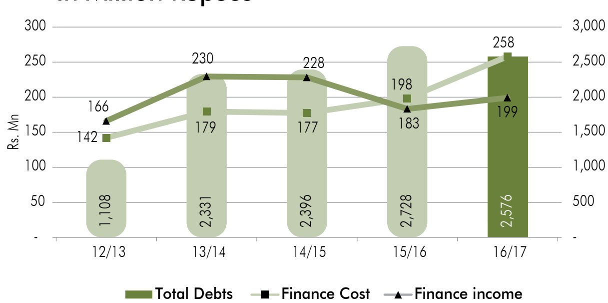
During the year, the Company has invested Rs. 173 million in the field developments inclusive of upkeep of immature plantations. During the year, Company invested Rs. 139 million on 218.2 hectares of rubber fields, Rs. 23 million on 13 hectares of tea fields developments. The investments on factory developments and acquisitions of property, plant and equipment amounted to Rs. 3.2 million.

Capital Expenditure
In Rupees Million

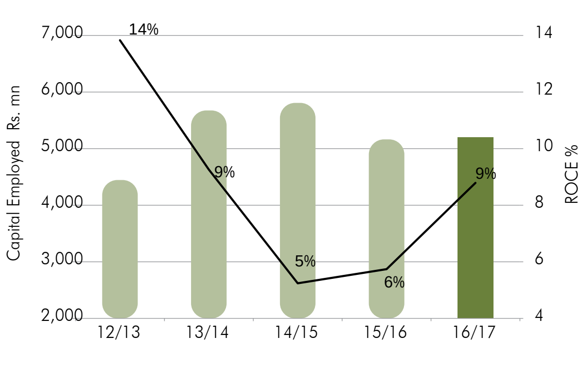


KPL has financed the above investments mainly through combination of cash flows from operations and borrowings.

Total Debts Vs Finance Cost and Finance Income
In Million Rupees



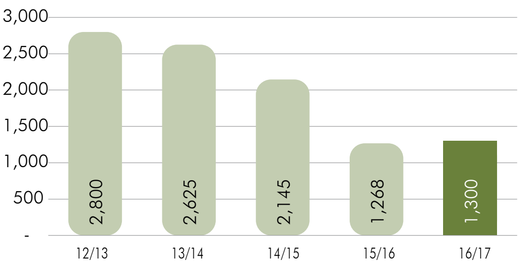
ROCE Vs Capital Employed



Market Capitalization

The market price of the KPL share stood at Rs. 52/- per share as at 31March 2017 against Rs. 50.70 per share as of 31 March 2016. The market capitalization was reported to be Rs. 1,300 million during the year indicating a reduction of 2.5 per cent compared to Rs. 1,268 million reported in the previous year.

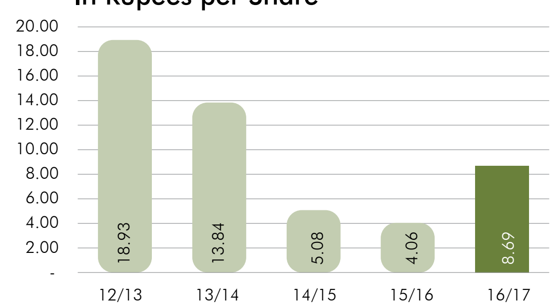
Market Capitalization
In Million Rupees



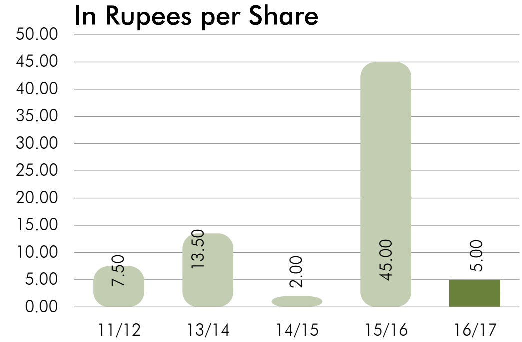
Earnings per Share (EPS)

The earnings per share recorded at Rs. 8.69 in 2016/2017 as against previous year of Rs. 4.06. The Company shares were traded at Colombo Stock Exchange at a price multiple of 5.98 times as of 31 March 2017.

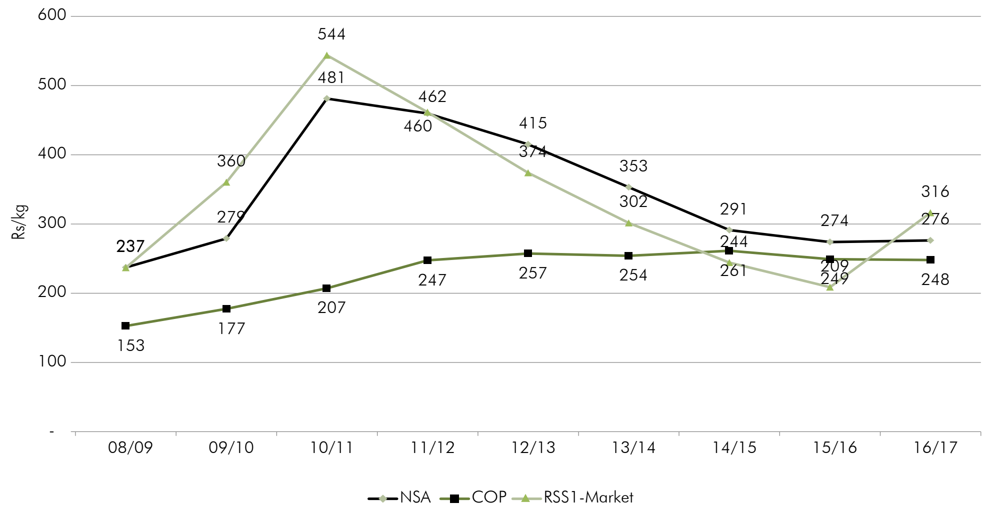
Earnings Per Share
In Rupees per Share



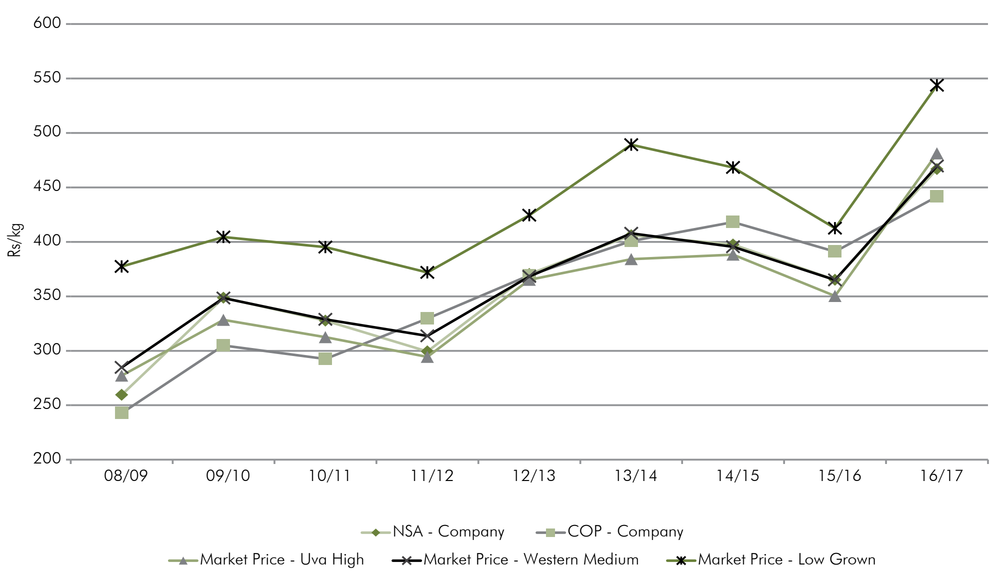
Dividends Per Share
In Rupees per Share



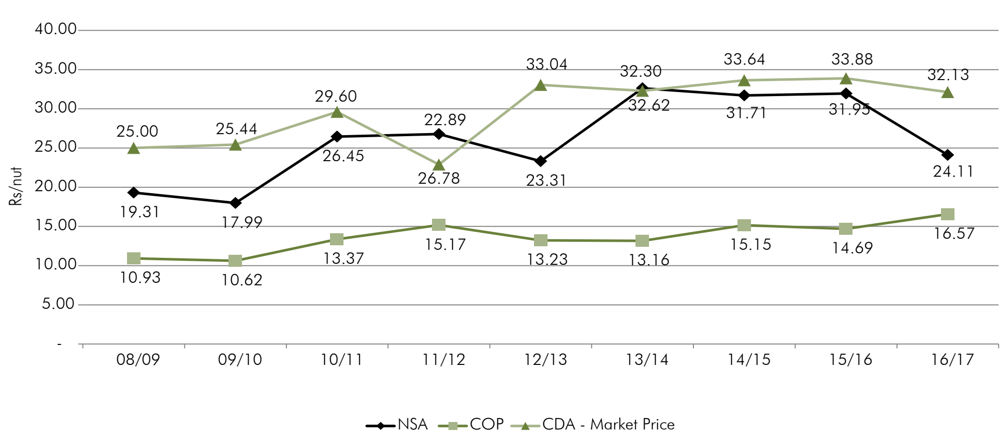
Net Sale Average Vs Cost of Production Vs RSS1 Price - Rubber



Net Sale Average Vs Cost of Production - Tea



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



PERFORMANCE MEASUREMENT

Quarterly Performance

Tabulated below is the quarterly performance of the Company.

		1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
Revenue	Rs. '000	510,121	563,487	493,061	720,492	2,287,162
Gross Profit/(Loss)	Rs. '000	(15,937)	56,332	49,397	137,401	227,194
Profit Before Interest & Tax	Rs. '000	25,064	93,700	86,308	252,203	457,276
Profit/(Loss) Before Tax	Rs. '000	(35,811)	27,072	18,703	189,210	199,175
Profit/(Loss) After Tax	Rs. '000	(36,413)	26,271	17,950	209,455	217,263
Earnings/(Loss) Per Share	Rs.	(1.46)	1.05	0.72	8.38	8.69
Net Asset Value Per Share	Rs.	98.16	99.21	99.92	104.87	104.87
Last Traded Market Price Per Share	Rs.	61.80	55.00	48.50	52.00	52.00
Highest Market Price Per Share	Rs.	72.50	61.50	58.00	60.00	72.50
Lowest Market Price Per Share	Rs.	51.00	54.10	45.00	46.50	45.00
Total Assets	Rs. '000	6,479,717	6,473,670	6,398,413	6,404,381	6,404,381
Total Equity	Rs. '000	2,453,884	2,480,155	2,498,105	2,621,695	2,621,695
Total Debt	Rs. '000	2,826,827	2,786,184	2,623,802	2,576,496	2,576,496
Debt Equity Ratio	%	54	53	51	50	50
Equity/Asset Ratio	%	38	38	39	41	41
Price Earnings Ratio	Times	(42.43)	52.34	67.55	6.21	5.98

Transforming from the Tradition...

Immature Phase

As many other crops this cultivation also go through this phase for a period of 03 years. During this period care and maintenance are very vital. Protection against rodents and other insects are very important. Since this palm is a vigorous growing plant, it requires high inputs of fertilizer. The initial inflorescences are terminated to keep the plant vigor improve.

This plant has two different inflorescences namely male and female, the pollination is done by a special weevil and not self-pollinated. After this phase the Palm reaching to the productive phase where the revenue is generated.

Continued in page no. 61...

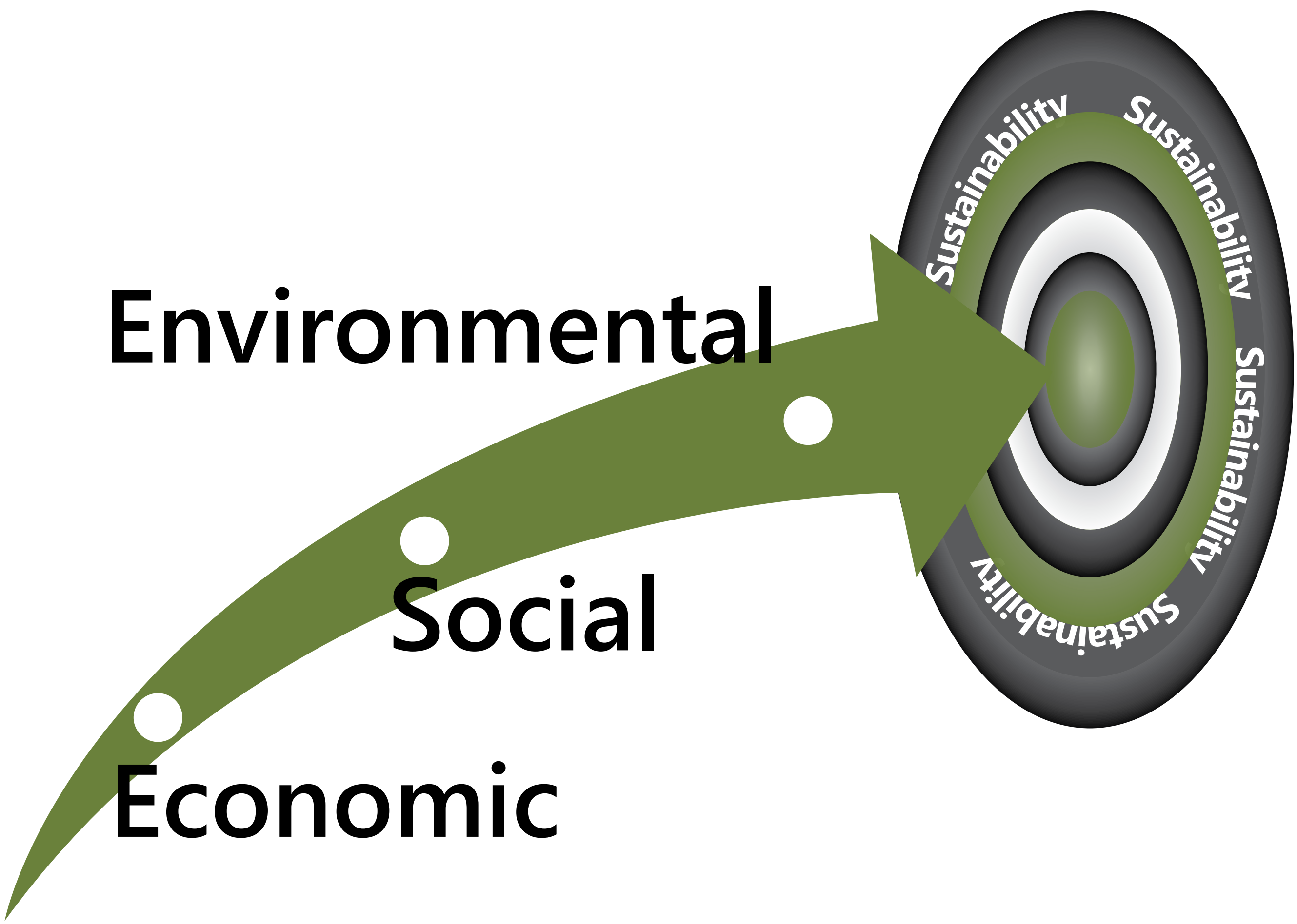
Sustainability Report

Contents

MANAGING OUR IMPACT

The Report

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

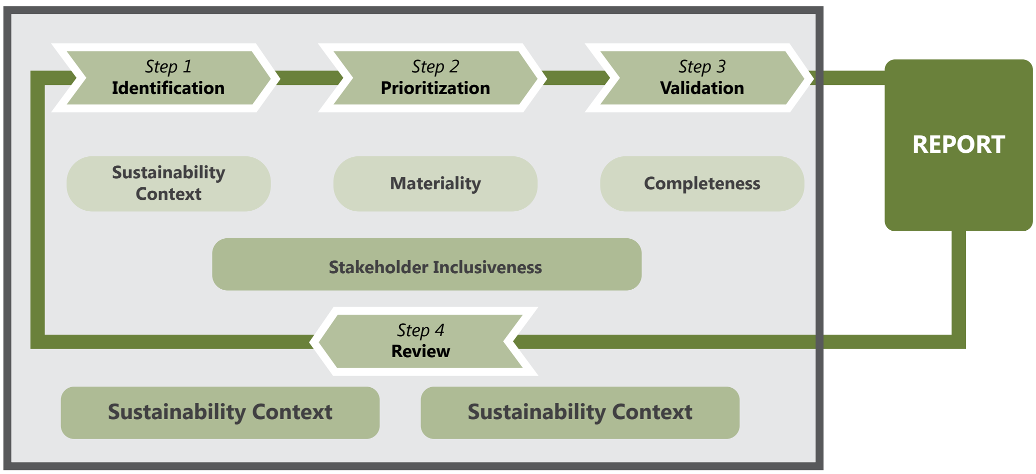


Kegalle Plantations PLC continued to recognize the living sustainably in subsisting within means of the natural systems that belong to nature and developing and meeting up the needs of present, without compromising the ability of future generations to meet their needs. The Company also believes that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

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

Identified Material Aspects & Boundaries

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



PRINCIPLES FOR DEFINING REPORT CONTENT

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

Stakeholder Inclusiveness

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

Sustainability Context

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

Materiality

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

Completeness

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

PRINCIPLES FOR DEFINING REPORT QUALITY

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

Balance

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

Comparability

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

Accuracy

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

Timeliness

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

Clarity

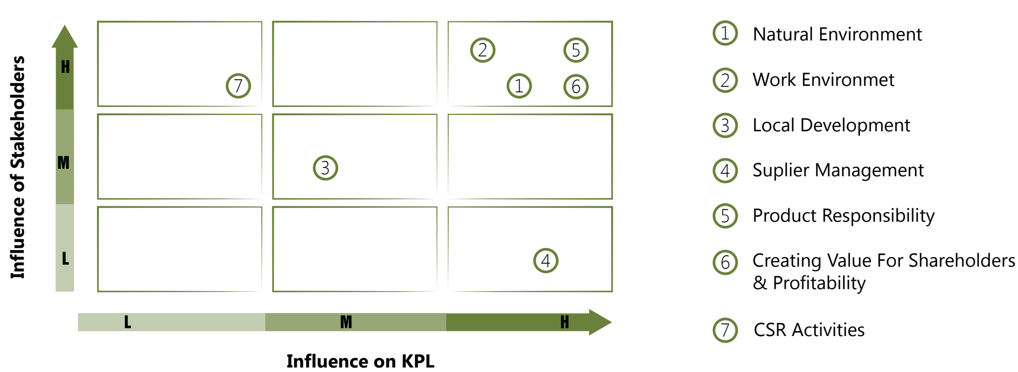
The report has presented information in a manner that is understandable and accessible to stakeholders using the report.

Reliability

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

Prioritization of Material Issues

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



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

ECONOMIC SUSTAINABILITY

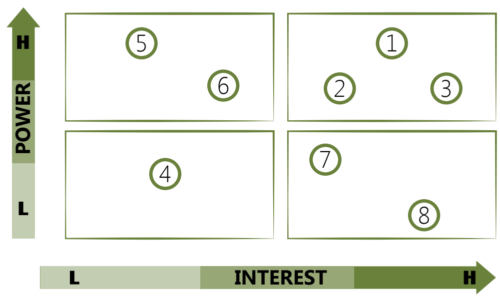
Our Stakeholders

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

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

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

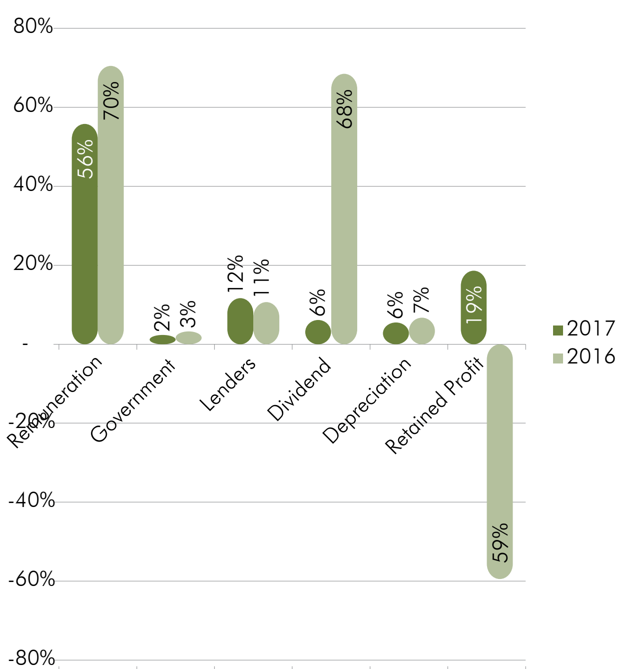
Classification of Stakeholders based on Power and Interest



The Company created a value of Rs. 2,035 mn for all the above identified stakeholders including voiceless stakeholders such as environmental groups and community and they are to be best served either financially or socially.

Following graph exhibits the value distribution among our stakeholders.

Distribution of Value Added - 2017 Vs 2016



1. Shareholders:

We consider shareholders as a party with high influencing power for our success. In spite of the current year being challenging financial year, due to adverse macro-economic factors, we were in a position to improve our financial performance compared to the previous year. Due to improved financial conditions, we have distributed dividends amounting to Rs. 125 million which is 6% of the total value.

2. Management:

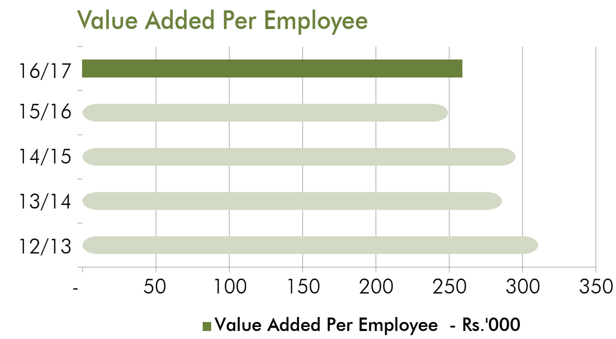
The Senior Management has been granted the authority of strategic decisions making on operations. Therefore they are held responsible for the results and their performance is evaluated based on their results. In recognition of their skills, experience, and services Kegalle Plantations PLC has always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

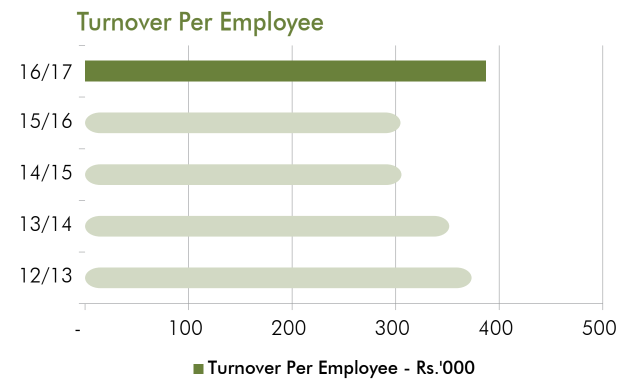
3. Employees & Trade Unions:

Committed workforce is one of our main assets and KPL always focuses the attention on their development and wellbeing. Our Company distributed Rs. 1,135 mn as remuneration which is 56% of the total value. In addition, we always attempt to protect the rights of the employees with the view that they are entitled to enjoy the human rights irrespective of whether relevant regulations address such rights. Accordingly, as a corporate body which consists of a diversified workforce in terms of age, ethnicity, religion, region etc., the culture of the Company always strives to resist the discriminating practices. Following graphs and Certificates provide evidence on our commitment to add high value to employees.

Ethical Tea Partnership

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





Employee unions are keen on the employee benefits and the Company is always in dialogue with them and carries good relationship. Our activities to improve employees' health, safety levels, and welfare and skill levels have been categorized in Social Sustainability section in our Sustainability Report.

4. Community:

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

5. Government:

We recognize the State Government as a main stakeholder. Due to the ownership on the land vested with the Government, the Government possesses a high influence over the business of our Company. And also 2% of total value generated through the Company's operations is distributed to the government in way of tax and lease rentals.

6. Customers:

In the current competitive market, we are dealing with the customers strategically by offering high quality products which are capable of fulfilling customer requirements. In the process of providing value to customers in terms of high quality products, we have obtained the following quality accreditation as a way of providing an assurance as to the quality of our products. This has enabled us to maintain mutually beneficial relationships with the customers.

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

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

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

7. Lenders:

With the proven history of good relations with the Bankers, our Company has faced no complications in obtaining financial assistance which is required from time to time for the smooth continuation of business operations as well as for the investments which are required for growth. As a Company driven by ethical standards, we are highly keen on meeting the relevant commitment as they fall due thereby enabling the Company to achieve a sound standing in the financial market. Accordingly, the Company has allocated Rs. 237 million as the interest payments for the various kinds of financial facilities obtained and it represents 12 per cent of the total value generated.

8. Suppliers:

Suppliers are a group of stakeholders who are highly interested in the operations of the Company. In the context of relations with the suppliers, there is interdependency between the operations of the Company and the suppliers. Accordingly, we always attempt to be in an active communication with our supplier with the purpose of achieving a smooth flow in our operations. On the other hand, we are highly keen on the fulfilling dues to suppliers on time and it enables to maintain mutually beneficial relations with suppliers.

Our financial commitment to stakeholders can be summarized as follows.

