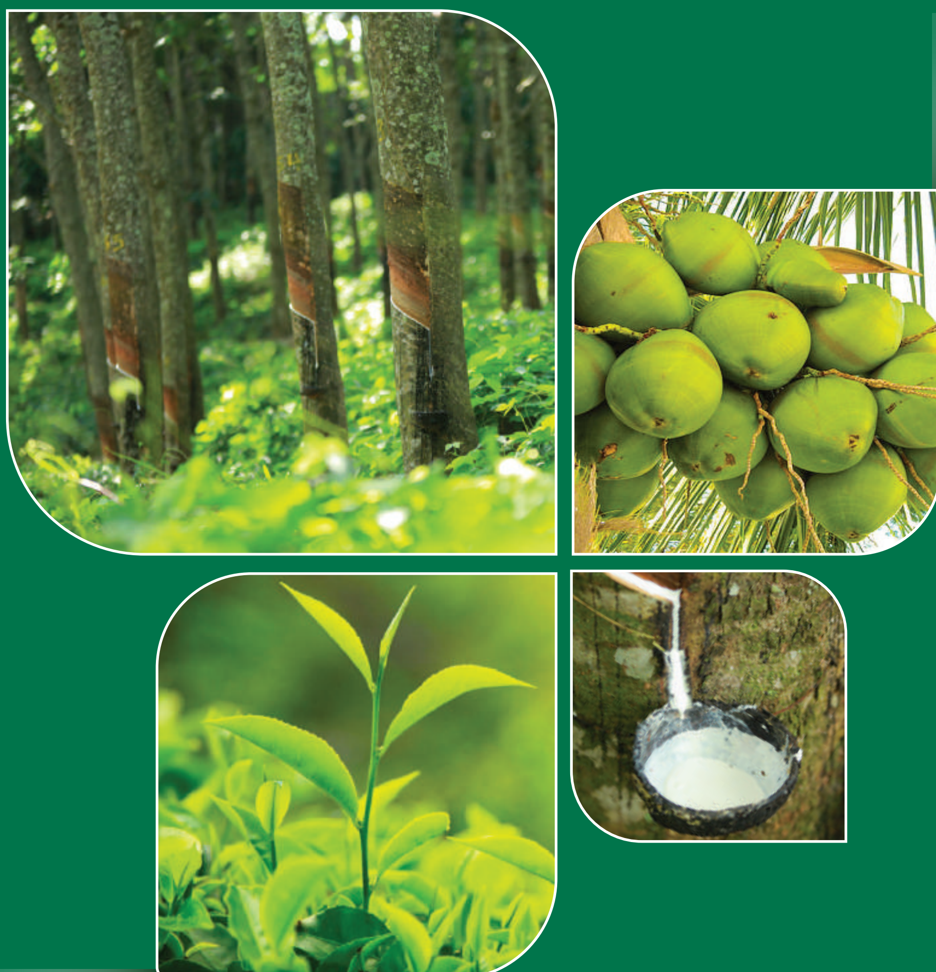
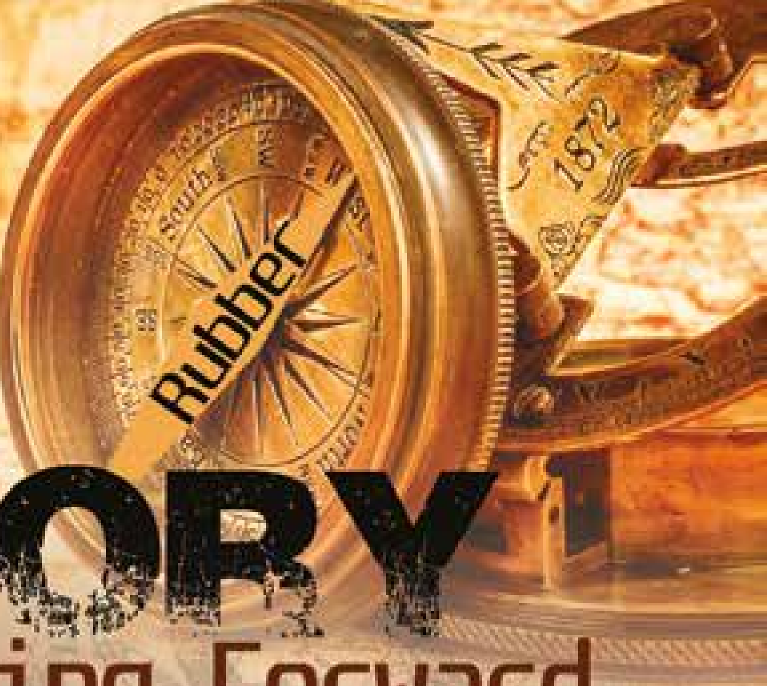


KEGALLE PLANTATIONS PLC

ANNUAL REPORT 2018 / 2019



A HISTORY of Looking Forward

MATURE GLOBAL RUBBER FOOTPRINT

No one exactly knows how long rubber has been around. Archeologists have dug up crude rubber balls in ruins of Inca and Mayan civilizations in Central and South America.

In the 18th Century two French scientists, Francois Fresneau and Charles Marie de la Condamine found new uses for rubber. In 1736 they sent back to France several rolls of crude rubber, together with a description of the products fabricated from it by the people of the Amazon Valley.

In 1791 the first commercial application of rubber was initiated when an English manufacturer, Samuel Peal, patented a method of waterproofing cloth by treating it with a solution of rubber in turpentine. In 1820 British Industrialist Nadier produced rubber threads and attempted to use them in clothing accessories.

With first practical application in the industrial world, Goodyear's discovery of vulcanization in 1839, sparked an Automobile industry in the late 19th Century, result in a rubber boom began in the 20th Century.

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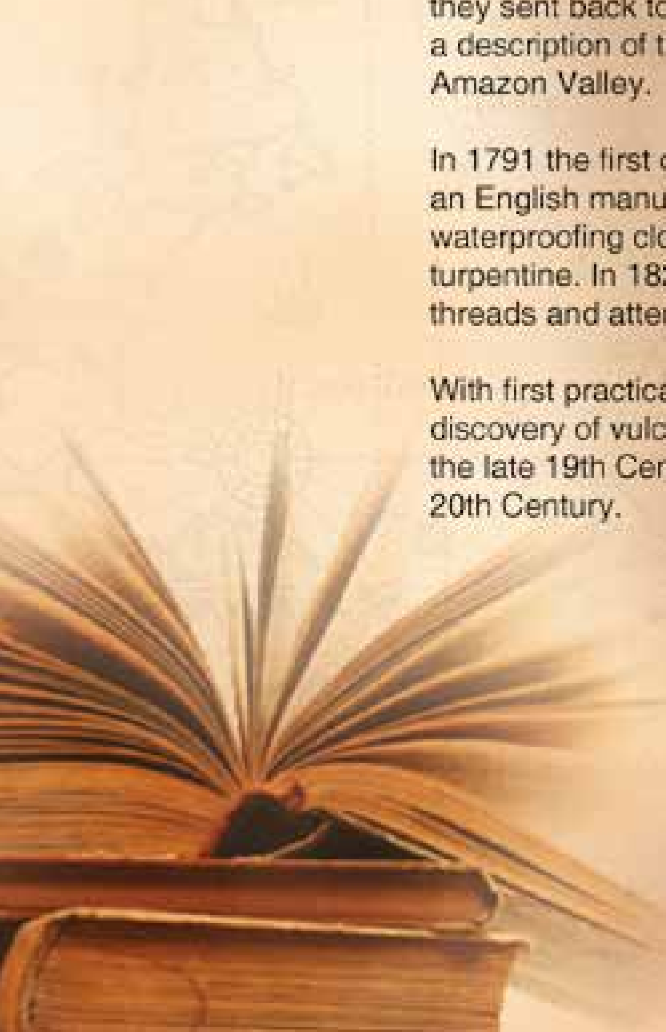

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https:/www.arpico.com/contents/kpl_financial_reports.php

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.

Rubber emergent in British Ceylon

In 1876, Henry Wickham smuggled 70,000 rubber tree seeds from Brazil and delivered them to Kew Gardens, England. Only 2,400 of these germinated. Seedlings were then sent to India, British Ceylon (Sri Lanka), Indonesia, Singapore and Malaysia was later to become the biggest producers of rubber in the World.

Started in 1876, with the planting of 1,919 rubber seedlings at the Henerathgoda Botanical Gardens in Gampaha, Sri Lanka that became the origin of an uninterrupted and profitable supply chain of an agricultural commodity. The first one flowered in 1881, on which the first experiments in tapping were commenced...... continued to page no. 21

ABOUT US

ABOUT THE REPORT

This is the 26th annual report of Kegalle Plantations PLC (KPPLC) which is presented for the year ended 31 March 2019. The report has mainly been prepared with the aim of providing the relevant financial and non-financial information related to the ended year so as to facilitate the understanding and decision making of stakeholders of the Company. Due to the inherent nature of the plantation industry, the Company has to experience a wide range of economic, environmental, social and other challenges and the operations of the Company were carried out in spite of these challenges. Accordingly, this report is intended to reflect how the Company managed its operations in spite of these challenges and what the Company achieved during the year and what consequences emerged on the society due to the operations of the Company.

The Financial Statements contained in the report have been prepared in accordance with the Sri Lanka Financial Reporting Standards (SLFRS) to comply with the Companies Act No. 07 of 2007, the continuing listing requirements of the Colombo Stock Exchange and other applicable regulatory requirements. The fairness of the Financial Statements of the Company for the year ended 31 March 2019 has been assured through external independent assurance of the auditor, Messrs. Ernst & Young, Chartered Accountants.

Apart from these legal and regulatory requirements, the report has been prepared based on the guidelines of the Global Reporting Initiatives Core Criteria (GRI). The Company adopted GRI reporting in the year 2017 and is in the process of continuously improving the reporting. The improvements made during the period can be noticed through the progressive changes within the annual report. GRI reporting has been carried out by KPPLC continuously on a voluntary basis and content of the sustainability report has not been externally assured.

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

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

Company Profile

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

Kegalle Plantations PLC (KPPLC) was one of such Company and it was allotted 21 Estates which in total have a land base around 10,000 ha in Kegalle, Kurunegala and Badulla Districts. Of this land base, around 5,200 ha are in Rubber, 1,400 ha under Tea and another 500 ha are in Coconut. The Company produces around 4.0 million kilos of Rubber and 2.0 million kilos of Tea inclusive of bought crop. It has an employee strength of 5,274.

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

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

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

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

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

MILESTONES

1972-1992

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

1992

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

1995

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

1997

The Ordinary Shares of the Company are listed with the CSE of Sri Lanka. 10% of the Share Capital, amounting to 2 mn shares were gifted to over 8,000 eligible employees.

Winner - ICASL Annual Report Awards - Plantation Companies.

1998

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

2000

Winner - ICASL Annual Report Awards - Plantation Companies.

2002

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

2003

Winner - ICASL Annual Report Awards - Plantation Companies.

2004

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

2007

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

2008

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

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

2010

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

FSC Forestry Management Certification.

ISO 9000 : 2008 Certification for all rubber manufacturing factories.

2011

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

Bronze Award - ICASL Annual Report Awards - Plantation Sector.

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

2012

Acquired 22.5 mn Ordinary Shares in Arpico Insurance PLC.

2013

Invested 12 mn Ordinary Shares in Richard Pieris Finance Ltd.

Invested 2.7 mn Ordinary Shares in Arpico Insurance PLC.

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

2014

Invested 1.485 mn Ordinary Shares in Arpico Insurance PLC.

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

2015

Invested Rs.1.0 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).

2016

KPPLC 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.

2017

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

Invested Rs. 73 mn in an Oil Palm project diversifying the business.

2018

Celebration of the Silver Jubilie of the Company

2019

Obtained the Rainforest Alliance Certification for all tea estates of the Company.

Winner & 2nd Runner up for the Total Excellence in Tea Production 2018 - Region of Udapussellawa presented by Tea Exporters Association of Sri Lanka.

FINANCIAL STRENGTH & HIGHLIGHTS

Key facts and figures as at 31 March 2019

Rs. in billions

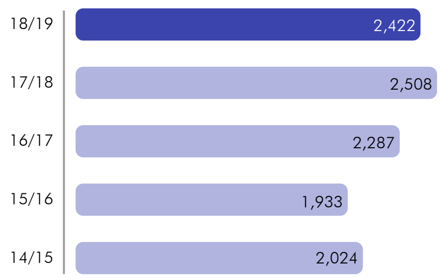
5.7
Capital employed

7.2
Total assets

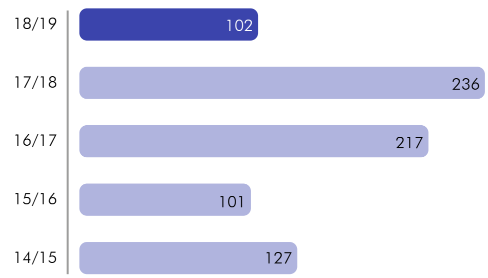
2.6
Short term investments

1.4
Market capitalization

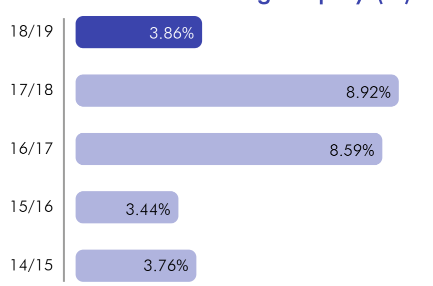
Turnover (Rs. mn)



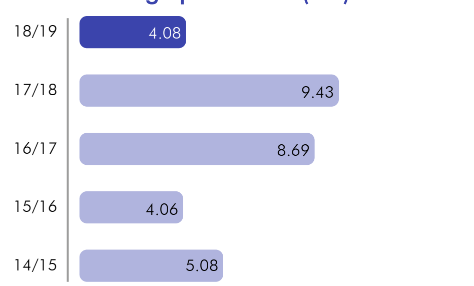
Profit after tax (Rs. mn)



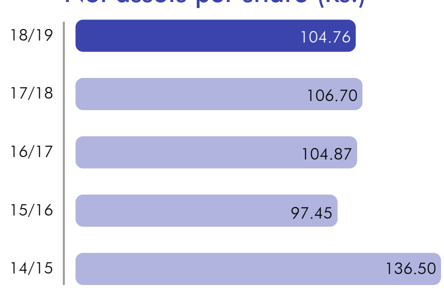
Return on average equity (%)



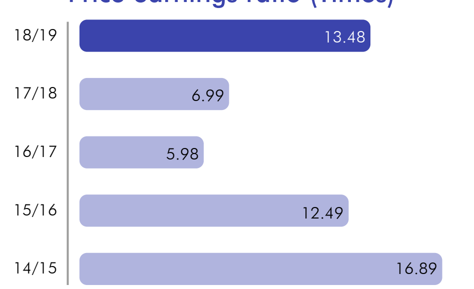
Earnings per share (Rs.)



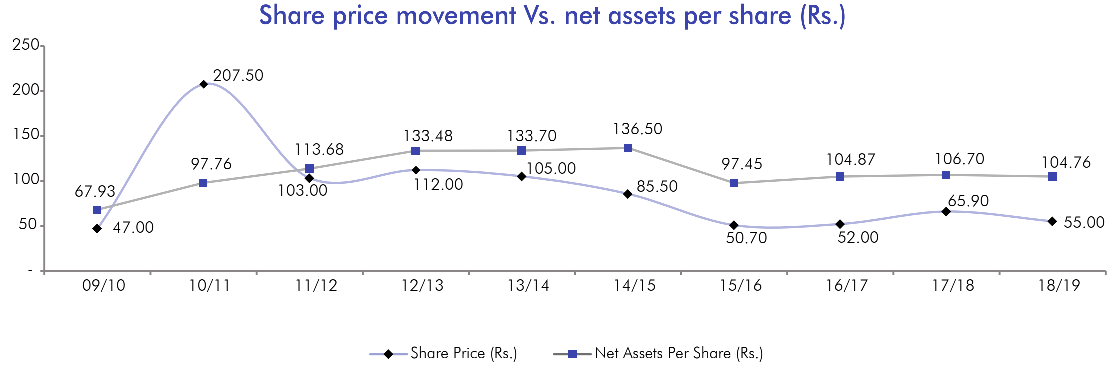
Net assets per share (Rs.)



Price earnings ratio (Times)



Share price movement Vs. net assets per share (Rs.)

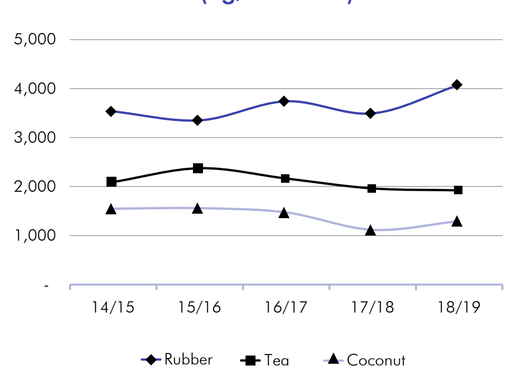


Operating Results - Year ended 31 March	2018/19 Rs.'000	2017/18 Rs.'000	Variance %
Turnover	2,421,797	2,508,167	-3%
Operating profit	196,773	445,469	-56%
Profit before interest and tax	385,673	625,499	-38%
Profit after tax	102,038	235,859	-57%
Gross dividend paid	125,000	187,500	-33%
Capital expenditure	282,752	334,739	-16%

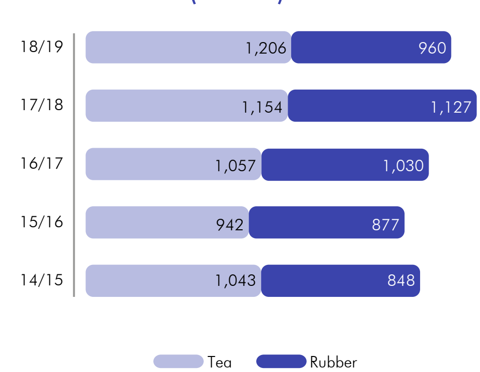
Financial Position - As at 31 March	2018/19 Rs.'000	2017/18 Rs.'000	Variance %
Fixed assets	3,754,400	4,605,162	-18%
Current assets	3,449,045	2,297,949	50%
Total assets	7,203,445	6,903,111	4%
Current liabilities	2,965,963	2,129,542	39%
Shareholders' funds	2,619,083	2,667,383	-2%
Stated capital	250,000	250,000	0%
Capital employed	5,750,173	5,569,043	3%

Shareholder Information		2018/19	2017/18	Variance %
Earnings per share	Rs.	4.08	9.43	-57%
Net assets per share	Rs.	104.76	106.70	-2%
Dividend per share	Rs.	5.00	7.50	-33%
Dividend payout	%	122.50	79.50	54%
Market price per share	Rs.	55.00	65.90	-17%
Return on capital employed	%	6.71%	11.23%	-40%
Market capitalization	Rs.'000	1,375,000	1,647,500	-17%
Price earnings ratio	Times	13	7	93%
Return on average equity	%	3.86%	8.92%	-57%

Production (kg/nut '000)



Turnover (Rs. mn)



NON FINANCIAL HIGHLIGHTS

No of Estates - 17

- Rubber: 11 (09 - Kegalle, 02 - Kurunegala)
- Tea: 06 (04 Uva high, 01 Western medium, 01 Low grown)
- Rubber cum Coconut: 07
- Rubber, Tea cum Coconut: 01

Land Extent - 9,757Ha

- Rubber: 72% — 7,040 Ha.
- Tea: 23% — 2,281 Ha.
- Coconut: 4% — 436 Ha.

Land Productivity

- Rubber: 990 (Kg/Ha Yield)
- Tea: 821 (Kg/Ha Yield)
- Coconut: 2,978 (Nuts/Ha Yield)

Labour Productivity

- Rubber: 6.69 Kg Intake; 5.38 Kg RLO
- Tea: 23 Kg Intake; 2.75 Kg RLO

Production Volume

- Rubber: 4,080 Kg'000
- Tea: 1,923 Kg'000
- Coconut: 1,295 Nut'000

Resident Population

21,785

- Rubber: 11,801
- Tea: 9,984

Men	Women	Children
8,085	7,894	5,806

Accreditation

- No of Top Prices Recorded Tea - 118 invoices for 2018/19 (incl. 2 all-time records)
- Rainforest Alliance Certified

New Revenue Sources

Agarwood	Pineapple	Cocoa
01Ha	10 Ha	13 Ha
Pepper	**Vanilla**	**Mandarin**
10 Ha	01 Ha	01 Ha

INDUSTRY HIGHLIGHTS

Economic Environment

Global Economy

Global growth is moderating as the recovery in trade and manufacturing activity loses steam. A strengthening U.S. dollar, heightened financial market volatility, and rising risk premiums have intensified capital outflow and currency pressures in some large EMDEs, with some vulnerable countries experiencing substantial financial stress. Global growth is projected to moderate from a downwardly revised 3 percent in 2018 to 2.9 percent in 2019 and 2.8 percent in 2020-21, as economic slack dissipates, monetary policy accommodation in advanced economies is removed, and global trade gradually slows.

Sri Lankan Economy

Real GDP growth was recorded at 3.2 percent in 2018, compared to 3.4 percent in the previous year with a modest expansion in real economic activity amidst a low inflation environment during the year. During the year under review, agricultural, industrial and service sectors have contributed to the economy in the relative proportions of 7.0 percent, 26.1 percent and 57.7 percent respectively.

The increase in export earnings from textiles and garments (5.7 percent), petroleum products (43.2 percent), food, beverages and tobacco (17.7 percent), machinery and mechanical appliances (17.3 percent) and rubber products (4.8 percent) mainly contributed to the improved performancein industrial exports.

Industry Review

Recovering from the negative performance observed during the past two years, the value added of Agriculture activities grew by 4.8 percent in 2018 against 0.4 percent contraction recorded in 2017.

Tea Industry

Unfavourable weather conditions in tea growing areas, particularly during the months of May and June 2018, and wage related trade union action in the plantation sector affected the total tea production during the year. Total tea production decreased by 1.0 percent to 303.8 million kilogrammes in 2018 from 307.1 million kilogrammes in 2017. Low grown tea production, which accounts for 63.2 percent of the total production, decreased by 2.7 percent to 192.0 million kilogrammes. Production of high grown tea and medium grown tea increased by 1.3 percent to 64.8 million kilogrammes and 3.0 percent to 47.0 million kilogrammes. Orthodox tea and value added tea production recorded a decline of 1.9 percent and 1.7 percent, respectively.

Comparatively low demand during 2018 from exporters adversely affected tea exports. Average auction prices of high, medium and low grown teas at the Colombo Tea Auction (CTA) were significantly lower than the corresponding prices that were observed in 2017.

Rubber Industry

Rubber production declined by 0.6 percent to 82.6 million kilogrammes in 2018 from 83.1 million kilogrammes produced in 2017. The production of sheet rubber, which accounts for about 50.0 percent share of total rubber production, declined by 0.5 percent to 41.3 million kilogrammes from 41.5 million kilogrammes in 2017. Crepe rubber production recorded a considerable growth of 26.2 percent to 14.5 million kilogrammes. other categories of rubber, which accounts for 32.4 percent of total rubber production, declined by 11.1 percent to 26.8 million kilogrammes.

Reflecting the drop in international market prices in 2018, rubber prices in the domestic market also showed a declining trend during 2018. At the Colombo Rubber Auction, the average price of Ribbed Smoked Sheet No.1 (RSS1) declined by 8.2 percent to Rs. 309.09 per kilogramme and prices of latex crepe declined by 8.5 percent to Rs. 321.70 per kilogramme.

Coconut Industry

Coconut production recovered from its declining trend in 2018, due to the lagged effect of favourable rainfall experienced in major coconut growing areas in 2017. Coconut production that remained subdued during the first quarter of the year, recorded an expansion thereafter resulting in an overall growth of 7.1 percent to 2,623 million nuts during 2018. Desiccated Coconut (DC) production decreased significantly by 16.7 percent in 2018.

Reflecting higher demand from domestic manufacturers for coconut products and increased export demand amidst supply shortages in the world market coconut prices increased, particularly during the first nine months of 2018.

Future Outlook

In Sri Lanka, last year's recovery from adverse weather conditions is expected to continue in 2019, with 4.0 percent GDP growth. Real GDP growth, which remained modest at around 3.2 percent in 2018, as per the estimates of the Department of Census and Statistics (DSC), is projected to gradually improve to around 5.0 percent by 2023.

The strategic plan of RDD focused on increasing natural rubber production up to 200,000 metric tons annually by year 2040 from the current annual production of around 83,000 metric tons.low and volatile market prices for natural rubber, high cost of production, high labour costs, labour shortages including lack of skilled tappers and adverse weather conditions are the issues highlighted by stakeholders in the rubber sector.

CHAIRMAN'S REVIEW

Welcome to the 26th Annual General meeting of Kegalle Plantations PLC (KPPLC). On behalf of the Board of Directors I am pleased to present the Annual Report and Audited Financial statements for the period ended 31March 2019.

Decline in world rubber and tea prices, as well as the decline in domestic tea production due to adverse weather conditions proved unfavorable to the overall performance of these respective industries. The ban on usage of weedicides and the unacceptable wage increase of estate workers in the first quarter of 2019, affected rubber and tea sectors to a greater extent.

Industry Review

The agricultural industry underwent a revival from its contracted growth of 0.4 per cent in 2017, recording a growth in activities by 4.8 per cent in the year under review. Production of paddy, coconut, fruits, livestock, vegetables and other field crops increased in 2018. However, production of tea, rubber and sugar recorded a decline.

Production volumes of tea in 2018 reached 304 million kilograms, a decrease of 1 per cent. There was a decline in orthodox and value-added teas, while production of CTC increased in the year under review. The application of weedicide which halted during the first nine months of 2018 and persistent wage related trade union demands affected overall production.

Due to unfavorable weather, the production of low grown teas contracted significantly. However, the domestic output of high grown teas increased by 1.3 per cent and recorded 64.8 million kilograms in volume whereas, medium grown tea increased by 3.0 per cent to 47.0 million kilograms in volume during 2018.
The average auction prices for high, medium and low grown teas at the Colombo Tea Auction (CTA) dropped substantially compared to 2017.

Rubber production declined by 0.6 per cent to 82.6 million kilograms in 2018 from 83.1 million kilograms produced in 2017. The reduced production of rubber can be attributed to persistent rainfall in plantation areas during tapping season, high cost of production and weakened management of rubber plantations.

Coconut industry experienced a surge in production in 2018, recovering from a lagging trend in 2017, as a result of favorable rainfall in main coconut plantation areas. This was followed by a growth of 7.1 per cent that increased the national production up to 2,623 million nuts in the period under review.

Company Performance

In the financial period under review, KPPLC revenue was recorded at Rs. 2.42 billion, compared to Rs. 2.51 billion reported in the previous year. Profit After Tax of Kegalle Plantations PLC witnessed a sharp decline from the previous year's Rs. 236 million, marking Rs. 102 million in the financial period which ended 31 March 2019. This was a 57 per cent drop over the last financial period.

Capital expenditure within the said period was Rs. 282.8 million, against Rs. 334.7 million in the previous financial year. Richard Pieris Natural Foam Ltd, manufacturer and exporter of foam rubber products, an Associate Company of KPPLC, recorded a profit increase of Rs. 55 million. This moved the profit share of the company to the group Rs. 239 million compared to the Rs. 183 million achieved in the previous financial period.