Statement of Value Added Rupees in Millions		2016/17		2015/16	
Turnover		2,287		1,933	
Other Income		316		298	
		2,603		2,231	
Cost of Materials & Services		(567)		(587)	
Value Added		**2,035**		**1,644**	
DISTRIBUTION OF VALUE ADDED					
To Employees as Remuneration		1,135	56%	1,158	70%
To Government as Taxes and Lease Rent		47	2%	53	3%
To Lenders of Capital as Interest		237	12%	175	11%
To Shareholders as Dividend		125	6%	1,125	68%
Retained in the Business as;					
Provision for Depreciation		112	6%	110	7%
Profit Retained / (Utilized)		379	19%	(977)	(59%)
Value Added		**2,035**	**100%**	**1,644**	**100%**
Value Added per Employee	Rs.	**346,980**		259,053	
Turnover per Employee	Rs.	**389,901**		304,659	

Sources and Utilisation of Income Rupees in Millions	2016/17	%	2015/16	%
Sources of Income				
Rubber	1,057	41%	942	42%
Tea	1,030	40%	877	39%
Coconut	39	2%	45	2%
Other Crops	2	0%	1	0%
Sale of Rubber Trees	158	6%	68	3%
Other Income	316	12%	298	13%
	2,603	**100%**	**2,231**	**100%**
Utilisation of Income				
To Employees as Remuneration	1,135	44%	1,158	52%
To Government as Taxes & Lease Rent	47	2%	53	2%
To Lenders of Capital as Interest	237	9%	175	8%
To Suppliers & Service Providers	567	22%	587	26%
To Shareholders as Dividend	125	5%	1,125	50%
To Expansion & Growth	491	19%	(867)	(39%)
	2,603	**100%**	**2,231**	**100%**

SOCIAL SUSTAINABILITY

SKILL DEVELOPMENT OF EMPLOYEES

Training on Improving Productivity

The Officials of Productivity Secretariat conducted a training program on productivity improvement, Kaizen Techniques and team building concepts on 26 July, 2016 for the benefit of employees, which provides a great opportunity to improve efficiency and effectiveness of employees. Around 40 employees attended the training.

Facilities Provided to Plantation Executives/Staff to Upgrade Knowledge

The Company provides employees with relevant guidance to upgrade knowledge in their spheres at the National Institute of Plantation Management by which the Company personnel have extremely benefited with excellence.

EMPLOYEES' HEALTH AND WELFARE

Medical Clinic

Medical clinics are organized on estate to benefit the workers. On 23 September 2016, a Medical Clinic was conducted by MOH of Galigamuwa along with three medical practitioners and 20 other Health Staff, where 102 employees obtained the services to check their Lipid profile, Fasting blood sugar , Malaria test ,BMI test etc.

Training Program on Mental Health

Educative program was organized by Atale Estate for the benefit of its employees and this program was conducted by the Head of "Sithsuwa Sevana" unit of Kegalle Teaching Hospital. This program was mainly concerning mental health and other related issues such as family disputes, work place grievance, drug abuse etc. too were discussed and ill affects explained to 52 estate employees who were present for this program held on 07 November 2016 at factory premises.

Opening of New Housing Project

Housing and Infrastructure development for employees are provided to resident employees to uplift the living standard of estate resident employees funded by Ministry of Upcountry Development and Infrastructure channeled through P.H.D.T. Kegalle.

Sport Activities

The Company conducted a Volley Ball tournament as an entertainment activity for the employees. This event really helped the employees to enjoy and develop mutual relationship with peers.

Improving Moral of Employees

In order to improve employee morale and as a measure of stress relieving activity, excursions were organized to assist the employees to maintain better friendship among them, improve their approach towards work and develop employee – employer relationships.

SOCIAL WELFARE ACTIVITIES

Estate Land Release for Landslide victims

An extent of 51.75 of prime rubber land from Kegalle estates have been released to land slide victims.

Assistance for Landslide Victims

As a part of Social Responsibility of the Company, arrangements were made to distribute food items to landslide victims.

Religious Activities

The Company encourages religious activities on estates and assistance provided to conduct events on the estate and financial and material supports are extended to activities in the village.

Financial assistance has been given to conduct annual procession at Arandara Dewalaya that was held on 29 March, 2017. Estate employees participated voluntarily to carry lights at the procession.

Cultural Activities

International Women's Day was celebrated in Atale Estate with active participation of over 100 female employees. Bank of Ceylon , Kegalle arranged to open 44 Kantha Ran Ginum a saving scheme specially designed for females and they contributed Rs. 500/- each for the first 15 applicants together with several gift items. The Chief Manager of Bank of Ceylon, Kegalle too attended this program and delivered a lecture on productivity enhancement.

Donations

Atale Estate employees made a donation of milk powder to Cancer Hospital, Maharagama through Ven. Kumbukthotuwa Seelawanse Thero of Ancient Sthree Pura Temple, Holombuwa.

Blood Donation Campaign

Estate employees were encouraged to donate blood and accordingly the workers actively participated in a programme held at Pindeniya National School organized by Pindeniya Police Station.

Estate Village Integration

A three hour session on positive behaviors, values, good habits, ill effects of drug abuse etc., were conducted by Mr. Chanaka Sendanayake, Former Deputy Director of Education, Kandy Region at Pindeniya National School organized by the Superintendent Atale Estate and about 500 school children and teachers participated at this program and the students and teachers greatly appreciated this program.

The Superintendent being in the advisory council of Pindeniya Police Station organized this program attended by the Officer in Charge of Police and other members of the Advisory Council.

Educative Program for School Children

An opportunity was granted, enabling pre-school children and parents comprising about 100 were from Atale village pre-school, to visit the Atale Factory on 24 March, 2017.

Child Development

The Company assisted in the process of the development of preschool children.

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 beneficiaries throughout the period of their higher education. Several children have been benefited by this scheme and those who have completed their studies are gainfully employed at present.

Current Scholarship holders

W.D.M Rathnayake
L.K.R Kumari
P.W.N.L Gunawardhana
R.A.J.T Ranasinghe
K.S Samarapala
R.I.P Harischandra
N.L.A.K.W Bandara
A.Y.V Gunasiri
S.P.M.S Senaka
R.P.S.S Rajarathna
R.I Rasali Weerasekara
K.A.U.S Kodisinghe
L.P.C Kanchana
H.G.O.N Munasinghe
K.P.I.P Gunarathna
K.R.S.S Pathirana
Ganesan Sarojani

Sustainable Procurement Practices

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

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

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

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

Industrial Relations & Collective Agreements

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

The Company has made provision for benefits such as residence, crèches, hospitals, preschools, schools and other welfare facilities.

The Company provides value to employees in most aspects of their lives as part of the discharging of the responsibility of the Company towards the society.

Accordingly, there are no material issues in relation to the employee and industrial relations of the Company.

Product Responsibility

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

As a move towards the achievement of these inspirations, we regularly conduct employee training program to ensure that the employees are well capable enough of discharging their responsibility to ensure the quality of products. The training information of employees is disclosed in the chapter, "Skill Development – Estate Employees".

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

- The Colombo Tea Traders Association (CTTA)
- The Planters Association of Ceylon (PA)
- The Employer's Federation of Ceylon (EFC)
- The Colombo Rubber Traders Association (CRTA)
- Plantation Human Development Trust (PHDT)
- The Rubber Research Institute of Sri Lanka (RRISL)
- Rubber Development Department (RDD)
- Sri Lanka Tea Board (SLTB)

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

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

ISO 9001 : 2015 System Certification – Quality Management System Certification for all Rubber Manufacturing Factories of the Company.

Product Labeling

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

Ethical Behavior

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

ENVIRONMENTAL SUSTAINABILITY

As a corporate citizen handling over 9,000 hectare has major consideration on environment. The natural Forest cover spread throughout the island was reduced during the colonial periods by substituting self-sufficient agricultural economy, dominating Tea, Rubber, and Coconut and spice crops. This was the turning point of high biodiversity prevalent throughout the island limiting natural forest reserves to one-fifth of the land. Diversified Ecosystems are considered a major contributor to the balanced environmental food chain and having positive effects on all living creatures, including human beings. At present the diversity of this environmental sub segment is struggling to survive due to adverse natural developments as well as the activities of the strongest creature on the earth.

As a responsible chain of the Environmental ecosystem we dedicate conserving the biodiversity around us by various programmes covering Water, Forestry, Species, Eco system Management and creating Protected Areas.

Bio Latex/Organic Rubber

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

(Organic Rubber Fields – Udapola)

Environmental Protection & Water Management

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

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

Certificates Obtained by Our Rubber Estates

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

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

- Scope – Organic production of agricultural products.

ISO 9001: 2015 System Certification – Quality Management System Certification for all Rubber Manufacturing Factories of the Company.

- Estates obtained - Atale Estate, Pallegama Estate, Parambe Estate, Udapola Centrifuged Latex Project.

- Scope - Production and Sale of Sole Crepe, Pale Crepe, Brown Crepe and Centrifuged Latex.

Timber & Forestry

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

Forestry Management and Soil Conservation

The Company's forestry management plans for sustainable management of forest and harvestable timber extents one states continued to be in force. Guidelines have been issued to the Superintendents pertaining to the selection of land, species, cultivation practices and the need to preserve the environment, having in mind the need to protect the environment. Planting of den droid thermal forestry on very steep or inaccessible land has been prohibited. As a Company engaged in Plantation, we are deeply involved in forestry conservation. The Company manages rubber plantations in an extent of 5,400 hectares itself is in fact a forest cover. Rivers and stream banks in conservation forestry are in perpetuity. The same principle applies to sources of water for industrial and domestic purposes. We are conscious of the importance of preventing

accidental or deliberate forest fire and extreme vigilance is being exercised. Soil conservation methods, such as proliferation of leguminous cover crops, terracing including "live terraces" and draining have been undertaken in all extents replanted and in other areas on an annual basis.

Compost Project

Compost Project in Progress Luckyland Estate

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

Harvesting Timber

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

Our estates spread over the wet zone covering Kegalle, Kurunagala and Badulla districts with ample annual average rainfall of 2,500 mm. Most of our rubber estates in Kegalle, wedged in between the central highlands and western southern planes varying in height from 500 feet above sea level to 1,000 feet. Other than the beautiful Doteloya tea estate, our tea plantations are situated in the Udapussellawa region, of the Uva Province on the eastern slopes of the hill country. This region is famous for endemic and rare wildlife and plant species with the Hakgalla Strict Natural Reserve, providing evidence as to how our estate areas are sensitive to bio diversity.
As an estate Doteloya has the highest conservation forestry area amounting 145.48 hectare fortifying the

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

The area is a best place to secure endangered species and mother land for several endemic species. The birds which can be found very common are Sri Lanka Spur fowl (Galloperdix bicalcarata), Sri Lanka Chestnut backed Owlet (Glaucidium castanonotum), Sri Lanka Hanging Parrot (Loriculus beryllinus), Sri Lanka Myna (Gracula ptilogenys), Sri Lanka Grey Hornbill (Ocyceros gingalensis), Sri Lanka Scimitar Babbler (Pomatorhinus melanurus), Sri Lanka Junglefowl (Gallus lafayetii), Sri Lanka Spot-winged Thrush (Zoothera spiloptera),The Sri Lanka Orange-billed Babbler (Turdoides rufescens) and Sri Lanka Magpie (Urocissa ornata).

Educating employees on importance of environment conservation

The Central Environment Authority, Kegalle conducted an awareness program to educate employees on the importance of environment conservation.

Utilization of Material

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

Material Item	2016/17	2015/16
Green Leaf (Kg)	10,159,482	11,127,076

Utilization of Energy

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

Energy Source	2016/17	2015/16
Electricity Units Consumed	2,638,411	2,898,347
Expenditure on Electricity (Rs. '000)	45,914	50,538

OUR ACHIEVEMENTS

ISO 9001:2015 System Certification

Kegalle Plantations PLC established a new record by becoming the first Regional Plantation Company to obtain ISO 9001: 2015 Certification in September, 2016 and Four Rubber Factories namely Atale, Pallegama, Parambe and Udapola have been certified.

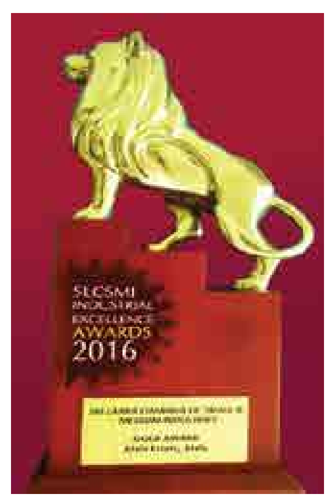
Mr Sriyan Eriyagama, Acting CEO of KPL accepting the ISO 9001 : 2015 System Certification from SGS Lanka

Annual Report Award

Identifying the responsibility and undergoing self-compliance to its corporate ethics. Kegalle Plantations PLC performs its maximum effort on complying with laws and regulations. The certificate of compliance has been awarded by the Institute of Chartered Accountants to Kegalle Plantations PLC for the Annual Report of the year 2015/16 at the 52nd Annual Report Awards Ceremony.

Industrial Excellence Awards – 2016

Kegalle Plantations PLC's Atale Estate was the Gold Award Winner of the "Industrial Excellence Award 2016" for the second consecutive year and the Award presentation was held at Waters Edge on 16th November, 2016 under the distinguished patronage of His Excellency the President of Sri Lanka, Hon.Maithripala Sirisena. This was conducted by Sri Lanka Chamber for Small and Medium Industries.



Entrepreneur of the year Award 2016 Kegalle – Business Excellence Award

Kegalle Plantations PLC's Atale Estate clinched the second position under Extra Large Category for manufacture in Sabaragamuwa Province.

Recieving the award - Entrepreneur of the year 2nd place - from Hon. Ranil Wickramasinghe, Prime Minister

24th NCE Export Awards – 2016

Kegalle Plantations PLC was presented the Silver Award in the Small Category under Agriculture bulk – Rubber Products sub, for Sole Crepe Factory on Atale Estate, which is an achievement by an estate for the first time in the History, obtained at NCE Export Awards. This was in recognition of the Export performance in the year 2015.

SLCBCC Business Star Awards – 2016

Silver Star Award

Sri Lanka – China Business Co-operation Council (SLCBCC) conducts Annual Awards competition among companies that undertake exports to China. Atale Estate of Kegalle Plantations PLC won the Prestigious Silver Star Award under Large Category manufacturing Sector for the second consecutive year in recognition of Business achievements.

National Energy Efficiency Awards - 2016

Kegalle Plantations PLC's Atale Estate, Sole Crepe Rubber Factory won the merit award under manufacturing Sector – Small Scale Category at the National Energy Efficiency Awards.

This is the first time in Sri Lankan History an estate has won an award at National Energy Efficiency awards conducted by Sri Lanka Sustainable Energy Authority under the Ministry of Power and Renewable Energy.

GRI CONTENT INDEX : "In accordance" - Core

GRI Indicator	Description	Page Reference	Page No.	External Assurance
GENERAL STANDARD DISCLOSURES				
STRATEGY AND ANALYSIS				
G4-1	Statement from the most senior decision maker from the organization	Chairman Review	09	No
ORGANIZATIONAL PROFILE				
G4-3	Report the name of the organization	Corporate Information	B.I.C.*	No
G4-4	Report the primary brands, products, and services	Operating Environment	16	No
G4-5	Report the location of the organization's headquarters	Corporate Information	B.I.C.*	No
G4-6	Report the number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report	Our Estates -Locations	12	No
G4-7	Report the nature of ownership and legal form	Corporate Information	B.I.C.*	No
G4-8	Report the markets served	Operating Environment	16	No
G4-9	Report the scale of the organization	Financial Highlights	07	No
G4-10	Total workforce by employment type, employment contract and region broken down by gender	Employment Strength	65	No
G4-11	Report the percentage of total employees covered by collective bargaining agreements	Industrial Relations & Collective Agreements	48	No
G4-12	Describe the organization's supply chain	Sustainable Procurement Practices	48	No
G4-13	Significant changes during the reporting period regarding the organization's size, structure & ownership	Milestones / Chairman's Review	06/09	No
G4-14	Report whether and how the precautionary approach or principle is addressed by the organization	Risk Management	73	No
G4-15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses	Environmental Sustainability	50	No
G4-16	Memberships in associations (such as industry associations) and national or international advocacy organizations	Product Responsibility	48	No
IDENTIFIED MATERIAL ASPECTS & BOUNDARIES				
G4-17	Organisation's entities covered by the report	Identified Material Aspects & Boundaries	37	No
G4-18	Process for defining the report content	Identified Material Aspects & Boundaries	37	No
G4-19	List all the material Aspects identified in the process for defining report content	Identified Material Aspects & Boundaries	37	No
G4-20	For each material Aspect, report the Aspect Boundary within the organization	Identified Material Aspects & Boundaries	37	No
G4-21	Aspect Boundary for each material aspect report outside the organization	Identified Material Aspects & Boundaries	37	No
G4-22	Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements	Notes to Financial Statements	133	No
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	First Time Adoption	-	-
Stakeholder Engagement				
G4-24	Provide a list of stakeholder groups engaged by the organization	Our Stakeholders	40	No
G4-25	Report the basis for identification and selection of stakeholders withwhom to engage	Our Stakeholders	40	No

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GENERAL STANDARD DISCLOSURES				
GRI Indicator	Description	Page Reference	Page No.	External Assurance
G4-26	Approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group	Our Stakeholders	40	No
G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns	Our Stakeholders	40	No
Report Profile				
G4-28	Reporting period	Introduction to the Report	04	No
G4-29	Date of most recent previous report	Financial Calendar	14	No
G4-30	Reporting cycle	Introduction to the Report	04	No
G4-31	Contact point for questions regarding the report or its contents	Introduction to the Report	04	No
G4-32	'In accordance' option the organization has chosen & GRI Content Index for the chosen option	Introduction to the Report	04	No
G4-33	Policy and current practices with regard to seeking external assurance for the Report	Introduction to the Report	04	No
Governance				
G4-34	Governance Strucure of the Organisation, including committees of the highest governance body	Corporate Governance	66	No
Ethics & Integrity				
G4-56	Organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics	Ethical Behaviour	49	No

STANDARD SPECIFIC DISCLOSURES				
Category : Economic				
Material Aspect : Economic Performance				
G4-DMA	Generic disclosure on Economic performance	Financial Review	29	No
G4-EC1	Direct economic value generated and distributed	Statement of Valued Added	43	No
G4-EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	Risk Management	73	No
G4-EC3	Coverage of the organization's defined benefit plan obligations	Notes to the Financial Statements	128	No
G4-EC4	Financial assistance received from government	Notes to the Financial Statements	129	No
Material Aspect : Market Presence				
G4-DMA	General disclosures on market presence	Employee Strength	65	No
G4-EC5	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	Not Reported	-	-
Material Aspect : Indirect Economic Impacts				
G4-DMA	General Disclosures on Indirect economic impacts	Industrial Relations & Collective Agreements	48	No
G4-EC7	Development and impact of infrastructure investments and services supported	Employees' Health & Welfare	44	No
G4-EC8	Significant indirect economic impacts, including the extent of impacts	Risk Management	73	No
Material Aspect : Procurement Practice				
G4-DMA	General Disclosures on procurement practices	Sustainable Procurement Practices	48	No
G4-EC9	Proportion of spending on local suppliers at significant locations of operation	Not Reported	-	-

STANDARD SPECIFIC DISCLOSURES				
GRI Indicator	Description	Page Reference	Page No.	External Assurance
Category : Environment				
Material Aspect : Material				
G4-DMA	General Disclosures on Material	Environmental Sustainability	50	No
G4-EN1	Total weight or volume of materials that are used to produce and package the organization's primary products and services during the reporting period	Utilization of Material	53	No
G4-EN2	Percentage of materials used that are recycled input materials	Not reported	-	-
MATERIAL ASPECT: ENERGY				
G4-DMA	General Disclosures on energy	Utilization of Energy	53	No
G4-EN3	Energy consumption within the organization	Utilization of Energy	53	No
G4-EN6	Reduction of energy consumption	Utilization of Energy	53	No
Material Aspect : Water				
G4-DMA	General Disclosures on water	Environmental Protection & Water Management	50	No
G4-EN8	Total water withdrawal by source	Not reported	-	-
Material Aspect : Biodiversity				
G4-DMA	General Disclosures on Biodiversity	Forestry Management & Soil Conservation	51	No
G4-EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Forestry Management & Soil Conservation	51	No
G4-EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiveraity value outside protected areas	Forestry Management & Soil Conservation	51	No
Maerial Aspect : Emission				
G4-DMA	General Disclosures on Emissions	Not Reported	-	-
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	Not Reported	-	-
Material Aspect : Products and Services				
G4-DMA	General Disclosures on Products & Services	Prodcut Responsibilty / Product Labeling	48/49	No
G4-EN27	Extent of impact mitigation of environmental impacts of products and services	Environmental Sustainability	50	No
Material Aspect : Compliance				
G4-DMA	General Disclosures on Compliance	Introduction to Report / Ethical Behavior	04/49	No
G4-EN29	Monetary value of significant fines and total number of nonmonetary sanctions for non-compliance with environmental laws and regulations	No suh incidents occurred.	-	-
Material Aspect : Overall				
G4-DMA	General Disclosures	Environmental Sustainability	50	No
G4-EN31	Total environmental protection expenditures and investments by type	Not reported	-	-
Material Aspect : Employment				
G4-DMA	General Disclosures on Employment	Employee Strength	65	No
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	Employee Strength	65	No
Material Aspect : Labor / Management Relations				
G4-DMA	General Disclosures on Labour/Management Relations	Industrial Relations & Collective Agreements	48	No

STANDARD SPECIFIC DISCLOSURES				
GRI Indicator	Description	Page Reference	Page No.	External Assurance
G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	Not reported	-	-
Material Aspect : Occupational Health & Safety				
G4-DMA	General Disclosures on Occupational Health & Safety	Employees' Health & Welfare	44	No
G4-LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and saftey programs	Not reported	-	-
Material Aspect : Training & Education				
G4-DMA	General Disclosures on Training & Education	Skill Development - Estate Employees	44	No
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Skill Development - Estate Employees	44	No
Material Aspect : Diversity & Equal Opportunity				
G4-DMA	General Disclosures on Diversity & Equal Opportunity	Employees & Trade Unions	41	No
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	Not Reported	-	-
Material Aspect : Equal Remuneration for Women & Men				
G4-DMA	General Disclosures on Equal Remuneration for Women & Men	Operating Environment	16	No
G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	Not Reported	-	-
Sub Category : Human Rights				
Material Aspect : Non-Discrimination				
G4-DMA	General Disclosures on Non Discrimination	Employees & Trade Unions	41	No
G4-HR3	Total number of incidents of discrimination and corrective actions taken	No incidents were reported	-	No
Material Aspect : Freedom of Associations & Colective Bargaining				
G4-DMA	General Disclosures on Freedom of Association & Collective Bargaining	Industrial Relations & Collective Agreements	48	No
G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	Industrial Relations & Collective Agreements	48	No
Material Aspect : Child Labor				
G4-DMA	General Disclosures on Child Labor	No operations having significant risk for incidents of child labor	-	No
G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor	No operations having significant risk for incidents of child labor	-	No
Material Aspect : Indigenous Rights				
G4-DMA	General Disclosures on Indigenous Rights	Not Applicable	-	-
G4-HR8	Total number of incidents of violations involving rights of indigenous peoples and actions taken	Not Applicable	-	-
Material Aspect : Local Communities				
G4-DMA	General Disclosures on Local Communities	Soicial Welfare Activities	45	No

STANDARD SPECIFIC DISCLOSURES				
GRI Indicator	Description	Page Reference	Page No.	External Assurance
G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	Not Reported	-	-
Material Aspect : Public Policy				
G4-DMA	General Disclosures on Public Policy	Not Reported	-	-
G4-SO6	Total value of political contributions by country and recipient/ beneficiary	Not Reported	-	-
Material Aspect : Anti Competitive Behaviour				
G4-DMA	General Disclosures on Anti-Competitor Behaviour	No incidents Reported	-	No
G4-SO7	Total number of legal actions for anti-competitive behaviour, antitrust, and monopoly practices and their outcomes	No incidents Reported	-	No
Material Aspect : Compliance				
G4-DMA	General Disclosures on Compliance	Introduction to the Report / Ethical Behaviour	04/49	No
G4-SO8	Monetary value of significant fines and total number of nonmonetary sanctions for non-compliance with laws and regulations	No incidents Reported	-	No
Material Aspects : Supplier Assessment for Impacts on Society				
G4-DMA	General Disclosures on Supplier Assessment for Impacts on Society	Sustainable Procurement Practices	48	No
G4-SO9	Percentage of new suppliers that were screened using criteria for impacts on society	Not Reported	-	-
Material Aspect : Grievance Mechanism for Impacts on the society				
G4-DMA	General Disclosures on Grievance Mechanisms for Impacts on Society	Not Reported	-	-
G4-SO11	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms	Not Reported	-	-
Sub Category : Product Responsibility				
Material Aspect : Customer Health & Safety				
G4-DMA	General Disclosures on Customer Health & Safety	Product Responsibility	-	No
G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	No such incidents occurred	-	No
Material Aspect : Product & Service Labeling				
G4-DMA	General Disclosures on Product & Service Labeling	Product Responsibility	48	No
G4-PR3	Type of product and service information required by the organization's procedures for product and service information and labelling, and percentage of significant product and service categories subject to such information requirements	Product Responsibility	48	No
Material Aspect : Customer Privacy				
G4-DMA	General Disclosures on Customer Privacy	No incident reported	-	No
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	No incident reported	-	No
Material Aspect : Compliance				
G4-DMA	General Disclosures on Compliance	No incident reported	-	No
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	No incident reported	-	No

Transforming from the Tradition...

Mature Stage

Having gone through the immature phase on the 03rd year Palm start producing economical crops recording 3.5 – 4 tons of Fresh Fruit Bunches per year per hectare. The harvesting rounds are spread between 10 – 15 days interval and approximately 30 rounds harvesting is possible per year. The harvester select only the well ripe bunches on visual observation of the colour and lose sockets of the bunch. A bunch is weighing in the first year of its harvest around 5 – 6 kilos.

The ripeness is important as the oil quality and oil yield is directly related to the ripeness of the bunch. This cultivation with a stand of over 110 Palms per hectare has a potential of giving 25 tons of FFB (fresh fruit bunches) or 06 tons of Palm Oil per hectare at its peak or in the 10th year after the planting.

Continued in page no. 79...

Governance Review

Contents

BOARD OF DIRECTORS

Dr. Sena Yaddehige
Chairman

Dr. Sena Yaddehige is a Sri Lankan born British Scientist/Engineer and a Swiss based industrialist. Dr. Yaddehige is the Chairman of the Richard Pieris Group of Companies comprising seven Listed Companies, including three Plantation Companies, and over 50 Companies wholly or majority owned by Richard Pieris and Company PLC. He served as a Director in the Board of Directors of National Development Bank PLC during the period between 2007 and 2010.

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

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

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

Mr. Sunil Poholiyadde
Director

He currently holds the position of Managing Director of the Plantations Sector of the Richard Pieris Group and is a Director of Kegalle Plantations PLC, Namunukula Plantations PLC and Maskeliya Plantations PLC. He has over three decades of experience in the Plantation Industry, having commenced his career as an Assistant Superintendent and thereafter served as Superintendent up to the time he joined the corporate management of Kegalle Plantations PLC in 1998.

He is the current Chairman of the Planters' Association of Ceylon and the Colombo Rubber Traders' Association. He is also a Director of Richard Pieris Natural Foams Ltd., Exotic Horticulture (Pvt) Ltd., AEN Oil Palm Processing (Pvt) Ltd., and a member of the Boards of Directors of the Sri Lanka Tea Board and Rubber Research Board. He also serves as a Council Member of the Ceylon Chamber of Commerce, the Advisory Committee on Rubber & Plastics Sector of the Export Development Board and the Executive Committee of The Sri Lanka Society of Rubber Industry. He also serves on the Wages Boards for the Rubber Growing and Manufacturing Trade, Coconut Growing Trade, Cocoa, Cardamom & Pepper Growing & Manufacturing Trade.

Prof. R C W M R A Nugawela
Director

Prof. Nugawela joined the Rubber Research Institute in the capacity of an Assistant Botanist in 1980. He was awarded a Colombo Plan Scholarship in 1981 to read for his Masters Degree and in 1982 he successfully completed it in the field of Applied Plant Sciences at the University of London. He has extensive experience over 30 years in the capacities of a Botanist, Head of Plant Science Department, Deputy Director Research (Biology) and as a Director at the Rubber Research Institute. In January 2011, Prof. Nugawela resigned from the post of Director of Rubber Research Institute to assume duties as a Professor in the Department of Plantation Management, Wayamba University of Sri Lanka.

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

His thrust areas of research and development were on nursery and planting practices, exploitation, use of yield stimulants and rain guards. He has more than 130 publications in both local and foreign research journals and has addressed many local and international conferences on natural rubber. For his Research and Development work he has won a National Science and Technology Award in 2009 and the Presidential Award for inventions in the category of environment in 2012. Further he has also been awarded with Presidential Awards for his research publications in reputed international journals.

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

Dr. S S B D G Jayawardena
Director

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

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

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

He has over 46 years of professional experience covering agricultural research and development activities, human resource development, development of foreign funded projects, and direct involvement in food security and poverty alleviation programs of the country.

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

Mr. Shaminda Yaddehige
Director

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

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

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

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

MANAGEMENT TEAM

Senior Management

S S Poholiyadde	– Managing Director Plantation Sector
Sriyan Eriyagama	– Acting Chief Executive Officer
Sudheera Epitakumbura	– Financial Controller
I S Doranegama	– General Manager

Middle Management

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

Estate Managers & Others

Allagolla Estate – Udapussellawa

B P D Mahesh	– Superintendent

Ambadeniya Estate – Aranayake

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

Atale Estate – Atale

G L H D Amaratunga	– Superintendent
N R B Senaratne	– Assistant Superintendent
D W K K Seneviratne	– Assistant Superintendent

Doteloya Estate – Dolosbage

U K Wanniarachchi	– Superintendent
G M B Samaranayake	– Assistant Superintendent

Eadella Estate – Polgahawela

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

Etana Estate – Warakapola

S D Munasinghe	– Superintendent

Gampaha Estate – Udapussellawa

Vinoda de Silva	– Superintendent
H M I T Gunarathne	– Assistant Superintendent

Hathbawe Estate – Rambukkana

M W Liyanasekera	– Superintendent

Higgoda Estate – Undugoda

H S B Aluvihare	– Superintendent

Kirklees Estate – Udapussellawa

V S Athauda	– Superintendent
R N Gunasekera	– Assistant Superintendent

Luckyland Estate – Udapussellawa

S R Aluwihare	– Superintendent
D M A B Dewagiri	– Assistant Superintendent
W L D T Issaac	– Assistant Superintendent

Madeniya Estate – Warakapola

B P S M Cooray	– Superintendent

Pallegama Estate – Niyadurupola

S A A P Jayatilake	– Superintendent
N A M O M Navaratne	– Assistant Superintendent
W L S Weerarathne	– Assistant Superintendent

Parambe Estate – Undugoda

N D Madawala	– Superintendent
A A M D V Mediwake	– Assistant Superintendent

Udapola Estate – Polgahawela

U R N B Ranatunga	– Superintendent
W L Dananja	– Assistant Superintendent

Centrifuged Latex Project – Udapola Estate - Polgahawela

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

Weniwella Estate – Alawwa

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

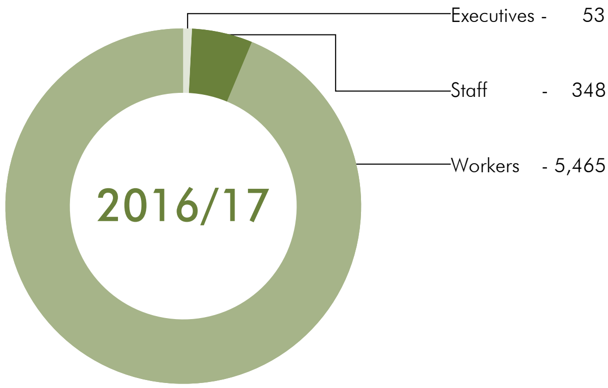
Yataderiya Estate – Undugoda

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

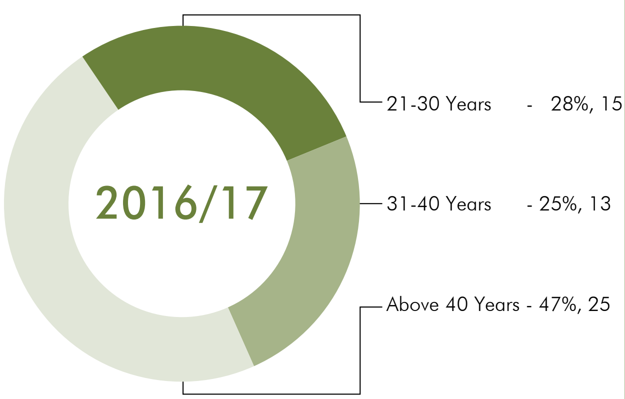
Employment Strength

Year	Senior Management	Middle Management	Estate Managers & Executives	Head Office Staff	Estate Staff	Harvestors & Others	Total
2015/16	4	10	36	9	341	5,945	6,345
2016/17	4	11	38	12	336	5,465	5,866

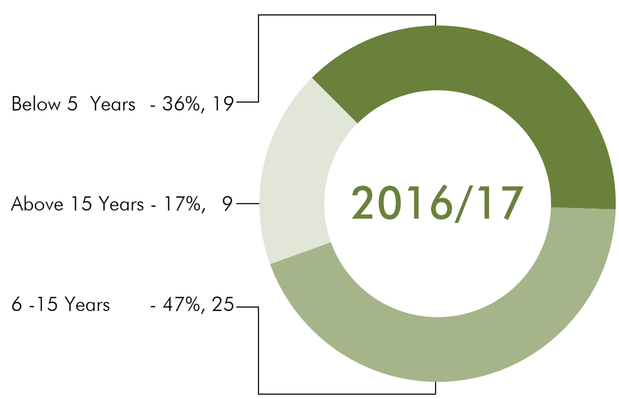
Categorization of Employees



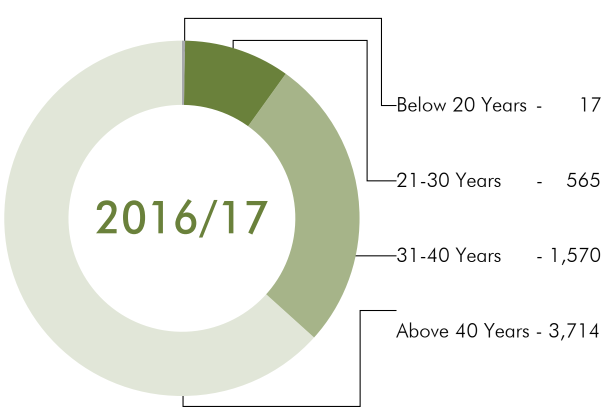
Age Analysis - Executives



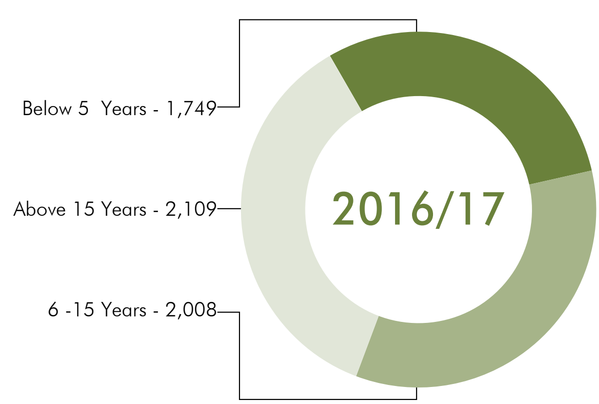
Service Analysis - Executives



Age Analysis - Staff and Workers



Service Analysis - Staff and Workers



CORPORATE GOVERNANCE

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

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

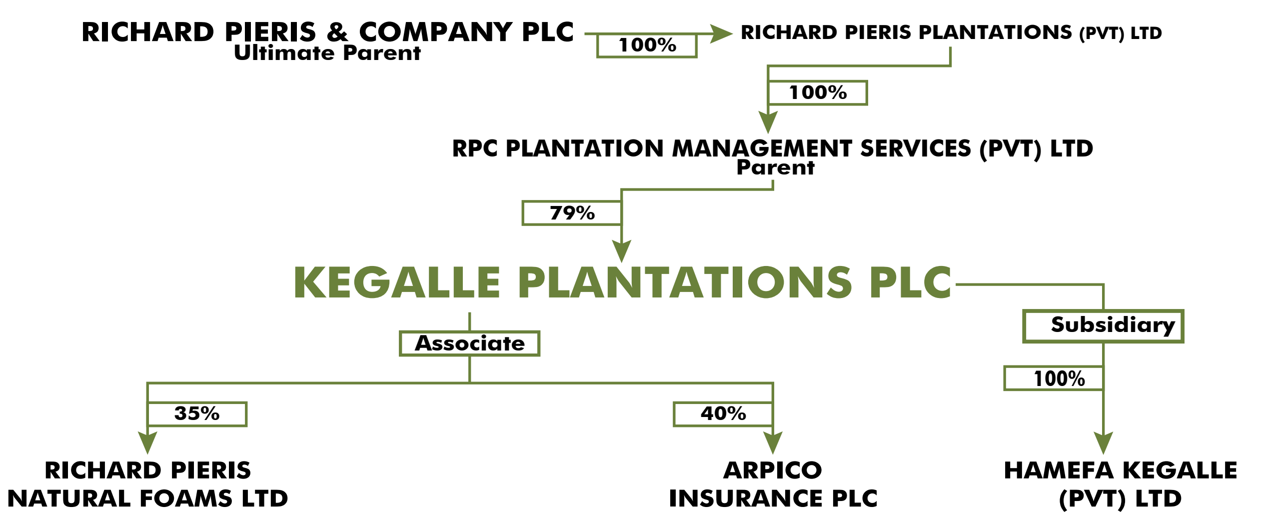
The Board of Directors

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

The Board comprises five Directors, of which two are Executive Directors whilst three are Non-Executive Directors. Out of three Non-Executive Directors, two are Independent, ensuring an independent outlook to temper the expediency of the experts. Brief profiles of the Directors are set out on pages 62 and 63. The Board makes an assessment annually on the independence or non-independence of each Non-Executive Director in compliance with listing rules.

During the year the Board met on two occasions. Prior to each meeting, the Directors are provided with all relevant management information and background material relevant to the agenda to enable informed decisions.

Group Structure



Board Papers are submitted in advance on Company performance, new investments, capital projects and other issues which require specific Board approval. A separate information memorandum is provided on statutory payments at each Board Meeting.

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

The main functions of the Board are to:

- Direct the business and affairs of the Company.
- Formulate short and long term strategies, as a basis for the operational plans of the Company and monitor implementation.
- Report on their stewardship to shareholders.
- Identify the principal risks of the business and ensure adequate risk management systems in place.

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

- Ensure internal controls are adequate and effective.
- Approve the annual capital and operating budgets and review performance against budgets.
- Approve the interim and final Financial Statements of the Company.
- Determine and recommend interim and final dividends for the approval of shareholders.
- Ensure compliance with laws and regulations.
- Sanction all material contracts, acquisitions or disposal of assets and approve capital projects.

All Independent Directors have no direct or indirect material relationship with the Company and have duly submitted the annual declaration as per the Colombo Stock Exchange Listing Rules. Their wide range of expertise and significant experience in commercial, corporate and financial activities bring an independent view and judgment to the Board.

Corporate Governance Structure

The Company's Governance Framework is depicted in the following diagram.

Sub Committees of the Board

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

Audit Committee

Kegalle Plantations PLC is one of the Group Companies of the Richard Pieris & Company PLC. Richard Pieris & Company is also the majority shareholder and as such the Group Audit Committee acts as the Audit Committee of the Company. Audit Committee Report on Page 69 to70 describes the activities carried out during the Financial Year.

Remuneration Committee

The Report of the Remuneration Committee is on Page 71 and highlights its main activities.

Related Party Transactions Review Committee

The Report of the Related Party Transactions Review Committee is on Page 72 and highlights its main activities.

Appointment of Chief Executive Officer

Mr. Sriyan Eriyagama has been appointed as Acting Chief Executive Officer of the Company with effect from 01 January 2017. Mr. Eriyagama does not hold any shares in the Company as at 31 March 2017.

Company Secretary

The Company Secretaries are Richard Pieris Group Services (Pvt) Ltd who acts as Secretaries to the Board and make their presence at every board meeting. The Company Secretaries advises the board on all regulatory matters pertaining to Securities & Exchange Commission, Colombo Stock Exchange. The Secretaries also records minutes which are tabled for the next meeting for effective follow-up on decisions taken. The directors have independent access to the Company Secretary. The Secretary shall be appointed by the Directors for such term, at such remuneration and upon such conditions as they may think fit.

Relationship with Shareholders

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

Report & the Shareholders are able to contact the Senior Management at any given time.

Internal Controls

The Board is responsible for instituting on effective internal control system to safeguard the assets of the Company and ensure that accurate and complete records are maintained from which reliable information is generated. The system includes all controls including financial, operational and risk management. Strategies adopted by the Company to manage its risk are set out in its report on Risk Management on pages 73-78.

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

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

Relationship with Other Stakeholders

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

The Board also ensures that the Group policies and practices are in line with the Company's values and its social responsibilities. The Company promotes protection of the environment, health and safety standards of its employees and others within the organization. The relevant measures taken are given in detail in the Sustainability Report on pages 36-55.

Compliance

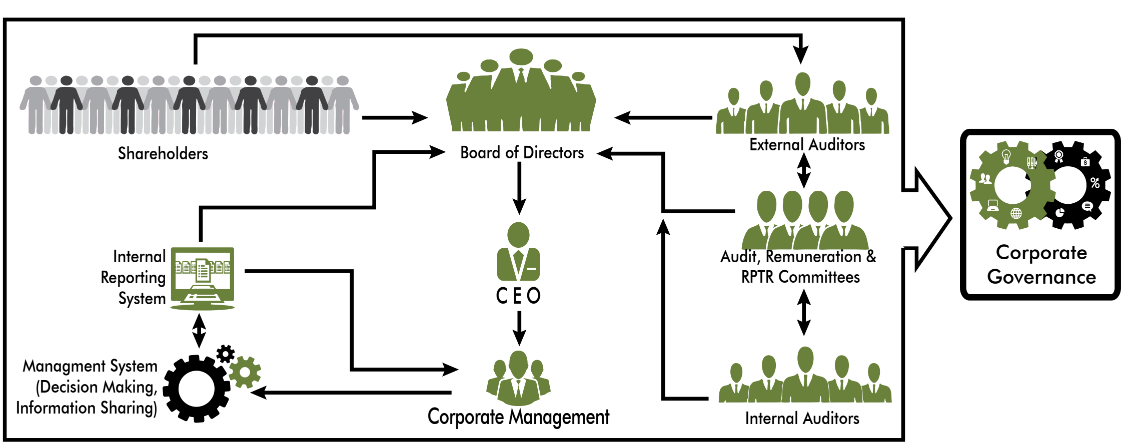
The Board places significant emphasis on strong internal compliance procedures. The Financial Statements of the Company are prepared in strict compliance with the guidelines of the Sri Lanka Accounting Standards (LKAS and SLFRS) and other statutory regulations. Financial Statements are published quarterly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

Corporate Governance Requirements listed under Section 7 & 9 of the Listing Rules issued by the Colombo Stock Exchange (CSE);

CSE Section Reference	Requirement	Status of Kegalle Plantations PLC
7.6 (vii)	Details of material issues pertaining to employees & industrial relations of the entity.	In Compliance
7.10.1 (a) to (c)	Non Executive Directors	In Compliance
7.10.2 (a) to (b)	Independent Directors	In Compliance
7.10.3	Disclosures relating to Directors	In Compliance
7.10.4	Criteria for defining "Independence"	In Compliance
7.10.5	Remuneration Committee	In Compliance
7.10.6	Audit Committee	In Compliance
9	Related Party Transactions Committee	In Compliance

Going Concern

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



REPORT OF THE AUDIT COMMITTEE

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

The purpose of the Audit Committee is to:

1. Assist the Board of Directors in fulfilling its overall responsibilities for the financial reporting process.

2. Review the system of internal control and risk management.

3. Monitor the effectiveness of the internal audit function.

4. Review the Company's process for monitoring compliance with laws and regulations.

5. Review the independence and performance of the external auditors.

6. To make recommendations to the Board on the appointment of external auditors and recommend their remuneration and terms of engagement.

The Audit Committee consists of three Independent Non Executive Directors of the Richard Pieris & Company PLC, the Ultimate Parent Company, namely Mr. Jagath C. Korale, Chairman, Dr. Jayatissa De Costa P. C. and Mr. Prasanna Fernando. All three members were appointed with effect from 28 October 2016. The Chairman of the Committee is a Senior Chartered Accountant. The Company Secretary functions as Secretary to the Audit Committee.

The principal activities of the Committee are detailed below;

Meetings

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

The Group Chief Financial Officer, Managing Director of Plantation Sector, Chief Executive Officer, Financial Controller, Accountant and Group Internal Audit Manager were invited if deemed necessary for audit committee meetings.

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

Internal Audit and Risk Management

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

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

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

Internal Controls

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

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

Financial Statements

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

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

External Auditors

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

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

The Audit Committee has recommended to the Board of Directors that Messrs. Ernst & Young be re-appointed as Auditors for the financial year ending 31 March, 2018 subject to the approval of the shareholders at the next Annual General Meeting.

Conclusion

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

Jagath C. Korale
Chairman - Audit Committee

31 May 2017

REPORT OF THE REMUNERATION COMMITTEE

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

The Remuneration Committee, appointed by and responsible to the Board of Directors, consists of three independent Non-Executive Directors, Dr. Jayatissa De Costa P. C., Mr. Jagath C. Korale and Mr. Prasanna Fernando. The Committee is chaired by Dr. Jayatissa De Costa P. C. 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.

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

31 May 2017

REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

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

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

Dr. Jayatissa De Costa P. C. (Chairman)
Mr. Jagath C. Korale
Mr. Prasanna Fernando

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

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

The Objectives of the Committee,

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

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

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

Related Party Transactions during the year 2016/17

Details of the related party transactions entered into by the Company/Group are disclosed on page 132.

Declaration

Refer: Annual Report of the Board of Directors on the Affairs of the Company, Pages 80 to 83 for the declaration by the Board of Directors that no related party transaction falling within the ambit of the Listing Rules was entered into by the Company during 2016/17, except what was disclosed in the note no. 36.

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

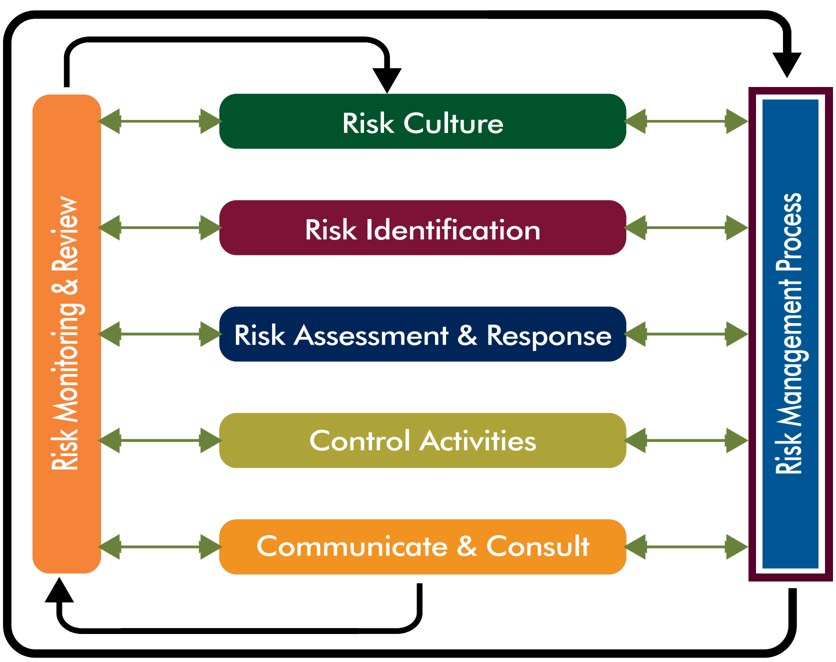
31 May 2017

RISK MANAGEMENT

Kegalle Plantations PLC is exposed to a multitude of risks as any other organization & risks which are specific to the Plantation Sector. This specific risk is associated with the cultivation and processing of Rubber, Tea and the economic environment in which it operates. Accordingly, the Company seeks to adopt a precautionary approach in responding to the risk. The Board of Directors therefore places special emphasis on the management of business risks together with the risk management Committee to ensure that sound Financial, Operational & Compliance Control Systems are put in place. Internal auditors & management team time to time review the systems' viability to address prevailing risks to eliminate down side of risks & make the use of upside of risks, in order to safeguard shareholders' investment and assets.

Risk Management Process

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



Risk Culture:

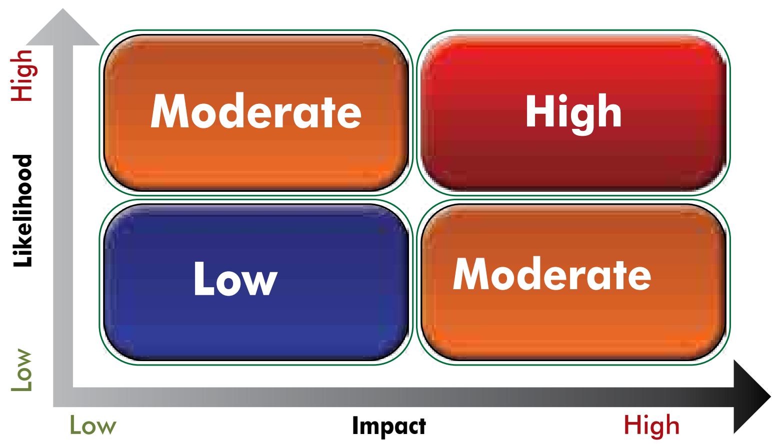
The Board of Directors has identified their position and distinct consistent tone has maintained in establishing a sound risk management system implying the conformity to the underline requirements of such a system. The management has reflected the commitment to ethical principles and the decision making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

Risk identification:

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

Risk Assessment & Response:

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



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

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

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

Control Activities:

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

Index

- Risk Exposure
- Company Objectives
- Risk Minimisation Strategy

Risk Rating

L	M	H
Low	Moderate	High

Economic Risk

Global Economic Changes

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

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

	2016/17	2015/16
Probability	↑	↑
Impact	↑	↑
Rating	H	H

Fiscal Policy Changing Risk

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

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

	2016/17	2015/16
Probability	↑	↑
Impact	↑	↑
Rating	M	M

Operational Risk

Inventory & Asset Risk

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

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

	2016/17	2015/16
Probability	↑	↑
Impact	↑	↑
Rating	M	M

Human Capital & Labor Risk

	2016/17	2015/16
Probability	↑	↑
Impact	↑	↑
Rating	M	M

To ensure a smooth flow of operations without any undue disruptions.