KPPLC has achieved a notable increase in rubber production during the financial year reaching a production of 4.08 million kilograms of rubber over a production of 3.5 million kilograms in the previous year. Despite the growth in production and revenue, KPPLC made a gross loss of Rs. 41 million from rubber operations in the period 2018/2019, compared to a gross profit of Rs. 108 million achieved in the previous financial year. The contraction of rubber prices is considered as a main cause for this result. The Net Sale Average (NSA) of rubber had plummeted to Rs. 293 by 15 per cent from Rs. 344 in the previous year

In addition, overall production of KPPLC's tea dropped by 2 per cent during the year under review. Inconsistent and unfavorable weather conditions, mostly during the months of May and June contributed to this decline. Production capacities were further affected by trade union actions which demanded an increase in wages, and were also disrupted by the ban in the usage of weedicides. Tea production reduced to 1.92 million kilograms from 1.96 million kilograms which was achieved in 2017/18. The drop-in production coupled with the decrease in NSA resulted in lower revenue, ultimately resulting in a gross loss of Rs. 76 million in the period which ended 31 March 2019.

Marking a complete rebound in harvest, Coconut segment managed to produce 1.3 million nuts during the financial year. This was a clear upward trend of 16 percent that surpassed previous year's production volume of 1.12 million nuts. However, the revenue from the sale of coconut dwindled as a result of a drop in the Net Sales Average (NSA) within the domestic market. The NSA within the period dropped to Rs. 43.00, which was Rs. 51.79 in the previous financial period, marking a 17 per cent decline. As a result, the gross profit earned from coconut production stood at Rs. 26 million in 2018/19 over the gross profit of Rs. 27 million earned in 2017/18.

Welfare

Kegalle Plantations PLC has a heavy dependence on skilled labor; and as a result, we continue to support our employees and workers in improving their quality of life by providing them with training and skill development. The company promotes background training to children of staff as well as workers to receive employment within the estates. The company has invested in the building and upkeep of housing for workers and welfare activities as well.

Certificates and Recognitions

Tea factories belonging to KPPLC have obtained ISO 22000 certification to ensure food safety pertaining to the teas we produce within our facilities. In the year under review, all KPPLC's tea factories continued with the 'Ethical Tea Partnership UK" certification to meet globally accepted social and environmental standards. KPPLC has also obtained the Control Union Certification (CU) of Netherlands for producing bio latex in Ambadeniya, Eadella, Hathbawa, Higgoda, Udapola and Weniwella Estates.

Sustainability

KPPLC is working towards increasing crops in a more sustainable and efficient manner. As part of our responsibility towards the community and eco-system we have commenced the implementation of a bio latex project based on reducing the use of chemical fertilizer across plantations. The company aims to lift the quality of rubber through technological and agricultural processes to maintain the quality of our output and enhance production capacities in a sustainable manner.

Investment in Oil Palm is a sustainable source of value addition to the Company; as demand for palm oil is expected to consistently rise in the future - bringing acceptable returns that benefit long term operations.

The company understands its dependence on the environment in sustaining business and production activities. Therefore, we consider it our obligation to compensate the environment and recreate a balance in producing positive results for years to come. In sustaining the environment, priority is given to conserving soil by terracing and replanting timber and fuel wood to expand the forest cover.

To ensure the sustainability of returns, risks are distributed across multiple areas by investing in value added rubber, insurance and finance industries. Efforts will be focused during 2019/2020 on enhancing productivity across all agricultural activities, even though with the belief that macroeconomic and environmental influences will be in-consistent and unfavorable.

Future Outlook

The entire agricultural industry is poised for progress, given the 4.8 per cent growth recorded in 2018. However, tea and rubber industries need adequate measures to further develop potentials. A productivity-based wage structure is essential for effective management of plantations, while bringing cost efficiencies and moderating costs of production.

The ensuing Financial Year is expected to be hard with prices of rubber are expected to remain weak due to less demand. Despite such challenges the company remains resilient and poised for increasing productivity and meeting the demands of our customers through sustained production efforts across our tea, rubber and coconut plantations.

Acknowledgement

I would like to commend the entire management team and all our employees for their unwavering commitment to duty and to the Company under difficult conditions. I wish to thank our respective suppliers and business partners for their persistent support extended, continued relationships, and trust in KPPLC. Our customers remain the driving force behind our growth as we consistently pursue the fulfillment of their expectations through product quality and overall production efficiency. Finally, I would like to extend my sincere gratitude to all the stakeholders of the company who have assisted in many ways towards its continuous success.

Dr. Sena Yaddehige
Chairman

12 June 2019
Colombo

BUSINESS MODEL

A business model plays a vital role in the success of any company, as it explains how that business will creating value. Developing a business model forces to thoroughly think about the overall business plan. Accordingly, a business model defines how a Company make money and position of Company in the supply chain.

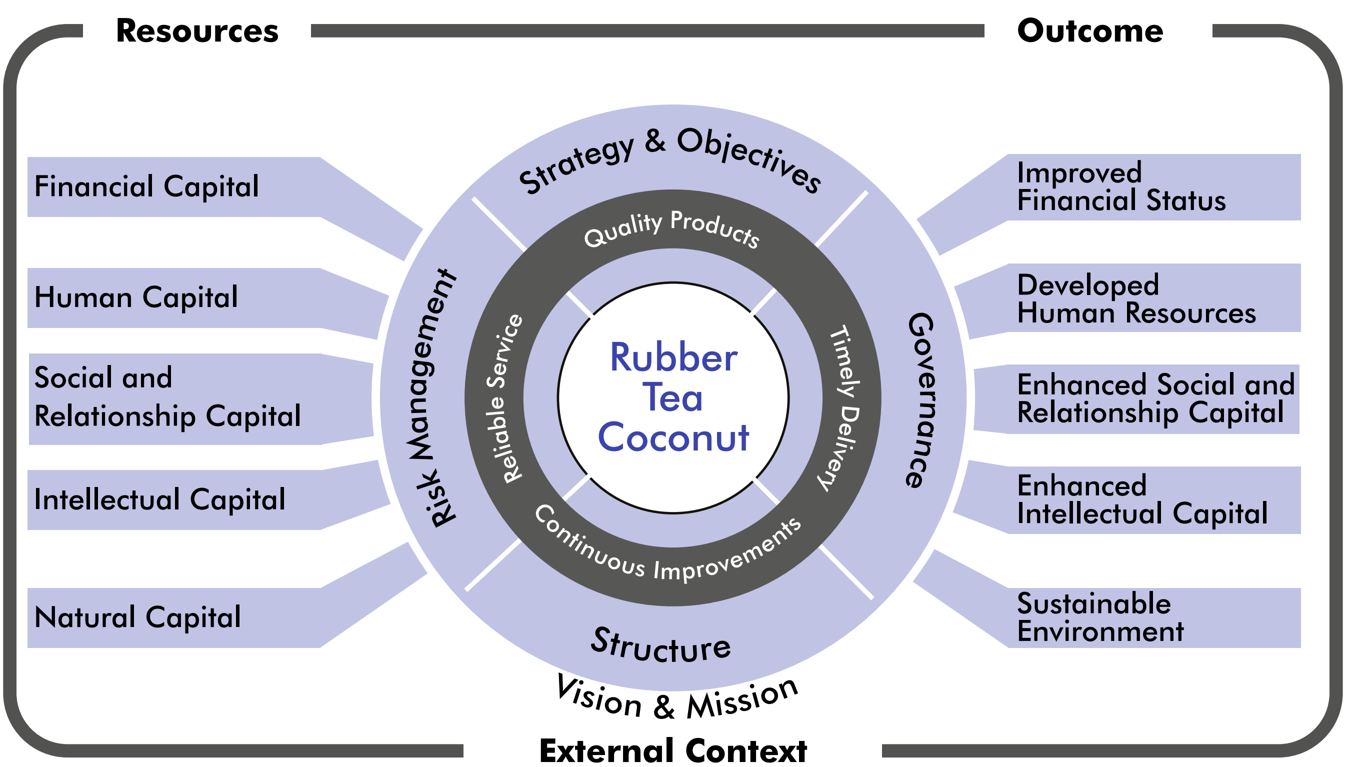
KPPLC business model is a framework for how we creates value. Ultimately, this filter the potential of Company into realize the organizational ultimate goals and objectives and provides a framework for success and overcoming challenges. Accordingly, KPPLC business model enumerates the Company's core value proposition, targeting customers, key resources, and assumed revenue streams.

We highly believe that it is important to strike the right balance between the needs and expectations of the different stakeholders, our business model in KPPLC is focusing on creating and enhancing value for all the critical stakeholders who are having a stake in the Company.

Since organizational environment consists of both external and internal factors, we promote inclusive and concise business process of create value through financial, manufacturing, human, social and relationship, intellectual and natural capital deployed to achieve sustainable development. Accordingly, our main crops of rubber, tea and coconut are process through our business model powered by above mentioned six capital.

As a process requires a series of actions to achieve a certain objective, KPPLC have taken all the necessary steps in order to ensure the achievement of expected standard and quality of the output. Ultimately, the final outcome of our business model effectively and efficiently realize goals and objectives we develop for KPPLC six capital. The culture of our organization encourages each and every employee to cope with this value creation activity and to enhance this process.

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



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 six Listed Companies, and over 50 Companies wholly or majority owned by Richard Pieris and Company PLC. He served as a Director in the Board of Directors of National Development Bank PLC during the period between 2007 and 2010.

Dr. Yaddehige is a brilliant scientist and a high energy radiation specialist who innovated and developed contactless sensor technology, driven 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, Singapore, India and Bangladesh. He is also the founding Managing Director of an European Company, which manufactures and exports automotive components and systems, developed and based on his own innovations, to Europe, Japan, China and the United States. Dr. Yaddehige was instrumental in developing the Iwata Dream brand in Japan and the Lithium Battery development unit in Sri Lanka.

Dr. Yaddehige has been conferred three Doctorates. He's 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.

Prof. R C W M R A Nugawela
Director

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

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

His thrust areas of research and development were on nursery and planting practices, exploitation, use of yield stimulants and rain guards. He has more than 130 publications in both local and foreign research journals and has addressed many local and international conferences on natural rubber.

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

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

Dr. S S B D G Jayawardena
Director

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

Dr. Jayawardena has served the Department of Agriculture over 03 decades and retired as the Director General of the Department of 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 Industries. He has represented the Tea Research Institute at the Governing Boards of Tea Board and Tea Small Holder Authority. He has also served as a member of many task forces appointed by the government of Sri Lanka and served as member of the National Salaries & Cadre Commission from 2006 to 2019 April.

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

He has over 50 years professional experience covering agricultural research and development activities, human resource development, development of foreign funded projects, direct involvement in food security and poverty alleviation programs of the Country. He has represented the Ministry of Agriculture at the Annual Meetings of FAO on Food Security and the Global Economic Forum on Agriculture.

In 2010, Dr. Jayawardena was appointed as a Director to the Board of Directors of Kegalle Plantations PLC.

Mr. Shaminda Yaddehige
Director

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

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

Mr. Yaddehige worked as a Management Consultant at Price Waterhouse Coopers, United Kingdom and also at world renowned international ultra high net worth banking giant, Credit Suisse of Switzerland. He has an extensive experience in international marketing and has built a very strong marketing network in Europe.

Mr. Yaddehige is in the Directorate of Richard Pieris & Company PLC as an Executive Director/Chief Operating Officer of the Company and also in the Directorates of Richard Pieris Exports PLC, Richard Pieris Natural Foams Limited, Richard Pieris Distributors Limited and also in several other Companies within the Richard Pieris Group.

Mr. Sunil Liyanage
Director

Mr. Sunil Liyanage is a Fellow of the Plastics and Rubber Institute of Sri Lanka (FPRI) and holds a Diploma in Polymer Technology (Singapore), the Diploma of the Plastics Institute (LOND.) and a Licentiate of the Institute of Rubber Industry (LOND.).

He has over 40 years of management experience in the field of Rubber and Plastics. He is a past Chairman of the Ceylon National Chamber of Industries (CNCI) and a past President of the Plastics and Rubber Institute of Sri Lanka (PRISL). Mr. Liyanage is also a visionary business leader, who has been instrumental in launching many innovative products in Polymer category and has the honour of being the first person to commercialize flexible Polyurethane Foam in this Country in the form of Mattresses, Cushions and Sheets.

He is a Director of Richard Pieris Distributors Limited, Richard Pieris Exports PLC, Arpico Interiors [Pvt] Limited and numerous other Companies in the Group.

Mr. Liyanage has been appointed to the board of Kegalle Plantations PLC with effect from 15 August 2018.

OUR ESTATES & FACTORIES

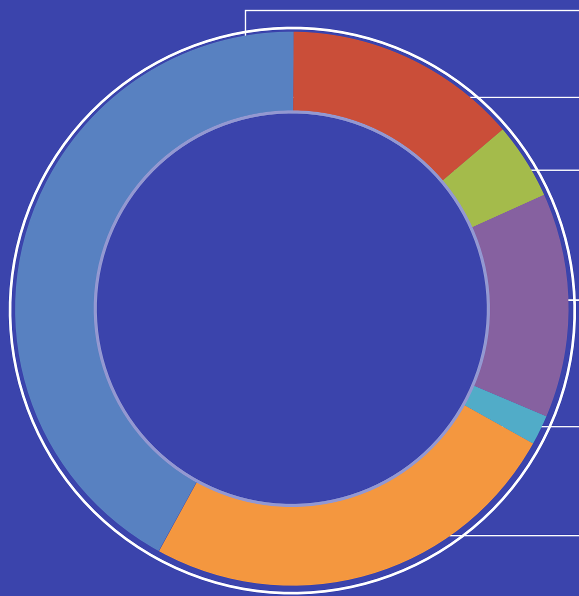
	Estate Name	Planting District	Location	Cultivated Area (Hectares)					Total Area (Hectares)	Elevation (Metres)
				Rubber	Tea	Coconut	Others	Total		
1	Allagolla	Badulla	Udapussellawa	-	174.78	-	39.61	214.39	243.75	1311
2	Ambadeniya	Kegalle	Aranayake	359.57	-	14.39	80.97	454.93	583.25	244-355
3	Atale	Kegalle	Atale	892.70	-	28.66	40.36	961.72	1,150.36	119-154
4	Doteloya	Kegalle	Dolosbage	-	184.28	-	274.47	458.75	572.64	825-955
5	Eadella	Kurunegala	Polgahawela	274.83	-	325.01	73.39	673.23	801.79	91-122
6	Etana	Kegalle	Warakapola	328.65	-	1.82	50.13	380.60	483.26	76-244
7	Gampaha	Badulla	Udapussellawa	-	213.52	-	62.13	275.65	348.99	1538
8	Hathbawa	Kegalle	Rambukkana	214.41	-	-	40.90	255.31	477.79	122-244
9	Higgoda	Kegalle	Undugoda	206.31	-	-	5.09	211.40	302.23	146-411
10	Kirklees	Badulla	Udapussellawa	-	243.66	-	101.96	345.62	480.70	1446
11	Luckyland	Badulla	Udapussellawa	-	371.97	-	71.88	443.85	488.75	1500
12	Madeniya	Kegalle	Warakapola	233.92	-	-	210.17	444.09	551.92	80-229
13	Pallegama	Kegalle	Niyadurupola	435.90	-	1.88	163.77	601.55	863.91	90-200
14	Parambe	Kegalle	Undugoda	384.20	30.02	-	104.08	518.30	795.41	122-274
15	Udapola	Kurunegala	Polgahawela	262.97	-	24.97	83.52	371.46	577.78	107-195
16	Weniwella	Kegalle	Alawwa	383.70	-	13.19	38.15	435.04	709.90	152-183
17	Yataderiya	Kegalle	Undugoda	132.98	115.95	25.90	7.35	282.18	324.30	244-290
18	Udapola CLP	Kurunegala	Polgahawela	-	-	-	-	-	-	-
				4,110.14	1,334.18	435.82	1,447.93	7,328.07	9,756.73	

	Estate Name	Production - kg/nut '000			Factory Details			Certifications*					Workforce			
		Rubber	Tea	Coconut	Crop Manufactured	Factory Type	Rated Kg'000/pa	1	2	3	4	5	No. of Executives	No. of Staff	No. of Harvestors & Others	Total
1	Allagolla	-	142	-	-	-	-	-	-	-	-	√	1	16	180	197
2	Ambadeniya	275	-	39	-	-	-	-	√	-	-	-	2	17	294	313
3	Atale	370	-	68	Rubber	Sole Crepe	950	√	-	-	-	-	3	31	409	443
4	Doteloya	-	434	-	Tea	Leafy/Orthodox	1,394	-	-	√	√	√	3	16	275	294
5	Eadella	228	-	936	-	-	-	-	√	-	-	-	3	17	248	268
6	Etana	319	-	4	Rubber	Scrap	228	-	-	-	-	-	1	15	285	301
7	Gampaha	-	246	-	Tea	Leafy/Orthodox	929	-	-	√	√	√	2	19	299	320
8	Hathbawa	194	-	-	-	-	-	-	√	-	-	-	1	14	146	161
9	Higgoda	187	-	-	-	-	-	-	√	-	-	-	1	9	155	165
10	Kirklees	-	404	-	Tea	Rotorvane	1,239	-	-	√	√	√	2	21	295	318
11	Luckyland	-	359	-	Tea	Rotorvane	1,355	-	-	√	√	√	3	32	525	560
12	Madeniya	148	-	-	-	-	-	-	-	-	-	-	1	10	186	197
13	Pallegama	272	-	7	Rubber	Sole Crepe	800	√	-	-	-	-	3	26	336	365
14	Parambe	297	23	-	Rubber	Crepe	636	√	-	-	-	-	2	19	374	395
15	Udapola	175	-	123	-	-	-	-	√	-	-	-	2	16	197	215
16	Weniwella	188	-	17	-	-	-	-	√	-	-	-	2	14	200	216
17	Yataderiya	89	316	101	Tea	Leafy/Orthodox	1,239	-	-	√	√	√	2	21	429	452
18	Udapola CLP	1,336	-	-	Rubber	Centrifuged Latex	5,000	√	√	-	-	-	5	13	52	70
		4,080	1,923	1,295									39	326	4,885	5,250

* Certifications

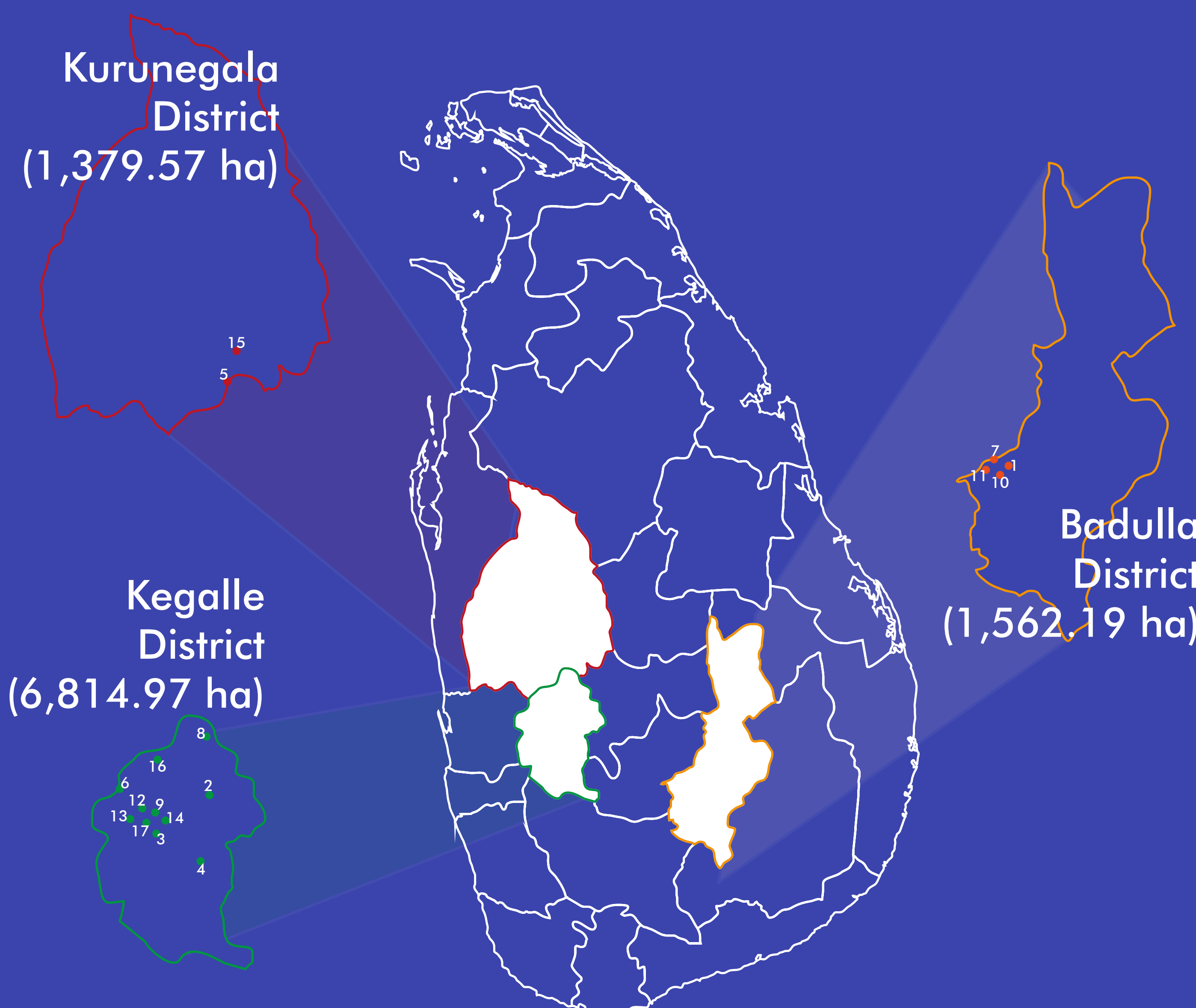
1. ISO 9001 : 2015 System Certification - Rubber
2. EU & USDA - NOP Certification - Organic Rubber
3. ISO 22000 : 2005 System Certification - Tea
4. Ethical Tea Partnership Certification
5. Rainforest Alliance Certification - Tea

OPERATIONAL LOCATIONS



Rubber	4,110.14	42.1%
Tea	1,334.18	13.7%
Coconut	435.82	4.5%
Other Crops	1,277.60	13.1%
Conservation Forestry	170.33	1.7%
Others	2,428.66	24.9%

Total Land Extent - 9,756.73 Hectares



NUMBER OF PERMANENT BUILDINGS AVAILABLE ON ESTATES

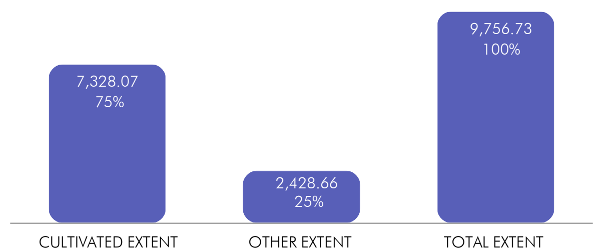
As at 31 March 2019

Estate Name	Location	No of Buildings		
		Factory	Other Buildings	Total
Allagolla	Udapussellawa	1	370	371
Ambadeniya	Aranayake	-	390	390
Atale	Atale	1	401	402
Doteloya	Dolosbage	1	245	246
Eadella	Polgahawela	-	178	178
Etana	Warakapola	1	180	181
Gampaha	Udapussellawa	1	468	469
Hathbawa	Rambukkana	-	167	167
Higgoda	Undugoda	-	58	58
Kirklees	Udapussellawa	1	561	562
Luckyland	Udapussellawa	1	613	614
Madeniya	Warakapola	-	220	220
Pallegama	Niyadurupola	1	293	294
Parambe	Undugoda	1	393	394
Udapola	Polgahawela	-	234	234
Weniwella	Alawwa	-	324	324
Yataderiya	Undugoda	1	338	339
Udapola CLP	Polgahawela	2	24	26
Total		12	5,457	5,469

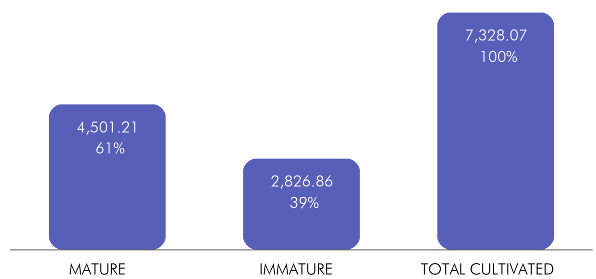
Other buildings includes bungalows, offices, silent factories, staff & worker quarters, dispensaries, maternity wards…etc.

Type of Buidings	No of Buildings
No of Factories	12
No of Bungalows	36
No of Office Buildings	22
No of Senior Staff Bungalows	123
No of Junior Staff Bungalows	173
No of Minor Staff Bungalows	92
No of Line Rooms - Line Type	3,994
No of Line Rooms - Cottage Type	530
No of Creches	56
No of Maternity Wards	5
No of Dispensaries	10
No of Self Help Housing	109
Other Buildings (Stores/Garages/Welfare Centres…..etc)	307
Total	5,469

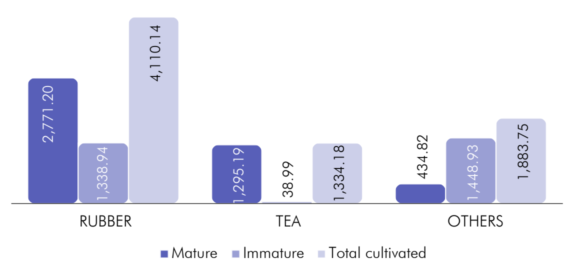
Total land extent, Ha



Cultivated extent, Ha



Cultivated extent by crops, Ha



Our value delivery

Kegalle Plantations PLC (KPPLC) proud to be the leading natural rubber producer in Sri Lanka which dominance land base of around 5,200 ha under Rubber out of the 132,693 ha in Sri Lanka for which KPPLC accounts 3.9% of Sri Lankan extent. Our contribution towards national production around 4 million kilos of Rubber including bought crop which is 4.9% of the Sri Lankan total production of natural Rubber.

In Kegalle Plantations PLC, there are three main products that are processed for export market as well as local manufacturing industries. They are Sole Crepe for export market, thick Pale Crepe for export as well as local industry and Centrifuged Latex mainly for Rubber base industries in Sri Lanka...... continued to page no. 43

MANAGEMENT DISCUSSION & ANALYSIS

OPERATING ENVIRONMENT

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

In analyzing the global economic arena, it appears that trends have become disadvantageous during the year under review compared to the previous year. Particularly, global rubber prices have revealed a negative movement, mainly due to excessive rubber available in the market and consumption coming down due to global trade unrest.

While continuous rain in plantation areas that prevailed during tapping days along with the high cost of production and poor management of plantations contributed to the drop in total rubber production, unfavourable weather conditions in tea growing areas, particularly during the months of May and June 2018, and wage related trade union action in the plantation sector affected the total tea production during the year.

Sri Lanka Economic Performance

Economic Growth

Sector/Year	2018	2017	2016	2015	2014
Agriculture	4.8%	-0.4%	-3.8%	4.8%	4.6%
Industries	0.9%	4.1%	5.8%	2.1%	4.7%
Services	4.7%	3.6%	4.7%	5.7%	4.8%
Total Economy	3.2%	3.4%	4.3%	4.8%	5.0%

The year under review posed challenges of different nature to the Sri Lankan economy. As a consequence of such challenges, GDP growth was recorded at 3.2 percent in 2018, compared to 3.4 per cent in the previous year with a modest expansion in real economic activity amidst a low inflation environment during the year. Moreover, per capita GDP in US dollar terms stood at US dollars 4,102 in 2018, almost similar to 2017 level of US dollars 4,104, which recorded a 5.6 percent growth in 2017.