- Maintaining healthy relationships with trade unions through regular dialogues.
- Entering in to collective agreements with trade unions.
- Ensure compliance with all regulatory requirements with regard to the benefits applicable to workers at estates.
- To protect our self as a human employer being successful in motivating, developing, retaining and attracting the best of human capital.
- Improving employee benefits by way of financial incentives and welfare activities. Arrange in-house and external training in order to develop the human resources.

Product & Risk of Competition

	2016/17	2015/16
Probability	↓	↓
Impact	↑	↑
Rating	M	M

To maximize our market share and maintain leadership in the respective industries.

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

Procurement Risk

	2016/17	2015/16
Probability	↓	↓
Impact	↓	↓
Rating	L	L

To minimize risk associated with price and availability of materials.

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

Information Systems Risk

	2016/17	2015/16
Probability	↓	↓
Impact	↓	↓
Rating	L	L

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.

Strategic Risks

Environmental Risk

	2016/17	2015/16
Probability	↑	↑
Impact	↑	↑
Rating	H	H

Company cannot completely eliminate the risk arising with climate changes and natural disasters. Following actions have been taken by the management in order to minimize the impacts on product quality & prices due to adverse weather conditions.

- Having in place Sustainable agricultural practices.
- Planting shady trees for tea.
- Diversified crop in Rubber, Tea, and Cardamom & Timber.
- Ensure close monitoring of crop & price variance during extreme weather conditions.

Reputation Risk

- 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.

	2016/17	2015/16
Probability	↓	↓
Impact	↑	↑
Rating	M	M

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.

	2016/17	2015/16
Probability	↓	↓
Impact	↓	↓
Rating	L	L

Financial Risk

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.

	2016/17	2015/16
Probability	↑	↑
Impact	↓	↓
Rating	M	M

Interest Rate Risk & Gearing Risk

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

	2016/17	2015/16
Probability	↑	↑
Impact	↓	↓
Rating	M	M

Liquidity & Cash Management Risk

	2016/17	2015/16
Probability	↓	↓
Impact	↑	↑
Rating	M	M

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

Capital Investments Risk

	2016/17	2015/16
Probability	↓	↓
Impact	↑	↑
Rating	M	M

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

Credit Risk

	2016/17	2015/16
Probability	↓	↓
Impact	↓	↓
Rating	L	L

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

Communicate & Consult:

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

Risk Monitoring & Review:

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

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

Transforming from the Tradition...

Oil Palm Processing

The harvested fresh fruit bunches should be transferred to the processing Mill within 24 hours to produce high quality crude Palm Oil as otherwise the FFA (free fatty acids) levels increase and the value of the Oil will come down. At the factory the fruits are graded and sterilized to enlarge the oil cells of the fruits and to ease the removal of the bunch from the fruitless. Then the sterilized fruits are sent to a press to squeeze off the Oil which is thereafter washed and purified to convert into to crude Oil.

This portion of Oil is called the vegetable crude Palm Oil and the Mesocarp or the Kernel is separated in this process from which Kernel Oil is extracted. The total Oil extraction varies from 23% - 26% depending on the ripeness of the fresh fruit bunches, quality of the machinery and stringent quality controls of the factory in selecting of FFB.

Continued in page no. 137...

Financial Reports

Contents

ANNUAL REPORT OF THE BOARD OF DIRECTORS

The Directors of KPL 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 2017 and the Auditor's Report thereon.

The Board of Directors approved this report at the Board meeting held on 31 May 2017.

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

Principal Activities and Operational Review

The principal activity of Kegalle Plantations PLC is cultivation and processing of Rubber, Tea, Coconut and other crops and remains unchanged from the previous year. The number of estates manage remained the same as last year - 17 estates with a total extent cultivated being 7,676 hectares (7,654 hectares in 2016).

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. 2,287,161,250/- (2016 - Rs. 1,933,063,249/-) which is a 18% increase over last year, Composition of the Revenue is given in Note 6 to the Accounts.

Financial Results

Year Ended 31 March	2017 Rs.'000	2016 Restated Rs.'000
Profit from operations after deducting all expenses, depreciation and all known liabilities	199,174	63,862
(-) Taxation	18,088	37,468
Profit After Tax	217,262	101,330
(+) Other Comprehensive Income	93,124	64,846
Total Comprehensive Income	310,386	166,176
(+) Un-appropriated profit brought forward	1,960,803	2,934,636
(+) Impact of the Amendment of LKAS 41	-	3,423
Profit available for distribution	2,271,189	3,104,235
Appropriation		
Dividends paid	(125,000)	(1,125,000)
Timber Reserve	(5,035)	(5,728)
Available-for-Sale Reserves	(56,580)	7,980
Super gain tax paid	-	(20,684)
Un-appropriated profit carried forward	2,084,574	1,960,803

Investments

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

Property, Plant and Equipments

The total capital expenditure incurred on the acquisition of fixed assets during the year amounted to Rs. 175,924,241/- (2016 - Rs. 220,648,351/-), out of which expenditure on Biological Assets amounts to Rs. 172,756,534/- (2016 - Rs. 219,068,006/-). Further information relating to the movement of Fixed Assets is given in Notes 14 to 16 of the Accounts. Capital expenditure has been financed by either long or short term borrowings depending on the pay- back period and or internally generated funds.

Loans & Borrowings

A breakdown of the total loans outstanding as at the Statement of Financial Position date is given in Note 24 to the Accounts.

Stated Capital

The Stated Capital of the Company as at 31 March 2017 was Rs. 250,000,010/-. A detail of the Stated Capital is given in Note 23 to the Financial Statements.

Reserves

The Reserves of the Company as at 31 March 2017 was Rs. 2,371,695,174/- (2016 - Rs. 2,186,308,570/-). The details are given in the Statement of Changes in Equity on Page 89 to the Financial Statements.

Donations

No Donations were made during the year under review by the Company (2016 – Rs. 5,000/-).

Taxation

The Company is liable for income tax at the rate of 28% on profits from manufacture & 10% on profits from agriculture beginning from the year of assessment 2011/12.

Share Information

Information on Earnings, Dividend, Net Assets and Market Value per share is given on Pages 142 to 144 of this report.

Major Shareholders

The twenty largest shareholders of the Company as at 31 March 2017 together with percentages held are given under the caption "Shareholder & Investor Information" on Page 142.

Directors

The Names of the Directors who held Office during the year are given below. Their brief profile appears on Pages 62 to 63.

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

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

"That Dr. Sena Yaddehige of Le Neuf , Chemin, St. Saviours, Guernsey, United Kingdom who is 71 years of age be and is hereby appointed a Director of the Company in terms of section 211 of the Companies Act No. 07 of 2007, and it is further specially declared that the age limit of 70 years referred to in Section 210 of the Companies Act no. 07 of 2007 shall not apply to the said Dr. Sena Yaddehige "

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

"That Dr. Gerry Jayawardena of No. 134, Batagama (North) Ja -Ela, who is 74 years of age be and is hereby appointed a Director of the Company in terms of section 211 of the Companies Act No. 07 of 2007, and it is further specially declared that the age limit of 70 years referred to in Section 210 of the Companies Act no. 07 of 2007 shall not apply to the said Dr. Gerry Jayawardena "

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

Directors' Interest in Contracts

Directors' interest in Contracts in relation to transactions with related entities, transactions with Key Management Personnel and other related disclosures are stated in Note 36 (Related Party Disclosures) to the Financial Statements. 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 82.

Transactions with related undertakings;

Company	Name of Director	Position	Nature of Transaction	Amount Rs. '000 2017	2016
Eastern Brokers Ltd	Mr. S S Poholiyadde (Resigned w.e.f 5 January 2017)	Director	Brokerage / Lot Money & Interest Income	5,198	(9,197)

Interest Register

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

Directors' Interest in Shares

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

Name of Director	2017 No.of shares	2016 No.of shares
Mr. S S Poholiyadde	3,307	3,307

Directors' Remuneration and Other Benefits

The Remuneration of the Directors for the year ended 31 March 2017 is given in Note 8 of the Financial Statements.

Vision, Mission & Objectives

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

Environmental Protection

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

The Company's efforts in relation to environmental protection are set out on Page 36 under "Sustainability Report".

Employment Policy

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

Statutory Payments

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

Events after the Reporting Date

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

Board Committees

The Board has delegated responsibilities to three Board Sub Committees which operate within clearly defined terms of reference. Their compositions and functions are given in Pages 69 to 72 of this report.

Related Party Transactions

There are no non recurrent related party transactions which exceed 10 percent of the Equity or 5 percent of the total assets whichever is lower and the Company has complied with the requirements of the Listing Rules of the Colombo Stock Exchange on Related Party Transactions. However, the Directors have disclosed the transactions that could be classified as related party transactions which are adopted in the presentation of the Financial Statements and accordingly given in note 36 on Pages 132 to 133.

Corporate Governance and Internal Control

The policies adopted by the Company in relation to Best Practices and Good Corporate Governance are given on Pages 66 to 68.

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

Directors' Responsibility for Financial Reporting

The Statement of Directors' Responsibility for financial reporting of the Company and the Group is set out in Page 84 of this report.

Compliance with Laws and Regulations

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

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

Auditors

The Financial Statements for the year ended 31 March 2017 have been audited by Messrs. Ernst & Young, Chartered Accountants. The Auditors Report is given on Page 85.

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. 3,946,800/- (2016 Rs. 3,528,068/-). In addition Rs. 527,961/- (2016 Rs. 881,248/-) was paid by the Company for non-audit related work which consists mainly of certifications issued to the Department of Inland Revenue and Tax related work. As far as the Directors were aware the Auditors do not have any relationship other than that of an Auditor with the Company.

Annual General Meeting

The Annual General Meeting will be held on 30 June 2017 at the registered office of the Company at 310, High Level Road, Nawinna, Maharagama. The notice of the Annual General Meeting is on Page 147 of the report.

On behalf of the Board,

S S Poholiyadde
Director

Dr. S S B D G Jayawardena
Director

Mrs. R J Siriweera
Company Secretary

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

31 May 2017

STATEMENT OF DIRECTORS' RESPONSIBILITY

In keeping with the provisions under the Companies Act No.7 of 2007, the Directors of Kegalle Plantations PLC, acknowledge their responsibility in relation to financial reporting of both, the Company and that of its Group. These responsibilities differ from those of its Auditors, Messrs. Ernst & Young, which are set out in their report, appearing on page 85 of this report.

The Financial Statements of the Company and its subsidiary for the year ended 31 March 2017 included in this report have been prepared and presented in accordance with the Sri Lanka Financial Reporting Standards. They provide the information as required by the Companies Act No. 7 of 2007, Sri Lanka Accounting Standards and the Listing Rules of the Colombo Stock Exchange. The Directors confirm that suitable accounting policies have been used and applied consistently and that all applicable accounting standards have been followed in the preparation of the Financial Statements given on pages from 86 to 136 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 2017 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 85 of this report. In arriving at their opinion, they have carried out reviews and sample checks on the system of internal controls.

On behalf of the Board,

Mrs. R J Siriweera
Company Secretary

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

31 May 2017

INDEPENDENT AUDITORS' REPORT

Building a better working world

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

Report on the Financial Statements

We have audited the accompanying Financial Statements of Kegalle Plantations PLC ("the Company") and the consolidated Financial Statements of the Company and its subsidiary ("Group") which comprise the Statement of Financial Position as at 31 March 2017, Statement of Profit or Loss, Statement of Comprehensive Income, Statement of Changes in Equity and Cash Flow Statement for the year then ended, and a summary of significant Accounting Policies and other explanatory information.

Board's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated Financial Statements give a true and fair view of the financial position of the Group as at 31 March 2017, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

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

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

b) In our opinion:

- we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company,

- the Financial Statements of the Company give a true and fair view of its financial position as at 31 March 2017, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards, and

- the Financial Statements of the Company and the Group comply with the requirements of sections 151 and 153 of the Companies Act No. 07 of 2007.

Ernst & Young

31 May 2017
Colombo

STATEMENT OF PROFIT OR LOSS

Year Ended 31 March		Company		Group	
	Notes	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Revenue	6	2,287,161	1,933,063	2,287,161	1,933,063
Cost of Sale		(2,059,967)	(1,924,776)	(2,059,967)	(1,924,776)
Gross Profit		**227,194**	8,287	**227,194**	8,287
Gain / (Loss) on Fair Value of Biological Assets	16.4	5,914	5,617	5,914	5,617
Other Income and Gain	7	116,408	114,607	37,238	35,651
Administrative Expenses		(46,712)	(43,166)	(52,705)	(50,761)
Management Fee		(44,660)	(6,543)	(44,660)	(6,543)
Profit from Operations	8	**258,144**	78,801	**172,982**	(7,750)
Finance Income	9	199,131	183,284	199,131	183,284
Finance Cost	10	(258,101)	(198,223)	(258,101)	(198,223)
Share of Result of Equity Accounted Investees	11	-	-	228,756	140,827
Profit Before Taxation		**199,174**	63,862	**342,768**	118,138
Tax Expenses	12.1	18,088	37,468	(12,656)	16,876
Profit After Taxation		**217,263**	101,330	**330,112**	135,014
Basic Earnings Per Share	13	**8.69**	4.06	**13.20**	5.41

The accounting policies and notes on Pages 93 through 136 form an integral part of the Financial Statements.

STATEMENT OF COMPREHENSIVE INCOME

Year Ended 31 March		Company		Group	
	Notes	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Profit for the year		217,263	101,330	330,112	135,014
Other Comprehensive Income					
Other Comprehensive income not to be reclassified to profit or loss in Subsequent periods (net of tax)					
Actuarial Gains / (Losses) on Defined Benefit Plans	25	43,381	86,451	43,381	86,451
Income Tax Effect	12.2	(6,837)	(13,625)	(6,837)	(13,625)
		36,544	72,827	36,544	72,827
Share of Other Comprehensive Income of Equity Accounted Investees					
Other Comprehensive income not to be reclassified to profit or loss in Subsequent periods (net of tax)					
Actuarial Gains / (Losses) on Defined Benefit Plans	11.2	-	-	(506)	125
Income Tax Effect	11.2	-	-	40	(6)
		-	-	(466)	119
Other Comprehensive income to be reclassified to profit or loss in Subsequent periods (net of tax)					
Net Gain / (Loss) on Available-for-Sale Financial Assets	17.2	56,580	(7,980)	56,580	(7,980)
Income Tax Effect		-	-	-	-
		56,580	(7,980)	56,580	(7,980)
Other Comprehensive Income for the year, net of tax		**93,124**	64,846	**92,658**	64,965
Total Comprehensive Income for the year, net of tax		**310,387**	166,176	**422,770**	199,980

The accounting policies and notes on Pages 93 through 136 form an integral part of the Financial Statements.

STATEMENT OF FINANCIAL POSITION

As at 31 March		Company			Group		
ASSETS	Notes	2017 Rs.'000	2016 Restated Rs.'000	2015 Restated Rs.'000	2017 Rs.'000	2016 Restated Rs.'000	2015 Restated Rs.'000
Non Current Assets							
Lease hold Property, Plant and Equipment	14	208,326	224,154	239,983	208,326	224,154	239,983
Free hold Property, Plant and Equipment	15	284,038	323,978	365,251	321,573	366,631	414,245
Bearer Biological Assets	16.1	2,022,742	1,910,589	1,753,216	2,022,742	1,910,589	1,753,216
Consumable Biological Assets	16.2	107,220	94,919	78,746	107,220	94,919	78,746
Financial Assets	17	1,200,880	1,144,300	1,000,000	1,200,880	1,144,300	1,000,000
Long Term Investments	18.3	491,850	491,850	611,850	833,616	718,285	802,918
Total Non Current Assets		4,315,057	4,189,791	4,049,045	4,694,358	4,458,879	4,289,108
Current Assets							
Produce on Bearer Biological Asset	16.3	4,191	3,311	3,423	4,191	3,311	3,423
Inventories	19	268,121	235,954	272,365	267,449	235,281	271,693
Trade and Other Receivables	20	287,946	134,518	210,176	296,240	142,813	215,776
VAT Recoverable		23,652	26,023	25,340	23,660	26,030	28,182
ESC Recoverable		17,703	7,848	-	17,703	7,848	-
Income Tax Recoverable		11,255	4,773	5,772	11,255	4,773	5,772
Amounts due from Related Companies	21	38,271	39,874	49,213	2,315	2,794	11,489
Short Term Investments	22	1,420,892	1,692,867	2,492,297	1,420,892	1,692,867	2,492,297
Cash and Bank Balances		17,293	23,395	22,888	17,293	23,395	22,900
Total Current Assets		2,089,323	2,168,563	3,081,474	2,060,998	2,139,113	3,051,532
TOTAL ASSETS		6,404,381	6,358,353	7,130,520	6,755,354	6,597,992	7,340,640
EQUITY AND LIABILITIES							
Equity							
Stated Capital	23	250,000	250,000	250,000	250,000	250,000	250,000
General Reserve	23.1	225,000	225,000	225,000	225,000	225,000	225,000
Timber Reserve		13,521	8,485	2,758	13,521	8,485	2,758
Available for Sale Reserve		48,600	(7,980)	-	48,588	(7,992)	(12)
Retained Earnings		2,084,575	1,960,803	2,938,059	2,422,325	2,186,170	3,129,621
Total Equity		2,621,694	2,436,309	3,415,817	2,959,434	2,661,663	3,607,367
Non Current Liabilities							
Interest-bearing Loans & Borrowings	24	1,021,294	1,496,162	1,901,956	1,021,294	1,496,162	1,901,956
Retiring Benefit Obligations	25	380,800	429,478	486,075	380,895	429,573	486,169
Deferred Income	26	196,178	203,037	207,126	196,178	204,262	212,704
Deferred Tax Liability	27	46,861	53,369	79,555	46,861	53,369	79,555
Liability to make Lease Payment after one year	28	258,284	263,489	268,493	258,284	263,489	268,493
Total Non Current Liabilities		1,903,419	2,445,534	2,943,205	1,903,513	2,446,855	2,948,877
Current Liabilities							
Trade and Other Payables	29	251,111	202,685	221,621	259,133	210,529	229,405
Interest-bearing Loans & Borrowings	24	1,555,202	1,231,351	493,790	1,555,201	1,231,351	493,790
Liability to make Lease Payment within one year	28	5,205	5,004	4,812	5,205	5,004	4,812
Dividend Payable	30	26,576	21,354	49,038	26,576	21,354	49,038
Amounts due to Related Companies	31	41,174	16,116	2,237	46,293	21,235	7,351
Total Current Liabilities		1,879,268	1,476,510	771,498	1,892,408	1,489,474	784,396
TOTAL EQUITY AND LIABILITIES		6,404,381	6,358,353	7,130,520	6,755,354	6,597,992	7,340,640

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

Sudheera Epitakumbura
Financial Controller

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

S S Poholiyadde
Director

Dr. S S B D G Jayawardena
Director

The accounting policies and notes on Pages 93 through 136 form an integral part of the Financial Statements.
31 May 2017
Colombo

STATEMENT OF CHANGES IN EQUITY

Year Ended 31 March

Company	Stated Capital Rs.'000	General Reserve Rs.'000	Retained Earnings Rs.'000	Available -for-Sale Reserve Rs.'000	Timber Reserve Rs.'000	Total Rs.'000
As at 31 March 2015	**250,000**	**225,000**	**2,934,636**	**-**	**2,758**	**3,412,393**
Impact of the Amendment of LKAS 41 (Note LKAS 16.3)	-	-	3,423	-	-	3,423
As at 01 April 2015- As Previously Reported	**250,000**	**225,000**	**2,938,059**	**-**	**2,758**	**3,415,817**
Super Gain Tax Paid	-	-	(20,684)	-	-	(20,684)
As at 01 April 2015 - Restated	**250,000**	**225,000**	**2,917,375**	**-**	**2,758**	**3,395,133**
Profit for the year - Restated	-	-	101,330	-	-	101,331
Other Comprehensive Income - Restated	-	-	72,826	(7,980)	-	64,846
Timber Reserve	-	-	(5,728)	-	5,728	-
Dividends paid	-	-	(1,125,000)	-	-	(1,125,000)
Balance as at 31 March 2016 - Restated	**250,000**	**225,000**	**1,960,803**	**(7,980)**	**8,485**	**2,436,309**
Profit for the year	-	-	217,263	-	-	217,263
Other Comprehensive Income	-	-	36,544	56,580	-	93,124
Timber Reserve	-	-	(5,035)	-	5,035	-
Dividends paid	-	-	(125,000)	-	-	(125,000)
Balance as at 31 March 2017	**250,000**	**225,000**	**2,084,575**	**48,600**	**13,521**	**2,621,694**

Group	Stated Capital Rs.'000	General Reserve Rs.'000	Retained Earnings Rs.'000	Available -for-Sale Reserve Rs.'000	Timber Reserve Rs.'000	Total Rs.'000
As at 31 March 2015	**250,000**	**225,000**	**3,126,199**	**(12)**	**2,758**	**3,603,944**
Impact of the Amendment of LKAS 41 (Note LKAS 16.3)	-	-	3,423	-	-	3,423
As at 01 April 2015 - As Previously Reported	**250,000**	**225,000**	**3,129,621**	**(12)**	**2,758**	**3,607,367**
Super Gain Tax Paid	-	-	(20,684)	-	-	(20,684)
As at 01 April 2015 - Restated	**250,000**	**225,000**	**3,108,938**	**(12)**	**2,758**	**3,586,683**
Profit for the year - Restated	-	-	135,015	-	-	135,015
Other Comprehensive Income						
Actuarial Gains / (Losses) on Defined Benefit Plans	-	-	72,826	-	-	72,826
Share of Other Comprehensive Income of Equity Accounted Investees						
Actuarial Gains / (Losses) on Defined Benefit Plans	-	-	119	-	-	119
Net Gain / (Losse) on Available-for-Sale Financial Assets - Restated	-	-	-	(7,980)	-	(7,980)
Timber Reserve	-	-	(5,728)	-	5,728	-
Dividends paid	-	-	(1,125,000)	-	-	(1,125,000)
Balance as at 31 March 2016 - Restated	**250,000**	**225,000**	**2,186,170**	**(7,992)**	**8,485**	**2,661,663**
Profit for the year	-	-	330,112	-	-	330,112
Other Comprehensive Income						
Actuarial Gains / (Losses) on Defined Benefit Plans	-	-	36,544	-	-	36,544
Share of Other Comprehensive Income of Equity Accounted Investees						
Net Gain / (Loss) on Available-for-Sale Financial Assets	-	-	-	56,580	-	56,580
Actuarial Gains / (Losses) on Defined Benefit Plans	-	-	(466)	-	-	(466)
Timber Reserve	-	-	(5,035)	-	5,035	-
Dividends paid	-	-	(125,000)	-	-	(125,000)
Balance as at 31 March 2017	**250,000**	**225,000**	**2,422,325**	**48,588**	**13,521**	**2,959,434**

The accounting policies and notes on Pages 93 through 136 form an integral part of the Financial Statements.