Underpinned by favourable weather conditions, agriculture activities recovered in 2018 and registered a growth of 4.8 percent, compared to the contraction of 0.4 percent observed in the previous year. The favourable weather conditions that prevailed in major cultivation areas throughout the year spurred the recovery in Agriculture activities as witnessed mainly by the substantial increase in the growing of rice, fruits, oleaginous fruits (coconut, king coconut, oil palm) and spices during the year. Fishing activities, growing of other perennial crops, growing of tea, forestry and logging, growing of sugarcane, tobacco and other non-perennial crops and growing of rubber contracted in 2018, compared to the previous year.

Consequently, Rubber production declined by 0.6 percent to 82.6 million kilograms in 2018 from 83.1 million kilograms produced in 2017. The production of sheet rubber, which accounts for about 50.0 percent share of the total rubber production, declined by 0.5 percent to 41.3 million kilograms from 41.5 million kilograms in 2017. While, Crepe rubber production recorded a considerable growth of 26.2 percent to 14.5 million kilograms, exports of raw rubber recorded a decline of 18.9 percent to 14.0 million kilograms during 2018. Under these conditions, at the Colombo Rubber Auction, the average price of Ribbed Smoked Sheet No.1 (RSS1) declined by 8.2 percent to Rs. 309.09 per kilogram and prices of latex crepe declined by 8.5 percent to Rs. 321.70 per kilogram. On the other-hand Low rubber prices in the international market and lower domestic production resulted in an increase of raw rubber imports from 61.8 million kilograms in 2017 to 65.8 million kilograms during 2018 to meet the requirements on rubber-based industries in the Country.

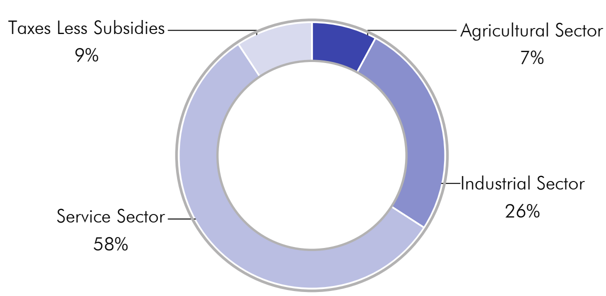
The tea industry also became relatively displeasing in 2018 compared to the previous year. Tea production recorded a Decline in the year under review, where the total tea production decreased by 1.0 percent to 303.8 million kilograms in 2018 from 307.1 million kilograms in 2017. A declining trend in tea prices was recorded from early 2018 and continued till the end of the year. Comparatively low demand during 2018 from exporters adversely affected tea exports. Average auction prices of high, medium and low grown teas at the Colombo Tea Auction (CTA) were significantly lower than the corresponding prices that were observed in 2017. The highest year-on-year decrease in tea prices at the CTA was observed for medium grown tea (8.0 percent), followed by high grown tea (6.3 percent) and low grown tea (5.9 percent).

When it comes to Coconut production, it has recovered from its declining trend in 2018, due to the lagged effect of favourable rainfall experienced in major coconut growing areas in 2017. Coconut production that remained subdued during the first quarter of the year, recorded an expansion thereafter resulting in an overall growth of 7.1 percent to 2,623 million nuts during 2018. Reflecting higher demand from domestic manufacturers for Coconut products and increased export demand amidst supply shortages in the world market Coconut prices increased, particularly during the first nine months of 2018.

The government took several policy measures aimed at promoting the industry sector focusing on enhancing the industrial production capacity of the country to cater to both domestic and global markets through increased private sector participation. During 2018, industry related activities experienced a slowdown, particularly with the decline in construction, and mining and quarrying activities.

Services related activities expanded by 4.7 percent in 2018 compared to the growth of 3.6 percent recorded in the previous year. Particularly supported by the expansion in financial services activities (11.8 percent) during 2018. Further, the improvement in other personal services and the continuous expansion observed in wholesale and retail trade activities contributed to the growth in Services activities.

Sector Wise Contribution to the Total GDP - 2018



Interest, Inflation and Exchange Rate

Rupee liquidity in the domestic money market, which displayed mixed movements until mid-September 2018, turned into persistent deficit levels thereafter mainly due to foreign exchange related transactions carried out by the Central Bank. Although the pressure on domestic money market eased considerably with the injection of liquidity by way of the Statutory Reserve Ratio reduction in November 2018, liquidity in the domestic money market continued to remain at deficit levels by end 2018 partly due to foreign exchange sales by the Central Bank. Tight liquidity conditions amidst continued high demand for credit caused lending rates of commercial banks to remain high in 2018. Tight liquidity conditions and the tight monetary policy stance that was maintained, most market lending and deposit interest rates of commercial banks remained high in both nominal and real terms during 2018.

Core inflation remained at low single digit levels throughout 2018, reflecting the lagged impact of the relatively tight monetary policy stance maintained in the past. Headline inflation, as measured by the year-on-year change in the Colombo Consumer Price Index (CCPI, 2013=100), was broadly on a downward path in 2018. The short-lived pickup in headline inflation during mid 2018 was mainly due to cost push factors arising from upward adjustments in domestic petroleum prices and volatile food prices. Inflation decelerated significantly during the latter part of the year and reached levels even lower than the desired mid single digit levels, primarily due to low food prices, downward adjustment of selected administratively determined prices as well as the reduction of the Special Commodity Levy and Telecommunication Levy.

Year	2018	2017	2016	2015	2014
Inflation	0.4%	7.3%	4.0%	2.8%	3.3%
Interest Rate (AWPR)	12.1%	11.6%	11.5%	7.5%	6.3%

In 2018, the Central Bank followed a market based exchange rate policy and allowed a sharper depreciation of the rupee, but intervened in the domestic foreign exchange market, particularly at times when large capital outflows and undue speculation caused excessive volatility in the market. The broad-based strengthening of the US dollar, political uncertainty that prevailed in the latter part of 2018 and tight liquidity conditions in the domestic foreign exchange market exerted pressure on the Sri Lankan rupee. Accordingly, the rupee recorded significant depreciation of 20 per cent against the US dollar during the year, from Rs. 152.85 at end 2017 to Rs. 182.75 at end 2018.

LKR Against Major Buyers Currencies

Currency	Rupee Depreciated/ Appreciated	Amount As %
USD	Depreciated	-19.56%
EURO	Depreciated	-14.43%
Japanese yen	Depreciated	-22.69%
Pound sterling	Depreciated	-12.86%

LKR Against Major Competitor Currency

Currency	Rupee Depreciated/ Appreciated	Amount As %
Indian Rupee	Appreciated	8.61%
Pakistan Rupee	Depreciated	-5.70%
Kenyan Schilling	Appreciated	17.49%
Thailand Baht	Appreciated	16.77%
Chinese Yuan	Appreciated	11.71%

Global Economic Performance

Moderating activity and heightened risks are clouding global economic prospects. International trade and investment have softened, trade tensions remain elevated, and some large emerging market and developing economies (EMDEs) have experienced Substantial financial market pressures. Global growth is projected to moderate from a downwardly revised 3 percent in 2018 to 2.9 percent in 2019 and 2.8 percent in 2020-21, as economic slack dissipates, monetary policy accommodation in advanced economies is removed, and global trade gradually slows. Global growth is moderating as the recovery in trade and manufacturing activity loses steam. A strengthening U.S. dollar, heightened financial market volatility, and rising risk premiums have intensified capital outflow and currency pressures in some large EMDEs, with some vulnerable Countries experiencing substantial financial stress.

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

Compared to 2017, global growth was increasingly unsynchronised during 2018, as most economies, apart from the US, experienced a slowdown in economic activity. In spite of the notable growth in economic activity in the US, growth among advanced economies grew modestly during 2018. Meanwhile, emerging market and developing economies continued to grow strongly, albeit at a slower pace than in the previous year.

Country	2018	2017
USA	2.90%	2.26%
China	6.60%	6.90%
European Union	1.80%	2.40%
India	7.30%	6.70%
Russia	2.30%	1.60%

Mounting uncertainties in the global political and economic environment pose significant challenges to Sri Lanka, necessitating the implementation of timely and prudent policy measures to support domestic growth initiatives while maintaining stability.

Government Policies

The government policy on agriculture as envisaged in the 'National Agriculture Policy' continued with the aim of achieving food security in the country. The government continued to implement several policy measures as proposed in the Budget 2018, mainly focusing on shifting the agriculture sector into a more productive, eco-friendly and export oriented sector. The Budget also proposed several measures to develop the cinnamon and rubber industries, coconut based products, fisheries sector and irrigation infrastructure. The Budget 2019 proposed measures to promote agri-business value chains for the infusion of technology and to develop high value crops.

The SLTB continued to provide financial assistance under the brand promotion scheme and facilitated the participation of Sri Lankan tea exporting companies in international trade fairs in selected markets, promoting both 'Ceylon Tea' as a country brand and private individual brands. The SLTB encouraged trade exhibitions and events during the year under review and conducted promotional activities such as media campaigns, outdoor advertising, global promotional campaigns, and Ceylon Tea Forum and Tasting, while facilitating and hosting a delegation from Russia.

The strategic plan of RDD focused on increasing natural rubber production up to 200,000 metric tons annually by year 2040 from the current annual production of around 83,000 metric tons. To compensate for the low rubber prices prevailing in the market, the RRI introduced farming systems that enable the farmers to have an additional income, popularised low frequency tapping systems to reduce labour costs and overall cost of production and popularised rain-guards in the rubber plantations to generate more revenue. A special capital project was received by the RRI for establishing sustainable rubber cultivations with a variety of intercrops.

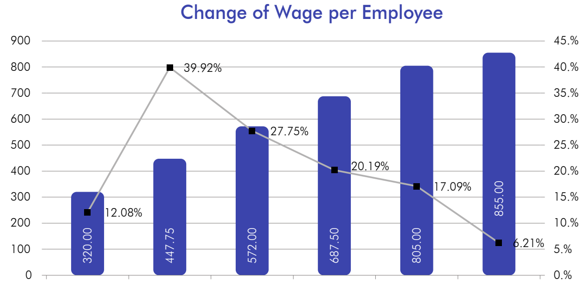
Employment and Wages

In contrast to the trend observed in the recent past, the labour force, which is the economically active population aged 15 years and above, declined by 2.1 per cent to 8.388 million in 2018, from 8.567 million recorded in 2017. This decline in the labour force was due to the reduction in female labour force by 6.7 per cent in 2018 compared to the previous year. Along with the fall in the labour force, the employed population declined by 2.4 per cent to 8.015 million in 2018, from 8.208 million recorded in 2017, while the unemployed population increased by 3.9 per cent in 2018. The Labour Force Participation Rate (LFPR) decreased to 51.8 per cent from 54.1 per cent in 2017 while the female LFPR decreased to 33.6 per cent from 36.6 per cent recorded in 2017. Sri Lanka still lags behind in the female participation in the workforce, despite the increasing number of educationally and professionally qualified females.

During 2018, the employed population decreased by 2.4 per cent to 8.015 million from 8.208 million recorded in 2017. The majority of the employed population continued to represent the services sector with a share of 46.6 per cent of the total employment in 2018. The industry sector contributed a share of 27.9 per cent of the total employment in 2018, while the agriculture sector contribution was 25.5 per cent, compared to 26.1 per cent in the previous year. Accordingly, the share of employed population in the agriculture sector continued to decline in 2018, signalling the structural shift in employment.

During 2018, the wage rate indices indicated signs of wage pressure in the economy at a lower magnitude with easing inflation. The demand pressure arising from wages on the general price level remained subdued during the year. The process of including the special allowance and interim allowance to the basic salary of public sector employees continued for the third consecutive year in 2018. The nominal wages of public sector employees, as measured by the annual average change in the Public Sector Wage Rate Index (2012=100), increased marginally by 0.1 per cent in 2018, while nominal wages of employees in the formal private sector increased marginally by 0.6 per cent in 2018. However, according to the Public Administration Circular No. 03/2016, the increase in nominal wages of public sector employees will be higher during the next two years than the increase observed during the previous three years.

Change of Wage per Employee



Particularly, workers in the plantation sector initiated a strike, demanding a minimum daily wage of Rs. 1,000. However, the basic daily wage of plantation sector employees was increased to Rs. 700 from Rs. 500, in early 2019.

Technology

The technological changes in the international plantation industry lead the organizations to be cost effective, efficient and in the quality production process. These changes have not influenced heavily on the Sri Lankan plantation sector due to less prone to changing behavior and, dominantly, the high level of labor power over the plantation sector. As a result of these obstacles, 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

The weather patterns have been a major determinant in shaping the performance of the industry due to the inherent interrelationship of the plantation industry with the weather conditions. Favourable weather conditions that prevailed in the major cultivation areas enabled a strong recovery in Agricultural activities throughout the year.

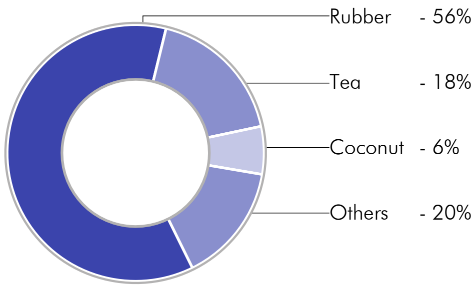
Outlook

In Sri Lanka, last year's recovery from adverse weather conditions is expected to continue in 2019. Activity will be supported by robust domestic demand as consumption rebounds following natural disasters, and investment is boosted by infrastructure projects. The achievement of the envisaged growth path would depend on the successful implementation of the growth framework laid out in public policy documents along with higher participation of the private sector. The value-added contribution from the services sector is envisaged to rise with the expansion in knowledge-based services.

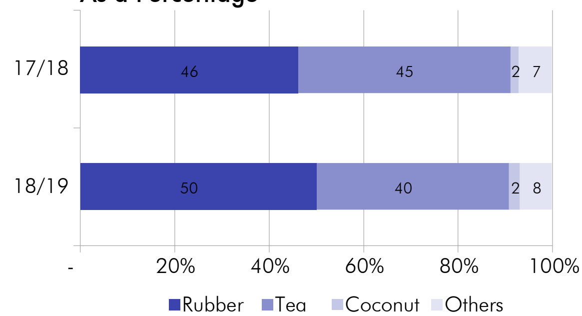
The efforts towards developing a commercially viable agriculture sector would also support the productive allocation of resources in the economy. The government continued to implement several policy measures as proposed in the Budget 2018, mainly focusing on shifting the agriculture sector into a more productive, eco-friendly and export-oriented sector. The Budget also proposed several measures to develop the cinnamon and rubber industries, coconut based products, fisheries sector and irrigation infrastructure.

SEGMENTAL INFORMATION

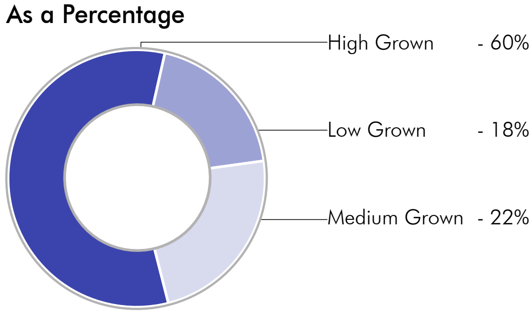
Cultivated Extent
As a Percentage



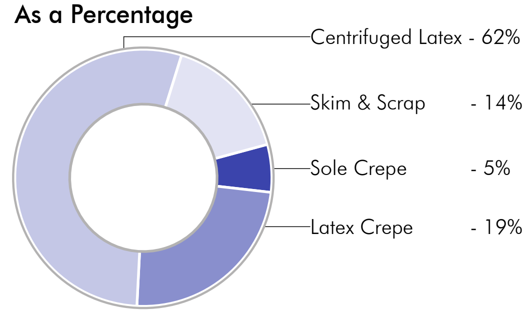
Turnover
As a Percentage



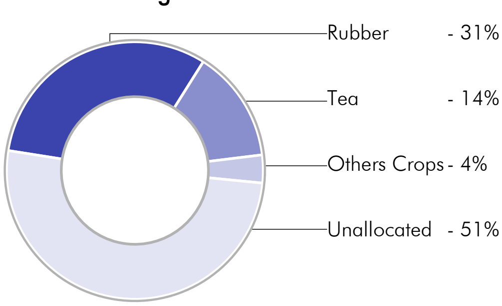
Tea Mix
As a Percentage



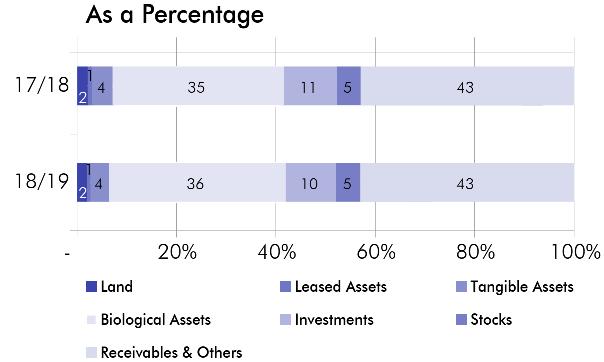
Rubber Mix
As a Percentage



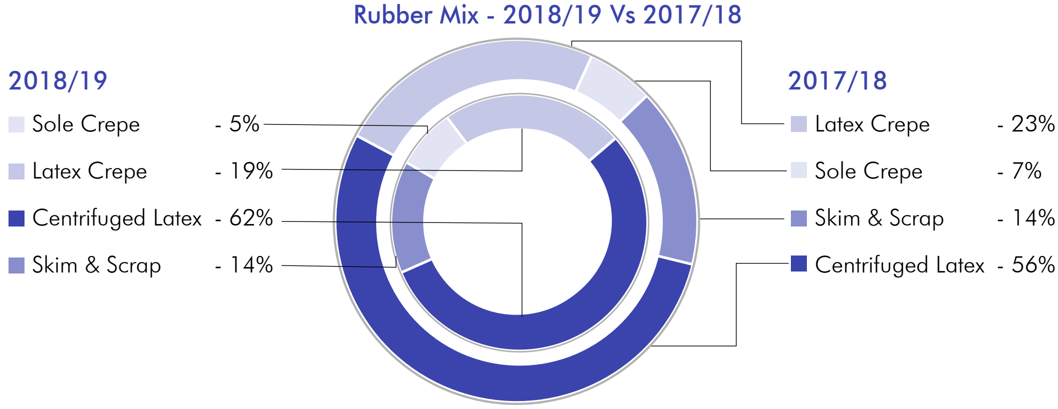
Segmental Assets
As a Percentage



Utilization of Resources
As a Percentage



Rubber Mix - 2018/19 Vs 2017/18



RUBBER Segment

		2018/19	2017/18	2016/17	2015/16	2014/15	2013/14	2012/13	2011/12
Production	kg '000	4,080	3,495	3,742	3,353	3,534	4,016	4,076	4,155
NSA	Rs./kg	293.36	343.86	276.34	274.04	291.26	353.16	415.14	459.76
COP	Rs./kg	281.90	289.45	248.13	249.26	261.23	254.21	257.27	247.47
Yield	kg/ha	990	911	998	872	883	1,011	977	1,016
Revenue Extent	ha	2,771	3,008	3,224	3,489	3,535	3,591	3,653	3,764

TEA Segment by Elevations

Production - kg '000	2018/19	2017/18	2016/17	2015/16	2014/15	2013/14	2012/13	2011/12
Uva high	1,151	1,117	1,191	1,286	1,074	1,143	1,065	1,364
Western medium	434	463	542	583	523	600	549	652
Low grown	339	382	431	505	496	500	548	614
NSA - Rs./kg								
Uva	520.32	582.30	460.53	365.93	381.53	380.19	361.39	282.39
Medium	469.35	586.58	467.95	356.95	413.35	436.38	383.36	311.66
Low	529.41	578.84	482.48	373.23	416.60	427.58	375.62	323.62
COP - Rs./kg								
Uva	542.11	545.17	457.05	409.88	449.37	415.00	405.49	353.47
Medium	499.04	508.33	408.53	360.25	368.09	374.81	329.34	291.77
Low	537.79	536.65	440.56	381.36	401.52	400.23	371.36	299.73
Yield - kg/ha								
Uva	726	730	677	806	858	1,021	840	1,023
Medium	1,225	1,311	1,356	1,265	1,582	1,652	1,690	1,746
Low	967	1,020	1,001	1,068	1,178	1,204	1,337	1,445
Revenue Extent - ha								
Uva	974	967	967	952	952	952	951	946
Medium	178	179	178	177	173	173	173	174
Low	143	143	148	150	149	149	148	148

COCONUT Segment

		2018/19	2017/18	2016/17	2015/16	2014/15	2013/14	2012/13	2011/12
Production	nut '000	1,295	1,117	1,471	1,559	1,549	1,596	1,713	1,731
NSA	Rs./nut	43.00	51.79	24.11	31.95	31.71	32.62	23.31	26.78
COP	Rs./nut	21.44	27.74	16.57	14.69	15.15	13.16	13.23	15.17
Yield	nut/ha	2,978	2,463	3,241	3,569	3,379	3,652	4,205	4,268
Revenue Extent	ha	435	453	454	437	437	437	408	406

REVIEW OF OPERATIONS

Kegalle Plantations PLC, established in 1992 under the Regional Plantation Company has grow from strength to strength year over year maintaining their viability in agriculture.

Our main agriculture crops are Rubber, Tea & Coconut. However, with the Government consent, KPPLC we launched to plant 1,000 ha under Oil Palm as their 4th crop for which required planting material were imported spending a colossal amount of money to establish the 1,000 ha base on Oil Palm Cultivation. This was as an initiative to import substitution to the Country and at least to be part self-sufficient in edible oils. Unfortunately, due to un-scientific and baseless allegations brought by various organizations prevented expanding this cultivation.

The Kegalle Plantations PLC is widely spread in Sri Lanka starting from Kegalle moving to Polgahawela, Kurunegala and from there Nawalapitiya, Kandy to Udapussellawa, Badulla District. The tea cultivation is subdivided into three climatic regions on the elevation and quality of teas. However due to the challenging situation prevailed during 2018 and 2019 the expected crop or the prices that were looked forward for the produce was not forthcoming. Resulted that bottom line to be even below that of the previous season 2017/18. The same situation was prevalent where rubber is concerned although improvement in land productivity was made, the price realized was far below the previous year and anticipated prices.

Although Global changes were rapidly happening during the year as a result Sri Lankan rupee depreciation had not impacted our produce prices. This was further aggravated with the labour wage negotiation as well as productivity base incentives were withdrawn and basic wage was given only on attendance. This too had a negative impact on the productivity as well as attendance of the workers. Due to high day temperatures that resulted in photosynthetic action reduce in crop in all three cultivations was another negative factor associated with the season under review.

The Coconut crop that went through a tough period just recovered and we were driving towards achieving the budgeted crop also suffered with the depreciating Coconut prices month over month and this resulted in not achieving the expected revenue in this sector. Overall Kegalle Plantations has performed below their own performance of the previous season due to the facts elaborated here above in spite of controlling all outgoings in the three crops while maintaining sound agriculture condition for years to come. Small scale inter-planting of Pineapple, Pepper, Cocoa and Vanilla initiated during the year to look forward to increase the land productivity, so that the major dependency in rubber, tea and coconut could be checked.

Although most of the estates fall in to the wet and intermediate zone very erratic distributions of rains were recorded from most of the agro climatic areas within Kegalle Plantations PLC. The rainfall recorded in the Kegalle District was 3,400 mm for the year whereas the Polgahawela, Kurunegala District experienced 3,700 mm, similarly the Udapussellawa Estates recorded a rainfall of 2,950 mm that was confined to 7 months of the year, and the other major change that we observed was high day and night temperatures that resulted a slowdown in productivity in all crops. This definitely is an impact of global warming and we are now working towards addressing this issue by better agriculture practices and conservation. This main special emphasis has been made in our annual budget to allocate additional funds to mitigate adverse impact of weather changes, prevent manmade disasters to a minimum. In this direction we have already finalized obtaining Rainforest Alliance (RA) Certificate and the audit was carried out very successfully and the certificate is awaited. Similarly, FSC Certificate that stands for Forest Stewardship Council is now being initiated once again for the rubber estates and the preparation of documents as well as the necessary land use adjustments are being made to obtain this certification by July/August 2019.

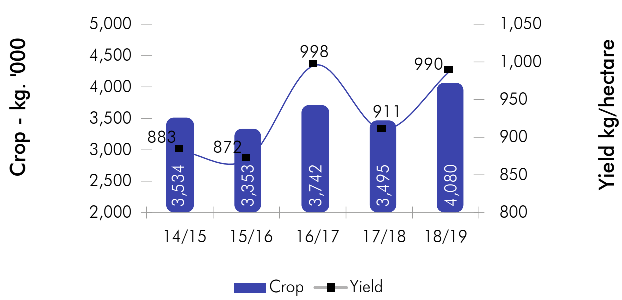
RUBBER SEGMENT

Kegalle Plantations PLC manage 4,110 hectares of rubber of which 67% is mature and the balance 33% is under immature phase. Kegalle Plantations have been throughout replanting in order to sustain this crop as a viable business. This has made us possible to show year over year yield improvement during the last 4 years to maintain as a growing rubber Company. The labour productivity on rubber have been well cared too and increase the intake per tapper to record as 6.69 kilos and the RLO (Revenue Labour Output) maintained at 5.38 kilos. This was possible due to the motivation and committed work and staff engagements. The top management have been driving towards achieving these goals frequently and consistently.

Rubber Production

The achieved crop for the year includes the bought crop of marginally above the last season 2017/18 which is very much higher than the national average. Kegalle Plantations PLC have achieved 4.08 million kilos of Rubber production during the season which is a record crop for the last 5 years. This was achieved due to close monitoring of collection of estate and bought crop on time as well as paying attractive prices to the small holders as an encouragement for them to tap. This sector has contributed to the Company 50% of its revenue during the season which always recorded the highest contributor to the Kegalle Plantations PLC.

Crop Vs Yield - Rubber



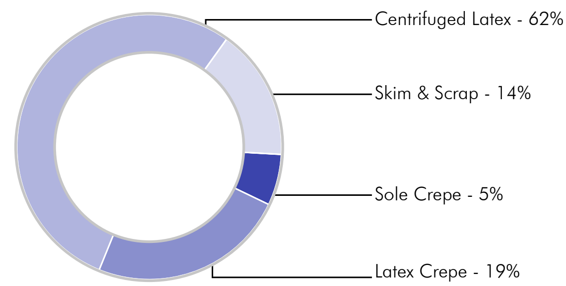
Product Mix

The Kegalle Plantations PLC maintains the same product mix as previous years with high emphasis made for Sole Crepe rubber production in spite of very low demand Internationally for the this Grade. We are pleased to report that when the Country almost lost the Sole Crepe market, we managed to convert 5% of our production or 225,639 kilos as Sole Crepe for a special export market.

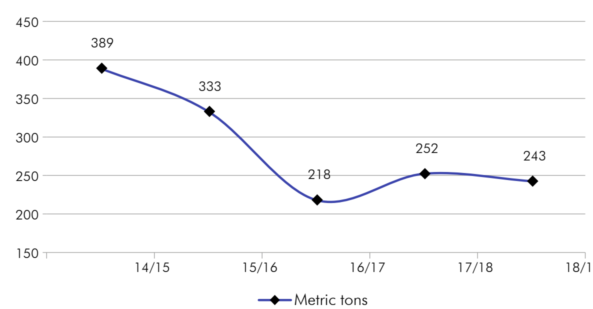
The major part of our crop was converted to Centrifuged Latex that was marketed for a value-added product, and this accounts to 62% of the Company's production. Further 19% of our production was marketed in the form of Crepe Rubber through Colombo Rubber Auctions. The balance 14% accounts to Skim and Scrap Crepe Rubber that too were marketed through Colombo Rubber Auctions. In the extraction of high percentage of centrifuge latex made it possible for us to pay better price to the suppliers and in return we managed to collect higher quantities.

Product Mix (%)	2018/19	2017/18
Sole Crepe	05%	07%
Latex Crepe	19%	23%
Centrifuged Latex	62%	56%
Skim & Scrap	14%	14%
Total	100%	100%

Product Mix - Rubber - 2018/19



Direct Exports - Rubber
In metric tons



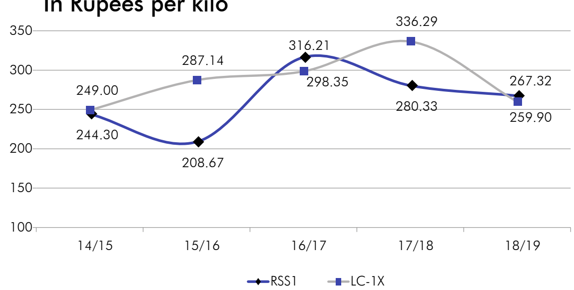
Rubber Prices

The rubber prices behavior in the Colombo auctions was very erratic and had no relationship to the quantities on offer or much of a quality difference. The prices at the beginning of the year was recorded Rs. 300/- per kilo and plus a crepe No. 1 and from August 2018 it took a massive drop and recorded around Rs. 260/- per kilo and thereafter went down low as Rs. 220/- per kilo during the months of January/February 2019 and moved up to Rs. 360/- per kilo in March 2019. This was one of the worst years the rubber prices were taking such a high drop. Same behavior was seen in the RSS market; started the year with Rs. 260/- per kilo moved up to Rs. 320/- per kilo during the month of June, thereafter once again drop to Rs. 260/- per kilo in September and continuous to declined further to behave between Rs. 250/- and Rs. 260/- per kilo to the latter part of the season. However, our forward selling on fixed prices made it possible us to maintain higher NSA than most of the other rubber selling Companies.

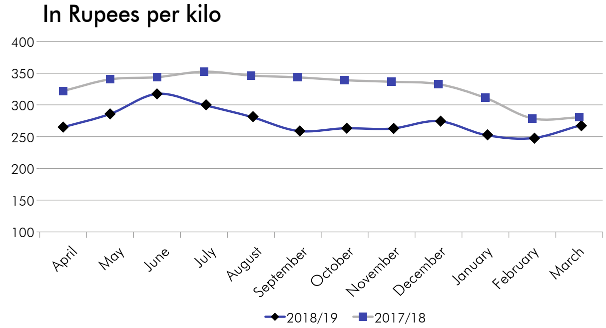
The Global Rubber market too was very inactive due to excessive rubber available in the market and consumption coming down due to global trade wars. Low fuel prices also worked against a possible price for rubber as lot of artificial rubber being available at cheap prices. Increased productivity in Thailand, Vietnam also was an another factor resulting low demand for Natural Rubber. Further the BOI Company that were using rubber for their export products imported cheap rubber affected the local market further, adversely reducing the local market prices.

Kegalle Plantations became the highest latex supplier to Richard Peiris Natural Foams Limited which is a subsidiary of Richard Peiris & Company PLC.

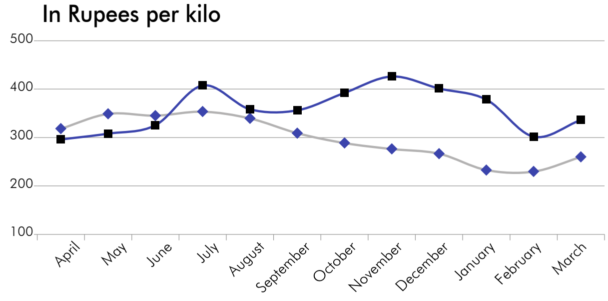
Colombo Auction Averages
In Rupees per kilo



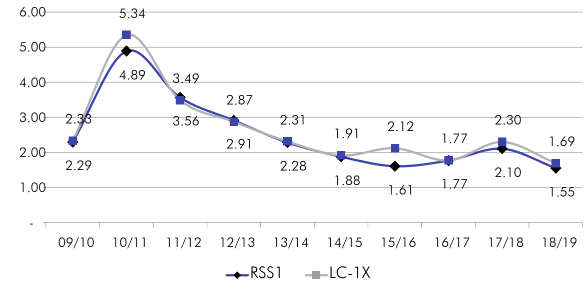
Colombo Auction Rubber Price - RSS.1
In Rupees per kilo



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



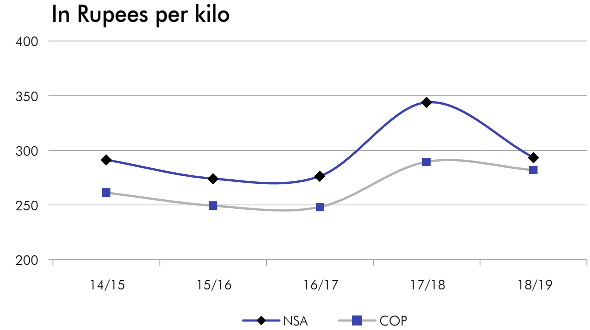
Rubber Market Prices
In Dollars per kilo



Cost of Production

The cost of production was very critically addressed from the beginning of the season to mitigate the adverse impacts of low market prices. The situation was well under controll till December 2018 however, it went out of control in January 2019 with the labour wage increase. However, due to very stringent controls that are put in the estates, end the season controlled the COP below last year by 3% in spite of increase wages, adverse weather conditions, poor worker attendance and removal of productivity incentives under new collective agreement.

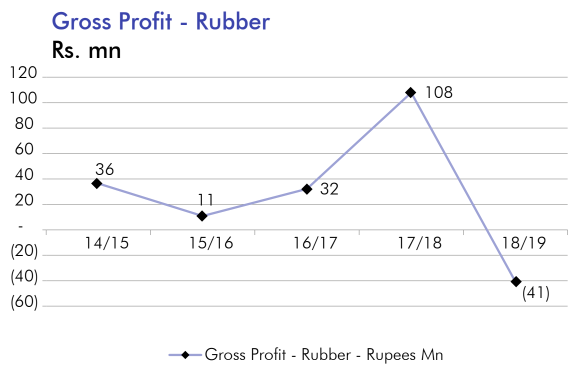
NSA Vs COP - Rubber
In Rupees per kilo



Profitability

The Kegalle Plantations recorded a gross profit of Rs. 112 million of which Rs. 40.5 million loss is recorded from this sector due to low selling prices, impact of wage increase and additional gratuity provision. Although we had very rigid controls they were not adequate to meet the rising cost of labour & energy charges. The highest negative factor was that the selling price was below by 15% that of last year eroding our anticipated profits. The Key Indicators such as Revenue Labour Output (RLO) and Intake per tapper has been kept to the highest in spite of these constraints.

However, with the available favorable factors, estates have performed to the best of their potential.



Market Outlook

Considering the present trend of the rubber auction prices and international rubber prices we do not foresee a major improvement in the near future. The recent disturbance in Sri Lanka also had an impact of exporting some of the rubber as holding in the pipe line resulted decreasing the auction prices further. The forward increasing for crepe rubber has slowed down. Therefore, we do not foresee immediate improvement in rubber prices locally. High production of artificial rubber at International level further challenge the Natural Rubber prices globally. The consistency in synthetic rubber and easy sourcing throughout the year challenge the Natural Rubber industry internationally as well as locally.

TEA SEGMENT

Tea had a very bad season from the inception. The weather that expected for improved crop were never consistently available for this crop. The high day temperature also affected the bud break and eventually the crop intake. Unavailability of Glyphosate as the weedicide made a very vital role in crop harvest as well as nutrient distribution. As a result of these factors Kegalle Plantations tea sector achieved only 1.92 million kilos against the last season of 1.96 million kilos. As a Country, Sri Lankan production was also affected adversely where all three elevations achieved crops recorded 2% below that of last year which is in par with our performance.

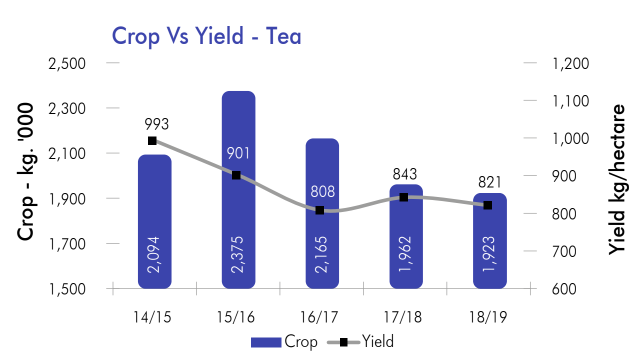
The price behavior being once again very unusual we did not receive the prices that prevailed during the season 2017/18. In spite of rupee depreciation, the local prices never improved to the proportion of currency depreciation. Most buyers informed that the international prices too have taken a dip due to once again over production of Kenya, Malawi and other large producing Countries. The price differences are very acute where Uva High and Western Medium where five of our estates out of the six situated in this Agro Climatic Area.

With the low prices realized for the agro climatic area was a real challenge for our estates. The incentives offer to the small timers could not be extended by us due to the poor prices that prevailed. The major impact was the MCPA (2-Methyl-4-Chloro Phenoxyacetic Acid) contamination that was reported from some of our high selling tea marks due to processing bought crop. We were compelled to discontinue or control of intake of bought crop to address this issue, resulted the low quantity as well as revenue drop.

Production and Yield

As reported Kegalle tea production comes from two major agro climatic Districts mainly from Udapussellawa (Badulla District) and the balance come from Nawalapitiya, and Kegalle District falls in to the mid grown and low grown categories. The Udapussellawa estates went through continuous dry spells with very limited rainfall throughout the season and even with these constraints, the estates in this region achieved marginally above last season production. In contrast, the low grown at Nawalapitiya Estate fell short of their last season crop and the contribution was 94% in comparison to the last year.

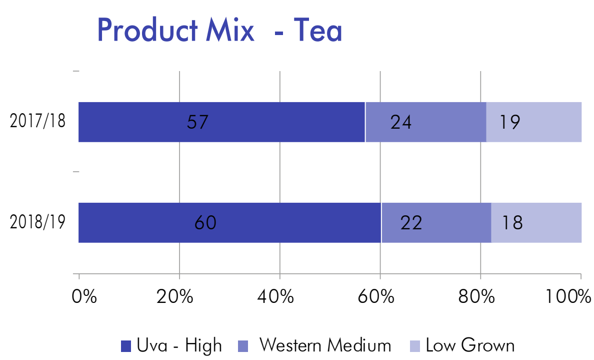
In spite of the adverse weather that continued during the current season, Uva Estates recorded an YPH of 726 Kilos, which in comparison to the previous year records a decrease of 1%. However, the same trend was observed from the mid grown estates whereas the low growns have shown a decrease 5%, although the national production has shown a decrease of 2% and our performances are marginal above the national averages due to localized weather factor mainly.



Product Mix

Kegalle as usual was producing leafy grades, small leaf and Rotorvane teas from low grown mid grown and Uva high respectively. Due to sudden changes in the buying pattern of Colombo auction demand shifted from Uva high and western medium. Nevertheless, our leafy grade estates do not attract the leafy prices due to its situation and the liquor of tea. All the above worked negatively for us during the season in spite of making many changes to improve the demand of our teas.

Product Mix - Tea	2018/19	2017/18
Uva High	60	57
Western Medium	22	24
Low Grown	18	19
Total	**100**	**100**

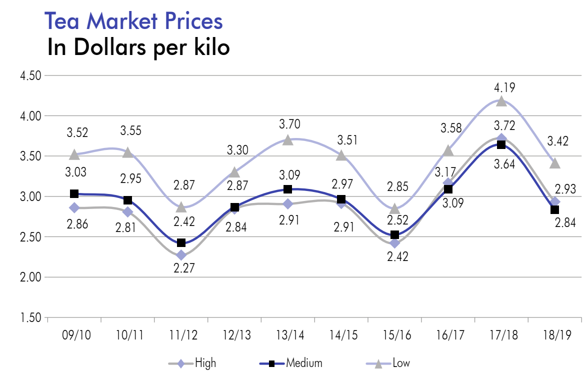


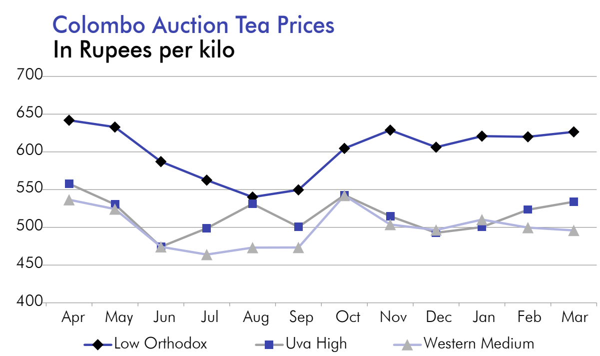
Market Outlook

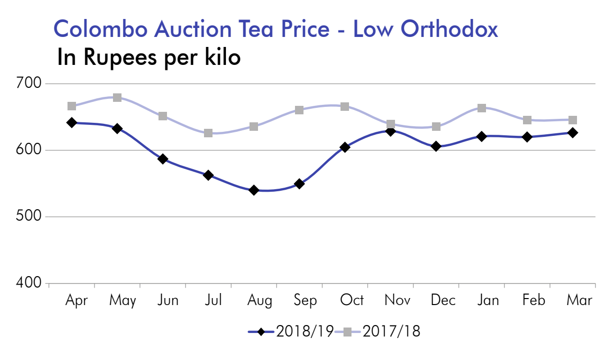
The Kegalle Teas are sold in 3 different segments namely Uva high, Western medium and Low grown. The prices for western medium were attractive during the month of April 2018, but thereafter the prices moved steadily downward and recorded by the end of season below Rs. 520/- per kilo which was a major blow to this sector. The graphical illustration further elaborates this position. However, although the elevation average behaves very negatively specially Luckyland and Kirklees maintained an average price above the Uva high grown and they were ranked within the first 10 of this category. The western medium or mid grown teas that falls Doteloya estate too had a major down fall in prices we could say that they had suffered the most. The MRI Issues further suppressed the buying spectrum and the demand was very negative at Colombo auction or ex-estate buying. Even in the new season we have not seen a bright future for all elevations of teas with the current trade wars and embargoes imposed on Tea buying Countries. The low grown tea too had a very low demand specially our Yataderiya mark which is not in the must buying category suffered greatly, since the Kegalle range teas are not falling to the southern low grown category teas.

Top Prices

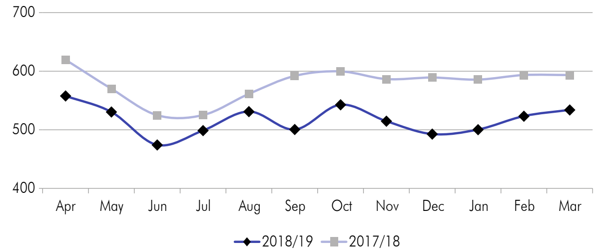
It is pleasing to report that our estates were able to achieve Top Prices on 118 occasions during the season out of which Kirklees Estate recorded two all-time records. Kirklees Estate has recorded the most denoting 68 times, Luckyland Estate with 36 top prices and Gampaha Estate 14 top prices.



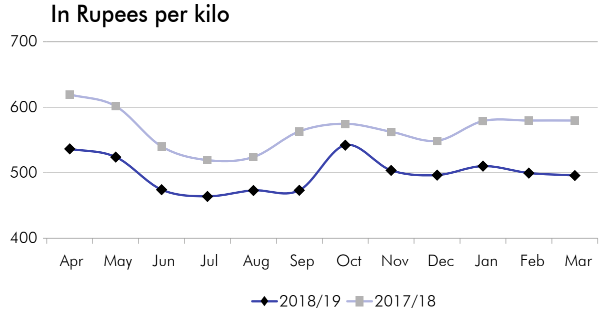




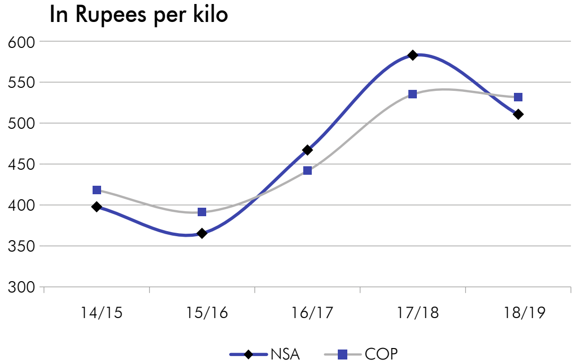
Colombo Auction Tea Price - Uva High
In Rupees per kilo



Colombo Auction Tea Price - Western Medium
In Rupees per kilo



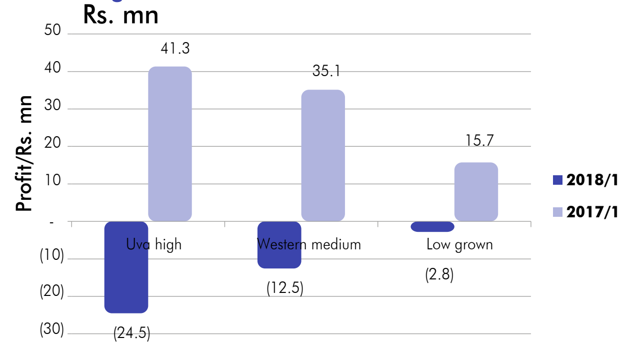
NSA Vs COP - Tea
In Rupees per kilo



Profitability

The tea sector went through a very tough period due to low prices, low productivity and towards end of the season increased labour wages without any productivity indicators or attendance rewarding system. These all act negatively on the bottom line of KPPLC Tea Sector. Due to all the above facts and low demand for Sri Lankan tea, Japanese Buyers moving out as a result of MCPA contamination were the major contributory factor for the negative results of this sector. However, with the stringent control of outgoings and closely monitoring of all input costs we managed to mitigate the adverse impact to a great extent. We hope and working towards changing this situation in the new season.

Regional Profit - Tea
Rs. mn

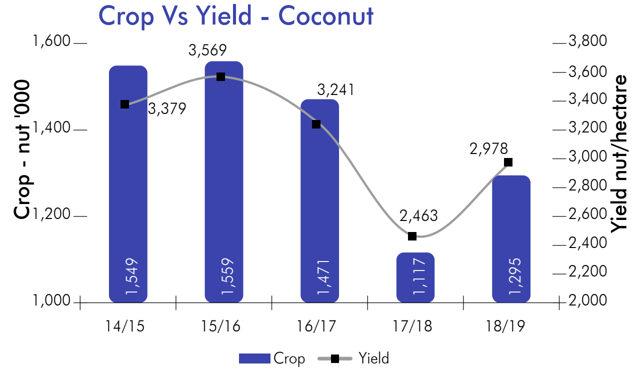


COCONUT SEGMENT

Production

The coconut industry had a previous set back due to the continuous dry weather with high day temperatures recovered only in the last quarter of 2017/18. However, the palms were not fully recovered to perform to the potential. Many new agriculture techniques were used with the Coconut Research Institute participation to minimize negative impact of the previous seasons and we are pleased to report that 16% crop increase was shown over the last year.

Crop Vs Yield - Coconut



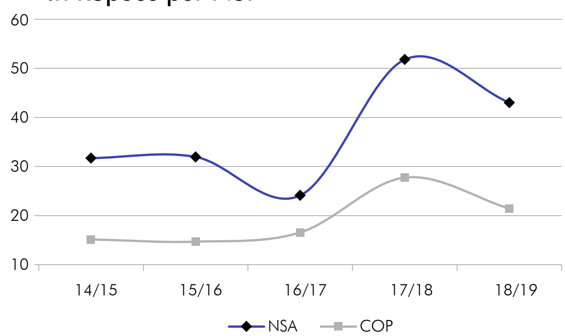
Prices

As the other two crops, this commodity also suffered the priceless for the wrong decision taken to improve coconut meat for the production of coconut oil, desiccated coconut etc. This resulted the entire coconut crop coming in to the market as green nuts or cooking nuts and flooded the market resulting low prices. As a result of same the achieved coconut prices during the season recorded 17% drop compared to that of 2017/18 season.

Cost of Production

The outgoing costs was controlled well and the achieved COP was below the last season by 23%, in spite of having carried out all agriculture practices, fertilizer, mulching etc., to address the price fluctuation proposals that have already been made for a value addition project and which is expected to take off the ground next season.

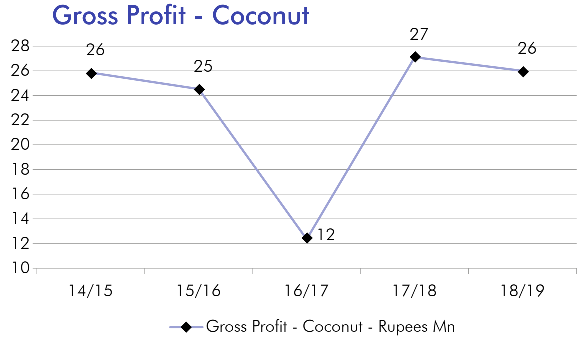
NSA Vs. COP - Coconut
In Rupees per Nut



Profitability

This sector made a profit per nut of Rs. 21.56 which is a decline of 10% compared to the last season. Although shortfall in crop and additional expenses incurred to sustain the Coconut cultivation one has to accept this as a good achievement.

Gross Profit - Coconut



OTHER SEGMENTS

The aging rubber that has surpassed the economic life span had to be uprooted and the sale of rubber trees brought a revenue of Rs. 203 million during the season being one of the highest contributory factor to the turnover of the Company.

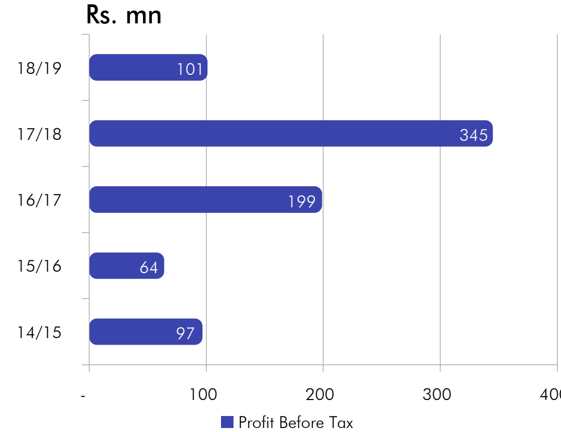
OVERROLL REVENUE SEGMENTS

Revenue Drivers (Rs.mn)	2018/19	2017/18
Rubber	1,206	1,154
Tea	960	1,127
Coconut	52	58
Other Crops	1	0.3
Sale of Rubber Trees	203	169
Total Revenue	**2,422**	**2,508**

OVERALL PROFITABILITY

The profit recorded for the year before tax is Rs. 101 million against that of Rs. 345 million last year. Gross Profits generated from Rubber, Tea, Coconut and other Crops was recorded as Rs. 112 million compared to Rs. 336 million last year.

Profit Before Tax
Rs. mn



All Segment Results - Gross Profit (Rs.'000)	2018/19	2017/18
Rubber	(40,557)	107,893
Tea	(76,256)	63,500
Coconut	25,997	27,098
Other Crops	393	69
Sale of Rubber Trees	202,477	167,637
Total Gross Profit	**112,054**	**366,198**

INVESTMENTS

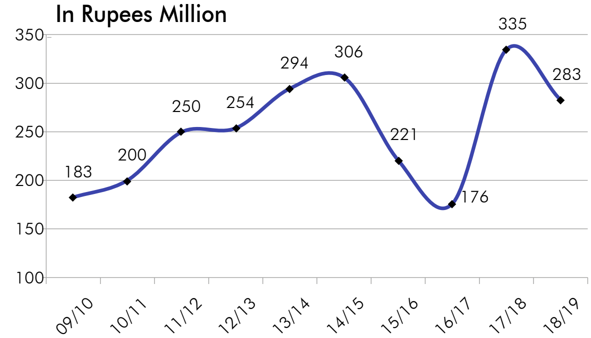
The main business of the Company relates with rubber, tea and coconut production. Therefore, the Company's objective is to maintain the respective fields as per the standards. Fulfilling this objective, the management has invested Rs. 283 million on fixed assets – Field Development, property, plant and equipment.

Rs. 152 million on rubber, Rs. 12 million on tea and Rs. 1 million on coconut were invested on replanting & maintenance in the year under review. Furthermore, Rs. 95 million was invested on the oil palm/timber/ fuel wood plantations and Rs. 22 million was spent on property, plant and equipment of the Company.