CASH FLOW STATEMENT

Year Ended 31 March		Company		Group	
	Notes	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES					
Net Profit Before Taxation		199,174	63,863	342,768	118,139
ADJUSTMENTS FOR					
Finance Income	9	(199,131)	(183,284)	(199,131)	(183,284)
Depreciation / Amortisation	8	112,273	109,549	112,273	109,549
Provision for Defined Benefit Plan Costs	25	75,681	79,623	75,681	79,623
Amortisation of Grants	26	(13,257)	(15,636)	(14,483)	(19,988)
Finance Costs	10	258,101	198,223	258,101	198,223
Dividend Received from Associates	7	(82,215)	(45,765)	-	-
Impairment of Property, Plant & Equipment		-	-	5,118	6,341
(Profit) / Loss on Disposal of Assets	7	(1,959)	(2,439)	(1,959)	(2,439)
Gains / (Losses) on Fair Value of Biological Assets	16.2	(5,914)	(5,617)	(5,914)	(5,617)
Gains / (Losses) on Sale of Biological Assets		-	(4,598)	-	(4,598)
Deemed Disposal (Gain) / Loss	7	-	(32,280)	-	6,943
Share of Result of Associates		-	-	(228,756)	(140,827)
Operating Profit before Working Capital Changes		**342,753**	161,639	**343,698**	162,065
(Increase) / Decrease in Inventories		(32,167)	36,412	(32,168)	36,412
(Increase) / Decrease in Trade and Other Receivables		(151,056)	74,975	(151,057)	75,115
Increase / (Decrease) in Trade and Other Payables		48,425	(18,936)	48,603	(18,875)
(Increase) / Decrease in amounts due from Related Companies		1,602	9,339	480	8,695
Increase / (Decrease) in amounts due to Related Companies		25,058	13,879	25,058	13,884
Cash Generated from / (used in) Operations		**234,615**	277,308	**234,614**	277,296
Finance Costs Paid		(206,163)	(147,263)	(206,163)	(147,263)
Defined Benefit Plan Costs Paid	25	(80,978)	(49,768)	(80,978)	(49,768)
ESC/SGT/Income Tax Paid		(11,593)	(30,626)	(11,593)	(30,626)
Net Cash from / (used in) Operating Activities		**(64,119)**	49,651	**(64,120)**	49,638
CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES					
Finance Income	9	199,131	183,284	199,131	183,284
Grant/Subsidy Received	26	6,399	11,546	6,399	11,546
Proceeds from Disposal of Property, Plant & Equipment		1,959	2,439	1,959	2,439
Proceeds from Disposal of Biological Assets		-	4,980	-	4,980
Field Development Expenditure	Note A	(172,757)	(219,068)	(172,757)	(219,068)
Purchase of Property, Plant & Equipment	Note B	(3,168)	(1,581)	(3,168)	(1,581)
Net Cash from / (used in) Investing Activities		**31,564**	(18,399)	**31,564**	(18,399)
CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES					
Dividend Paid		(119,778)	(1,151,934)	(119,778)	(1,151,934)
Dividend Received from Associates		82,215	45,765	82,215	45,765
Payment of Government Lease Rentals - Interest		(51,938)	(50,960)	(51,938)	(50,960)
Payment of Government Lease Rentals - Capital		(5,004)	(4,812)	(5,004)	(4,812)
Proceeds from Loans		23,000	148,000	23,000	148,000
Repayment of Loans		(635,157)	(368,302)	(635,157)	(368,302)
Net Cash from / (used in) Financing Activities		**(706,662)**	(1,382,243)	**(706,663)**	(1,382,243)
Net Increase / (Decrease) in Cash & Cash Equivalents		**(739,217)**	(1,350,991)	**(739,218)**	(1,351,004)
Cash & Cash Equivalents at the beginning of the year	Note C	1,164,194	2,515,185	1,164,194	2,515,197
Cash & Cash Equivalents at the end of the year	Note D	424,977	1,164,194	424,976	1,164,194

The accounting policies and notes on Pages 93 through 136 form an integral part of the Financial Statements.

NOTES TO THE CASH FLOW STATEMENT

Year Ended 31 March	Company		Group	
NOTE A	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Investment in Field Development Expenditure				
Investment in Immature Plantations				
Rubber	139,148	175,190	139,148	175,190
Tea	22,878	31,536	22,878	31,536
Coconut	1,004	1,346	1,004	1,346
Unallocated	9,727	10,996	9,727	10,996
Total	172,757	219,068	172,757	219,068

	Company		Group	
NOTE B	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Investment in Property, Plant & Equipment				
Rubber	1,609	802	1,609	802
Tea	1,458	779	1,458	779
Coconut	-	-	-	-
Unallocated	101	-	101	-
Total	3,168	1,581	3,168	1,581

	Company		Group	
NOTE C	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Cash & Cash Equivalents at the beginning of the year				
Cash & Bank Balances	23,395	22,888	23,395	22,900
Bank Overdrafts	(552,069)	-	(552,069)	-
Short term Investments	1,692,867	2,492,297	1,692,867	2,492,297
Total	1,164,194	2,515,185	1,164,194	2,515,197

	Company		Group	
NOTE D	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Cash & Cash Equivalents at the end of the year				
Cash & Bank Balances	17,293	23,395	17,293	23,395
Bank Overdrafts	(1,013,209)	(552,069)	(1,013,209)	(552,069)
Short Term Investments	1,420,892	1,692,867	1,420,892	1,692,867
Total	424,977	1,164,194	424,976	1,164,194

NOTES TO THE FINANCIAL STATEMENTS

Index to the notes to the Financial Statements

1. REPORTING ENTITY

1.1 Domicile and Legal Form

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

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

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

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

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

1.2 Principal Activities and Nature of Operations

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

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

Company	Relationship	Nature of the business
Hamefa Kegalle (Pvt) Ltd	Subsidiary	Currently no business operations other than rent income
Richard Pieris Natural Foams Ltd	Associate	Manufacture of best latex foam products
Arpico Insurance PLC	Associate	Providing life insurance services

1.3 Parent Enterprise and Ultimate Parent Enterprise

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

1.4 Date of Authorization for issue

The Consolidated Financial Statements of Kegalle Plantations PLC and its Subsidiaries for the year ended 31 March 2017 were authorized for issue in accordance with a resolution of the board of directors on 31 May 2017.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

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

2.2 Basis of Measurement

These Consolidated Financial Statements have been prepared in accordance with the historical cost convention other than following items in the Financial Statements.

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

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

2.3 Functional and Presentation Currency

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Going Concern

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

3.2 Basis of Consolidation

The consolidated Financial Statements comprise the Financial Statements of the Group and its subsidiaries as at 31 March 2017. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

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

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

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

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

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

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

3.2.1 Business Combinations and Goodwill

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

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

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

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

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

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

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

3.2.2 Investment in Associates

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

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

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

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

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

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

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

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

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

3.3 Current versus Non-Current Classification

The Group presents assets and liabilities in statement of financial position based on current/ non - current classification. An asset as current when it is:

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

Or

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

All other assets are classified as non-current.

A liability is current when:

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

Or

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

The Group classifies all other liabilities as non-current.

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

3.4 Fair Value Measurement

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

- Managed Consumable Biological Assets
- Produce on Bearer Biological Assets
- Financial Instruments

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

- In the principal market for the asset or liability

Or

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

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

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

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

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

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

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

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

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

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

3.5 Foreign Currency Translation

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

Non-monetary assets and liabilities which are carried in terms of historical cost in a foreign currency are retranslated at the exchange rate that prevailed at the date of the transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

3.6 Property, Plant and Equipment

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

3.6.1 Basis of Recognition

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

3.6.2 Measurement

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

3.6.3 Owned Assets

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

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

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

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

3.6.4 Leased Assets

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

Group as a lessee

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

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

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

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

3.6.5 Derecognition

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

3.6.6 Land Development Cost

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

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

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

3.6.7 Biological Assets

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

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

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

(a) Bearer Biological Assets

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

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

(b) Consumable Biological Assets

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

The managed timber trees are measured on initial recognition and at the end of each reporting period its fair value less cost to sell in terms of LKAS 41.The cost is treated as approximation to fair value of young plants as the impact on biological transformation of such plants to price during this period is immaterial. The fair value of timber trees are measured using DCF method taking in to consideration the current market prices of timber, applied to expected timber content of a tree at the maturity by an independent professional valuer. All other assumptions and sensitivity analysis are given in Note 16.2.

The Main Variables in DCF Model Concerns

Variable	Comment
Timber content	Estimate based on physical verification of girth, height and considering the growth of the each spices in different geographical regions. Factor all the prevailing statutory regulations enforced against harvesting of timber coupled with forestry plan of the Company.
Economic useful life	Estimated based on the normal life span of each spices by factoring the forestry plan of the Company.
Selling price	Estimated based on prevailing Sri Lankan market prices. Factor all the conditions to be fulfilled in bringing the trees into saleable condition.
Planting cost	Estimated costs for the further development of immature areas are deducted.
Discount rate	Future cash flows are discounted at 14%

Nursery cost includes the cost of direct materials, directly attributable overheads, less provision for overgrown plants.

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

(c) Produce Growing on Bearer Biological Assets

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

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

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

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

(d) Infilling Cost on Bearer Biological Assets

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

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

(e) Borrowing Cost

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

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

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

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

3.6.8 Depreciation and Amortization

(a) Depreciation

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

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

Mature Plantations - Replanting and New Planting

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

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

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

No depreciation is provided for immature plantations.

(b) Amortisation

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

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

3.7 Intangible Assets

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

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

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

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

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

3.8 Research and Development Costs

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

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

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

3.9 Financial Instruments

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

3.9.1 Financial Assets

3.9.1.1 Initial Recognition and Measurement

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

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

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

3.9.1.2 Subsequent Measurement

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

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

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

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

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

(b) Loans and receivables

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

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

(c) Held-to-maturity investments

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

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

(d) Available-for-sale financial investments

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

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

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

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

3.9.1.3 Derecognition

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

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

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

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

3.9.1.4 Impairment of financial assets

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

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

3.9.1.4.1 Financial assets carried at amortised cost

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

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

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

3.9.1.4.2 Available-for-sale financial Assets

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

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

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

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

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

3.9.2 Financial Liabilities

3.9.2.1 Initial recognition and measurement

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

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

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

3.9.2.2 Subsequent measurement

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

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

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

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

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

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

(b) Loans and borrowings

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

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

3.9.2.3 Derecognition

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

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

3.9.3 Offsetting of financial instruments

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

3.10 Inventories

Finish Goods Manufactured from Agricultural Produce of Biological Assets

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

Input Material, Spares and Consumables

At actual cost on weighted average basis.

Agricultural Produce Harvested from Biological Assets

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

3.11 Trade and Other Receivables

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

3.12 Cash and Cash Equivalents

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

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

3.13 Provisions

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

3.14 Employees' Benefits

a) Defined Benefit Plan

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

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

The Liability is not externally funded.

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

No	Key Assumption	2017	2016
i)	Rate of Discount	12.25% (per annum)	11.5% (per annum)
ii)	Rate of Salary Increase		
	Workers	16% (every two years)	16% (every two years)
	Staff	8% (per annum)	8% (per annum)
iii)	Retirement Age		
	Estate Workers	60 years	60 years
	Estate Staff	58 years	58 years
	Head Office Staff	55 years	55 years
iv)	The Company will continue as a going concern.		

The actuarial present value of the accrued benefits as at 31 March 2017 is Rs. 380,800,362/- (2016 – Rs. 429,477,999/-). This item is grouped under retirement benefit obligations in the Statement of Financial Position.

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

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

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

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

3.15 Deferred Income - Grants and Subsidies

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

Where the Group receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to the Statement of Profit or Loss over the expected useful life and pattern of consumption of the benefit of the underlying asset by equal annual instalments.

Where loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as additional government grant.

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

Buildings	40 years

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

3.16 Trade and Other Payables

Trade and other payables are stated at their costs.

3.17 Capital Commitments and Contingencies

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

3.18 Events Occurring after Reporting Period

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

3.19 Earnings Per Share

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

3.20 Impairment of Non Financial Assets

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

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

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

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

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

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

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

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

3.21 Statement of profit or Loss

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

3.21.1 Revenue Recognition

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

(a) Sale of Goods

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

(b) Interest

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

(c) Dividends

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

(d) Rental income

Rental income is recognized on an accrual basis.

(e) Royalties

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

(f) Others

Other income is recognized on an accrual basis.

Net Gains and losses of a revenue nature on the disposal of property, plant & equipment and other noncurrent assets including investments have been accounted for in the Statement of profit or loss, having deducted from proceeds on disposal, the carrying amount of the assets and related selling expenses. On disposal of revalued property, plant and equipment, amount remaining in Revaluation Reserve relating to that asset is transferred directly to Retained Profit / (Loss).

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

3.21.2 Expenditure Recognition

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

a) Financing Income and Expenses

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

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

b) Taxes

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

Current Income Tax

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

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

Deferred Tax

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

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

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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

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

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

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

3.22 Statement of Cash Flow

The Cash Flow Statement has been prepared using the 'indirect method'. Interest paid is classified as operating cash flows, interest and government grants received are classified as investing cash flows while dividends paid and received are classified as financing cash flows in financial activities, for the purpose of presenting the Cash Flow Statement.

3.23 Segment Reporting

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

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

The activities of the segments are described on Note 6 in the Notes to the Financial Statement.

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

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

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

3.24 Change in Accounting Policies and Disclosures

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

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

Accordingly, the Company has applied these amendments retrospectively in the Financial Statements. For the details refer Note 37.

4 USE OF JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

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

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the Financial

Statements is included in the following notes:

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

4.1 Deferred Taxation

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. Unused tax losses as of 31 March 2017 are given in Note 27.

4.2 Retirement Benefit Obligations

The present value of the retirement benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Key assumptions used in determining the retirement benefit obligations are given in according policy Note 3.14. Any changes in these assumptions will impact the carrying amount of retirement benefit obligations.

4.3 Biological Assets

The fair value of managed timber trees depends on a number of factors that are determined on a discounted method using various financial and non financial assumptions. The growth of the trees is determined by various biological factors that are highly unpredictable. Any change to the assumptions will impact to the fair value of biological assets. Key assumptions and sensitivity analysis of the biological assets are given in the Note 16.

5 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

SLFRS 9 Financial Instruments

SLFRS 9, as issued reflects the first phase of work on measurement of LKAS 39 and applies to classification and measurement of financial assets and liabilities. This standard is effective for the annual periods beginning on or after 01 January 2018.

SLFRS 15 Revenue from Contracts with Customers

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

SLFRS 16 - Leases

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

6. REVENUE

6.1. Summary

	Company 2017 Rs.'000	Company 2016 Rs.'000	Group 2017 Rs.'000	Group 2016 Rs.'000
Sale of Goods				
Rubber	1,057,038	941,732	1,057,038	941,732
Tea	1,030,369	877,108	1,030,369	877,108
Coconut	39,494	45,394	39,494	45,394
Other Crops	2,229	501	2,229	501
Sale of Rubber Trees	158,031	68,328	158,031	68,328
Total Revenue	2,287,161	1,933,063	2,287,161	1,933,063

6.2. OPERATING SEGMENTS

Geographical Segments - Revenue	Company 2017 Rs.'000	Company 2016 Rs.'000	Group 2017 Rs.'000	Group 2016 Rs.'000
Local Revenue	2,185,963	1,769,402	2,185,963	1,769,402
Export Revenue	101,198	163,661	101,198	163,661
Total Revenue	2,287,161	1,933,063	2,287,161	1,933,063

6.3. Business Segments

	Company 2017 Rs.'000	Company 2016 Rs.'000	Group 2017 Rs.'000	Group 2016 Rs.'000
Rubber				
Revenue	1,057,038	941,732	1,057,038	941,732
Revenue Expenditure	(904,780)	(813,219)	(904,780)	(813,219)
Depreciation & Amortisation	(75,747)	(74,348)	(75,747)	(74,348)
Other Non Cash Expenditure - Gratuity	(44,324)	(43,347)	(44,324)	(43,347)
Segment Result - Gross Profit	32,187	10,818	32,187	10,818
Tea				
Revenue	1,030,369	877,108	1,030,369	877,108
Revenue Expenditure	(943,271)	(902,838)	(943,271)	(902,838)
Depreciation & Amortisation	(32,424)	(33,365)	(32,424)	(33,365)
Other Non Cash Expenditure - Gratuity	(31,357)	(36,275)	(31,357)	(36,275)
Segment Result - Gross Profit /(Loss)	23,317	(95,370)	23,317	(95,370)
Coconut				
Revenue	39,494	45,394	39,494	45,394
Revenue Expenditure	(27,139)	(20,872)	(27,139)	(20,872)
Segment Result - Gross Profit	12,355	24,522	12,355	24,522
Other Crop				
Revenue	2,229	501	2,229	501
Revenue Expenditure	(131)	(18)	(131)	(18)
Segment Result - Gross Profit	2,098	483	2,098	483
Sale of Rubber Trees				
Revenue	158,031	68,328	158,031	68,328
Revenue Expenditure	(795)	(493)	(795)	(493)
Segment Result - Gross Profit	157,236	67,835	157,236	67,835
Total Segments				
Revenue	2,287,161	1,933,063	2,287,161	1,933,063
Revenue Expenditure	(1,876,116)	(1,737,440)	(1,876,116)	(1,737,440)
Depreciation & Amortisation	(108,171)	(107,713)	(108,171)	(107,713)
Other Non Cash Expenditure - Gratuity	(75,681)	(79,622)	(75,681)	(79,622)
Total Segment Results - Gross Profit	227,193	8,288	227,193	8,288

	Company		Group	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Total Segment Results - Gross Profit	227,193	8,288	227,193	8,288
Gains/(Loss) on fair value of biological assets	5,914	5,617	5,914	5,617
Other Income & Gain	116,407	114,607	37,238	35,651
Administrative Expenses	(46,710)	(43,166)	(52,703)	(50,761)
Management Fee	(44,660)	(6,543)	(44,660)	(6,543)
Finance Income	199,131	183,284	199,131	183,284
Finance Cost	(258,101)	(198,223)	(258,101)	(198,223)
Share of Result of Associates	-	-	228,756	140,827
Profit Before Tax	199,174	63,862	342,768	118,139

6.4. Business Segments - Assets

	Company		Group	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Non Current Assets				
Rubber	1,668,334	1,596,398	1,668,334	1,596,398
Tea	745,617	713,258	745,617	713,258
Other Crops	145,553	145,959	145,553	145,959
Unallocated	1,755,554	1,734,176	2,134,853	2,003,263
Total Non Current Assets	4,315,058	4,189,791	4,694,357	4,458,878
Current Assets				
Rubber	280,003	773,407	280,003	773,407
Tea	193,135	740,683	193,135	740,683
Other Crops	21,173	30,902	21,173	30,902
Unallocated	1,595,013	623,571	1,566,687	594,121
Total Current Assets	2,089,324	2,168,563	2,060,998	2,139,113

6.5. Business Segments - Liabilities

	Company		Group	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Non Current Liabilities				
Rubber	198,960	1,045,416	198,960	1,045,416
Tea	261,154	518,945	261,154	518,945
Other Crops	51,082	52,038	51,082	52,038
Unallocated	1,392,221	829,136	1,392,318	830,456
Total Non Current Liabilities	1,903,417	2,445,535	1,903,514	2,446,855
Current Liabilities				
Rubber	112,048	667,737	112,048	667,737
Tea	111,413	337,272	111,413	337,272
Other Crops	21,842	33,096	21,842	33,096
Unallocated	1,633,963	438,406	1,647,104	451,369
Total Current Liabilities	1,879,266	1,476,511	1,892,407	1,489,474

6.6. Segment Capital Expenditure

	Company		Group	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Rubber	140,757	175,991	140,757	175,991
Tea	24,336	32,315	24,336	32,315
Other Crops	1,004	1,346	1,004	1,346
Unallocated	9,828	10,996	9,828	10,996
Total Capital Expenditure	175,925	220,648	175,925	220,648

7. OTHER INCOME AND GAIN

	Company		Group	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Sale of Property, Plant & Equipment	1,959	2,439	1,959	2,439
Amortisation of Capital Grants	13,257	15,636	14,483	19,988
Dividend Income	82,215	45,765	-	-
Deemed Disposal Gain	-	32,280	-	5,818
Deemed Disposal Loss	-	-	-	(12,761)
Sundry Income	18,976	18,487	20,796	20,167
Total Other Income & Gain	116,408	114,607	37,238	35,651

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

8. PROFIT BEFORE TAXATION IS STATED AFTER CHARGING FOLLOWINGS

	Company		Group	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Auditors' Remuneration	2,818	2,610	2,890	2,679
Depreciation & Amortization	112,273	109,549	112,273	109,549
Directors' Remuneration	800	800	800	800
Defined Benefit Plan Cost	75,681	79,623	75,681	79,623
Defined Contribution Plans - EPF& ETF	117,108	120,780	117,108	120,780
Others - Staff Cost	941,573	957,107	941,573	957,107

9. FINANCE INCOME

	Company		Group	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Interest Income	199,131	183,284	199,131	183,284
Total Interest Income	199,131	183,284	199,131	183,284

10. FINANCE COST

	Company		Group	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Overdraft Interest	79,913	19,074	79,913	19,074
Interest on Government Lease	10,740	10,932	10,740	10,932
Variable Lease Rental	41,198	40,028	41,198	40,028
Term Loan Interest	157,039	155,603	157,039	155,603
	288,890	225,637	288,890	225,637
Less : Interest Capitalised	(30,789)	(27,414)	(30,789)	(27,414)
Total Finance Cost	258,101	198,223	258,101	198,223

11. SHARE OF RESULT OF ASSOCIATES

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

The Group's share of the income of the entities for the years ending 31 March 2017 and 2016, which are accounted under the equity method are as follows.

11.1. Statement of Profit or Loss

	Group	
Statement of Profit or Loss	**2017 Rs.'000**	2016 Rs.'000
Richard Pieris Natural Foams Ltd		
Group's Share of Profit / (Loss) Before Tax	184,734	128,608
Tax on associate results	(21,610)	(15,507)
Group Share of Profit / (Loss) After Tax	163,124	113,101
Arpico Insurance PLC		
Group's Share of Profit / (Loss) Before Tax	44,022	12,219
Tax on associate results	-	-
Group Share of Profit / (Loss) After Tax	44,022	12,219

There is no income tax expenses recognised as life insurance does not have an income tax expense so far as Arpico Insurance PLC is concerned.

	Group	
Total Group Share of Result	**2017 Rs.'000**	2016 Rs.'000
Group's Share of Profit / (Loss) Before Tax	228,756	140,827
Tax on associate results	(21,610)	(15,507)
Group Share of Profit / (Loss) After Tax	207,146	125,321

11.2. Statement of Other Comprehensive Income (OCI)

	Group	
Statement of Other Comprehensive Income (OCI)	**2017 Rs.'000**	2016 Rs.'000
Richard Pieris Natural Foams Ltd		
Gain/(Loss) on Acturial Valuation	(332)	33
Income Tax Effect	40	(6)
Group Share of Other Comprehensive Income / (Loss)	(292)	27
Arpico Insurance PLC		
Gain(/Loss) on Acturial Valuation	(174)	92
Income Tax Effect	-	-
Group Share of Other Comprehensive Income / (Loss)	(174)	92
Total Group Share of Result		
Gain/(Loss) on Acturial Valuation	(506)	125
Income Tax Effect	40	(6)
Group Share of Other Comprehensive Income / (Loss)	(466)	119

12. CURRENT TAX EXPENSES

	Company 2017 Rs.'000	Company 2016 Rs.'000	Group 2017 Rs.'000	Group 2016 Rs.'000
12.1. Statement of Profit or Loss				
(I) Current Income Tax:				
Current income tax charge	(4,744)	2,343	16,866	17,850
Tax on dividend paid by Group Companies	-	-	9,135	5,085
(II) Deferred Tax:				
Relating to origination and (reversal) of temporary defferences (Note 27.1)	(13,345)	(39,811)	(13,345)	(39,811)
Income Tax charge/(reversal) reported in Statement of Profit or Loss	**(18,089)**	(37,468)	**12,656**	(16,876)

12.2. Statement of Other Comprehensive Income (OCI)

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

	Company 2017	Company 2016	Group 2017	Group 2016
Net gain/(loss) on actuarial gains / losses on defined Benefit Plans (Note 27.1)	(6,837)	(13,625)	(6,837)	(13,625)
Income Tax charge directly to Other Comprehensive Income	**(6,837)**	(13,625)	**(6,837)**	**(13,625)**

12.3. Reconciliation between Current Tax Expense and Accounting Profit

	Company 2017 Rs.'000	Company 2016 Rs.'000	Group 2017 Rs.'000	Group 2016 Rs.'000
Accounting Profit Before Tax	199,174	63,862	342,768	118,139
Aggregate Disallowed Items	198,694	240,356	198,694	240,356
Aggregate Allowable Items	(587,826)	(635,472)	(587,826)	(689,748)
Tax Exempt Income	(5,914)	(5,617)	(5,914)	(5,617)
Total Statutory Income	(195,872)	(336,871)	(52,278)	(336,870)
Liable Interest Income	26,461	11,608	26,461	11,608
	(169,411)	(325,263)	(25,816)	(325,262)
Tax Losses Utilized During the Year	(9,261)	(3,241)	(9,261)	(3,241)
Total Assessable Income / Taxable Income	(178,672)	(328,504)	(35,078)	(328,503)
Assessable Income / Taxable Income from Agriculture	(195,872)	(336,871)	(195,872)	(336,871)
Assessable Income / Taxable Income other than Agriculture	17,200	8,367	17,200	8,367
Total Assessable Income / Taxable Income	(178,672)	(328,504)	(178,672)	(328,504)
Income Tax @ 10%	-	-	-	-
Income Tax @ 28%	4,816	2,343	4,816	2,343
Income Tax on Current Year Profits	4,816	2,343	4,816	2,343
Less Over Provision previous years	(9,560)	-	(9,560)	-
	(4,744)	2,343	(4,744)	2,343
Share of Equity Accounted Investees' Income Tax	-	-	21,610	15,507
Current Income Tax Expenses	(4,744)	2,343	16,866	17,850
Details of Business Losses Carried Forward				
Loss Brought Forward	758,912	440,830	758,912	440,830
Loss incurred during the year	195,873	321,323	195,873	321,323
Loss Appropriate during the year	(9,261)	(3,241)	(9,261)	(3,241)
Loss Carried Forward	945,524	758,912	945,524	758,912

13. EARNINGS PER SHARE

13.1. The calculation of the basic earnings per share is based on after tax profit for the year divided by the weighted average number of Ordinary Shares outstanding during the period.