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

Capital Expenditure

In Rupees Million



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

Sector	18/19	17/18	16/17
Rubber	152	184	139
Tea	12	25	23
Coconut	1	2	1
Oil Palm/Timber/Fuel Wood	95	90	10
PPE	22	34	3
Total Capex	**283**	**335**	**176**

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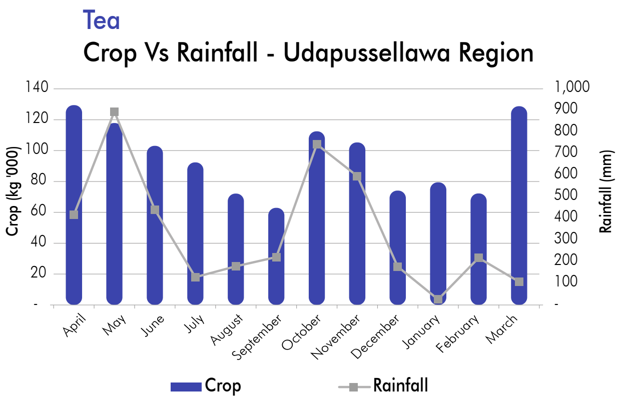
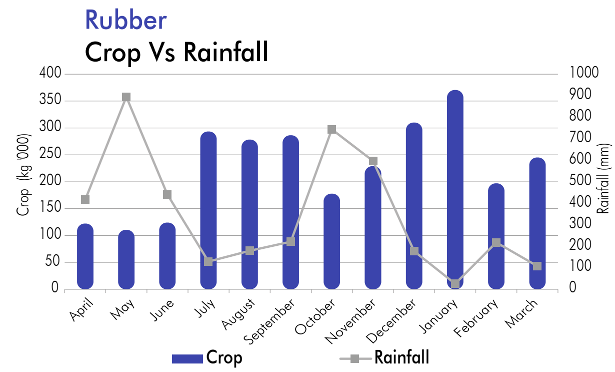
COMPARATIVE ECONOMIC INDICATORS

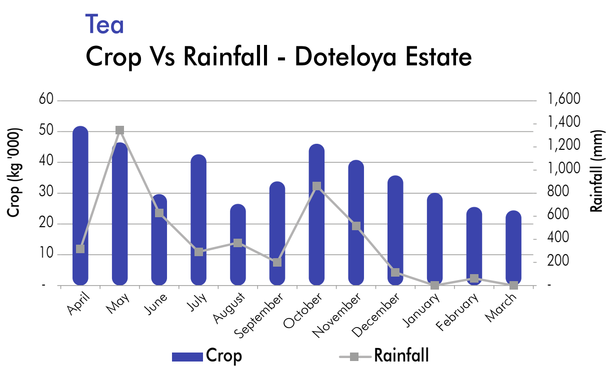
For the Year Ended 31 December		2017	2018	Change %
Gross Domestic Product				
GDP at Current Market Price	Rs. bn	13,418	14,450	7.7
Real GDP Growth	%	3.4	3.2	(5.9)
GDP Deflator	%	8.2	4.3	(47.6)
Gross National Income by Induatrial Origin at Current Market Prices				
Agriculture Crops				
Rubber	Rs.mn	17,788	21,474	13.6
Tea (Green Leaves)	Rs.mn	116,694	107,061	(8.1)
Growing of Oleaginous Fruits (Coconut/King Coconut/Oil Palm)	Rs.mn	104,575	109,880	5.9
Agriculture Production Index (2007-2010 = 100)				
Agriculture Crops				
Rubber		61.9	61.5	(0.6)
Tea		98.5	97.5	(1.0)
Coconut		86.5	92.6	7.1
Agriculture Crops				
Rubber				
Production	kg mn	83.1	82.6	(0.6)
Total Extent	ha'000	137	136	(0.4)
Extent under Tapping	ha'000	103	107	4.2
Cost of Production	Rs./kg	195.00	205.00	5.1
Average Price				
Colombo Auction - RSS1	Rs./kg	336.72	309.09	(8.2)
Export - FOB	Rs./kg	343.56	363.93	5.9
Replanting	hectares	1,338	870	(35.0)
New Planting	hectares	677	980	44.8
Value added as % of GDP		0.3	0.2	(33.3)
Tea				
Production	kg mn	307.1	303.8	(1.1)
Total Extent	ha'000	201	201	-
Extent Bearing	ha'000	193	193	-
Cost of Production	Rs./kg	466.98	475.29	1.8
Average Price				
Colombo Auction	Rs./kg	620.44	581.58	(6.3)
Export - FOB	Rs./kg	807.44	820.75	1.6
Replanting	hectares	944	1,027	8.8
New Planting	hectares	225	435	93.3
				-
Value added as % of GDP		0.7	0.7	-
Coconut				
Production	nuts mn	2,450	2,623	7.1
Total Extent	ha'000	452	455	0.7
Cost of Production	Rs./nut	16.69	18.84	12.9
Average Price				
Producer Price	Rs./nut	62.71	60.68	(3.2)
Export - FOB h	Rs./nut	62.03	68.29	10.1
Replanting / Under Planting	hectares	8,824	4,549	(48.4)
New Planting	hectares	15,121	8,198	(45.8)
Value added as % of GDP		0.6	0.6	-

Source: Annual Report 2018 - Central Bank of Sri Lanka

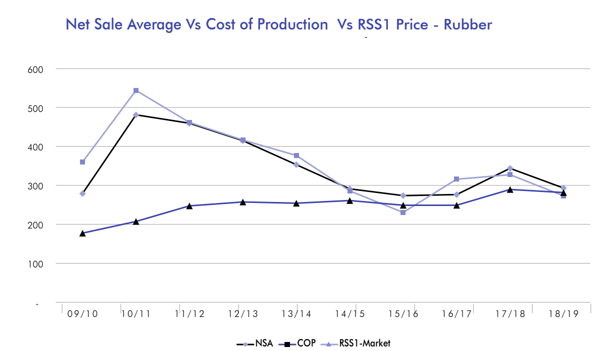
WEATHER PATTERNS OF THE COMPANY

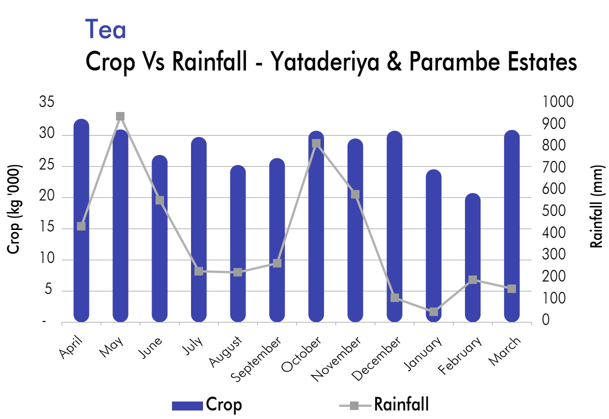


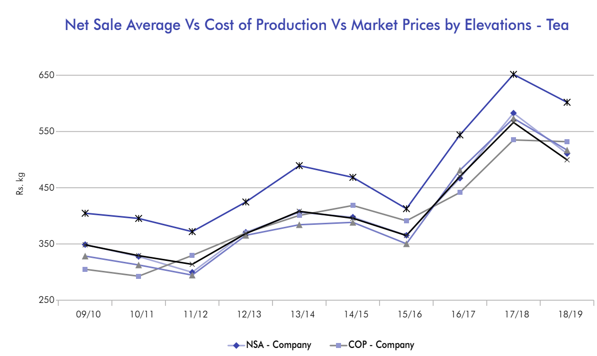


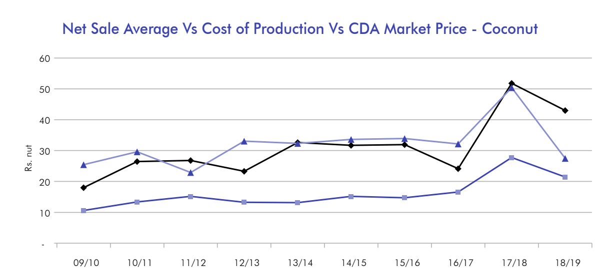


NSA, COP, and Market Price - Rubber/Tea/Coconut









FINANCIAL REVIEW

The review year was another challenging year for Kegalle Plantations PLC. Drought conditions prevailed during the year exerted downward pressure on the operations of the Company. Adverse movements in the external business environment influenced the achievement of the Company's objectives during the year under review.

Key Performance Indicators

Aspect	Measure		2018/19	2017/18
Revenue	Turnover	Rs. Mn	2,422	2,508
Profitability	Gross profit ratio	%	4.63%	14.60%
	Net profit ratio	%	4.21%	9.40%
Working Capital Management	Current ratio	Times	1.16	1.08
Liquidity	Cashflows from operations	Rs. Mn	-78.7	82.21
Asset Utilization	Fixed assets turnover	Times	0.65	0.54
Investment	Capital expenditure	As a % of Total Assets	4%	5%
Capital Structure	Debt to equity ratio	%	120%	109%
	Interest cover	Times	1.36	2.23

Rubber

Even-though the national rubber production reported a growth during the last financial year, 2017/18 reversing the downward trend experienced for five consecutive years, the national rubber production diminishing trend continues in 2018/19. Continuous rain in plantation areas that prevailed during tapping days along with the high cost of production and poor management of plantations contributed to the drop in total national rubber production in 2018.

Despite the declining trend in the rubber industry, the Company's production of rubber has risen to Rs. 4.08 million kilograms from Rs. 3.5 million kilograms in 2017/18. Though the Company's operations in the rubber industry achieved a growth of 17 per cent in production of rubber in 2018/19, financial performance of the rubber industry stood at a lesser position compared to the last year.

The NSA of rubber has decreased to Rs. 293.36 per kilo by 15 per cent from Rs. 343.86 per kilo in 2017/18. This is mainly due to the drop in international market prices in 2018, rubber prices in the domestic market also showing a declining trend. On the other-hand at the Colombo Rubber Auctions, the average price of Ribbed Smoked Sheet No.1 (RSS1) declined by 8.2 per cent to Rs. 309.09 per kilo and prices of latex crepe declined by 8.5 per cent to Rs. 321.70 per kilo.

During the period under review, the revenue from rubber segment has increased to Rs. 1.21 billion from Rs. 1.15 billion last year and it is a 5 per cent increase compared to the last year. Such an improvement was mainly driven by the 23 per cent increase of sales quantity achieved by the Company in 2018/19. On the other hand, cost of production (COP) experienced a decline from Rs. 289.45 per kilo in 2017/18 to Rs. 281.90 per kilo in 2018/19 by 3 per cent.

Accordingly, the Company recorded a gross loss of Rs. 40.6 million from rubber segment in 2018/19, compared to the gross profit of Rs.108 million in 2017/18. Such a deduction in the rubber sector was mainly driven by the decrease in NSA at a faster rate than the COP which result in a significant 79 per cent decline in the profit margin per kilo.

Tea

The national tea production recorded a decline in 2018 due to unfavourable weather conditions in tea growing areas and wage related trade union action in the plantation sector affected the total tea production during the year.

Accordingly, National tea production decreased by 1 per cent to 303.8 million kilo in 2018 from 307.1 million kilo in 2017. Correspondingly the Company's production of tea dropped by 2 per cent to 1,923 metric tons in 2018/19, compared to 1,962 metric tons in 2017/18.

During the year under review, NSA of tea has reduced to Rs. 510.49 per kilo by 12 per cent compared to Rs. 582.63 per kilo last year. The decrease in NSA was mainly driven by the decrease in auction prices during the period. Accordingly, the revenue from tea segment has minimized to Rs. 960 million from Rs.1.13 billion last year with the effect of deduction in profit margin per kilo by 144 per cent. Decline of revenue from tea operations is 15 per cent and can be considered as a significant drop between the current and last financial period. On the other hand, COP indicates a decrease of 1 per cent to Rs. 531.67 per kilo in 2018/19 from Rs. 534.98 per kilo in 2017/18 but this decline of COP has been absorbed by significant reduction of NSA. Consequently, tea operations has recorded a gross loss during the year under review.

In line with the revenue reduction driven by decrease in both NSA and production, the gross profits from the tea operations have also diminished considerably. The Company has recorded a gross loss of Rs. 76 million in 2018/19 which was a gross profit of Rs. 63.5 million in the last year. Hence it is a significant drop of 220 per cent in the gross profit of the tea segment.

Operating Highlights

	2018/19 Rs.'000	2017/18 Rs.'000	Variance Rs.'000	Variance %
Revenue	2,421,797	2,508,167	(86,370)	-3.44%
Cost of Sales	2,309,743	2,141,969	167,774	7.83%
Gross Profit	112,054	366,198	(254,143)	-69.40%
Net Profit - Group	398,081	348,186	49,895	14.33%
Net Profit - Company	102,038	235,859	(133,821)	-56.74%

During the year under review, the Company has recorded a gross profit of Rs. 112 million in comparison to the gross profit of Rs. 366 million in 2017/18 which indicates a decrease of 69 per cent between the two time periods. This decrease was mainly driven by the decline in revenue by Rs. 86 million and increase in cost of sales by Rs. 168 million in 2018/19. Accordingly, this decreased revenue and increased cost of sales has exerted downward pressure on the gross profit of the Company.

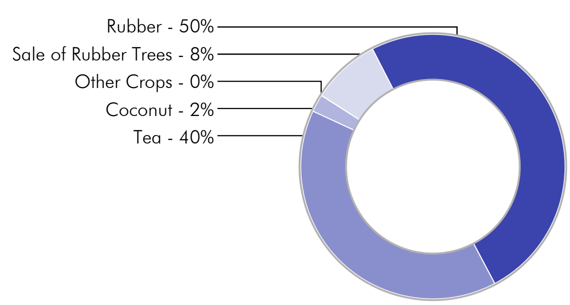
In line with the trend in gross profit, the net profit of the Company has revealed a downward movement where the net profit has declined to Rs.102 million in 2018/19 from Rs. 236 million in 2017/18.

Revenue

Despite of various global and local challenges, the Company was able to achieve combined revenue of Rs. 2.42 billion in 2018/19 which indicates a 3 per cent decrease in comparison to the revenue of Rs. 2.51 billion in 2017/18. This is mainly driven through decrease in the revenue from tea and coconut by 15 per cent and 11 per cent respectively. This revenue decrease lessen to some extent via revenue increase through rubber, sale of rubber trees and other crops by 5 per cent, 20 per cent and 61 per cent respectively.

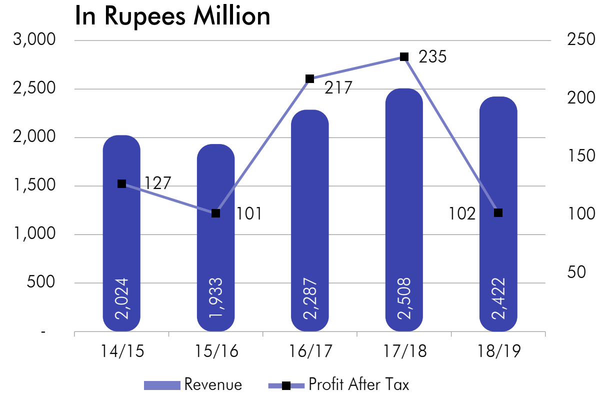
As depicted in the following graph, rubber and tea continued to be the major sources of revenue in the Company similar to the previous year. In addition, the revenue base was further supplemented by sale of rubber trees and the sale of coconut. The analysis of the revenue structure in comparison to the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

Revenue Composition 2018/19



Revenue Outlook

Revenue Vs Profit After Tax
In Rupees Million

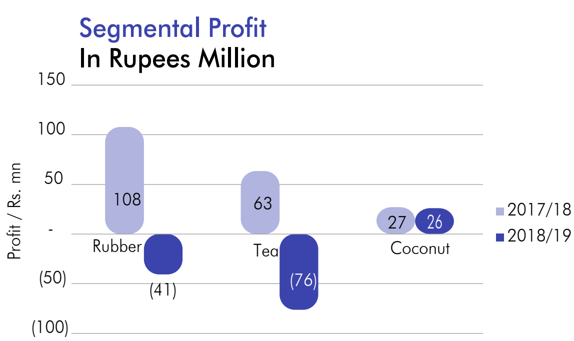


Profitability

During the year under review, the Company has significantly declined its profitability compared to the previous year. Accordingly, the gross profit from operations has declined by Rs. 254 million which indicates decline of 69 per cent over the previous year.

Company recorded a gross profit of Rs.112 million in 2018/19, which was Rs. 366 million in 2017/18.

As depicted in the following graph, the analysis of segmental profit indicates that the Company has shown a downward trend in profitability. Even-though revenue generated by Rubber operations rises, tea and coconut operations result in a decline of its revenue. Accordingly, the gross profit from Rubber, tea and coconut segment has decreased by Rs. 148 million, Rs.140 million and Rs.01 million respectively. Under this unfavorable conditions, the Company has experienced an operating profit of Rs. 197 million in 2018/19 in comparison to the operating profit of Rs. 445 million in 2017/18, which indicates a decrease of 56 per cent. Negative impact of loss on fair value of biological assets, administrative expenses and management fee towards operating profit overcome by other income which Included dividend income, amortization of capital grants and sundry income.



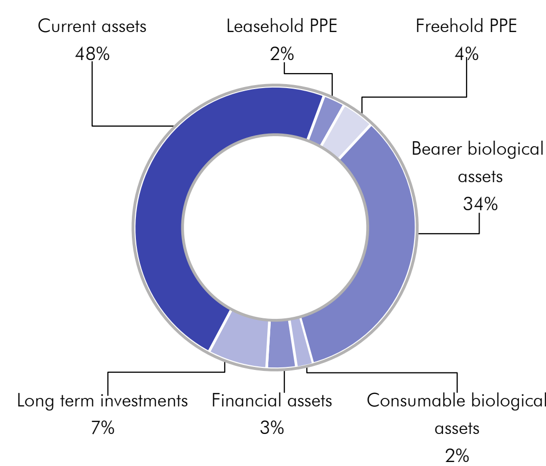
The analysis of the finance cost indicates that it has increased from Rs. 280 million in 2017/18, to Rs. 285 million in 2018/19 with 2 per cent increase over the previous year. This is mainly due to the utilization of overdraft facility during the year which led to escalate the overdraft interest in 2018/19. On the other hand, the finance income has expanded by Rs. 9 million in 2018/19 in comparison to that of previous year. Accordingly, with the impact of the finance income and finance cost, the Company has recorded a profit before tax of Rs. 101 million for 2018/19 in comparison to the profit before tax of Rs. 345 million in 2017/18.

Asset Base

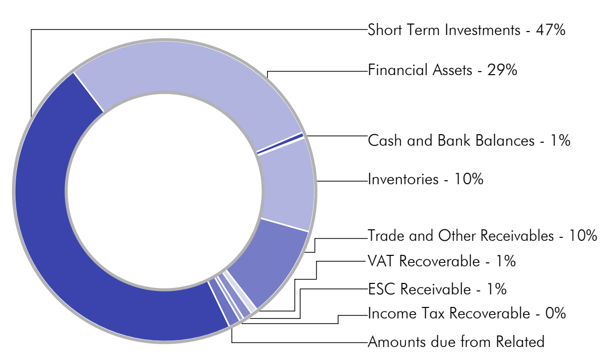
During the year under review, the assets of the Company has increased by 4 per cent to Rs. 7.2 billion in 2018/19 in comparison to Rs. 6.9 billion in 2017/18. In the case of non-current assets, the asset base has decreased from Rs. 4.61 billion in 2017/18 to Rs. 3.75 billion in 2018/19 which indicates a decrease of 18 per cent over the previous year. This decrease in non-current assets was mainly backed by the transfer of debenture investment of Rs. 1.0 billion to current assets which is to be matured in May 2019 and increased value of bearer biological asset which resulted from the field development expenditure. Accordingly, the bearer biological asset value has increased from Rs. 2.26 billion in 2017/18 to Rs. 2.43 billion in 2018/19 which indicates an increase of Rs. 173 million.

Meanwhile, the current asset base of the Company has increased from Rs. 2.3 billion in 2017/18 to Rs. 3.4 billion in 2018/19 which indicate an increase of 50 per cent over the previous year. The analysis of the composition of current assets indicates that the short term investments which consist of mainly debenture investment of Rs. 1.0 billion transferd from non current assets, Treasury Bills, REPO and others investments continued to be the dominant items within the current asset base followed by inventories and trade and other receivables.

Composition of Total Assets - 2018/19



Composition of Current Assets 2018/19

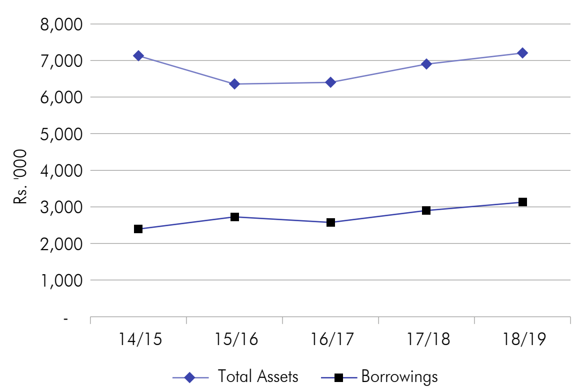


Net Assets per Share

During the year under review, the net assets per share has decreased to Rs. 104.76 per share from Rs. 106.7 per share which indicates a decline of 2 per cent over the previous year. The total asset base of the Company experienced an increase of Rs. 300 million while the total liability base rise by Rs. 349 million. The net effect of the asset and liability increase has resulted in a decrease in the net asset per share by Rs.1.93 during the year under review.

Debt Position

Total Assets Vs Borrowings



Total debt (gross borrowings) of the Company has increased by 8 per cent to Rs. 3,131 million from Rs. 2,902 million reported in the prior year. Such borrowings have been mainly obtained on the ground of investments in plantations which is essential for the long term success of the Company.

Liquidity Position

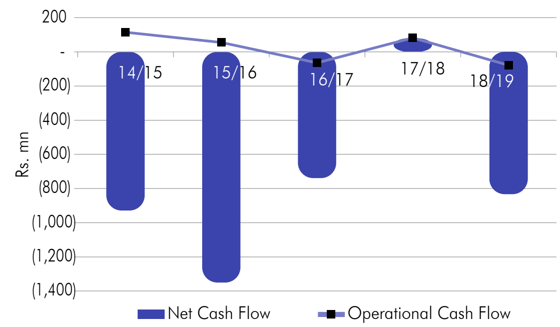
As at the reporting year end, the Company's working capital recorded a balance of Rs. 483 million in comparison to Rs. 168 million balance in the previous year.

Cash Flows

Net Operating Cash Flows

The Company has experienced a negative operating cash flow of Rs. 79 million during the year under review compared to a positive operating cash flow of Rs. 82 million in 2017/18. Even-though operating profit before working capital changes and cash generated from operations recorded a positive cash-flow of Rs. 221million in year 2018/19 and Rs. 390 million in 2017/18 respectively, the net operating cash flows drop to Rs. 79 million negative, mainly due to drop in net profit. The cash flows generated from operations have decreased by 196 per cent compared to previous year.

Total Cash flows Vs Operational Cash flows



Net Cash Flow Generated

The Company has recorded a cash and cash equivalent deficit of Rs. 329 million at the end of the current financial year with a net cash out-flow of Rs. 833 million during the year under review.

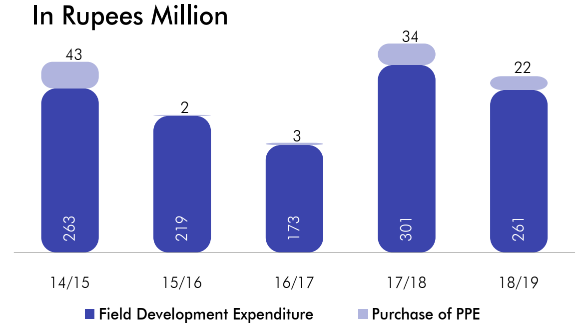
Capital Expenditure

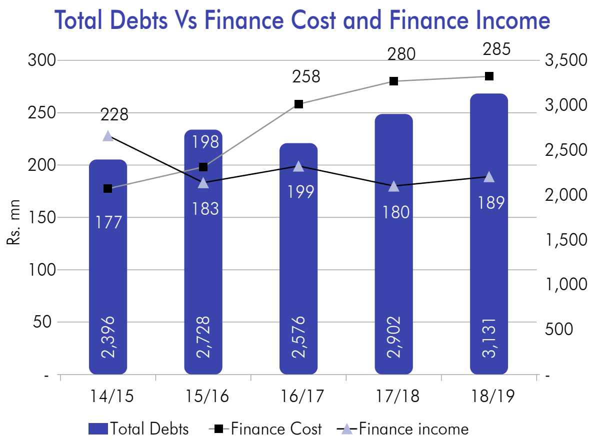
The Company has incurred a sum of Rs. 261 million during the year under review in respect of the field development of the plantations. Out of the field development expenses, Rs. 152.5 mn, Rs. 74.3 mn and Rs. 12.2 mn were incurred in respect of rubber, oil palm and tea respectively.

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

Capital Expenditure

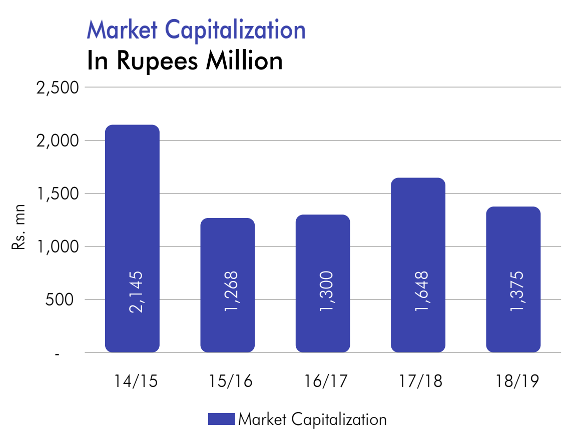
In Rupees Million





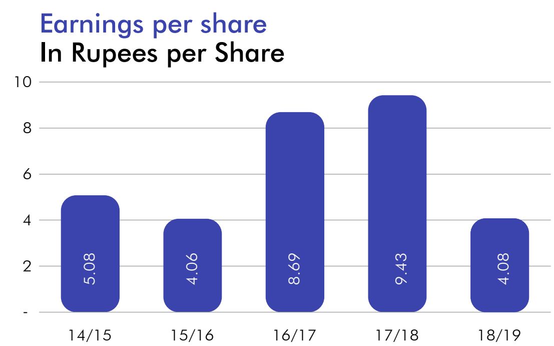
Market Capitalization

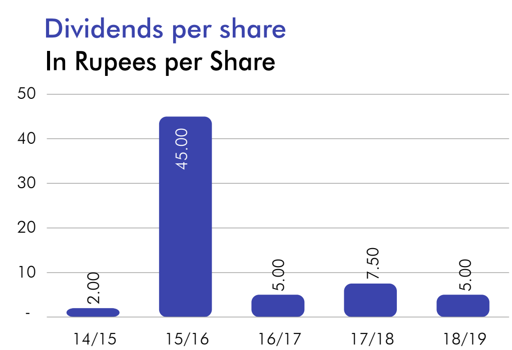
The market price of the Company as at year end stood at Rs. 55 per share against that of Rs. 65.90 per share as at the previous year end. Accordingly, the market capitalization has decreased up to Rs. 1,375 million by 17 per cent in comparison to the market capitalization of Rs. 1,648 million at the previous year end.

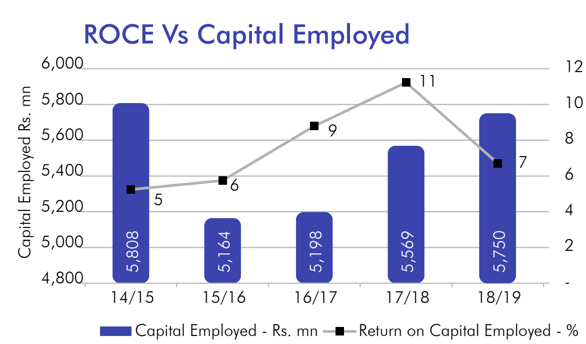


Earnings Per Share

The earning per share which stood at Rs. 9.43 per share in 2017/18 has declined to Rs. 4.08 per share as a result of the impaired financial performance in 2018/19. Accordingly, the Company shares were traded at the Colombo Stock Exchange at a price multiple of 13 times as at the end of the current financial year





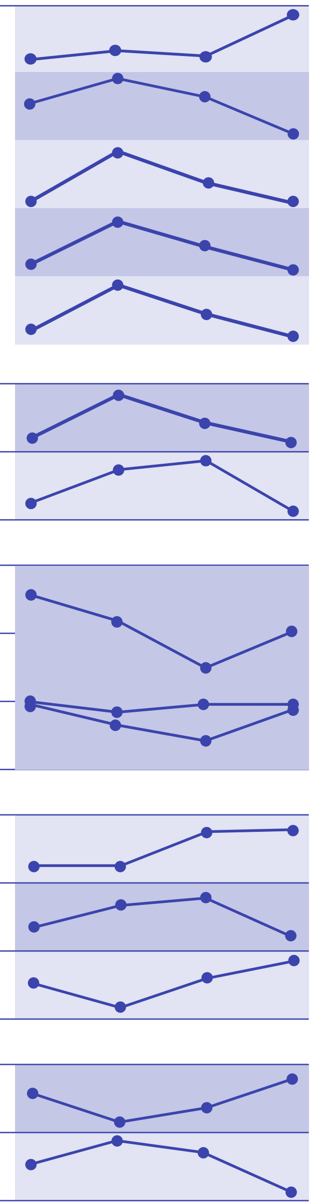


Performance Measurement

Quarterly Performance

Tabulated below is the quarterly performance of the Company for the financial year 2018/19.

		1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	2018/19 Total	2017/18 Total	Quarterly Movement
Revenue	Rs.'000	588,086	598,644	591,849	643,218	2,421,797	2,508,167	
Gross profit / (loss)	Rs.'000	25,808	90,230	43,133	(47,117)	112,054	366,198	
Profit before interest & tax	Rs.'000	57,045	173,596	99,887	55,145	385,673	625,499	
Profit / (loss) before tax	Rs.'000	(10,219)	105,397	30,743	(24,824)	101,097	345,264	
Profit / (loss) after tax	Rs.'000	(10,716)	104,901	30,454	(22,601)	102,038	235,859	
Earnings / (loss) per share	Rs.	(0.43)	4.20	1.22	(0.90)	4.08	9.43	
Net assets value per share	Rs.	106.27	110.46	111.68	104.76	104.76	106.70	
Highest market price per share	Rs.	70.00	66.50	60.00	65.00	70.00	78.20	
Last traded market price per share	Rs.	55.10	53.70	55.00	55.00	55.00	65.90	
Lowest market price per share	Rs.	55.00	52.00	50.00	54.00	50.00	51.00	
Total assets	Rs. mn	6,983	6,976	7,187	7,203	7,203	6,903	
Total equity	Rs. mn	2,657	2,762	2,792	2,619	2,619	2,667	
Total debt	Rs. mn	3,015	2,887	3,038	3,131	3,131	2,902	
Debt equity ratio	%	53	51	52	54	54	52	
Equity / asset ratio	%	38	40	39	36	36	39	
Price earnings ratio	Times	-	13	45	-	13	7	

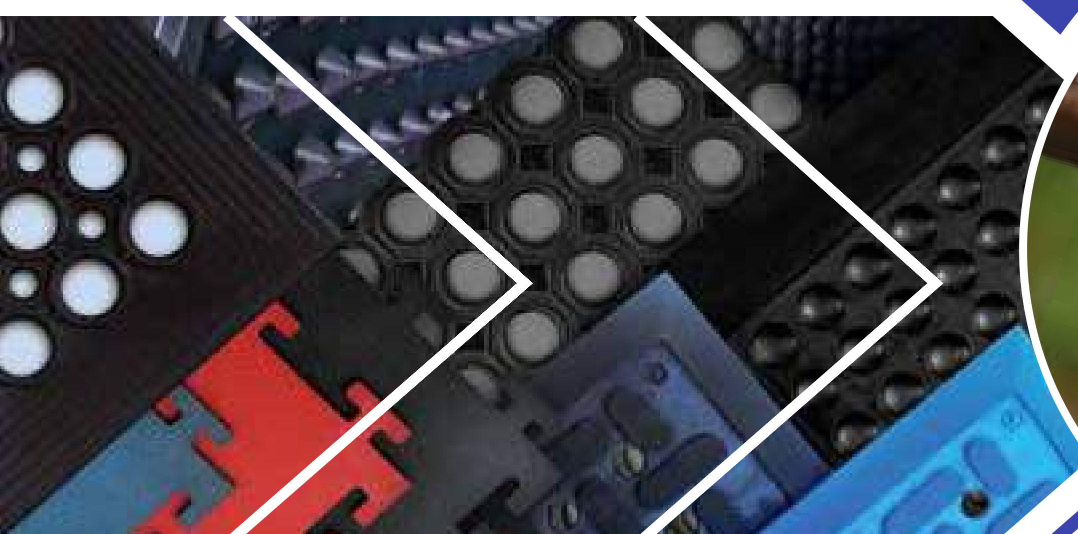


Governs economy and lives via Rubber

Sri Lanka prides itself in manufacturing a number of value added rubber products by processing raw rubber. These range from Rubber Products made in Sri Lanka are internationally acclaimed and accepted for quality and durability. Sri Lankan latex foam mattresses, solid tyres are not only recognized as the best product in the world but also industry prides itself as the market leader of the global market.

The Industry Provides direct and indirect employment opportunities to over 300,000 Peoples which produces all the types of Natural Rubber available in the market including; Ribbed Smoked Sheet, Latex Crepe, Sole Crepe, Scrap Crepe, all grades of technically Specified Rubber, specialty rubbers and latex Concentrate.

Natural Rubber is a very useful raw material for many industries such as pharmaceuticals, health and care, food industry for packing and lot of home care products as well as sophisticated engine components...... continued to page no. 75



SUSTAINABILITY REPORT

SUSTAINABILITY REPORT

Welcome to the KPPLC Sustainability Report. Here you can find KPPLC's economic, human, social and environmental performance and important events for the financial year under review, 2018/19. As a future-oriented organization, we do not focus on our operations for a short period of time. Instead, we are trying to maintain our performance in the long run. Sustainability is a core business imperative that underpins our strategy to build a higher value Company. As a progressive and dynamic Company, at KPPLC we are constantly evolving and reinventing our strategy to stay one step ahead of the others. Even when redefining the future, we believe that clear, strong sustainability and corporate responsibility strategies must be at the heart of everything we do. As a result, we are always in the process of being sustainable not only in financial business but also in every sustainable aspects including social and environmental segments. Policies are a central element of our business model, and over the years we have incorporated the concept of sustainable business and social responsibility at all levels of the Company.

We strive to promote systematic change across our own businesses and wider industries in order to be able to continue our business in a sustainable way for future generations. In order to continue to succeed, we understand that it is now necessary to contribute to environmental protection by addressing related issues such as climate changes, waste management and establishing a sustainable cooperative relationship. Despite the current economic challenges, we continued to invest in developments to make our businesses more sustainable. In keeping with our strategy, we will make our business more sustainable and will continue to look for ways to work with others who share our values. Our purpose in Sustainability Reporting is to place before all stakeholders a comprehensive account of the economic, human, social and environmental impacts that are generated by the Company’s activities.

About this Report

Since we are a well designed, ruled, accountable Company, we need influence to ensure the sustainability of our business and to make sure our shareholder wealth maximization. Our commitment to Seeing Beyond is backed by our high emphasis on the sustainability movements. As a Company which recognizes the responsibility for a wide range of stakeholders, we always make every possible effort to maximize the benefits to these stakeholder while maintaining adverse consequences at a minimum level. We aim to adapt collaborative pathways to business expansion in society as a whole. Equal and inclusive collaboration for all action-oriented actors focus on achieving specific outcomes and sharing information promote reliability and understanding. Accordingly, KPPLC always desires to be a sustainable Company which is willing to enhance long run well being of a diverse range of stakeholders even at the expense of its short term benefits. In this context, we actively engage with our stakeholders to manage them in the best interest of both the Company and the stakeholders.

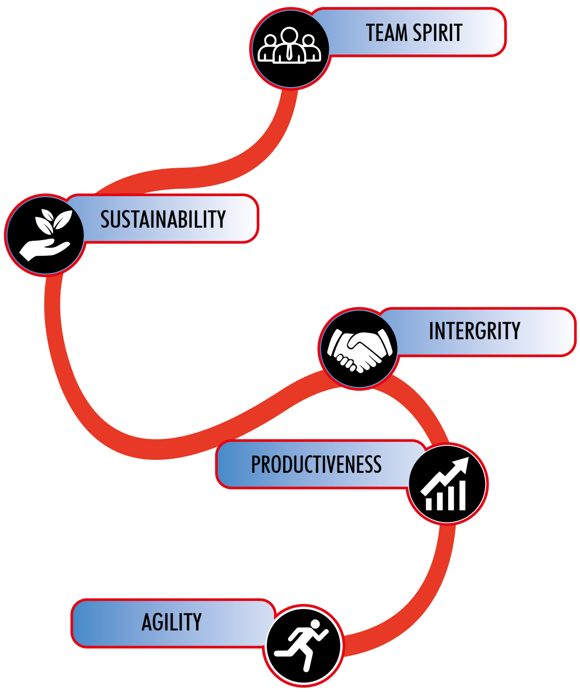
Our Vision & Strategy

We believe that our industry needs to enhance the pace of change in addressing these global social and environmental issues. We have a great responsibility and an opportunity to create this acceleration and facilitate the right collaborations for success.
We believe in moving the whole market forward, for our Corporation and for other businesses that share our values. Built on lessons learned from our conscious commitments, our new strategy will guide us in the next exciting phase of our journey towards a sustainable future.

We are working to catalyze changes in our own whole business and wider industry to ensure that we can continue our operations in a sustainable way for generations. We all share the same values Agility, Productiveness, Integrity, Sustainability, Team Spirit for better production, Improved products and life.
We know that to achieve our vision & goals may not be easy, but we always are trying to accept work on issues. Our year strives to improve through change challenges to opportunities, balance with business growth & sustainability.

Our Values

Organizational culture includes attitudes, values, beliefs and foundations that are the best representatives of KPPLC’s behavioral characteristics. Our values influence decision making, actions and overall performance of the entire organization. Recognizing this, we spent years expanding our reputation and securing the established reputation. Our traits are in the hearts of all stakeholders on and off the island. We are now proud of confidence in our stakeholders about us.



How We Create Value

The Kegalle Plantations Sustainability model is centred on value creation for its stakeholders while achieving higher productivity and a favourable bottom line. As a leading Plantation Company, KPPLC believes in creating sustainable value for all our stakeholders as the best way to achieve long-term success. We are committed to adopting sustainable agricultural practices in our day-to-day operations where all aspects of environmental health, economic profitability and social responsibility are considered equally important.

Plantation management is at the heart of the KPPLC business and operations, guided by a sustainable approach focused on environmental, social and economic development initiatives.

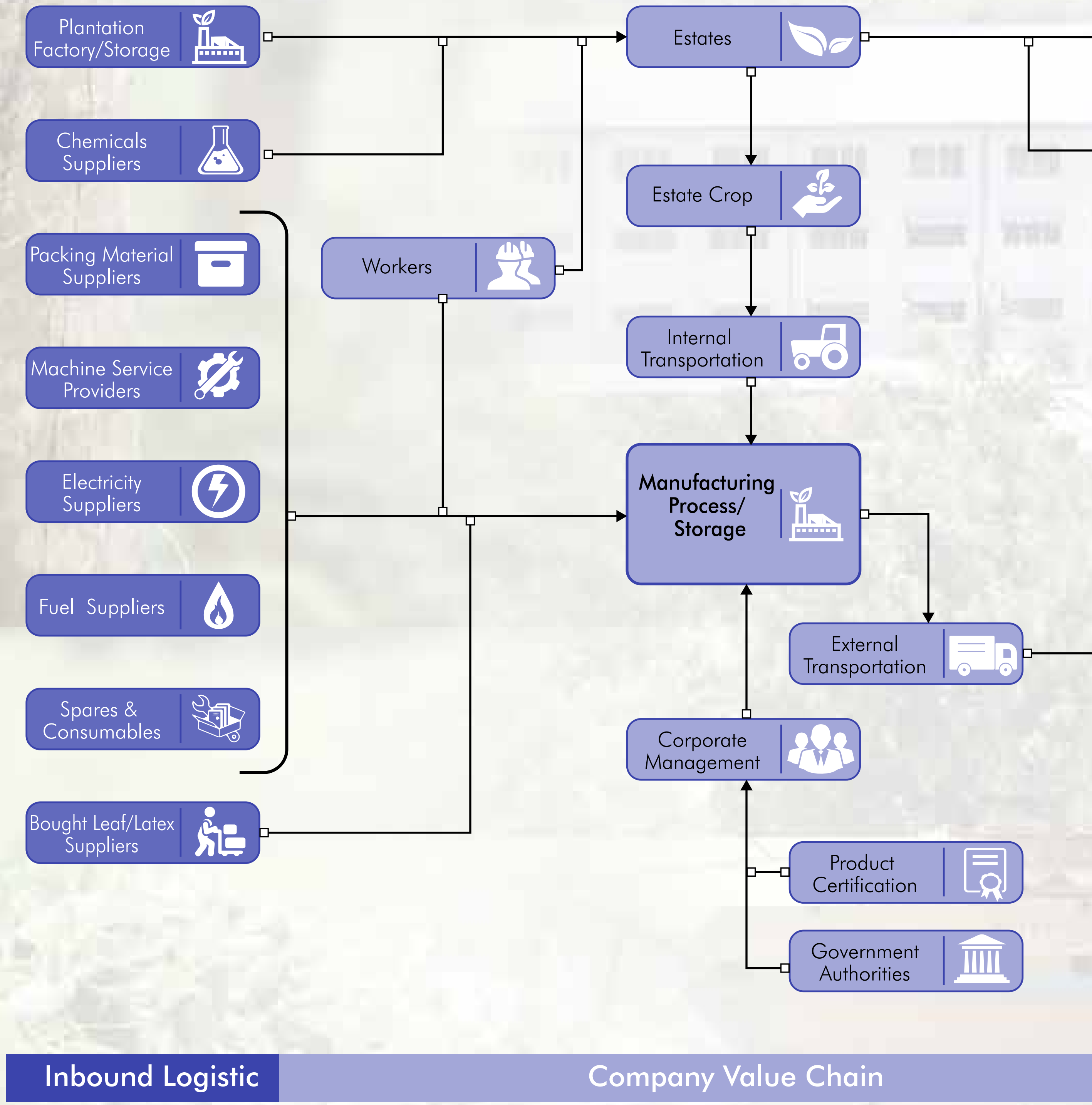
Our commitment to leadership in sustainability is anchored firmly in our corporate values. Maintaining a balance between economic success, protection of the environment, and social responsibility has been fundamental to our corporate culture since inception. This approach applies to every business unit and functions. Our employees and distributors all over the world have firmly embraced the principles of sustainable development in their daily work and think and act accordingly.The business relies on an enduring connection to the land and the communities in which we operate, therefore we have pioneered a comprehensive commitment to minimizing our impact on the planet, fostering respect for the environment and ensuring its protection by encouraging a harmonious coexistence of man and nature. These core values allow us to meet and exceed our customers' expectations of sustainability.

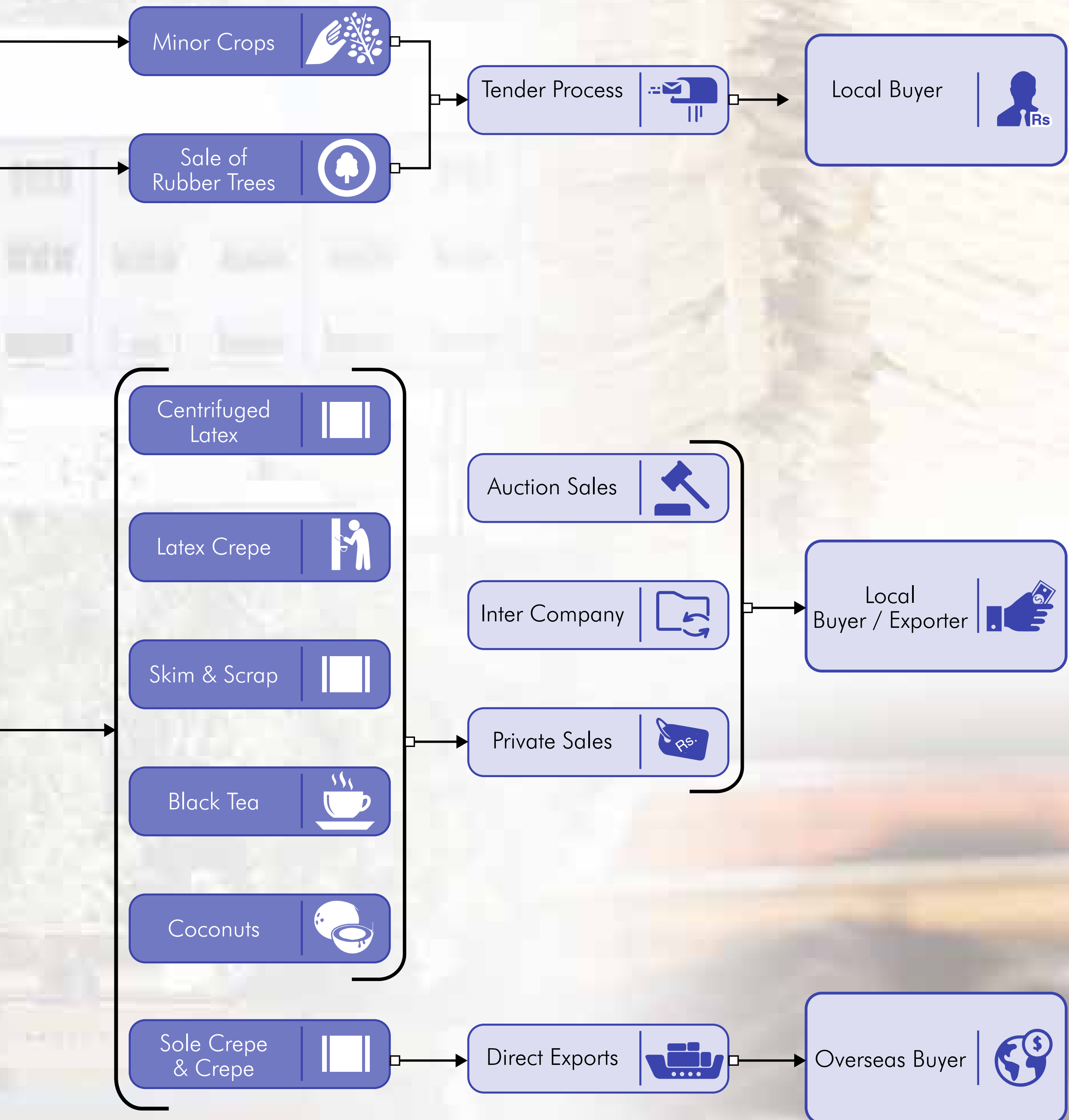
Impact along the Value Chain

Our economic, environmental and social impacts are significant since we operate mass value chain network. KPPLC gives more attention to enhance our understanding of the impact on the environment from supply chain, our operations and our products. It allows us to lessen pessimistic externalities by influencing changes that will result in a growth of our operations as well as the wider industry.

We expect to receive the same high standards from our suppliers value network. On the other hand we every day strength our ethics, labor practices, health and safety. Accordingly economical, environmental and social parameters are well recognized from our supplier competency assessment and insert them in our supplier selection to deal with. KPPLC is committed to enrich faith and manage fair and upgrade procurement activities to certify the sustainability through commercial transactions.

OUR VALUE NETWORK





Outboud Logistic

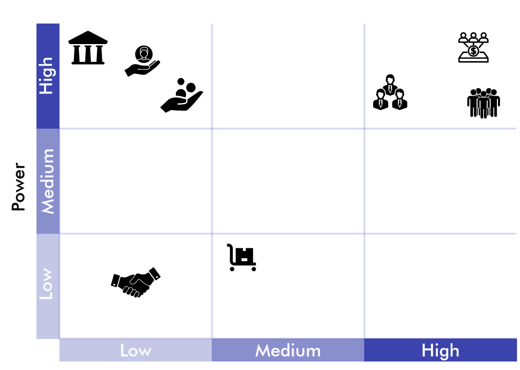
STAKEHOLDER ENGAGEMENT

We interact with many people, stakeholders that reflect our value building process through a strong relationship. At the same time KPPLC focuses to meet standards set for ourselves and our stakeholders. Stakeholder engagement is the resulting strategy for sustainable value. Their expectations and demand, in which is participate, in the process help us to improve our products and services.

Stakeholder opinions, perspectives and concerns are key considerations in KPPLC's assessment of its operating environment and priorities. Mainly, our Board of Directors has assigned responsibility for stakeholder engagements. Topics and issues found are material to different stakeholders in different ways. These findings are the key input towards determining issues that are material to the KPPLC and its operations.

Stakeholder views, prospects and concerns are important considerations in assessing KPPLC's business environment and priorities.

Classification of Stakeholders based on Power and Interest



Engagement Process

Effective engagement helps translate stakeholder needs into organisational goals and creates the basis of effective strategy development. Discovering the point of consensus or shared motivation helps a group of stakeholders to arrive at a decision and ensures an investment in a meaningful outcome.

We are accurately identified and understand the benefits and opportunities that can result from engaging stakeholders, such as establishing a respectful relationship, increasing transparency and developing a rapport. The engagement process with stakeholders takes place based on the assessment of stakeholders which enables the Company to recognize reasonable claims of the stakeholder groups.

Shareholders

Shareholders are very important stakeholders because they provide required funds into the Company. They contribute capital to the business and expect to share in the Company's profits. KPPLC believe that the active contribution of shareholders in providing funds is required for the growth of the Company. Consequently, they are entitled to legal interest and power in respect of the affairs of the Company. Accordingly, they are assessed as a group of stakeholders having a higher level of interest and power. The Company therefore maintains close relations with its major shareholders. It always keeps shareholders informed about our financial results and our plans for growth.

An assessment requires shareholders to be managed closely so that their reasonable claims are fulfilled carefully. Our engagement with shareholders takes various forms such as quarterly Financial Statements, press releases, annual reports and annual general meeting.

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

As a Company we always value and prioritize our shareholders and have distributed dividend amounting to Rs. 125 million during 2018/19 financial year as depicted in the Statement of Value Added.

Management

All businesses need a range of skills to be able to survive and grow. The role of the manager in the workplace is perhaps the most significant in terms of impact on organizational performance. The management is the major party which makes the decisions including strategic and other significant decisions which is geared towards the achievement of the Company’s objectives. The management team is the group of individuals that operate at the higher levels of an organization and have day-to-day responsibility for managing other individuals and maintaining responsibility for key business functions.

Due to the decision making power vested in the management, they are exerting a higher level of power over the Company. On the other hand, Management performance is evaluated based on the performance of the Company and hence they have a higher level of interest in Company’s affairs. Recognizing this reality, we assess management personnel as a stakeholder group which should be managed closely. Hence, the management is compensated appropriately in one part for the risk they take and in other part for motivating them. We, KPPLC believe that Management team is an important asset because other assets are easy to create or control once the right business team is in place.

Employees and Unions

Employee involvement is the direct participation of staff in activities that help the business fulfill its mission and attain its goals. Committed workforce is the main source of our value creation process. Valuing employees and building a great relationship with them is of the same absolute importance. Company, therefore, invest in our employees seriously and treat them in the best possible manner because if we invest in our employees, they will invest in the Company as well. If Company trusts and values their employees, they will be more dedicated to serve the Company in an ultimately great manner.

Accordingly, we continuously engage with employees and trade unions in various ways such as meetings, grievance handling mechanisms etc. On the other hand, all our estate workers and staff are covered by the collective agreement. The insights derived from such engagement processes enable us to meet the reasonable claim of the employees and trade unions. On the basis of these insights, we provide value to our employees in the form of employee health and safety mechanisms, avoidance of discriminating practices on the grounds of age, ethnicity, religion and gender, activities directed to enhance the employee welfare and reasonable level of wages and salaries.

We believe that if Companies or businesses manage good relationship with their employees, all other important metrics will show tremendous improvements, accordingly during the financial year 2018/19, we have distributed a value of Rs. 1,132 million as salaries, wages and other benefits to the employees which reflects the highest distribution from the value created.

Government

As a Company which operates in the government lands, we are directly involved with the government and influenced by the government. As a good corporate citizen KPPLC always complies with the government rules and regulations to make sure to fulfill the government's requirement. Therefore government shows a relatively lower level of interest in the affairs of the Company.

In this respect, we engage with the government in forms of meetings with relevant officials and ministers and provision of requested information to government agencies. In return we received various type of benefits that support us to enhance KPPLC's value creating process. The outcome of the engagement process is to provide value to the government in the form of taxes and lease rentals.

In 2018/19, we have distributed Rs. 76 million to the government in the form of taxes and lease rental.

Local Community

Company ability to meet the needs of community is another key factor to success. As almost all the Companies accountable to act with social and environmental responsibilities and therefore value creating model of any Company should deliver the part of its added value that belongs to local community and society.

On the other-hand community reflects a lower level of interest and power over the affairs of the Company until the Company does not create any threat to it. Recognizing this reality, we continuously monitor the interactions with the community with the view of managing them in a reasonable manner. Accordingly, our value creating model focuses local community who have interest over KPPLC and engage with the constituencies of the community in the forms of official and individual level meetings. This enables the Company to provide assistance to the community in achieving their various requirements.

Customers

Customer is the most important and valuable resource for any Organization, as the Company finalized value is delivered towards them. Once customers have placed trust in the Company and are assured that the Company will continue to deliver, they will continue to do business with them. Therefore customer satisfaction is the key in creating a long-term relationship with them. Since customer service and the success of a business are co-dependents, KPPLC always is focusing more on delivering excellent service to its customers. We know that ongoing satisfaction leads to loyalty.

Level of power and the interest of customer towards the Company is dependent upon the nature and volume of the relationship between the Company and the customer. In general, they are recognized as a group of stakeholders having a higher level of power but a lower level of interest in the affairs of the Company.

We truly believe that ensuring the product safety results in building trust with our ultimate customers. Therefore, we take all the necessary steps to effectively certify that our operations are of the highest quality and in conformance with industry standards of health and safety. KPPLC always capitalize our customer values through high quality output, obtaining national and international world recognized certificates and standards.

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

In order to achieve our goals about customer comfort, health and safety and well-being, KPPLC got ISO 22000: 2005 System Certification - Food Safety Management System Certification for all Tea Manufacturing Factories of the Company, Scope- Manufacturing of Black Tea. Food Sector (Dried Goods).

Suppliers

Suppliers play a significant role in any organizations value chain as they belong to inbound logistics in value network. The Company value creation through operations is mainly decided by the efficient and effectiveness of supplier network. They impact on Company via quality, timeliness, competitiveness, innovation, and finance.

Suppliers show a relatively low level of interest but a higher level of power in general. The relationship with the suppliers is the key to continuous and smooth operations of the Company. The Supplier Management Process goes further than just choosing the right vendor, it outlines the process of building trust with suppliers and improving on the services provided by them. Therefore, it is essential to keep the suppliers satisfied which leads to the mutually beneficial relationship with the suppliers. Accordingly, we provide value to the suppliers in the form of continuous orders, timely settlement of dues, provision of required information on time. Further we adopt new technology to make supplier relationship management simple, evaluate supplier risk potential and diversify the identified risk through engagement with new suppliers. Our policy cooperation with well-known suppliers, strict quality standards and product testing ensures our sustainability for every time.

Lenders

Lenders are a major source of finance for the Company that facilitate funds for mainly business growth. They are assessed as a group of stakeholders having a lower level of interest but a higher level of power over the affairs of the Company as Company has the obligation to settle the provided funds in agreed terms. In contrast KPPLC continuously engage with fund providers via effective communication, frequent analysis of ability to settle the loans, reporting on the covenant requirements and negotiations. These internal controls enable us to enhance our mutual understanding with fund providers. As mentioned above, we have always identified importance of Our Lenders and deliver our value generated towards the Lenders. In 2018/19, we have distributed around Rs. 281 million which reflects 17 per cent of the total value generated to the lenders.

Key Stakeholder Engagement	Areas of Interest
Shareholders	• Earnings & dividends • Share price and liquidity • Growth prospects • Environment footprint • Sustainable agricultural practices • Employee welfare and rights • Governance
Management	• Commensurate remuneration • Environmental footprint • Employee social and welfare care • Employee development opportunities
Employees & Unions	• Employee welfare and rights • Environmental footprint • Commensurate remuneration • Employee social and welfare care • Health and safety at work • Employee development opportunities
Government	• Job opportunities for local community, workers' and community welfare • Environmental protection • Compliance to rules and regulations • Land dispute resolution

Key Stakeholder Engagement	Areas of Interest
Local Community	• Social activities benefitting • Sharing sustainable agricultural practices • Environmental footprint • Direct/indirect employment opportunities
Customers	• Environmental footprint • Price competitiveness • Product quality • Sustainable supply chain
Suppliers	• Prompt payment • Environment Footprint • Ethical business practices • Customer relations
Lenders	• Sound returns • Compliance with standards • Regulatory and legal compliance • Environment footprint • Covenant requirements

ECONOMIC SUSTAINABILITY

Economic sustainability in KPPLC refers to practices that support long-term economic growth without negatively impacting human, social and environmental aspects of the community. Therefore, we believe that the interactive performance among the three aspects of sustainability is vital for the achievement of the overall objectives of the Company. As economic performances of KPPLC highly interact with human, social and environmental aspects of sustainability we prioritize and monitor our economic aspect of sustainability. Accordingly, the economic performance is important not only for the Company but also for all the other stakeholders as it is the key to achievement of other aspects of sustainability. This is one of the cornerstone of operational compliance at KPPLC, and has long been a core principle of our management team.