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

	Company		Group	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Amounts used as the Numerator :				
Net profit/ (loss) applicable to Ordinary Shareholders for basic earnings per share	217,263	101,330	330,112	135,014
	217,263	101,330	330,112	135,014
Amounts used as the Denominator :	Nos'000	Nos'000	Nos'000	Nos'000
Weighted average number of Ordinary Shares in issue applicable to basic earnings per share	25,000	25,000	25,000	25,000
	25,000	25,000	25,000	25,000
Earnings Per Share (EPS)	8.69	4.06	13.20	5.41

14. LEASEHOLD PROPERTY, PLANT & EQUIPMENT

		Company		Group	
As at 31 March	Notes	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Right-to-use of land	14.1	138,587	143,495	138,587	143,495
Immovable leased bearer biological assets	14.2	69,158	78,002	69,157	78,002
Immovable Leased assets (other than right-to-use land and bearer biological assets)	14.3	580	2,657	580	2,657
		208,326	224,154	208,326	224,154

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

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

This right-to-use land is amortized over the remaining lease term or useful life of the right whichever is shorter and is disclosed under non-current assets. The Statement of Recommended Practice (SoRP) for right-to-use of land does not permit further revaluation of right-to-use land. The values taken into the Statement of Financial Position as at 22 June 1992 and amortization of the right to use of land up to 31 March 2017 are as follows.

	Company		Group	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Capitalised Value As at 22.06.1992	260,142	260,142	260,142	260,142
Accumulated Amortization				
At the beginning of the Year	116,647	111,739	116,647	111,739
Amortization charge for the year	4,908	4,908	4,908	4,908
As at 31 March	121,555	116,647	121,555	116,647
Carrying Amount	138,587	143,495	138,587	143,495

14.2. Immovable Leased Bearer Biological Assets

In terms of the ruling of the UITF of the Institute of Chartered Accountants of Sri Lanka prevailed at the time of privatisation of Plantation Estates, all immovable assets in these estates under finance leases have been taken into the books of the Company retroactive to 22 June 1992. For this purpose the Board decided at its meeting on March 8, 1995 that these assets would be taken at their book values as they appear in the books of the SLSPC, on the day immediately preceding the date of formation of the Company. These assets are taken into the 22 June 1992 Statements of financial position and the amortisation of immovable estate assets to 31 March 2017 are as follows.

	Company Mature Plantations		Group Mature Plantations	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Capitalised Value as at 22nd June, 1992	262,680	262,680	262,680	262,680
Accumulated Amortisation				
At the beginning of the Year	184,678	175,930	184,678	175,930
Amortisation for the year	8,844	8,749	8,844	8,749
As at 31 March	193,522	184,678	193,522	184,678
Carrying Amount	69,158	78,002	69,158	78,002

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

However, since then all such investments in Immature Plantations attributable to JEDB/SLSPC period have been transferred to Mature Plantations. These mature tea and rubber were classified as bearer biological assets in terms of LKAS 41 - Agriculture. The carrying value of the bearer biological assets leased from JEDB/SLSPC is recognised at cost less amortisation. Further investments in such plantations to bring them to maturity are shown in Note 16.1

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

	Company				Group			
	Improvement to Land Rs.'000	Buildings Rs.'000	Plant & Machinery Rs.'000	Total Rs.'000	Improvement to Land Rs.'000	Buildings Rs.'000	Plant & Machinery Rs.'000	Total Rs.'000
Capitalised Value as at 22.06.1992	192	53,935	24,289	78,416	192	53,935	24,289	78,416
Amortisation								
Accumulated Amortisation as at 01.04.2016	152	51,318	24,289	75,759	152	51,318	24,289	75,759
Amortisation for the year	3	2,074	-	2,077	3	2,074	-	2,077
Accumulated Amortisation as at 31.03.2017	155	53,392	24,289	77,836	155	53,392	24,289	77,836
Written down value as at 31.03.2017	37	543	-	580	37	543	-	580
Written down value as at 31.03.2016	40	2,617	-	2,657	40	2,617	-	2,657

Note:

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

15. FREEHOLD PROPERTY, PLANT AND EQUIPMENT

	Company				Group			
	Balance as at 01.04.2016	Additions for the year	Disposals during the year	Balance as at 31.03.2017	Balance as at 01.04.2016	Additions for the year	Disposals during the year	Balance as at 31.03.2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cost/Valuation								
Buildings	71,255	445	-	71,700	111,805	445	-	112,250
Motor Vehicles	127,625	-	(4,825)	122,800	127,625	-	(4,825)	122,800
Furniture & Fittings	5,556	-	-	5,556	5,633	-	-	5,633
Equipment	58,818	166	-	58,984	59,491	166	-	59,657
Water Sanitation	2,150	-	-	2,150	2,150	-	-	2,150
Computers & Computer Software	15,833	471	-	16,304	16,211	471	-	16,682
Plant & Machinery	337,126	2,026	-	339,152	406,157	2,026	-	408,183
Other Assets on Grants	214,593	60	-	214,653	214,593	60	-	214,653
	832,956	3,168	(4,825)	831,299	943,665	3,168	(4,825)	942,008

	Balance as at 01.04.2016	Charge for the Year	Accumlated deprecition on disposal	Balance as at 31.03.2017	Balance as at 01.04.2016	Charge for the Year	Disposal/ Impairment Loss during the year	Balance as at 31.03.2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Depreciation								
Buildings	16,524	4,603	-	21,127	37,520	4,603	2,346	44,469
Motor Vehicles	104,110	9,828	(4,825)	109,114	104,110	9,828	(4,825)	109,114
Furniture & Fittings	3,716	183	-	3,899	3,768	183	-	3,951
Equipment	53,719	1,034	-	54,753	54,012	1,034	-	55,046
Water Sanitation	1,758	30	-	1,788	1,758	30	-	1,788
Computers & Computer Software	14,449	370	-	14,819	14,957	370	-	15,327
Plant & Machinery	233,552	19,073	-	252,625	279,759	19,073	2,772	301,604
Other Assets on Grants	82,658	7,791	-	90,449	82,658	7,791	-	90,449
	510,486	42,912	(4,825)	548,574	578,542	42,912	293	621,748
Written Down Value	**322,470**			**282,725**	**365,123**			**320,260**
Assets acquired on Finance Leases								
Cost								
Plant & Machinery	8,417	-	-	8,417	8,417	-	-	8,417
	8,417	-	-	8,417	8,417	-	-	8,417
Depreciation								
Plant & Machinery	8,222	195	-	8,417	8,222	195	-	8,417
	8,222	195	-	8,417	8,222	195	-	8,417
Written Down Value	**195**			**-**	**195**			**-**

Capital Work-in-Progress	Balance as at 01.04.2016 Rs.'000	Additions for the year Rs.'000	Capitalised/ Transfer during the year Rs.'000	Balance as at 31.03.2017 Rs.'000	Balance as at 01.04.2016 Rs.'000	Additions for the year Rs.'000	Capitalised/ Transfer during the year Rs.'000	Balance as at 31.03.2017 Rs.'000
Capital Work-in-Progress	1,313	-		1,313	1,313	-	-	1,313
Total Written Down Value	**323,978**			**284,038**	**366,631**			**321,573**

The assets shown above are those movable assets vested in the Company by Gazette Notification at the date of formation of he Company (22 June 1992) and all investments in tangible assets by the Company since its formation. The assets taken over by way of estate leases are set out in Notes 14.

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

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

16. BIOLOGICAL ASSETS - COMPANY / GROUP

16.1. BEARER BIOLOGICAL ASSETS - COMPANY / GROUP

	Immature Plantations				Mature Plantations				Total
	Tea Rs.'000	Rubber Rs.'000	Coconut Rs.'000	Others Rs.'000	Tea Rs.'000	Rubber Rs.'000	Coconut Rs.'000	Others Rs.'000	Rs.'000
Cost									
At the beginning of the year 01/04/2016	194,465	892,047	17,206	58,543	171,269	957,805	27,958	14,374	2,333,667
Additions	22,878	139,148	1,004	2,461	-	-	-	-	165,491
Transfers	(20,944)	(72,570)	(562)	-	20,944	72,570	562	-	-
At the end of the year 31/03/2017	**196,399**	**958,625**	**17,648**	**61,004**	**192,213**	**1,030,375**	**28,520**	**14,374**	**2,499,158**
Depreciation									
At the beginning of the year 01/04/2016	-	-	-	-	55,774	359,949	1,464	5,891	423,078
Charge for the year	-	-	-	-	5,233	47,117	563	424	53,337
At the end of the year 31/03/2017	**-**	**-**	**-**	**-**	**61,007**	**407,066**	**2,027**	**6,315**	**476,415**
Written Down Value - as at 31.03.2017	**196,399**	**958,625**	**17,648**	**61,004**	**131,206**	**623,309**	**26,493**	**8,059**	**2,022,742**
Written Down Value - as at 31.03.2016	**194,465**	**892,047**	**17,206**	**58,543**	**115,495**	**597,856**	**26,494**	**8,483**	**1,910,589**

These are investments in immature/ mature plantations since the formation of the Company. The assets (including plantation assets) taken over by way of estate leases are set out in Notes 14. Further investment in immature plantations taken over by way of these leases are shown in the above note. When such plantations become mature, the additional investments, since initial investment to bring them to maturity, will be moved from immature to mature under this note.

The Company has elected to measure the bearer biological assets at cost using LKAS 16 - Property, Plant & Equipment.

Specific borrowings have been obtained to finance the planting expenditure. Hence, borrowing costs Rs. 30,789,149/- (2015/16 - Rs. 27,413,656/-) were capitalized during the year under Immature Plantations.

16.2. CONSUMABLE BIOLOGICAL ASSETS - TIMBER PLANTATIONS

	Company/Group	
	2017 Rs.'000	2016 Rs.'000
As at 1 April	94,919	78,746
Increase due to development	7,266	10,827
Decrease due to Harvest	-	(382)
Gain/(loss) fair value of Biological Assets	5,035	5,728
As at 31 March	107,220	94,919

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

The fair value of managed trees was ascertained in accordance with the LKAS 41. The valuation was carried by Messers. Ariyathillaka & Co , accredited Chartered Valuers, using Discounted Cash Flow (DCF) methods. In ascertaining the fair value of timber a physical verification was carried covering all the estates.

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

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

Non Financial Asset	Valuation Technique	Unobservable Inputs	Range of Unobservable Inputs (Probability weighted average)	Relationship of Unobservable Inputs to Fair Value
Consumable Managed Biological Assets	DCF	Discounting Rate	14.0%	The higher the discount rate, the lesser the fair value
		Optimum rotation (Maturity)	20-25 Years	Lower the rotation period, the higher the fair value
		Price per cu.ft.	Rs. 132/- to Rs. 850/-	The higher the price per cu. ft., the higher the fair value

Other key assumptions used in valuation;

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

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

Sensitivity Analysis

Sensitivity variation on sales price

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

Company	Rs.'000	Rs.'000
Managed Timber	-10%	+10%
As at 31 March 2017	(10,722)	10,722
As at 31 March 2016	(9,492)	9,492

Sensitivity variation on discount rate

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

Company	Rs.'000	Rs.'000
Managed Timber	-1.5%	+1.5%
As at 31 March 2017	8,741	(6,259)
As at 31 March 2016	10,009	(7,875)

16.3. PRODUCE ON BEARER BIOLOGICAL ASSETS

	Company		Group	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
As at 1st April - as previously reported	3,312	-	3,312	-
Impact of the AmendmentS of LKAS 16 & LKAS 41	-	3,423	-	3,423
Change in fair value less cost to sell	879	(111)	879	(111)
At the end of the year	4,191	3,311	4,191	3,312

16.4. GAIN/(LOSS) ON FAIR VALUE OF BIOLOGICAL ASSETS

	Company		Group	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Consumable Biological Assets Gain/(loss) arising from change in fair value less cost to sell (Note 16.2)	5,035	5,728	5,035	5,728
Produce on Bearer Biological Assets Gain/(loss) arising from change in fair value less cost to sell (Note 16.3)	879	(111)	879	(111)
Total change in fair value of Biologcal Assets	5,914	5,617	5,914	5,617

17. FINANCIAL ASSETS/LONG TERM INVESTMENTS

		Company		Group	
		2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Quoted Investment					
Richard Pieris and Company PLC	17.1	1,000,000	1,000,000	1,000,000	1,000,000
Unquoted Investment					
Richard Pieris Finance Ltd	17.2	200,880	144,300	200,880	144,300
Total Financial Assets		1,200,880	1,144,300	1,200,880	1,144,300

17.1. QUOTED INVESTMENT

HELD-TO-MATURITY FINANCIAL ASSETS

Quoted Debt Securities Held by the Company		Company		Group	
Quoted Debentures - Richard Pieris and Company PLC		2017	2016	2017	2016
Year of Maturity		2019	2019	2019	2019
No of Debentures	Nos'000	10,000	10,000	10,000	10,000
Face Value per Debenture	Rs.	100	100	100	100
Carrying Value	Rs. '000	1,000,000	1,000,000	1,000,000	1,000,000
Fair Value	Rs. '000	1,000,000	1,000,000	1,000,000	1,000,000

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

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

17.2. UNQUOTED INVESTMENT

AVAILABLE-FOR-SALE FINANCIAL ASSETS

Non-Quoted Equity Shares Held by the Company		Company		Group	
Non-Quoted Ordinary Shares - Richard Pieris Finance Ltd		2017	2016	2017	2016
No of Shares	Nos'000	12,000	12,000	12,000	12,000
% Holding	%	10.21	10.21	10.21	10.21
Face Value Per Share	Rs.	10.00	10.00	10.00	10.00
Carrying Value as at 31 March 2016	Rs.'000	144,300	152,280	144,300	152,280
Equity Value Per Share as at 31 March 2017	Rs.	16.74	12.03	16.74	12.03
Deemed Disposal Gain/(Loss)	Rs.'000	56,580	(7,980)	56,580	(7,980)
Carrying Value as at 31 March 2017	Rs.'000	200,880	144,300	200,880	144,300

17.2.1. CORRECTION OF ERROR

Incorrect equity price taken for the valuation of Available-for-Sale Financial Asset (AFS) due to an oversight in 2016 corrected and restated the balance.

STATEMENT OF COMPREHENSIVE INCOME	2016 Previously Reported Amount Rs. '000	2016 Adjusted Amount Rs. '000	2016 Restated Amount Rs. '000
Other Comprehensive income to be reclassified to profit or loss in Subsequent periods (net of tax)			
Net Gain / (Loss) on Available-for-Sale Financial Assets	49,320	(57,300)	(7,980)
STATEMENT OF FINANCIAL POSITION			
Financial Assets - at the end of the year	201,600	(57,300)	144,300

17.3. FAIR VALUE HIERARCHY

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

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

NON FINANCIAL ASSETS - CONSUMABLE BIOLOGICAL ASSETS

	Date of Valuation	Level 1		Level 2		Level 3	
		2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Assets measured at fair value							
Available-for-Sale Financial Asset	31 March	-	-	200,880	144,300	-	-
Consumable Biological Assets - Timber	31 March	-	-	-	-	107,220	94,919
Produce on Bearer Biological Assets	31 March			4,191	3,312	-	-

18. LONG TERM INVESTMENTS

18.1. Investments in Subsidiaries

Company

Unquoted Investments

Hamefa Kegalle (Pvt) Ltd

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

18.2. Investments in Associates

Quoted Investment - Arpico Insurance PLC		Company		Group	
		2017	2016	2017	2016
Holding	%	40.29	40.29	40.29	40.29
No of Shares	Nos ‘000	26,685	26,685	26,685,	26,685
Value	Rs.’000	266,850	266,850	307,935	264,087

Unquoted Investment - Richard Pieris Natural Foams Ltd		Company		Group	
		2017	2016	2017	2016
Holding	%	35.11	35.11	35.11	35.11
No of Shares	Nos ‘000	22,500	22,500	22,500	22,500
Value	Rs.’000	225,000	225,000	525,681	454,198
Company Investments in Associates, Total	Rs.’000	**491,850**	491,850	**833,616**	718,285

18.3. Other Long Term Investments

	2017	2016	2017	2016
No of Shares	Nos	Nos	Nos	Nos
Maskeliya Tea Garden Ceylon Ltd	1	1	1	1
Exotic Horticulture (Pvt) Ltd	1	1	1	1
Total Investment	2	2	2	2
Value	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Maskeliya Tea Garden Ceylon Ltd	-	-	-	-
Exotic Horticulture (Pvt) Ltd	-	-	-	-
Long Term Investments - Others	-	-	-	-
Long Term Investments - Total	**491,850**	491,850	**833,616**	718,285

18.4 Summarised Financial Information of Associates

Richard Pieris Natural Foams Ltd	2017 Rs.'000	2016 Rs.'000
Revenue	2,614,626	1,905,089
Profit / (Loss) Before Tax	526,159	366,301
Group's Share of Profit / (Loss) Before Tax	184,734	128,608
Group's Share of Other Comprehensive Income	(292)	27
Profit / (Loss) After Tax	464,610	322,135
Other Comprehentive Income	(831)	78
Total Comprehentive Income	463,779	322,213
Dividends Received	82,215	45,765
Current Assets	1,069,768	966,393
Non Current Assets	502,172	391,136
Total Assets	1,571,940	1,357,529
Current Liabilities	525,403	543,654
Non Current Liabilities	40,825	11,767
Total Liabilities	566,228	555,421

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

Arpico Insurance PLC	2017 Rs.'000	2016 Rs.'000
Revenue	803,015	516,816
Profit / (Loss) Before Tax	109,263	30,328
Group's Share of Profit / (Loss) Before Tax	44,022	12,219
Group's Share of Other Comprehensive Income	(174)	92
Deemed Disposal Gain	-	5,818
Profit / (Loss) After Tax	109,263	30,328
Other Comprehentive Income	(432)	227
Total Comprehentive Income	108,831	30,555
Dividends Received	-	-
Current Assets	463,620	793,783
Non Current Assets	1,221,417	456,014
Total Assets	1,685,037	1,249,797
Current Liabilities	98,744	87,039
Non Current Liabilities	819,431	504,725
Total Liabilities	918,175	591,765

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

19. INVENTORIES

	Company 2017 Rs.'000	Company 2016 Rs.'000	Group 2017 Rs.'000	Group 2016 Rs.'000
Input Materials	45,986	27,977	52,814	34,804
Growing Crop - Nurseries	22,480	9,018	22,480	9,018
Produce Stock	197,649	196,825	197,649	196,825
Spares and Consumables	2,006	2,134	2,006	2,134
	268,121	235,954	274,949	242,781
(-) Provision for slow moving stocks	-	-	(7,500)	(7,500)
	268,121	235,954	267,449	235,281

20. TRADE AND OTHER RECEIVABLES

		Company 2017 Rs.'000	Company 2016 Rs.'000	Group 2017 Rs.'000	Group 2016 Rs.'000
Produce Debtors	Related Companies (20.1)	134,062	50,182	134,061	50,182
	Others	85,128	36,351	85,128	36,351
Advances & Prepayments		10,689	8,301	10,689	8,301
Other Debtors		58,067	39,684	66,362	47,979
		287,946	134,518	296,240	142,813

20.1. TRADE RECEIVABLES FROM RELATED COMPANIES

	Relationship	Company 2017 Rs.'000	Company 2016 Rs.'000	Group 2017 Rs.'000	Group 2016 Rs.'000
Richard Pieris Natural Foams Ltd	Associate Company	110,820	40,537	110,820	40,537
Arpico Natural Latex Foam (Pvt) Ltd	Related Company	32,055	32,055	32,055	32,055
Richard Pieris Exports PLC	Related Company	18,466	9,645	18,466	9,645
Richard Pieris Rubber Compounds Ltd	Related Company	538	-	538	-
Richard Pieris Distributors Ltd	Related Company	1,511	-	1,511	-
Arpitalian Compact Soles (Pvt) Ltd	Related Company	873	-	873	-
Arpitech (Pvt) Ltd	Related Company	1,853	-	1,853	-
		166,116	82,237	166,116	82,237
(-) Provision for doubtful receivables		(32,055)	(32,055)	(32,055)	(32,055)
		134,062	50,182	134,061	50,182

21. AMOUNTS DUE FROM RELATED COMPANIES

	Relationship	Company 2017 Rs.'000	Company 2016 Rs.'000	Group 2017 Rs.'000	Group 2016 Rs.'000
Maskeliya Plantations PLC	Related Company	1,782	-	1,782	-
Hamefa Kegalle (Pvt) Limited	Subsidiary Company	90,847	91,970	-	-
RPC Plantation Management Services (Pvt) Ltd	Parent Company	-	2,328	-	2,328
RPC Management Services (Pvt) Ltd	Related Company	533	466	533	466
		93,162	94,765	2,315	2,794
(-) Provision for doubtful receivables		(54,891)	(54,891)	-	-
		38,271	39,873	2,315	2,794

22. SHORT TERM INVESTMENTS

	Company 2017 Rs.'000	Company 2016 Rs.'000	Group 2017 Rs.'000	Group 2016 Rs.'000
Investment in Treasury Bills, REPO & Others	1,420,892	1,692,867	1,420,892	1,692,867

23. STATED CAPITAL

Issued and Fully Paid Ordinary Shares

		Company 2017	Company 2016	Group 2017	Group 2016
Number of Ordinary Shares including one golden share held by the Treasury which has special rights	Nos '000	25,000	25,000	25,000	25,000
Value of Ordinary Shares including one golden share held by the Treasury which has special rights	Rs.'000	250,000	250,000	250,000	250,000

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

23.1. General Reserve

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

24. LOANS AND BORROWINGS

Company/Group		2017					2016
		Repayable within 1 year Rs.'000	Repayable after one year less than five years Rs.'000	Repayable after five year Rs.'000	Sub Total Rs.'000	Total as at 31.03.2017 Rs.'000	Total as at 31.03.2016 Rs.'000
Long Term Loans	24.1	541,993	1,021,294	-	1,021,294	1,563,286	2,027,444
Short Term Loans		-	-	-	-	-	148,000
Bank Over Draft		1,013,209	-	-	-	1,013,209	552,069
		1,555,202	1,021,294	-	1,021,294	2,576,495	2,727,513

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

	2017 Repayable within 1 year Rs.'000	2017 Repayable after one year less than five years Rs.'000	2017 Repayable after five year Rs.'000	2017 Sub Total Rs.'000	2017 Total as at 31.03.2017 Rs.'000	2016 Total as at 31.03.2016 Rs.'000	Rate of Interest	Terms of Repayment
NDB/DFCC								
Disbursement 1	3,651	-	-	-	3,651	13,083	10.99%	1 Month Installment @ Rs. 507,091 and 71 Installments @ Rs. 786,000 commencing from 30.09.2011
Disbursement 2	2,446	-	-	-	2,446	7,338	11.30%	1 Month Installment @ Rs. 407,645 and 71 Installments @ Rs. 407,668 commencing from 31.10.2011
ADB/NDB	23,064	-	-	-	23,064	57,665	AWPLR+0.5%	1 Month Installment @ Rs. 2,880,209 and 59 Installments @ Rs. 2,883,395 commencing from 31.12.2012
NDB	73,857	73,859	-	73,859	147,716	221,573	AWPLR+0.25%	1 Month Installment @ Rs. 6,550,000 and 83 Installments @ Rs. 6,150,000 commencing from 31.05.2012
IOB/IB/SBI	79,800	140,650	-	140,650	220,450	300,250	AWPLR+0.9%	1 Month Installment @ Rs. 7,650,000 and 59 Installments @ Rs. 6,650,000 commencing from 31.01.2015
IOB-Dollar	202,074	560,608	-	560,608	762,682	915,818	6 Months LIBOR+5.5%	1 Month Installment @ Rs. 17,256,610 and 71 installments @ Rs. 14,487,090 commencing from 31.10.2014
Commercial-Doller	151,989	228,288	-	228,288	380,277	511,718	1 Month LIBOR+5.0%	1 Month Installment @ Rs.11,265,571 and 59 Installments @ Rs.11,001,431 commencing from 31.10.2014
Sri Lanka Tea Board	5,111	17,889	-	17,889	23,000	-	Monthly Reviewed	36 Monthly Installments @ Rs. 638,888 commencing from 31.08.2016
	541,993	1,021,294	-	1,021,294	1,563,286	2,027,445		

25. RETIRING BENEFIT OBLIGATIONS

	Company		Group	
	2017	2016	2017	2016
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Provision for retiring gratuity				
At the beginning of the year	429,478	486,075	429,574	486,169
Interest Cost	49,390	49,823	49,390	49,823
Current Service Cost	26,291	29,800	26,291	29,800
Gratuity Payments for the year	(80,978)	(49,768)	(80,978)	(49,768)
Actuarial (Gain) / Loss arising from changes in financial assumptions	(16,976)	(36,503)	(16,976)	(36,503)
Actuarial (Gain) / Loss arising from experience adjustments	(26,405)	(49,948)	(26,405)	(49,948)
At the end of the year	380,800	429,478	380,895	429,573

The actuarial valuations had been carried out, Messrs. Actuarial & Management Consultants (Pvt) Ltd, for retiring gratuity for all the employees of the Company as at 31 March 2017, which amounts to Rs. 380,800,362/-. 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 2017, in line with the Gratuity Act No.12 of 1983 the liability would have been Rs. 529,786,330/-. Hence, there is a contingent liability of Rs. 148,985,967/- which would crystalise only if the Company ceases to be a going concern, or the resignation or termination of employees which ever is earliest.