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

Our Future Operational Outlook

As a forward looking Company we KPPLC allocate considerable amount of resources and funds to enrich both our potential and existing cash generating units. We continuously focus our attention on strategic factors which influence the survival of the Company. Therefore we manage to improve and sustain our existing cultivation. On the other hand, we explore and engage with different type of investment pathways which comply with our core values and competencies. In contrast we drive our operations towards new operating destinations which have high growth potentials in the near future.

Continuous Investment in Our Major Revenue Drivers

In 2018/19 we have invested around Rs. 261 million in order to sustain the future earning power of our main products. The allocation of the investment has taken place as follows.

Rubber	-	152 million
Oil Palm	-	74 million
Fuelwood/Timber	-	17 million
Tea	-	12 million
Coconut	-	01 million

Pilot Projects on Growth Potentials

In view of the global trend in plantation products, we have focused our attention on products which have greater potential to grow. We have initiated several types of minor crops that value our Company sustainability in the economic perspective.

Agarwood	-	10 Ha.
Pineapple	-	10 Ha.
Cocoa	-	13 Ha.
Pepper	-	10 Ha.
Vanilla	-	1 Ha.
Mandarin	-	1 Ha.

In Search of New Markets

A five-member delegation from Myanmar visited Atale Factory on 21 August 2018 with Mr. Harin de Silva, Deputy Chairman of Eastern Merchants PLC in order to find new markets for crepe rubber. Mr. Tun Tet Shein, Managing Director of LA YAUNG SHEIN CO. LTD, Myanmar, attended.

Investing to Improve Productivity

Introduction of a Motorized Rubber Tapping Machine

A high speed motorized tapping machine was tested at Pallegama Estate. This was field tested by an ex-employee of the Rubber Research Institute (RRI). Based on the feed back received a second prototype is under development to overcome the problems reported with the first prototype. Currently the casing for the device is being 3D printed at the University. Once the design is complete this will be given over to the RRI for field testing and their recommendation for practical use.

Improvements to Rain Guard to cover the Tapping Panel

A trial was conducted to examine the improvements possible to attach the rain guard to a tapping panel of the rubber tree. An attempt was made to use foam rubber strips and cable ties to fix the rain guard to the tree. Although the method was faster than the conventional gum application there were leaks through the uneven sections of the stem. This method also did not solve the need to lift the polyethylene cover to facilitate the tapping cut which make the rain guard unpopular with the tapper. A corrugated rain guard is under consideration to overcome this problem.

Reward Our Economic Sustainability

ICASL Annual Report Award for Compliance 2018

As a Company which strive for strict compliance with regulatory and other relevant standards, we always focus our financial reporting process to be aligned with the standards and regulatory requirements. Consequently, our effort towards the compliance is recognized by CA Sri Lanka by awarding Certification of Compliance at the 54th Annual Report Award Ceremony held in 2018.

Tea Exporters Association - Award/Certificates received for Kirklees & Luckyland Estates

Our two tea estates, Kirklees and Luckyland have been awarded from the Tea Exporters Association of Sri Lanka for their exellence performances in tea production during the year 2018, under the catergory of Udapussellawa Region.

Mr. VS Athauda, Manager of Kirklees Estate, Udapussellawa receiving the winner award from the Prime Minister Hon. Ranil Wickramasinghe.

SLCBCC Business Star Awards 2018

It is pleased to inform that this is the third consecutive year Atale Estate won Business Star Silver Award under large category manufacturing sector 2018.

Mr. GLHD Amaratunga, former Superintendent receiving the Silver Award - Sri Lanka China Business Cooporation Council.

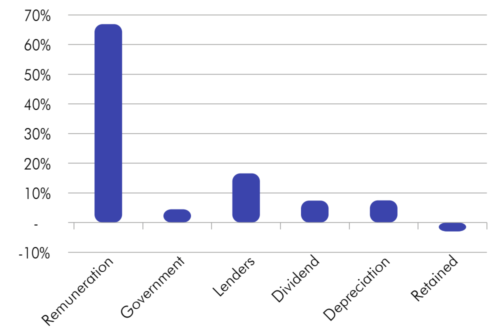
STATEMENT OF VALUE ADDED

Rupees in millions

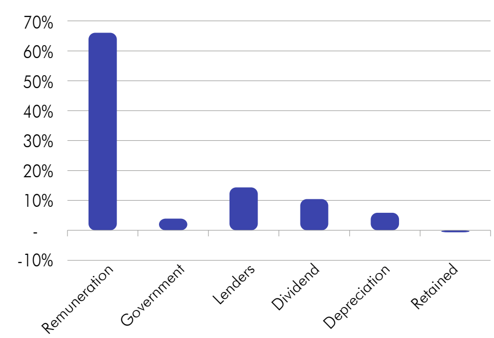
Value Added	2018/19	2017/18
Turnover	2,422	2,508
Other income	353	361
	2,774	2,869
Cost of material & services	(1,082)	(1,077)
Value added	1,692	1,792

Distribution of Value Added	2018/19	%	2017/18	%
To employees as remuneration	1,132	67%	1,183	66%
To government as taxes and lease rent	76	4%	70	4%
To lenders of capital as interest	281	17%	258	14%
To shareholders as dividend	125	7%	188	10%
Retained in the business as;				
Provision for depreciation	128	8%	105	6%
Profit retained / (utilized)	(50)	-3%	(12)	-1%
	1,692	100%	1,792	100%

Distribution of Value 2018/19



Distribution of Value 2017/18

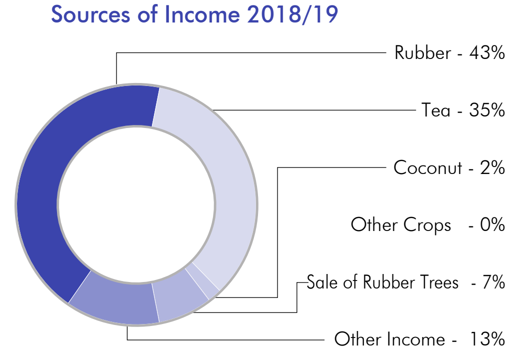


Sources and Utilisation of Income

Rupees in Millions

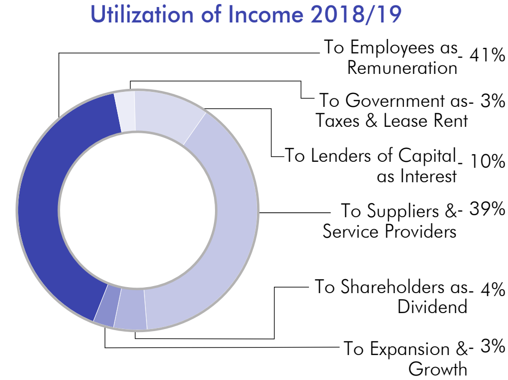
Sources of Income	2018/19	%	2017/18	%
Rubber	1,206	43%	1,154	40%
Tea	960	35%	1,127	39%
Coconut	52	2%	58	2%
Other crops	1	0%	0	0%
Sale of rubber trees	203	7%	169	6%
Other income	353	13%	361	13%
	2,774	100%	2,869	100%

Sources of Income 2018/19



Utilization of Income	2018/19	%	2017/18	%
To employees as remuneration	1,132	41%	1,183	41%
To government as taxes & lease rent	76	3%	70	2%
To lenders of capital as interest	281	10%	258	9%
To suppliers & service providers	1,082	39%	1,077	38%
To shareholders as dividend	125	5%	188	7%
To expansion & growth	78	3%	94	3%
	2,774	100%	2,869	100%

Utilization of Income 2018/19



HUMAN DEVELOPMENT

VALUED EMPLOYEES

The plantation industry is both complex and unique in that it employs a large community of people who live on the plantations, within a closely woven social structure. Therefore we know human resource have enormous and most significant impact towards KPPLC via skills, level of motivation and engagement. Thus, the human capital is our most valuable business resource. Creating a high performance culture with effectively empowered level of engagement may facilitate efficient and effective operating environment for us. We consider it as our responsibility to uplift our human capital life styles across all aspects and have significantly broadened the base of our social responsibility commitment during the year under review.

Bond between workers and management may decide effective interaction and negotiation within factory, industry and national level by promoting good working conditions and better wages. Good labor relations ultimately support stability and performance in our production. The KPPLC is in full compliance with all applicable labor laws and regulations that apply to the period of 2018/19. All legal payments including EPF, ETF and others have completed on time as we are highly priortise our workforce.

Policy for No Forced Labor

Kegalle Plantations PLC estates do not have any forms of forced, compulsory, or slave labor including use of trafficked and bonded labor, labor by prisoners or soldiers, or the use of extortion, debt, threats, monetary fines or penalties.

According to ILO Forced Labor Convention (No. 29) and Abolition of Forced Labor Convention (No. 105)

Objective: Ensure the individual right of people to select their work site without exertion of any kind of pressure.

Our engagement and interaction with employees is far more beyond than a contact between employer and employee. We value our workforce by adopting to an employment policy that ensures effective and efficient interaction between Company and human capital.

Employment Policy

Freely Chosen Employment

Any person who has entered into work under a contract with the Company whether it is a contract of service or apprenticeship, or a contract personally to execute any work is free to select their chosen fields of work.

At recruitment they are requested to furnish the certificate of birth to establish their age and sex together with the national identity card number. They are free to leave the Company employment with reasonable notice, so as not to disrupt the working of the organization.

Regular Employment

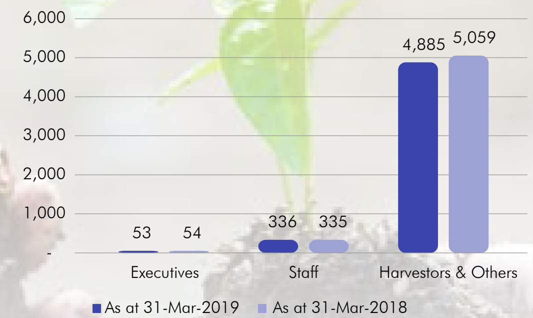
All workers/staff employed by our Company earn daily/monthly wages which is provided regularly. We refrain from maintaining short term contracts for extended periods or excessive use of fixed term contracts.

A worker whose employment has been terminated after a disciplinary inquiry is (procedure to be followed at domestic inquiry) entitled to appeal to the labour tribunal.

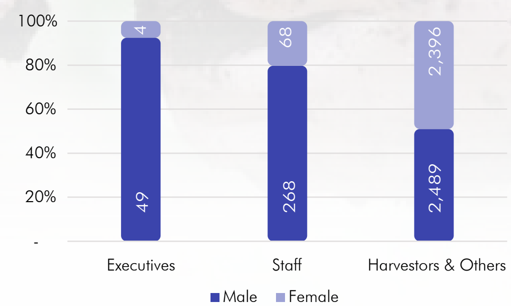
Any workers who join with the organization should be more than eighteen years old. Kegalle Plantations PLC does not permit to recruit child (Below18 years old) workers to any estate.

	2018/19	2017/18
Corporate Management	4	5
Head Office Management	10	11
Estate Managers & Executives	39	38
Head Office Staff	10	12
Estate Staff	326	323
Harvestors & Others	4,885	5,059
Total	5,274	5,448

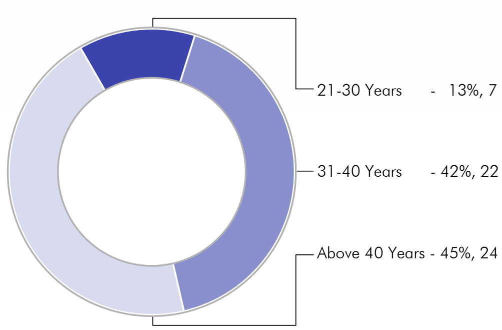
Employment Categorization



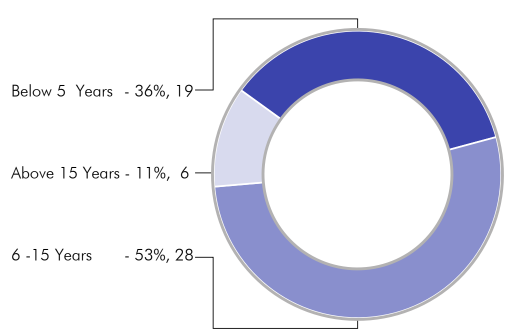
Workforce by Gender 2018/19



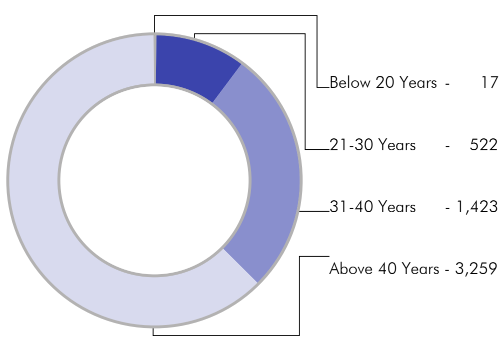
Age Analysis - Executives 2018/19



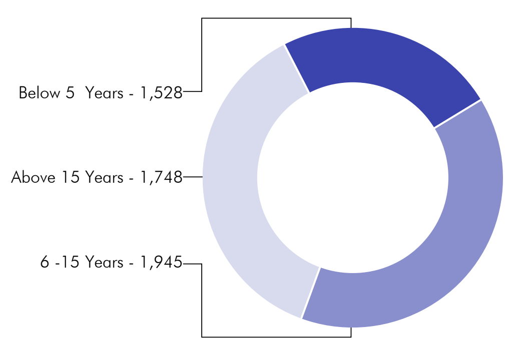
Service Analysis - Executives 2018/19



Age Analysis - Staff and Workers 2018/19



Service Analysis - Staff and Workers 2018/19



OUR WORKFORCE

Our success is decided by passionate driven workforce so far. We create value through attract and retain right talented individuals with expected skills. All our workforce believe the KPPLC work life definitely sustains their living standards as we develop with our workforce.

Aspect	Measure	2018/19	2017/18
Employee Turn over Ratio	Employee monthly turnover as a % of total employees	10%	9%
Gender Distribution	Female employees as a % of total employees	47%	47%
Age Distribution	% of employees below 40 years of Age	38%	36%

We have introduced multiple initiatives towards improved employee engagement and attract, develop and retain talent. Accordingly, KPPLC takes all necessary steps towards improving and securing our employee value contribution.

Child Labor

In Sri Lanka, the law defines children as beings below the age of 18 years, and stipulates that all children must attend school until they reach the age of 14 years. However, serious issues exist with regard to the gap between 14 years and 18 years, during which many children are either trafficked or enter the hazardous labour sector, the effects of which can be harmful to their health, morals and safety.

In KPPLC, we do not employ any child labour, means age less than 18 Years old, as we highly believe that all the children in the world have the right to learn and right to have a child time. Our management team is also highly concerned and focuss their attention to prevent employing any one coming under the children category. We provide education facilities for our estate employee's children as we all are a one family.

On the other hand the KPPLC is committed that all persons shall be treated with dignity and respect and shall not be unreasonably interfered with, in the conduct of their duties and responsibilities. Therefore KPPLC is committed to prioritize Child Labour matters in all our operations and ultimately believe that all incidents resulting in harm to people, environment and property can be prevented.

Upgrade Our Employee Productivity

Automation in Rubber Factories

Automation is considered as an important aspect where employee energy could be saved and gain fully utilized for other important work. An elevator was installed at Atale Sole Crepe factory discontinuing the 90 year old strenuous practice of carrying the wet rubber bales up to the drying chambers.

Enhance Working Conditions in Factories

Working conditions in a factory is considered as an important aspect where productivity could be improved. Accordingly, high standard of cleanliness maintained in the factory by adopting high standards of cleanliness and pleasant environment maintained.

Employee Productivity Evaluations

As a Company we always assess our human capital the first concern, our valued rubber harvester from Mylands Division. Mrs. S. Sinnapulle was selected as the Best Tapper in a competition conducted by the Ministry of Labour in May 2018, in celebrating International Women's Day.

Establishing Benchmark Standards

Recognizing the high standards maintained in rubber manufacture, a 15 member team of senior officials of Rubber Development Department, Kegalle, visited Atale Sole Crepe Rubber Factory during May 2018 and they admired the standard of quality maintained and identified it as a bench mark factory.

Furtherance of Health and Safety in our Human Capital

Understand the desires and expectations of human capital and ensure transparency in our interactions with employees, are the foundation for maximizing value added through employees. KPPLC always takes number of initiatives to attract and retain existing and potential human resource to improve quality in our operations. So, financial year 2018/19 we enhance our commitment towards improving these initiatives and their effectiveness.

We dedicated to conform work place safety and employee health and safety through effective "Occupational Health and Safety Policy". The Company is actively seeking a healthy and safe working environment, and developed strategies to minimize accidents and accidents at work. Workers also receive health and safety instructions and personal protective equipment to ensure their safety at work to ensure our occupational health and safety policy measures become realized.

> ***Occupational Health and Safety Policy***
>
> *Kegalle Plantations PLC encourages all workers to follow the health and safety guidelines to minimize the occupational health hazards and accidents so that a healthy workforce can be maintained. Health and safety training programs will be conducted at regular intervals for the selected workers, if not all. However, the need of abiding with the health and safety practices will be emphasized to all workers at regular meetings.*

KPPLC management will provide necessary safety gear for its workers to protect them from the accidents and guarantee that the tools, infrastructure, machinery and all equipment used will be in good condition and will not pose a danger to human health or the environment. Workers will not be allowed to work without safety gear at any time.

Safety Upgrades

Before the beginning of each year, KPPLC identifies various training needs and those requirements included in the training calendar for the current year. Internal training and group training programs were extended to the workforce at the employee level of the Company and at the plantation level.

Certificate Course conducted by Sri Lanka Red Cross

An official of Sri Lanka Red Cross, Mr. Ajith Widanapathirana conducted a certificate course for the employees. All measures to be taken in relation to health and safety of employees were described. All participants were issued with certificates that is offered by an internationally recognized organization.

Fire Awareness Training [First Aid Fire Fighting]

We concern our employees work environment safety very much and various kind of training and awareness programmes are conducted throughout the year. Accordingly, training and awareness programs conducted for the employees of Atale Sole Crepe Factory, and Udapola CLP Factory by a Consultant trained in Sri Lanka Fire Brigade and Ex Air Force Fire fighting official on all aspects of facing emergency situations in the factory.

at Atale Estate

at Udapola Estate

Health Upgrades

Ensure better Health through Medical Camps

Health camps conducted and mobile dental clinic too was arranged. Here we committed our contribution towards our employee health enhancement.

Awareness Programme for Employees on Health Measures

A training program conducted for the employees of Kirklees Estate with regard to Glyphosate usage and resulting health issues have been elaborated at the programme.

SOCIAL EMPOWERMENT AND ENGAGEMENT

In addition to delivering value towards internal stakeholders mainly shareholders and employees KPPLC believes it is important to play an active role as a community member, applying its special characteristics to contribute further to the society.

We believe that when we provide a range of values to communities and supporting social development, in turn we are fulfilling our social responsibility as a good corporate citizen. Such actions also benefit the KPPLC's own operations, making a better business environment and creating new markets that can grow sustainably. KPPLC engaged with a variety of stakeholders, including general community, government, to maximize the success of our initiatives.

The Company accepts the contribution of Plantation Community towards organization and society of the total of 5,274 employees, about 93% are plantation workers. KPPLC is the signatory of the collective agreement for the plantation industry 2018/19, and no violation of agreement or industrial action for the financial year 2018/19.

As we highly interact with social environment we have established our social policy that elaborate social values we appreciate and deeply engage with.

Social Policy

The social policy of the Kegalle Plantations PLC is to ensure the wellbeing of workers through compliance with the Rainforest Alliance requirements, by adhering to national legislation and the international agreements signed by the Country, such as those of International Labor Organization (ILO).

In hiring personnel, administrators will avoid discrimination based on race, color, religion, sexual overtures or civil status and will not limit the workers' right to organize into worker councils or trade unions & recruitment would always be to national age requirements, preferably employing those who are inhabitants of neighboring communities; all resident and nonresident employee families have access to education and health services.

The Kegalle Plantations PLC will not hire personnel through intermediaries or contractors, all hiring of employees will be done directly through the administrators. Overtime, days off, vacations and other rights established by law are recognized for all temporary and permanent workers.

Our Social Empowerment

The plantation industry continues to remain a vibrant and dynamic sector of the economy of the Country, thus KPPLC working towards the improvements in the quality of life of the plantation community.

We strive to maximize the positive impact our operations have on society and to help communities grow while lessening the negative impact on them. We sustain our labour force day by day by investing in community livelihood and empowerment. As we are direct towards sustainable development we always adapt our business strategies to meet community expectations. Sustainability asks us to minimize any possible injury of our activities that are harmful to the society. We have implemented a variety of continuous monitoring processes for identifying the impact of our activities. We act responsibly and fulfill our obligations strive to improve the corporate citizenship of KPPLC.

Achievements to Socially Sustain Our Employees

- Atale Estate Worker Housing Co-operative Society (EWHCS) clinched the Best EWHCS Award 2018 of Kegalle District competing with 55 estates among four Plantation Companies in Kegalle District. This is the second consequent year this prestigious award was won by this Estate.

- Employees are recognized as the most important resource of the Company being the only living resource which manages all other resources. Happiness among employees is considered as an important aspect where the Company work towards the upliftment of the working conditions of the employees. Herein, factory employees in a jubilant moment after receiving a prestigious Export Award.

Awareness Programme for School Children

- Organized one day awareness program on how to improve studying skills for the benefit of the students of higher classes of Pindeniya National College in Pindeniya. Herein Dr. Kamal Walgama an eminent lecturer delivering the presentation at the school auditorium. This was held on 23 June 2018, organized by Atale Estate.

- Delivering a lecture on good house-keeping practices to the students and teachers of a remote school in Holombuwa near Dorpet Division of the estate which is very interior. The Health Manager of PHDT, Kegalle too made a presentation on health-related activities for the benefit of the school children.

- Prominence given for Estate employees' child development on 25 May 2018. The Health Manager of PHDT, Kegalle conducted a training program highlighting all factors related to child development for the benefit of the estate employees.

Provide Scholarships for Students

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

Development of Youth Talent

- The Company has taken initiative to develop the skills and competencies of the estate youth; the children of the estate employees and conducted a training program for one week with the assistance of Plantation Human Development Trust, Kegalle, enabling the estate youth to generate additional income by doing a beauty culture and bridal dressing course. This is the first occasion such course conducted in an estate for estate youth.

- The Company assisted to establish learning culture and sharing knowledge in the estates, which has arranged by Rubber Development Department with the intention of linking North and South and to build up better relations. Herein, about 150 youth from Kilinochchi Technical College were trained by Atale Estate on Rubber cultivation and nursery practices. Since these youth couldn't converse in Sinhala all explanations were made in Tamil language.

Improving Morale of Employees

- In order to improve the morale of the employees annual excursions are being organized for the benefit of the employees enabling them to be away from the work stations and visit places of interest with their family members. A trip organized to visit Ampara, Arantalawa areas.

Celebrating Cultural Events

- The Company gives prominence to maintain the culture in the society and continue traditional practices on a yearly basis. Accordingly, Sinhala and Tamil New Year celebrations were held.

- For the first time in the history of Atale Estate, staff members and employees took part in a bakthi gee recital that was held in the factory premises. Employees' talents were amply highlighted in the manner they participated at this function that was held after the Vesak Poya in May 2018.

- Dhamma preaching programme organized by the Udapola Estate to evident mental satisfaction for our employees.

Preserving Historical and Religious Sites

- Rev. Harald Chandrasiri, Rev. Bishop of Sabaragamuwa visited and venerated the ancient Holy Cross which is over 100 years old situated in Atale Estate during June 2018.

Biodiversity

Legacy for the Future

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

Conservation Forest Cover 170.53 Ha










SUSTAIN OUR ENVIRONMENT

Our responsibility toward the environment is an another important pillar of KPPLC's sustainability as we are highly interact with natural resources. We are actively making considerable efforts to identify the direct and indirect impacts of our entire operations on the environment. KPPLC has clearly identified its environmental principles to lessen the environmental impact and resource consumption of KPPLC.

During the year under review we also give higher attention towards the environment which is attracting more and more attention in global corporations. There are high expectations that not just in Sri Lanka, but also the entire world playing a major role in realizing the environment sustainability. The KPPLC has a mission to deliver value for all stakeholders while lessening the negative impact on the environment with regard to soil erosion, water pollution, and waste management.

KPPLC examine, and diminishes the immediate and accidental effect on the environment which makes our operations well organized and fully cooperative that comply with all relevant environmental standards and procedures. So our environment management system is developed through an Oraganizational Environment Policy. It would ensure continuous accountable and transparent reporting of the Company performance for Environmental Sustainability.

Environmental Policy

Protect the natural and high value-ecosystems, to contribute to the conservation of the environment and the wildlife that live on the estate and vicinity. To comply with this policy, reforestation plans will be developed to diversify native species in the area, protect recently planted trees, plant trees on the edges of roads, and prohibit the keeping of wild animals in captivity, hunting, logging and the extraction of plant materials in the Kegalle Plantations PLC estates.

Our Contribution towards Environment

- Mr. Prasanna Fernando, a Director of the Richard Peiris & Company PLC and Mr. Saman Doranegama General Manager of the Company at a tree planting ceremony where an Ebony tree was planted during a visit.

- Continuous awareness programs have been conducted expressing the danger of Dengue and above shows a contribution from a child of an employee who is artistically expressing the measures to be taken to eradicate Dengue menace. This drawing received the Best Award in an art competition during the year.

- International Environment Day was celebrated on 5 June 2018 by conducting an art competition among the children of the estate employees and best presentations have been recognized with certificates and gifts to motivate children who emphasized the importance of preserving environment.

Energy Efficiency

The sustainability in energy Utilization shows how Company contributes towards saving money. Effective and efficient management of existing energy and adopting with new pathways will be required to master the challenge of promoting energy efficiency. Therefore combination of research and development, public and private investments in energy infrastructure may be required to promote more efficient use of energy. All activities of economic agents – individuals, businesses, governments – require energy. Therefore, market mechanisms and new business models play a significant role in helping to achieve energy efficiency improvements.

KPPLC which is deliberately engaged-with operations in the areas of cultivation and processing of tea, rubber and coconuts, are required to utilize energy from various sources in comparatively higher volumes. We always encourage a culture that is driven towards sustainable energy utilization.

On the other hand, we are in the process of scrutinizing the information related to energy utilization to ensure the efficient use of energy. Our major sources of energy are electricity, fuel wood and diesel.

Energy Source	2018/19	2017/18
Electricity (Units)	2,664,986	2,689,348
Diesel (Ltrs)	248,469	225,520
Fuel Wood (Cub.mtr)	14,298	12,991

Our Effluent and Waste Management

Waste water and effluent treatment processes are becoming increasingly important issues for many organizations around the world as they strive to reduce waste, meet increasingly stringent waste water and effluent discharge consent conditions, and reduce total operating costs.

Opportunities for significant improvement often focus on the optimization of waste management processes including improving the performance of waste water and effluent treatment plants. Effective pollution control measures, dynamic monitoring processors are followed by management to ensure our effluent and waste management objectives are effectively and efficiently achieved.