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

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

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

	Company
As at 31 March	2017
	Rs.'000
Within the next 12 months	89,753
Between 2 and 5 years	101,509
Beyond 5 years	189,539
Total RBO	380,801

The weigted average duration of the Defind Benefit plan obligation at the end of the reporting period is 3.62 years and 7.47 Years for staff and workers respectively.

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

Sensitivity Analysis - Salary/ Wage Escalation Rate

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

Company	Workers		Staff	
	+1%	-1%	+1%	-1%
A one percentage point change in the discount rate.				
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
As at 31 March 2017	(20,187)	22,991	(1,884)	2,083
As at 31 March 2016	(24,553)	28,135	(2,814)	3,170

	+1%	-1%	+1%	-1%
A one percentage point change in the salary / wage increment rate.				
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
As at 31 March 2017	10,488	(9,970)	899	(862)
As at 31 March 2016	14,241	(13,476)	3,343	(2,995)

26. DEFERRED INCOME

	Company		Group	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Deferred Grants and Subsidies				
Balance at the beginning of the year	203,037	207,126	204,262	212,704
Add : Grants/Subsidy received during the year	6,399	11,546	6,399	11,546
Less : Amortisation for the year	(13,257)	(15,636)	(14,483)	(19,988)
Balance at the end of the year	196,178	203,037	196,178	204,262

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

27. DEFERRED TAX ASSETS AND LIABILITIES

	Company		Group	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Temporary Differences,				
At the beginning of the year	1,007,138	1,104,784	1,007,138	1,104,784
Amount originating / (Reversal) during the year	8,525	(97,646)	8,525	(97,646)
At the end of the year	1,015,663	1,007,138	1,015,663	1,007,138
Temporary Differences of,				
Property, Plant & Equipment (including Biological Assets)	2,341,987	2,213,446	2,341,987	2,213,446
Retirement Benefit Obligations	(380,800)	(429,478)	(380,800)	(429,478)
Carried forward Tax Losses	(945,524)	(758,912)	(945,524)	(758,912)
At the end of the year	1,015,663	1,025,056	1,015,663	1,025,056
Tax Effect,				
At the beginning of the year	53,368	79,555	53,368	79,555
Transfer from/ (to) Income Statement	(6,506)	(26,186)	(6,506)	(26,186)
At the end of the year	46,862	53,368	46,862	53,369
Deferred Tax Liabilities				
Property, Plant & Equipment (including Biological Assets)	255,890	243,620	255,890	243,620
	255,890	243,620	255,890	243,620
Deferred Tax Assets				
Retirement Benefit Obligations	(60,014)	(67,686)	(60,014)	(67,686)
Carried forward Tax Losses	(149,014)	(122,566)	(149,014)	(122,566)
	(209,028)	(190,251)	(209,028)	(190,251)
Deferred Tax (Asset)/ Liability	46,862	53,369	46,862	53,369

27.1. Reconciliation of deferred tax charge / (reversal)

	Company		Group	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
At the beginning of the year	53,369	79,555	53,369	79,555
Tax charge/(reversal) during the period recognised Statement of profit or loss.	(13,345)	(39,811)	(13,345)	(39,811)
Tax charge/(reversal) during the period recognised in other Comprehensive Income.	6,837	13,625	6,837	13,625
At the end of the year	46,861	53,369	46,861	53,369

28. LIABILITY TO MAKE LEASE PAYMENT

	Company		Group	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Gross Liability				
At the beginning of the year	459,974	475,718	459,974	475,718
Repayment during the year	(15,744)	(15,744)	(15,744)	(15,744)
At the end of the year	444,230	459,974	444,230	459,974
Finance cost allocated to future periods	(180,741)	(191,480)	(180,741)	(191,480)
Net Liability	263,489	268,493	263,489	268,493
Payable within one year				
Gross liability	15,744	15,744	15,744	15,744
Finance cost allocated to future periods	(10,539)	(10,740)	(10,539)	(10,740)
Net liability transferred to current liabilities	5,205	5,004	5,205	5,004
Payable within two to five years				
Gross liability	62,976	62,976	62,976	62,976
Finance cost allocated to future periods	(39,989)	(40,874)	(39,989)	(40,874)
Net liability	22,987	22,102	22,987	22,102
Payable after five years				
Gross liability	365,510	381,254	365,510	381,254
Finance cost allocated to future periods	(130,212)	(139,867)	(130,212)	(139,867)
Net liability	235,298	241,387	235,298	241,387
Net liability payable after one year	258,284	263,489	258,284	263,489

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

The contingent rental during the current year charged to the Income Statement amounted to Rs. 41,198,830/- which in based on GDP deflator of 2.1% (2016 - 40,027,631/- 5.1%)

The Statement of Recommended Practice (SoRP) for Right-to-use of Land on Lease was approved by the Council of the Institute of Chartered Accountants of Sri Lanka on 19 December 2012. Subsequently, the amendments to the SoRP along with the modification to the title as Statement of Alternative Treatment (SoAT) were approved by the Council on 21 August 2013. The Company has not reassessed the Right-to-use of Land because this is not a mandatory requirement. However, if the liability is reassessed according to the alternative treatment (SoAT) on the assumption that the lease rent is increased constantly by GDP deflator of 4% and discounted at a rate of 13% , liability would be as follows.

		Rs.'000
Gross Liability	=	3,016,050
Finance Charges	=	(2,011,827)
Net Liability	=	1,004,223

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

29. TRADE AND OTHER PAYABLES

	Company		Group	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Trade Creditors	222,416	177,890	226,297	182,938
Other Creditors	28,695	24,796	32,836	27,591
	251,111	202,685	259,133	210,529

30. DIVIDEND PAYABLE

	Company		Group	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Dividend Payable	26,576	21,354	26,576	21,354
	26,576	21,354	26,576	21,354

31. AMOUNTS DUE TO RELATED COMPANIES

	Relationship	Company 2017 Rs.'000	Company 2016 Rs.'000	Group 2017 Rs.'000	Group 2016 Rs.'000
Maskeliya Plantations PLC	Related Company	-	1,121	-	1,121
Namunukula Plantations PLC	Related Company	18,385	7,075	18,385	7,075
RPC Logistics (Pvt) Ltd	Related Company	56	14	56	14
Richard Pieris & Company PLC	Ultimate Parent Company	347	7,832	5,466	12,951
Richard Pieris Plantations (Pvt) Ltd	Related Company	-	-	-	-
RPC Plantation Management Services (Pvt) Ltd	Parent Company	22,192	-	22,192	-
Richard Pieris Distributors Ltd	Related Company	135	16	135	16
Maskeliya Tea Garden Ceylon Ltd	Related Company	59	58	59	58
		41,174	16,116	46,293	21,235

32. ASSETS PLEDGED AS SECURITIES

The following assets have been pledged as securities for liabilities.

Name of Bank	Loan Facility Rs/USD (Mn)	Security	Nature of Liability	Carring Amount Pledged 2017 Rs.'000	Carring Amount Pledged 2016 Rs.'000
Bank of Ceylon	35.0 Mn	Primary mortgage over leasehold rights of Gampaha Estate.	Overdraft	114,257	114,784
Hatton National Bank PLC	50.0 Mn	Primary mortgage over leasehold rights of Luckyland Estate.	Overdraft	185,295	185,841
Asian Development Bank / National Development Bank PLC	1,051.7 Mn	Primary and secondary mortgage over leasehold rights of Atale, Pallegama, Parambe, Weniwella, and Yataderiya Estates. Further mortgage over Pallegama, Parambe, Weniwella, and Yataderiya Estates.	Term Loan	1,029,466	987,814
Indian Oversease Bank (IOB) State Bank of India (SBI)/Indian Bank (IB)	400.0 Mn	Primary mortgage over leasehold rights of Madeniya and Higgoda Estates.	Term Loan	209,590	201,171
Indian Overseas Bank (IOB)	USD 8.0 Mn	Primary mortgage over leasehold rights of Ambadeniya, Hathbawa and Udapola Estates.	Term Loan	458,527	450,672
Commercial Bank of Ceylon PLC	USD 5.0 Mn	Primary mortgage over leasehold rights of Etana, Doteloya, and Kirklees Estates.	Term Loan	339,589	332,304
Nations Trust Bank PLC	150.0 Mn	Primary mortgage over Produce Stocks (Rubber, Tea and Coconut).	Term Loan/ Overdraft	-	201,522

Notes:

1. Corporate Guarantee by the Company for Rs. 25 Mn given to Maskeliya Tea Garden Ceylon Ltd.
2. Corporate Guarantee to HSBC by the Company for USD 450,000 on behalf of Richard Peiris Natural Forms Ltd.

33. CAPITAL COMMITMENTS

Followings are the capital commitments as at the Statement of Financial Position date;

	Company 2017 Rs.'000	Company 2016 Rs.'000	Group 2017 Rs.'000	Group 2016 Rs.'000
Approved by the Board & Contracted for	-	-	-	-
Approved by the Board & not Contracted for	515,105	295,753	515,105	295,753
	515,105	295,753	515,105	295,753

34. COMMITMENTS AND CONTINGENCIES

Contingent liability that may result, depending on the timing of the taxability of certain fair value adjustments amount to approximately Rs. 591,448/-.

35. EVENTS AFTER REPORTING PERIOD

No circumstences have arisen since the Statement of Financial Position date, which would require adjustment or disclosuer in the Financial Statements.

36. RELATED PARTY DISCLOSURES

36.1. Transaction with related entities

Nature of Transaction	Company 2017 Rs.'000	Company 2016 Rs.'000	Group 2017 Rs.'000	Group 2016 Rs.'000
36.1.1. Parent Company				
Amount Payable as at 31 March	(22,192)	2,328	(22,192)	2,328
Managing Agent's Fee	(44,741)	(6,666)	(44,741)	(6,666)
Settlement of Management Fee	20,000	-	20,000	-
Recovery of expenses	221	(299)	221	(299)
36.1.2. Subsidiaries				
Amount Receivable as at 31 March	35,956	37,079	-	-
Administrative Expenses	(1,123)	(645)	-	-
36.1.3. Associates				
Amount Receivable as at 31 March	602,670	532,387	944,435	758,822
Amount Payable as at 31 March	-	-	-	-
Sale of Latex	524,376	429,676	524,376	429,676
Settlement Amount	(454,093)	(471,561)	(454,093)	(471,561)
Share of Result of Equity Accounted Investees	-	-	206,680	125,439
Insurance Premium	(1,598)	(1,485)	(1,598)	(1,485)
Insurance Premium Settlements	1,598	1,485	1,598	1,485
Dividend Receivable	82,215	45,765	-	-
Dividend Settlement	(82,215)	(45,765)	(91,350)	(50,850)
Deemed Disposal Gain/(Loss) - Initial Recognition	-	-	-	5,818
36.1.4. Related Companies				
Amount Receivable as at 31 March	1,224,925	1,154,412	1,224,925	1,154,412
Amount Payable as at 31 March	(18,982)	(16,116)	(18,982)	(16,116)
Salaries, Rent, Vehicle Repairs & Other Expenses	(6,834)	(14,460)	(6,834)	(14,460)
Purchase of Goods	(97,577)	(62,552)	(97,577)	(62,552)
Settlement of Dues	185,389	80,422	185,389	80,422
Sale of Goods	173,546	168,175	173,546	168,175
Sales Cash Receipts	(161,742)	(174,176)	(161,742)	(174,176)
Secretarial Fees	(200)	(200)	(200)	(200)
Freight Charges	(1,679)	(1,821)	(1,679)	(1,821)
Repo/Debenture Interest Receivable	102,781	113,858	102,781	113,858
Repo/Debenture Interest settlement	(182,616)	(131,172)	(182,616)	(131,172)
Deemed Disposal Gain - Initial Recognition (P&L)	-	32,280	-	32,280
Deemed Disposal Gain - Sudsequent Recognition (OCI)	56,580	(7,980)	56,580	(7,980)

36.1.5. Terms and Conditions

Transactions with related parties are carried out in the ordinary course of business on an relevant commercial terms (Arm's length transactions). Outstanding balances at the year end are unsecured and net settlement occurs in cash.

Non Recurrent Related Party Transactions

There were no non recurrent related party transactions which in aggregate value exceeds 10% of the equity or 5% of the total assets which ever is lower of the Company as per 31 March 2016 audited Financial Statements, which required additional disclosures in the 2016/17 Annual Report under Colombo Stock Exchange listing rule 9.3.2 and code of best practices on related party transactions under the security exchange commission directive issued under section 13(c) of the Security Exchange Commission Act.

Recurrent Related Party Transactions

There were no recurrent related party transactions which in aggregate value exceeds 10% of the consolidated revenue of the Group as per 31 March 2016 audited Financial Statements, which required additional disclosures in 2016/17 Annual Report under Colombo Stock Exchange listing rule 9.3.2 and code of best practices on related party transactions under the security exchange commission directive issued under section 13(c) of the Security Exchange Commission Act, except following related party transactions exceeds 10% of the gross revenue/income as required.

Disclosures		Company 2017 Rs.'000	Company 2016 Rs.'000	Group 2017 Rs.'000	Group 2016 Rs.'000
a.	Name of the related party; Richard Pieris Natural Foams Ltd				
b.	Relationship, Associate Company				
c.	Nature of transaction; Sale of Centrifuged Latex				
d.	Aggregate value of related party transactions entered into during the financial year	524,376	429,676	524,376	429,676
	Consolidated revenue as per latest audited Financial Statements	1,933,063	2,023,911	1,933,063	2,023,911
e.	Aggregate value of related party transactions as a % of net revenue/ income	27.1%	21.2%	27.1%	21.2%
f.	Terms and conditions of the related party transactions; Transactions with related parties are carried out in the ordinary course of business on an arm's length basis.				

36.1.6. Management Fees

As per the agreememt is made and entered into at Colombo as of 10 September 2013, the Managing Agent shall be paid for each fiscal year fifteen percent (15%) of the earnings of the Company before interest received/paid, corporate tax, depreciation and amortization of land and managment fees (EBIDTA) applicable in that fiscal year.

36.2. Transactions with key management personnel of the Company

There were no transactions with the key management personnel of the Company and its parent for the year ended 31 March 2017. Further there were no key management compensation paid during the year other than those disclosed in Note 8.

36.3. Other related party disclosures

Legal fees amounting to Rs. 1,083,257/- was paid by the Company last year 2015/16, to an entity in which a key management personnel was a partner.

36.4. Related Party Transactions

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

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

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

37. IMPACT OF AMENDMENTS TO LKAS 16 AND LKAS 41

The prior year figures have been restated due to the following adjustment and the total effect to the Financial Statements is summarized below.

Amendment to LKAS 16 and LKAS 41, on bearer plants are effective for annual reporting periods beginning on or after 1 January 2016. Accordingly harvestable biological assets growing on the bearer plants are measured at their fair value less cost to harvest and accounted retrospectively.

STATEMENT OF PROFIT OR LOSS	2016 Previously Reported Amount Rs.'000	2016 Adjusted Amount Rs.'000.	2016 Restated Amount Rs.'000.
Change in Fair Value of Biological Assets	5,728	(111)	5,617
STATEMENT OF FINANCIAL POSITION			
Produce on Bearer Biological Assets			
As at the beginning of the year	-	3,423	3,423
As at the end of the year	-	3,312	3,312
Accumulated Profit / (Loss)			
As at the beginning of the year	2,934,636	3,423	2,938,059
As at the end of the year	1,957,492	3,312	1,960,803

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

38.1. FINANCIAL RISK MANAGEMENT FRAMEWORK

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

38.2. CREDIT RISK

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

38.2.1. TRADE AND OTHER RECEIVABLES

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

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

The maximum exposure to credit risk for trade and other receivables at the reporting date is Rs. 296 Mn (2015/16 – Rs.142 Mn).

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

38.2.2. INVESTMENTS

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

The Group held short term investments of Rs.1,421 Mn as at 31 March 2017 (2015/16 – Rs.1,693 Mn) which represents the maximum credit exposure on these assets.

38.2.3. CASH AND CASH EQUIVALENTS

The Group held cash at bank and in hand of Rs. 17 Mn as at 31 March 2017 (2015/16 – Rs. 23 Mn) which represents its maximum credit exposure on these assets.

38.3. LIQUIDITY RISK

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

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

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

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

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

38.4. MARKET RISK

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

38.4.1. INTEREST RATE RISK

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

The Group held long term borrowings with floating interest rates of Rs. 1,557 Mn (2015/16 – Rs.2,007 Mn) which represents its maximum credit exposure on these liabilities.

INTEREST RATE SENSITIVITY

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

	Increase/ Decrease in Interest Rate	Effect on Profit Before Tax
Group		**Rs.'000**
2016/17	1%	(13,934)
	-1%	13,934
2015/16	1%	(18,612)
	-1%	18,612
Company		
2016/17	1%	(13,934)
	-1%	13,934
2015/16	1%	(18,612)
	-1%	18,612

38.4.2. FOREIGN CURRENCY SENSITIVITY

The following tables demonstrate the sensitivity to a reasonably possible change in the USD exchange rates, with all other variables held constant. The impact on the Group's Profit Before Tax is due to changes in fair value of monetary assets and liabilities.

	Increase/ Decrease in Basis Points	Effect on Profit Before Tax Rs.'000
Company/Group 2016/17		
USD	5%	(4,029)
USD	-5%	4,029
Company/Group 2015/16		
USD	5%	(4,365)
USD	-5%	4,365

38.4.3. EQUITY PRICE RISK

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

38.4.4. CAPITAL MANAGEMENT

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

The gearing ratio at the reporting date is as follows.

	As at 31.03.2017 Rs.'000	As at 31.03.2016 Rs.'000
Interest bearing borrowings		
Current portion of long term interest bearing borrowings	1,555,202	1,231,351
Payable after one year	1,021,294	1,496,162
	2,576,496	2,727,513
Equity	2,621,694	2,436,309
Total Equity & Debts	5,198,190	5,163,822
Gearing Ratio	50%	53%

Transforming from the Tradition...

Demand for Palm Oil

The edible oil requirement of Sri Lanka is day by day increasing and the Coconut industry is failing to cater the requirement. The importation of Palm Oil as an edible oil has increased to over 180,000 mt per year and the outflow of foreign exchange increasing to USD 120 mn approximately, with the improve per capita income of Sri Lanka the consumption of Oil too have increased rapidly, therefore it is expected to increase the importation of Palm Oil.

With cultivation of approximately 1,000 Hectares KPL is also trying to help the country to reduce the outflow of foreign exchange. Since this crop produce the highest Oil production per hectare. With the foregoing we are in the correct direction with the diversification of a reasonable extent to a national cause.

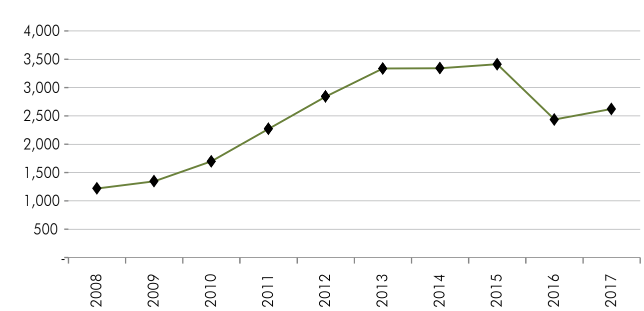
Supplementary Reports

Contents

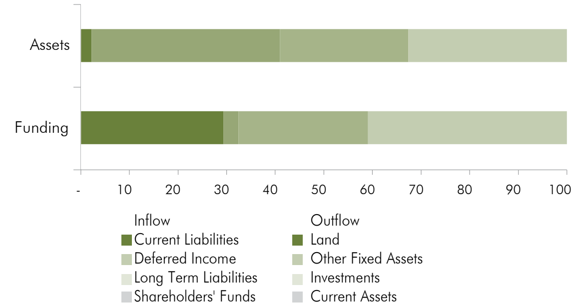
TEN YEAR SUMMARY

Year Ended 31 March		2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Operating Results											
Turnover	Rs '000	2,287,161	1,933,063	2,023,911	2,414,220	2,587,558	2,940,027	2,991,762	2,216,497	1,927,762	2,163,030
Operating Profit before Mgt Fee	Rs '000	302,804	85,344	62,710	409,416	670,346	930,179	1,150,845	492,193	423,185	589,392
Profit before Interest and Tax	Rs '000	457,275	262,085	274,227	564,605	710,927	990,709	1,031,593	410,000	351,436	481,984
Profit After Tax	Rs '000	217,263	101,330	127,034	345,993	473,186	769,842	883,127	376,030	177,411	427,597
Dividends	Rs '000	125,000	1,125,000	50,000	337,500	-	200,000	75,000	75,000	25,000	125,000
Capital Expenditure	Rs '000	175,925	220,648	305,851	294,468	253,721	249,656	200,244	183,036	165,940	119,209
Financial Position											
Fixed Assets	Rs '000	2,622,327	2,553,641	2,437,195	2,232,039	2,024,766	1,872,057	1,707,820	1,814,679	1,564,998	1,466,538
Investments	Rs '000	1,692,730	1,693,150	1,611,850	611,850	597,000	450,000	225,000	225,000	80,298	75,000
Current Assets	Rs '000	2,089,323	2,165,252	3,078,052	4,102,606	3,028,955	2,421,056	1,847,793	1,325,104	946,549	863,732
Current Liabilities	Rs '000	1,879,268	1,476,510	771,499	560,053	373,638	347,441	366,372	317,718	196,801	214,234
Shareholders' Funds	Rs '000	2,621,694	2,436,309	3,412,393	3,342,520	3,336,956	2,841,915	2,272,074	1,698,311	1,347,281	1,219,870
Share Capital	Rs '000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000
Reserves	Rs '000	2,371,697	2,186,309	3,162,393	3,092,520	3,086,956	2,591,915	2,022,074	1,448,311	1,097,281	969,870
Key Financial Indicators											
Current Ratio	Times	1.11	1.47	3.99	7.33	8.11	6.97	5.04	4.17	4.81	4.03
Quick Asset Ratio	Times	0.97	1.31	3.64	6.76	7.46	6.39	4.39	3.39	4.07	3.09
Debt Equity Ratio	Times	0.50	0.53	0.41	0.41	0.25	0.20	0.14	0.19	0.21	0.19
Interest Cover	Times	1.77	1.32	1.55	3.15	5.02	9.21	9.01	6.22	5.90	10.53
Equity /Asset Ratio	Times	0.41	0.38	0.48	0.48	0.59	0.60	0.60	0.54	0.54	0.52
Earnings per Share	Rs.	8.69	4.05	5.08	13.84	18.93	30.79	35.33	15.04	7.10	17.10
Market Price of a Share	Rs.	52.00	50.70	85.80	105.00	112.00	103.00	207.50	47.00	19.00	60.00
Price Earning Ratio	Times	5.98	12.51	16.89	7.59	5.92	3.34	5.87	3.12	2.68	3.51
Dividend Cover	Times	1.74	0.09	2.54	1.03	-	3.85	11.78	5.01	7.10	3.42
Dividend Pay Out Ratio	%	57.54	1,110.28	39.36	97.55	-	25.98	8.49	19.95	14.08	29.24
Annual Production											
Rubber	kg '000	3,742	3,353	3,534	4,016	4,076	4,155	4,082	4,578	5,102	5,436
Tea	kg '000	2,165	2,375	2,094	2,243	2,162	2,630	2,773	2,479	2,492	2,797
Coconuts	nuts '000	1,471	1,559	1,549	1,596	1,713	1,731	1,413	1,572	1,610	1,472

Shareholders' Funds
In Million Rupees



Assets & Funding
In percentage



HISTORICAL NOTE

PARAMBE ESTATE – Undugoda, Kegalle

Parambe Estate initially consisted of 998 Acres (620 Ha), planted in the year 1905. The estate was managed by Messrs. Lewis Brown & Co. Ltd and the Superintendent Mr. Fairweather.

Golinda Estate consisted of 1,380 Acres (857 Ha) planted in the year 1912 and had been managed by Messrs. Whittall Boustead and Co. Ltd.

Parambe estate was under private ownerships until up to 1959 in which year the estate was taken over by the State Plantations Corporation and Golinda Estate managed by Whittall Boustead Ltd. Until upto 1976, was vested with the Government.

Subsequently both estates were managed by Janatha Estates Development Board until upto 1992 in which year the estates were vested with RPCs and accordingly the above two estates were allocated to Kegalle Plantations PLC. In the year 1993 the above two estates were amalgamated for administrative reasons.

The estates are located geographically in the Kegalle District, in Undugoda Village. The distant to the estate from Kegalle Town is around 13 km situated in the Kegalle/Bulathkohupitiya Road.

Parambe estate has a Superintendent, an Assistant Superintendents and 21 estate staffs with a work force of nearly 388, out of which 367 workers for rubber and 21 workers for tea.

Land Extent of Parambe Estate - Hectares

Division	Extent - ha
Mabopitiya	141.63
Ilwana	81.75
Parambe	59.26
Bossella	51.18
Hunugala	28.91
Wewatenna	256.05
Moragahakande	115.83
Malawita	60.80
Total Land Extent	**795.41**

Crop Wise Extent - Hectares

Cultivation	Extent - ha
Rubber	513.66
Tea	30.02
Minor Crops	40.00
Other Lands, buildings/jungle/ roads & bridges/line gardens/ rocks. Etc	211.73
Total Land Extent	**795.41**

PAST SUPERINTENDENTS:

The estate was entrusted with Senior Superintendents for management whose names are listed below:

Name of Superintendent	Period
Mr. Fairweather, D.	1905 - 1909
Mr. Thistle, J.R.	1912 - 1917
Mr. Smale, Jackson	1912 - 1914
Mr. Shuffrey, S.J.	1914 - 1914
Mr. Russel, A.F.	1920 - 1921
Mr. Thomson, F.G.	1920 - 1929
Mr. Walker, A.W.	1920 - 1921
Mr. Lee, A.	1923 - 1923
Mr. Lee, J.H.R.	1924 - 1925
Mr. Ross, W.I.	1926 - 1929
Mr. John Kent	Unknown - 1955
Mr. Richard Laveson Levett	1955 - 1967
Mr. R. Wijayaratnam	1967 - 1971
Mr. Daya Thissa Karunanayaka	1971 - 1976
Mr. Lilan Gamini de Silva	1976 - 1978
Mr. Sriyan P. Joseph Wijesekara	1978 - 1979
Mr. D. Anilal Erange Algama	1979 - 1983
Mr. A.A. Cyril Perera	1983 - 1989
Mr. Sunil Poholiyadde	1989 - 1996
Mr. G L H D Amaratunge	1996 - 2000
Mr. Udara S. Premathilake	2000 - 2002
Mr. N.D.W. Kalyanaratne	2002 - 2004
Mr. D.D. Wekunagoda	2004 - 2008
Mr. S.A.A.P Jayathilake	2008 - 2015
Mr. N.D. Madawala	2015 up to now

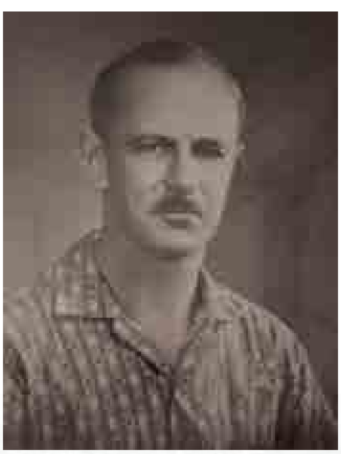
Past Achievements

1. Year 1999 obtained in the Taiki Akimoto 5S Award Competition 1999 conducted by Japan Sri Lanka Technical & Cultural Association (JASTECA) in association with the Ministry of Industrial Department Sri Lanka under the Superintendent of Mr. G L H D Amaratunge.

2. Plantation Awards 2010 organized by Arpico Group, Lowest Waste Category, Rubber Sector – under the Superintendent of Mr. Asanka Jayathilake.

3. For the third highest quality sold through Messrs. John Keells PLC in the year 2013 of 298,080 kgs of rubber – under the Superintendent of Mr. Asanka Jayathilake.

4. For the third highest quality sold through Messrs. John Keells PLC in the year 2016 of 273,957 kgs of rubber. – under the Superintendent of Mr. Nalaka Madawala.



Mr. Richard Laveson Levett
Superintendent (1955-1967)

Assistance for Landslide victims:

Parambe Estate handed over 10.75 Acres of cultivated land from the following Divisions, to the Government to be distributed to landslide victims from Aranayake, Bulathkohupitiya etc. and pleased to record that they have settled down with houses built.

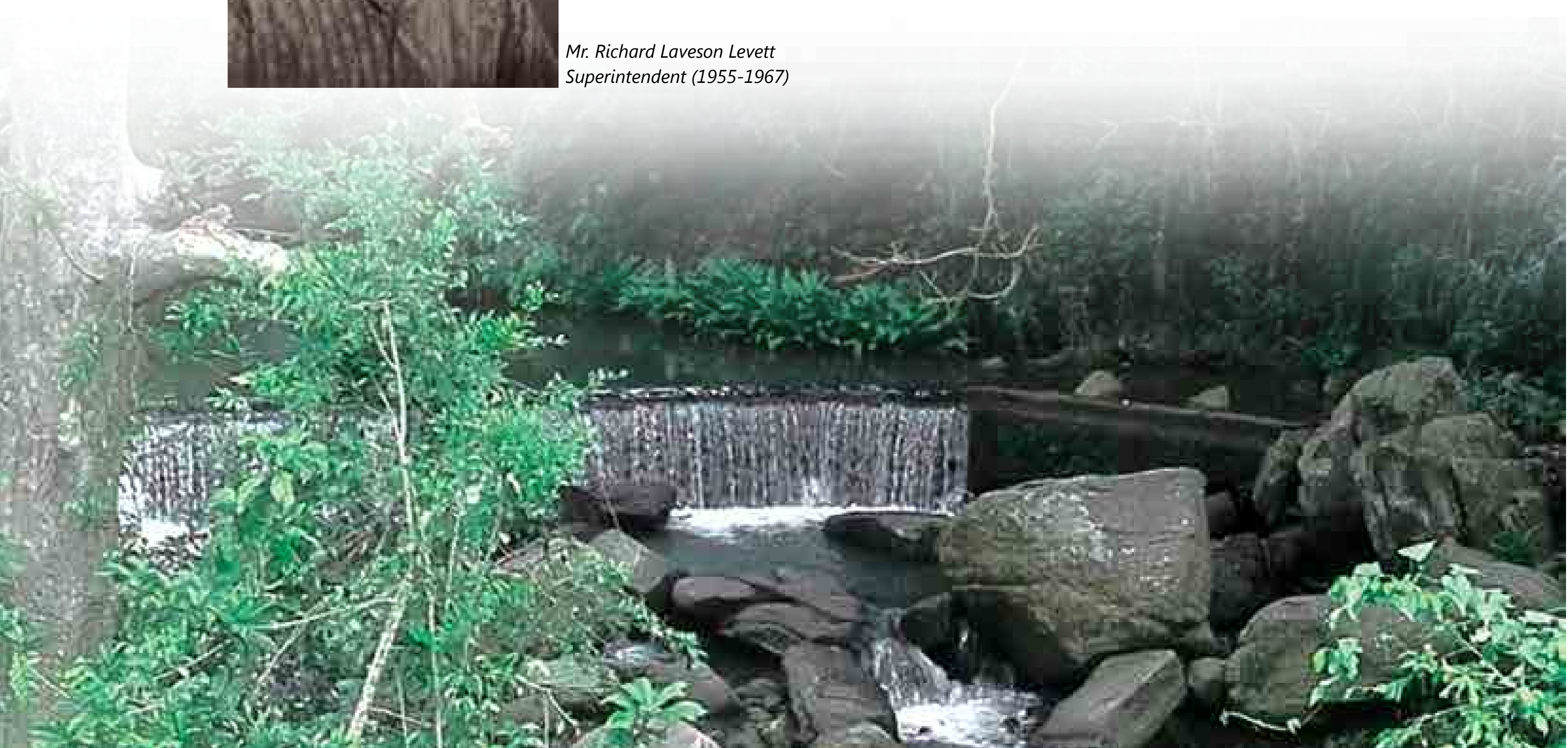
1. 4.23 Acres from Parambe Division
2. 2.50 Acres from Bossella Division
3. 4.02 Acres from Dandeniya of Parambe Division

Parambe also extend scholarship assistance to workers' children who are selected for University Education.

Future Development Plans

The Company has made plans for a crop diversification Programme and accordingly planting of oil palm has been commenced in an extent of 36.45 hectares on Mabopitiya, Parambe & Ilwana Divisions during the 2017 / 2018 season. This Programme will be continued in the following extents.

Year 2018 / 2019	36.18 hectares
Year 2019 / 2010	9.68 hectares



Supirintendent's Bunglow

Estate Office

Parambe Factory

Bridge between Village and Factory Constructed in 1897

SHAREHOLDER & INVESTOR INFORMATION

1. Stock Exchange Listing

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

2. Distribution of Shareholders

No of Shares Held			2017 No of Share Holders	2017 No of Shares	2017 % Holdings	2016 % Holdings
1	-	1,000	8,636	1,857,487	7.43%	7.52%
1,001	-	10,000	306	1,051,240	4.20%	4.21%
10,001	-	100,000	39	1,099,220	4.40%	4.09%
100,001	-	1,000,000	6	1,221,577	4.89%	5.10%
1,000,001	-	& above	1	19,770,477	79.08%	79.08%
Total			8,988	25,000,001	100.00%	100.00%
Resident Investors			8,966	24,351,508	97.41%	97.41%
Non Resident Investors			22	648,493	2.59%	2.59%
Total			8,988	25,000,001	100.00%	100.00%
Individual Investors			8,890	3,489,629	13.96%	14.06%
Institutional Investors			98	21,510,372	86.04%	85.94%
Total			8,988	25,000,001	100.00%	100.00%
Related Company			3	19,783,877	79.14%	79.14%
Company Directors Holding			1	3,307	0.01%	0.01%
General Public including Employees			8,984	5,212,817	20.85%	20.85%
Total			8,988	25,000,001	100.00%	100.00%

Public Holding: The percentage of shares held by the public is 20.85% of the issued Share Capital of the Company as at 31 March 2017 (31 March 2016 – 20.85%).

3. The Golden Shareholder

The Golden Share of Rs. 10/- is currently held by the Secretary to the Treasury and should be owned either directly by the Government of Sri Lanka or by a 100% Government owned Public Company. In addition to the rights of the normal ordinary shareholder, the Golden Shareholder has the following rights;

1) The concurrence of the Golden Shareholder will be required for the Company to sublease any of the estate land leased/to be leased to the Company by the Janatha Estate Development Board/Sri Lanka State Plantations.

2) The concurrence of the Golden Shareholder will be required to amend any clause in the article of association of the Company which grants special rights to the Golden Shareholder.

3) The Golden Shareholder or his nominee will have the right to examine the books and accounts of the Company at any time with two weeks of written notice.

4) The Company will be required to be submitted a detailed quarterly accounts report to the Golden Shareholder in a specified format within 60 days of the end of each quarter. Additional information relating to the Company in a

specified format must be submitted to the Golden Shareholder within 90 days of the end of each financial year.

5) The Golden Shareholder can request the Board of Directors of the Company to meet with him/his Nominee, once in every quarter to discuss issues related to the Company's operation of interest to the Government.

4. Share Information

Market Value		2017		2016	
Highest Price	- Rs	72.50	(22 April 2016)	146.60	(13 July 2015)
Lowest Price	- Rs	45.00	(28 December 2016)	48.00	(10 March 2015)
Closing Price	- Rs	52.00	(31 March 2017)	50.70	(31 March 2016)

Share Trading	2017	2016
No. of Shares Traded	726,591	1,903,992
No. of Trades	1,535	5,281
Value of Shares Traded - Rs	40,884,358	209,526,532

Key Ratios	2017	2016
Earnings per Share	8.69	4.06
Net Assets per Share	104.87	97.45
Dividends per Share	5.00	45.00

5. Twenty Largest Shareholders of the Company

As at		31 March 2017		31 March 2016	
	Name of the Shareholder	Number of Shares	% of the Holding	Number of Shares	% of the Holding
1	RPC Plantation Management Services (Pvt) Ltd	19,770,477	79.08%	19,770,477	79.08%
2	Dhanasiri Recreation (Pvt) Ltd	319,305	1.28%	319,305	1.28%
3	Mubasher Financial Services BSC	204,972	0.82%	204,972	0.82%
4	HSBC International Nominees Ltd - SSBT - Deustche Bank	200,000	0.80%	200,000	0.80%
5	Pershing LLC S/A Averbach Grauson & Co.	190,000	0.76%	-	-
6	Tranz Dominion, L.L.C	185,000	0.74%	185,000	0.74%
7	Employees Provident Fund	122,300	0.49%	122,300	0.49%
8	Sandwave Limited	100,000	0.40%	100,000	0.40%
9	Mr. D. M. Kodikara	85,000	0.34%	85,000	0.34%
10	Mrs. M. S. E. V. E. A. U. Von Stumm	59,349	0.24%	59,349	0.24%
11	Mr. N. Balasingam	50,600	0.20%	50,600	0.20%
12	Bank of Ceylon - No. 1 Account	50,600	0.20%	50,600	0.20%
13	Mr. F. G. N. Mendis	45,000	0.18%	45,000	0.18%
14	Seylan Bank PLC/Dr. Thirugnanasambandar	43,695	0.17%	-	-
15	Mr. P. F. Nandasiri	42,500	0.17%	42,500	0.17%
16	Mr. J. G. De Mel	38,200	0.15%	37,010	0.15%
17	Alliance Finance Company PLC	37,100	0.15%	37,100	0.15%
18	Mr. H. W. M. Woodward	35,706	0.14%	35,706	0.14%
19	Mr. P. P. Subasinghe	35,178	0.14%	28,627	0.11%
20	Mr. H. A. Cabraal	32,000	0.13%	-	-
	Sub Total	**21,646,982**	**86.59%**	**-**	**-**
	Balance held by 8,968 Shareholders (31 March 2016 - 9,023 Shareholders)	3,353,019	13.41%	3,294,275	13.18%
	Total Shares	**25,000,001**	**100.00%**	**25,000,001**	**100.00%**

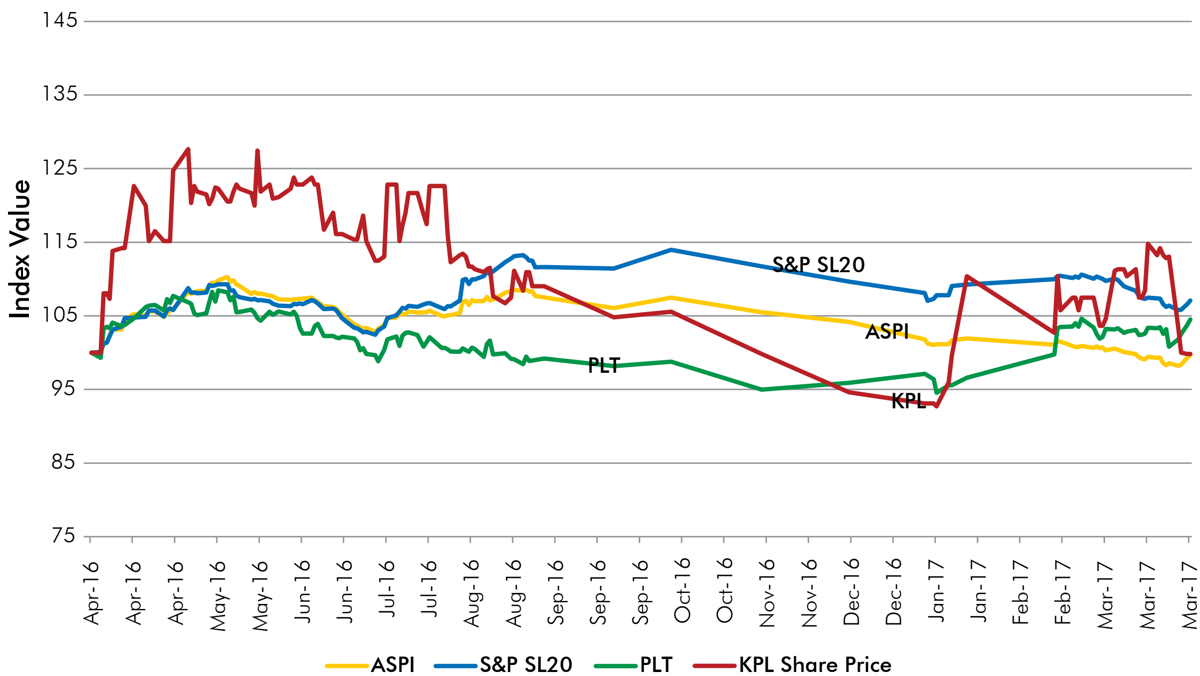
6. Exchange Rates - US $ (Selling)

	2017	2016	2015	2014	2013
As at 31 March (Rs.)	153.91	146.78	134.73	132.17	128.47

7. Other Share Information

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

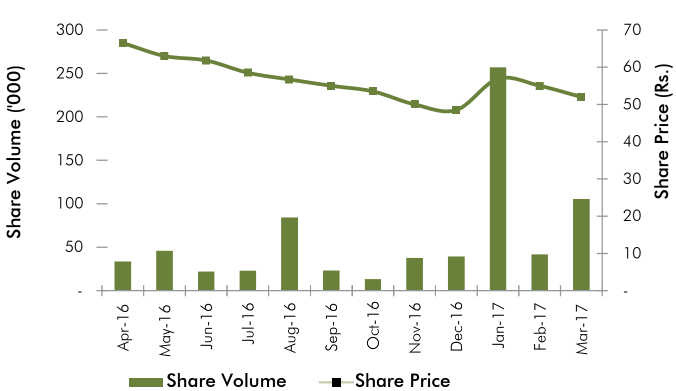
KPL Share Price Vs Market Indices



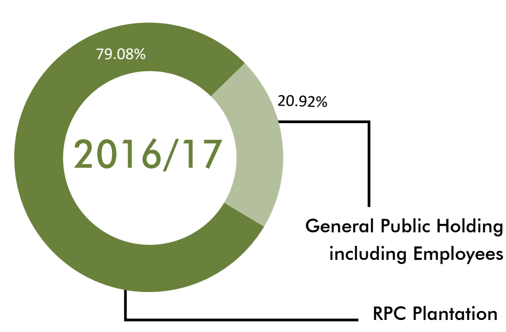
Kegalle Plantations PLC's share information from Colombo Stock Exchange (CSE) website:

- Log on to Colombo Stock Exchange - website: www.cse.lk
- Enter Company Code (KGAL.N000) in the search box at the top right hand corner of CSE home page and go to the Company description.

KPL Share Price & Transaction Volume



Shareholder Structure As At 31 March 2017



GLOSSARY OF FINANCIAL TERMINOLOGY

Financial Terms

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

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

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

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

AWPLR
Average Weighted Prime Lending Rate.

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

Biological Assets
Is a living animal or plant.

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

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

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

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

Current Ratio
Current Assets divided by Current liabilities.

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

Dividend Cover
Profits after tax divided by Dividends.

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

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

Enterprise Value
Market Capitalization plus net debt.

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

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

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

General Reserve
Reserve available for distribution and investment.

IFRS
International Financial Reporting Standards

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

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

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

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

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

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

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

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

Return on Capital Employed (ROCE)
Profit before Tax plus Interest on Loans divided by the Equity Funds, Long Term Loans and Short Term Loans.

RSS-1
Ribbed Smoked Sheet - Grade 1.

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

SLAS
Sri Lanka Accounting Standards.

SLFRS/LKAS
Sri Lanka Financial Reporting Standards.

SoAT
Statement of Alternative Treatment issued by the Institute of Chartered Accountants of Sri Lanka.

SoRP
Statement of Recommended Practices issued by the Institute of Chartered Accountants of Sri Lanka.

Subsidiary
A subsidiary is an entity, including in unincorporated entity such as a partnership, that is controlled by another entity.

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

UITF
Urgent Issues Task Force of the Institute of The Chartered Accountants of Sri Lanka.

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

Working Capital
Current assets exclusive of liquid funds and interest-bearing financial receivables less operating liabilities and non-interest-bearing provisions.

Non - Financial Terms

CDA
Coconut Development Authority.

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

Crop
The total produce harvested during a financial year.

Extent in bearing
The extent of a land from which crop is being harvested. Also see "Immature Plantation".

Field
A unit extent of land. Estates are divided into fields in order to facilitate management.

GSA
Gross Sale Average. Average sale price obtained (over a period of time, for a kilo of produce) before any deductions such as brokerage, etc.

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

Immature Plantation
The extent of plantation that is under development and is not being harvested.

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

ISO
International Standards Organization.

Mature Plantation
The extent of plantation from which crop is being harvested.

NSA
Net Sales Average per kilo.

Replanting
A method of field development where an entire unit of land is taken out of "bearing" and developed by way of uprooting the existing trees/bushes and replanting with new trees/bushes.

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

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Twenty Fourth (24th) Annual General Meeting of Kegalle Plantations PLC will be held at the Registered Office, No. 310, High Level Road, Nawinna, Maharagama on Friday, 30 June 2017 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 2017 with the Report of the Auditors thereon.

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

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

   "That Dr. Sena Yaddehige of Le Neuf, Chemin, St. Saviours, Guernsey, United Kingdom who is 71 years of age be and is hereby appointed a Director of the Company in terms of section 211 of the Companies Act No. 07 of 2007, and it is further specially declared that the age limit of 70 years referred to in Section 210 of the Companies Act no. 07 of 2007 shall not apply to the said Dr. Sena Yaddehige"

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

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

   "That Dr. Gerry Jayawardena of No. 134, Batagama (North) Ja-Ela, who is 74 years of age be and is hereby appointed a Director of the Company in terms of section 211 of the Companies Act No. 07 of 2007, and it is further specially declared that the age limit of 70 years referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to the said Dr. Gerry Jayawardena"

4. To re- elect Mr. Sunil Poholiyadde who retires by rotation in terms of Article 92 at the Annual General Meeting, a Director.

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

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

7. To consider any other business of which due notice has been given.

By Order of the Board

(Sgd.)
Richard Pieris Group Services (Private) Limited
Secretaries

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

31 May 2017

Notes:

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

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

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

NOTES

FORM OF PROXY

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

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

.... of ....

....
whom failing DR. SENA YADDEHIGE whom failing SUNIL SOMINDRANATH POHOLIYADDE whom failing PROF. ASOKA NUGAWELA whom failing DR. GERRY JAYAWARDENA whom failing SHAMINDA YADDEHIGE * as my/our proxy to represent me/us and to vote on my/our behalf at the 24TH ANNUAL GENERAL MEETING of the Company to be held on 30 June 2017 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 2017 with the Report of the Auditors thereon.		
2.	To approve under and in terms of Section 211 of the Companies Act No. 07 of 2007, the appointment of Dr. Sena Yaddehige at this Annual General Meeting, a Director		
3.	To approve under and in terms of Section 211 of the Companies Act No. 07 of 2007, the appointment of Dr. Gerry Jayawardena at this Annual General Meeting, a Director		
4.	To re-elect Mr. Sunil Poholiyadde who retires by rotation in terms of Article 92 as a Director		
5.	To re-appoint Messrs. Ernst & Young, Chartered Accountants as Auditors of the Company and to authorise the Directors to determine their remuneration.		
6.	To authorize the Directors to determine contributions to charities		
7.	To consider any other business of which due notice has been given		

Dated this .... day of 2017

....
Signature of Shareholder

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

INSTRUCTIONS AS TO COMPLETION OF PROXY FORM

- To be valid, this Form of Proxy must be deposited at No. 310, High Level Road, Nawinna, Maharagama., not later than 10.00 a.m. on Wednesday, 28 June 2017.

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

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

- Please indicate with an 'X' in the space provided how your proxy is to vote on each resolution. If no indication is given the proxy at his/her discretion will vote as he/she thinks fit.

- This Form of Proxy shall in the case of an individual be signed by the appointor or his/her Attorney. Where the Form of Proxy is signed under a Power of Attorney, which has not been registered with the Company, the original Power of Attorney together with a photocopy of same or a copy certified by a Notary Public must be lodged with the Company, along with the Form of Proxy.

CORPORATE INFORMATION

Name of the Company	:	KEGALLE PLANTATIONS PLC
Legal Form	:	A Quoted Public Company with limited liability, Incorporated in Sri Lanka under the Companies Act No. 07 of 2007.
Date of Incorporation	:	22 June 1992
Company Registration No	:	New registration No. P Q 135 [Old No. N(PBS/CGB) 140]
Head/Registered Office	:	No. 310, High Level Road, Nawinna, Maharagama, Sri Lanka.
Principal Business Activities	:	Cultivation, Manufacture and Sale of Rubber, Tea, Coconut, Cardamom & other agricultural Produce.
Ultimate Parent Enterprise	:	Richard Pieris & Company PLC No. 310, High Level Road, Nawinna, Maharagama, Sri Lanka.
Board of Directors	:	Dr. Sena Yaddehige - Chairman Mr. S S Poholiyadde - Director Prof. R C W M R A Nugawela - Director Dr. S S B D G Jayawardena - Director Mr. Shaminda Yaddehige - Director
Stock Exchange Listing	:	The Ordinary Shares of the Company are listed with the Colombo Stock Exchange of Sri Lanka.
Management	:	Mr. S S Poholiyadde - Managing Director - Plantations Mr. Sriyan Eriyagama - Acting Chief Executive Officer (Appointed w.e.f. 01 January 2017) Mr. Sudheera Epitakumbura - Financial Controller Mr. I S Doranegama - General Manager Mr. T I Kodithuwakku - Accountant Mr. R M S S Herath - Manager - Information Systems
Secretaries	:	Richard Pieris Group Services (Pvt) Limited No. 310, High Level Road, Nawinna, Maharagama, Sri Lanka Telephone : + (94) 11 4310500
Auditors	:	Messrs. Ernst & Young, Chartered Accountants, 201, De Saram Place, Colombo 10.
Bankers	:	National Development Bank PLC Bank of Ceylon - Corporate Branch & Regional Branches Hatton National Bank PLC Peoples Bank Seylan Bank PLC Commercial Bank of Ceylon PLC Indian Overseas Bank/Indian Bank/State Bank of India Nations Trust Bank PLC
Contact Details	:	Telephone : + (94) 11 4310500 Facsimile : + (94) 11 4310799 Website : www.arpico.com E-mail : kpl.rpk@arpico.com

Kegalle Plantations PLC

No. 310, High Level Road, Nawinna, Maharagama, Sri Lanka.
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Email : kpl.rpk@arpico.com