Waste Management

Waste management is a commonly used name and defined as the application of techniques to ensure an orderly execution of the various functions of collection, transport, processing, treatment, and disposal of waste. Planning the waste management and recycling for all of the rubbish produced in this Country is an enormous task which involves both logistical planning and scientific knowledge and understanding in order to balance the impact on the environment and the cost effectiveness of the process. KPPLC has taken various waste management initiatives for environment and community well-being and to improve the total waste management practices within the Company.

Here in we give much attention to perform our role in the greenest ways possible when waste management and recycling Companies.

Water Management

Demand for water is expected to further increase globally, driven by rising populations and economic development. Due to many malpractices of businesses and human kinds, sources of water become continuously polluted posing a threat on the survival of living being. On the other hand rain patterns also changing due to extreme weather events, the stability of water supplies is likely to become a more pressing social concern with every passing year.

Water is the largest natural resource but only about 3% of it is freshwater, of which just 1/3 is accessible for use in agriculture and cities. Water treatment is an important industry requirement which includes boiler water treatment, cooling water treatment, water purification and the treatment of waste water effluent. Some companies consider water treatment as an additional cost.

However we believe that water treatment can significantly contribute towards ensuring and enhancing environment sustainability because we, KPPLC mainly sustain the water resource. KPPLC manages waste water quality to even stricter standards than required by local regulations at every one of its production sites. 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. 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.

We use effluent treatment plant for waste water management, which is a treatment plant particularly designed to purify industrial waste water for its reuse. Our aim is to release safe water to environment from the harmful effect caused by the effluent. So we continuously drive our aim towards environment sustainability by this type of environmental sustainability practices.

Effluent Treatment Plant - Centrifuged Latex Project - Udapola Estate

Environmental Protection Licences

All rubber factories of the Company issued under the provisions of the National Environmental Act, No. 47 of 1980 and Provincial Environmental Statute, No. 12 of 1990, the licence regulates pollution, discharges, emit noise, vibrations and emissions into the environment.

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Central Environmental Authority

ATALE ESTATE

Material Utilization

Sustainable materials management (SMM) is a systemic approach to using and reusing materials more productively through out life cycles. By looking at a product's entire life cycle, we can find new opportunities to reduce environmental impacts, conserve resources and reduce costs. Sustainability aspect of material utilization refers to maximum and effective utilization of limited resources in an corporation.

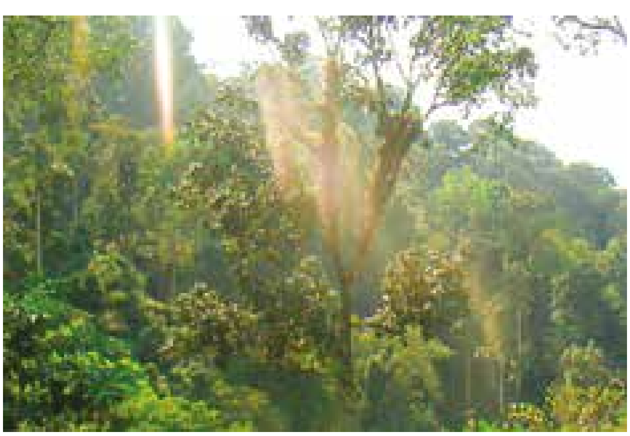
Material utilization is definitely one of important focal areas when we are creating value in operations which sustain our operations and ultimately the entire organization. KPPLC puts substantial efforts in bringing ideas which can facilitate the reduction materials used as well as the enhancement of overall sustainability of production through high quality inputs.

Type of Material	2018/19	2017/18
Green Leaf - Tea (kg '000)	8,982	9,434
Rubber (kg '000)	12,541	13,372
Fertilizer (kg '000)	1,499	1,852
Chemical (kg '000)	283	235
Packing Material (No of bags '000)	60	56

Timber and Forestry Management

Here we manage forests to achieve one or more clearly specified sustainability objectives of management with regard to the production of a continuous flow of desired forest products and services without undue reduction of values and future productivity.

For sustainable forest management to succeed, a sound forest policy is essential. As a plantation Company who depend on the environment, we have used significant extent of natural forestry. A forest policy should be part of organizational land use policy, assuring balanced forest use and conservation with agriculture and other land uses. The Company believes in their responsibility to maintain the environment and its living beings and has paid its attention to protect same. Here in KPPLC, sustainable forest management offers a holistic approach to ensure forest activities, deliver social, environmental and economic benefits, balance competing needs and maintain and enhance forest functions now and in the future.



Our Company maintains 170 hectare as conservation forestry and out of which 145 hectares are in the Doteloya Estate which is situated in the transition area between dry and wet zone in Dolosbage. Moreover, the Company maintains 69 hectare of forestry and 140 hectare of Pinus and other timber mainly in the Udapussellawa Region. These conservation forestry maintained by KPPLC magnify our commitment towards environment sustainability.

Sustainable harvest practices are those which are taken into consideration regeneration and the long-term well-being of the forest. Our 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.

Sustainable forest management (SFM) is the management of forests according to the principles of sustainable development. Sustainable forest management uses very broad social, economic and environmental goals. Kegalle Plantation practices various forms of sustainable forest management methods and tools that have been followed over time. Use of forests and forest lands are manged by KPPLC in a way, and at a rate, that maintains our biodiversity, productivity, regeneration capacity, vitality. We always confirm our potential to fulfill, now and in the future, relevant ecological, economic and social functions, at local, national, and global levels, and that does not cause damage to other ecosystems.

Soil Conservation

Because soil is so important to both plants and animals, it makes sense that we would want to protect it from erosion, when soil is transported and removed by water or wind. Erosion is a natural process, but it is also expedited by human activities, such as farming, logging, urbanization, and commercial development.

The Company's forestry management plan for sustainable management of forest and harvestable timber extents on estates is continued to be in force. Guidelines have been issued to the Superintendents pertaining to the selection of land, species, cultivation practices and the need to preserve the environment, having in mind the need to protect the environment. Planting of den droid thermal forestry on very steep or inaccessible land has been prohibited. As a Company engaged in Plantation, we are deeply involved in forestry conservation. The Company's rubber plantations in an extent of 5,100 hectares itself is in fact a forest cover. Rivers and stream banks in conservation forestry are in perpetuity. The same principle applies to sources of water for industrial and domestic purposes. We are conscious of the importance of preventing accidental or deliberate forest fire and extreme vigilance is being exercised. Soil conservation methods, such as proliferation of leguminous cover crops, terracing including "live terraces" and draining have been undertaken in all extents replanted and in other areas on an annual basis.

Bio Latex/Organic Rubber

As a Company who is seeking to sustain its growth, ability and strength to unforeseeable future the management has its own strategies to implement. As a part of the programme, the Company has initiated to produce organic rubber to reduce the use of chemicals, stimulent and inorganic fertilizers in balancing the eco system of the environment. The project is currently running on six estates covering 168 hectare. The estates have obtained about 225,000 kilo of crop from these fields. These crops are bought by the Sister Company, Messrs. Richard Pieris Natural Foams Ltd at a competitive price.

Biodiversity Conservation

Biodiversity generally refers to the variety and variability of life on Earth. A sustainable agriculture is one that, over the long term, enhances environmental quality and the resource base on which agriculture depends; provides for basic human food and fiber needs; is economically viable; and enhances the quality of life for farmers and the society as a whole.

KPPLC recognized integrated environmental, social and ethical compliance and consistent performance and results achieved through the implementation of best environmental and biodiversity conservation and management practices.

Kegalle Plantations PLC always making concerted efforts to protect the environment and preserve biodiversity in our estates, while several have gone as far as to integrate biodiversity management to their business operations.With the guidance of our management many estates have already subscribed to global standards such as Rainforest Alliance, some have even gone significantly beyond the requirements of these standards, demonstrating their commitment to the environment and biodiversity conservation.

OUR ALIGNMENT WITH QUALITY STANDARDS

Using standards can help save energy, save money and save the environment. These quality standards offer comprehensive, verified and transparent information on standards for environmental protection, worker and labour rights, economic development, quality and food safety, as well as business ethics. Implementing quality standards can help us to demonstrate our credentials to customers, employees and stakeholders, and show our commitment to sustainable development.

There has been an increasing trend among Sri Lankan plantation companies towards obtaining certification and the utilisation of sustainability programs in their work. Certification is a powerful marketing tool and widely recognised as a useful component to stimulate movement toward sustainable management.To ensure KPPLC commitment towards the sustainable environment practices, we have obtained certain global recognized certifications. Such an accreditation provides an external assurance on our initiatives towards sustainability.

Policy for Quality

Passion for quality

Kegalle Plantations PLC and its employees are determined to fulfill customer requirements, future needs and expectations thereby enhance customer satisfaction and explore opportunities to achieve improvement in the quality of products, enchancing desirable effects.

In the planing process risk based thinking is promoted while addressing the opportunities as well in order to improve the performance and effectiveness of the quality management systems.

Appropriate infrastructure and environment conducive to be employed is created for the operation of the processes.

Organizational knowledge is established for the effectiveness of the process together to improve competencies of the employees and to achieve conformity of products.

Sustainable Procurement Practices

In the current competitive context, the companies are moving towards the sustainable practices in order to survive and achieve growth. Accordingly, each and every activity of the Company should align with the concept of sustainability, if the Company is planning to be outstanding in the industry. Hence such sustainable practices are considered as drivers of value creation not only for the Company but also for the other stakeholders and also for the society at large. The procurement practice is such an area that needs sustainable approach. Accordingly, the sustainable procurement practices have become prominent 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 procurement will stimulate the well-being of those local suppliers in one hand, which represents the contribution to the society from the Company. On the other hand such practice helps the Company develop and maintain mutually beneficial relationships with the local community which is essential for the strategic success of the Company.

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

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

Product Responsibility

We as a diversified Company in the areas of tea, rubber, coconuts and oil palm are always dedicated to quality. Each and every activity within the Company context is carried out with the focus on quality. Due to this dedicated practice on quality, we have been able to establish a distinct image in the market related to our product quality. In order to maintain and enhance this recognition in the market place, we constantly carry on making innovative reforms within the Company context, which is required to ensure the sustainable development.

As a practice, we always attempt to make minor improvements in every aspect of the Company and we strongly believe in the concept that achieving 1 per cent improvement in every aspect is better than achieving 100 per cent improvement in one aspect. Accordingly, we are driven to make continuous improvement throughout the Company and to achieve zero defects in each and every activity the Company is involved.

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

And also, the Company has successfully initiated a bio latex project in order to reduce the use of chemicals, stimulators and inorganic fertilizers in order to ensure that the Company is complying with the focus on quality.

In addition to above moves, we are closely interacting with the following organizations and has achieved the membership of those organizations with the view of improving quality.

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

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

- EU & USDA _ NOP Certification (European Union & National Organic Program (NOP) of the United States Department of Agriculture)
- ISO 9001 : 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 Behaviour

The values embedded the culture of the Company always emphasize the necessity of considering the appropriateness of each activity we undertake in terms of moral principles of good and bad behavior. Accordingly, all the members of the Company are required and encouraged to be highly ethical in each and every activity and relationship. Accordingly, the Company has developed a culture which seeks to comply with moral principles beyond the general laws and regulation imposed on the business.
Identifying the responsibility and undergoing self-compliance to its corporate ethics. KPPLC perform its maximum effort on complying with laws and regulations.

EU & USDA – NOP Certification

Organic agriculture is a fast growing sector in entire global agriculture, which is creating jobs and promoting economic growth and opportunities. The USDA organic regulations describe how the word "organic" or the USDA organic seal can be used on food, feed, or fiber products.

European Union & National Organic Program (NOP) of the United States Department of Agriculture

Scope – Organic production of agricultural products KPPLC obtained lots of benefits by obtaining this global recognized standard Certification including receiving premium prices for our products, access fast-growing local, regional, and international markets, access additional funding and technical assistance etc.

Estates covered - Ambadeniya Estate, Eadella Estate, Hathbawa Estate, Higgoda Estate , Udapola Estate, Weniwella Estate & Centrifuged Latex Project.

ISO 9001: 2015 System Certification

ISO 9001:2015 specifies requirements for a quality management system when an organization:

a) needs to demonstrate its ability to consistently provide products and services that meet customer and applicable statutory and regulatory requirements, and

b) aims to enhance customer satisfaction through the effective application of the system, including processes for improvement of the system and the assurance of conformity to customer and applicable statutory and regulatory requirements.

Kegalle Plantations PLC established a new record by becoming the first regional plantations Company to obtain ISO 9001: 2015 Certification in 2017.

Obtain Quality Management System Certification: ISO 9001:2005 for all Rubber Manufacturing Factories of the Company, means KPPLC ensures our products and services effectively meet customer and applicable statutory and regulatory requirements.

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

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

Accordingly this allows us to measure progress towards continued improvement of business performance creating a benchmark.

Ethical Tea Partnership Certification

Ethical Tea partnership work with tea producers and smallholder farmers in their supply chains. It facilitates them to meet internationally recognised social and environmental standards. In Sri Lanka, about 5% of the population is employed by the tea industry, with thousands of people working and living on tea estates.

An ethical producer is one that meets international social and environmental standards, such as health and safety, agrochemical and environmental management, and fair and equal treatment of workers. To keep up with the worlds growing affair with tea in a socially just and environmentally sustainably way, the Ethical Tea Partnership was formed by KPPLC. We have obtained the ethical tea Partnership Certification (ETP) for all the tea factories of the Company. Ultimately we improve tea sustainability, the lives and livelihoods of our workers and farmers, and the environment in which tea is produced.

Rainforest Alliance Certification

The Rainforest Alliance is a growing network of farmers, foresters, environmentalists, economists, scientists and businesses dedicated to conserve biodiversity and ensuring a sustainable livelihood. The Rainforest Alliance certification provides a credible link between responsible production and consumption of agriculture products, enabling consumers and businesses to make purchasing decisions that benefit people and the environment as well as providing ongoing business value. Kegalle Plantations PLC has been certified by the Rainforest Alliance to ensure the management of 06 tea estates including Yataderiya, Gampaha, Luckyland, Kirklees, Doteloya and Allagolla. KPPLC has voluntarily adopted this environmental and social best practices. The Rainforest Alliance (RA) certification covers the Triple Bottom Line (TBL), including environmental, health, social and economic factors, and confirms the Company's commitment to sustainable and ethical business practices. This demonstrates compliance with strict global standards, taking into account the well-being of its employees, families and the environment.

KPPLC has established policies and procedure to demonstrate the commitment to the certification. Accordingly we have established and implemented Social Environment Management (SEMS) Plan for year 2019 and for each criteria it has developed objectives, actions, timeline, recourses and responsibilities. Based on the document accreditation requirement for certification bodies, square root of the number of samples in the group was to be selected and thus the number of 3 estates were arrived. Doteloya Estate was selected due to highest conservation area as well as largest extent, Out of six estates four estates were located in the Udupussellawa area and rest of two estates located in Kegalle area.

All the existing natural ecosystems are protected by all estates and any damage for the natural ecosystems couldn't identified during the RA Certificate audit Procedure. It is observed that forest cover has been increased gradually in Doteloya estate from 45 ha to 145 ha. At the same time we have provided trainings on protection of wildlife available in the estate region. Awareness materials are also provided to the estates further to create awareness within worker communities. Waste water is treated and discharged in to bare land for the natural absorption which treated by the sedimentation and waste water filtration.

Company has established policies and procedures to mitigate forced labor. All these policies are communicated to the workers. At the estate level, workers have established a worker unions and all workers are free to join work union of their choice. More than 90% of the workers are members of the unions and union leaders have been appointed by the workers. Across the company estates, union representatives, women workers, men workers, factory workers and sprayers, residents in the labor lines were interviewed in groups or they were semi structured interviews for obtaining RA Certification. Handlers in the stores - chemical & fuel, assistants in the factory were separately or individually interviewed at the same time.

On the other hand the certificate proves the success of the Company's targeted initiatives, especially with regard to the well-being of its employees and their families. Kegalle Plantations not only ensures maternal and child, vaccination for children of its employees, and primary education for all employees of the Company managed property, but KPPLC has gone beyond the call of duty in ensuring the well-being of its associates and their families.

RA promotes sustainable agriculture through land-use practices, trade and consumer behavior. Accordingly, Rainforest Alliance certificate confirms that KPPLC meets the requirements of the Sustainable Agriculture Network (SAN), a global standard for organizations that meet stringent environmental conditions (ecosystems, wildlife, soil and water) and relationships with communities and economic aspects including integrated plant and waste management.


NEPCon

Certificate

For

KEGALLE PLANTATIONS PLC

NC-M-102111

AG-Multi-site

Issue date: 6/8/2019

Expiration date: 6/7/2022

In conformance with the Rainforest Alliance Standard(s):

RA Sustainable Agriculture Standard 2017

Crop(s) approved: Tea

Level of compliance: Level C

* ***KEGALLE PLANTATIONS PLC*** *can sell as certified products from 3/25/2019 onwards.*

Client Location: **Sri Lanka**
Address: **310, HIGHLEVEL ROAD, NAWINNA, MAHARAGAMA.**
Revision date: 6/8/2019

This certificate is issued within the scope of Rainforest Alliance's accreditation for **ISO/IEC 17065:2012** by the **IOAS**.

Country: USA **Registration Number**: 85 **Valid until:** 9/30/2022

info@nepcon.org - +45 8618 0866

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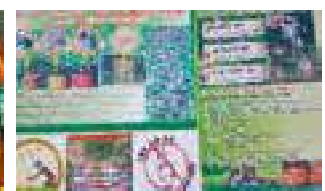
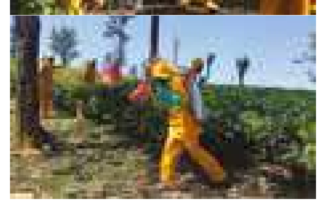
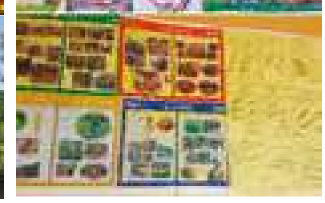




Future Sustainability Expectations

The Company has launched a series of programs aimed at water conservation, including rainwater harvesting and improving soil water retention and hopes to measure exact quantities of water used from next year onwards. To protect biodiversity in its estates, Kegalle Plantations has embarked on a study of habitats within selected estates and has also taken efforts such as the maintenance of buffer zones along water bodies.
As the expectations on corporate responsibility increase, and as transparency becomes more prevalent, KPPLC have well recognized the need to act on sustainability. As management needs to make sure that the strategy of the Company and the sustainability efforts are aligned, we develop our procedures that address to compliance, which often relates to regulations in waste management, pollution and energy efficiency as well as human rights and labour responsibility. We continue to further develop and accomplish transparency through open communications with all key stakeholders built on high levels of information disclosure, clarity, and accuracy as well as an openness to recognizing faults and improving practices.

Connect value towards sustain

Our centrifuged production is marketed for a value-added product, and mainly used by Richard Pieris Natural Foams Limited, a sister Company that undertake the value addition together with Richard Pieris Exports PLC and Arpitalian Compact Soles (Pvt) Limited, subsidiary Companies under Richard Pieris & Company PLC, mainly supplies to the export market.
It is involved with products such as mattresses, pillows, latex rings, crush tips, shoe soles and jar rings with specialty items such as fire-retardant mats, electrical safety mats and anti-static mats and also introduced new products such as Arpico Organic Latex Foam, certified by Global Organic Latex Standards (GOLS).

We manage to covert around 6-7% of our rubber production as Sole Crepe for a special export market, further a part of our rubber production is marketed in the form of Crepe Rubber through Colombo Auctions and forward contracts. Balance production as Skim and Scrap Crepe Rubber that too marketed through Colombo Auctions and forward contracts...... continued to page no. 97

GOVERNANCE REVIEW

MANAGEMENT TEAM

HEAD OFFICE

Board of Directors

Dr. Sena Yaddehige, *Chairman*

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

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

Mr. Shaminda Yaddehige, *Director*

Mr. S S Poholiyadde, *Director (Resigned w.e.f 02 August 2018)*

Mr. S S G Liyanage, *Director (Appointed w.e.f 15 August 2018)*

Corporate Management

Sriyan Eriyagama, *Chief Executive Officer*

Prof. K Gunasekara, *Director Special Projects*

Sudheera Epitakumbura, *Financial Controller*

I S Doranegama, *General Manager*

Head Office Management

T I Kodithuwakku, *Senior Accountant*

S C Bandaranayake, *Engineer*

A C B Bowatte, *Manager Forestry*

D J L Sunil Govinnage, *Consultant*

R M S S Herath, Manager - *Information Systems*

U P Jayasinghe, *Assistant Manager*

J A S Fernando, *Assistant Manager*

L G Madhusankha, *Assistant Accountant*

N H S K Munasinghe (Mrs.), *Accounts Executive*

E S D D Perera, *Executive*

W M T C Weerakoon, *Junior Executive*

Chandima Niroshani (Mrs.), *Executive - Operations*

W A C S Pushpakumara, *Management Trainee*

ESTATES

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

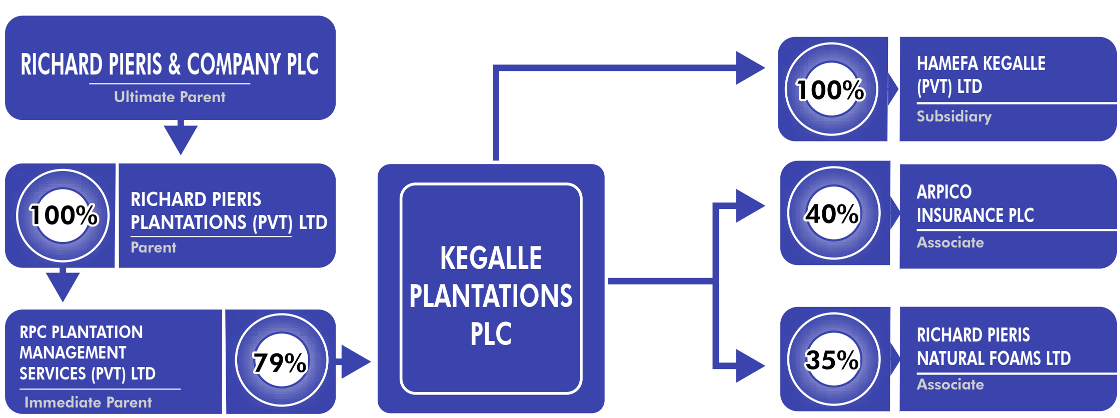
CORPORATE GOVERNANCE

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

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

Group Structure

The Company's Group Structure is depicted as follows;



The Board of Directors

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

The Board comprises five Directors, of which one is Executive Director whilst four are Non-Executive Directors. Out of four 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 16 and 17.
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. Board Papers are submitted in advance on Company performance, new investments, capital projects and other issues which require specific Board approval. A separate information memorandum is provided on statutory payments at each Board Meeting.

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

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

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

Board Member	Position	Executive	Non-Executive	Independent	Appointment to the Board
Dr. Sena Yaddehige	Chairman	✓	-	-	Jan-2003
Prof. R C W M R A Nugawela	Independent Non-Executive Director	-	✓	✓	May-2008
Dr. S S B D G Jayawardena	Independent Non-Executive Director	-	✓	✓	Aug-2010
Mr. Shaminda Yaddehige	Non-Executive Director	-	✓	-	Mar-2016
Mr. S S G Liyanage	Non-Executive Director	-	✓	-	Aug-2018

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

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

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 82 to 83 describes the activities carried out during the Financial Year.

Remuneration Committee

The Report of the Remuneration Committee is on Page 84 and highlights its main activities.

Related Party Transactions Review Committee

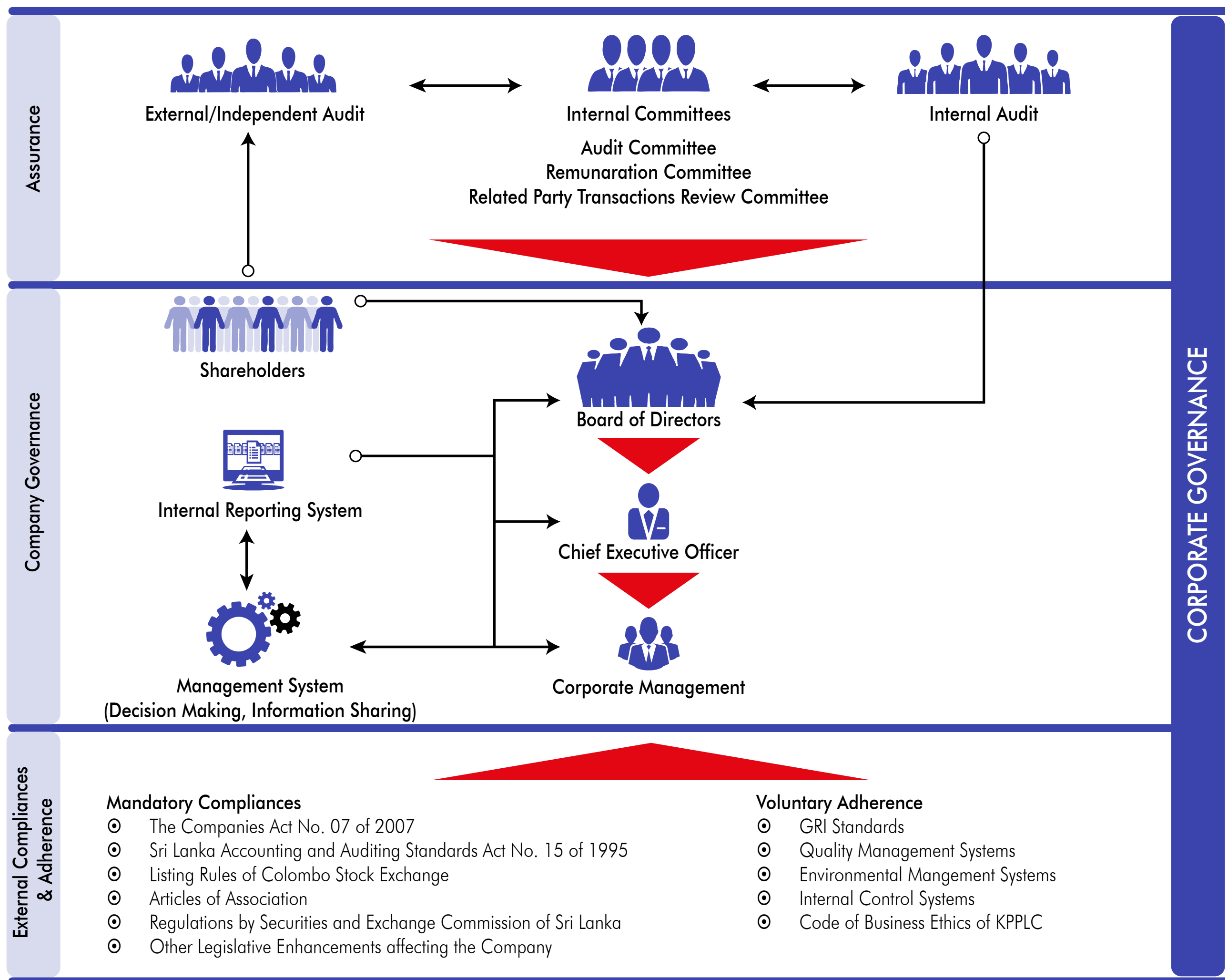
The Report of the Related Party Transactions Review Committee is on Page 85 and highlights its main activities.

Committee Member	Audit Committee	Remuneration Committee	Related Party Transactions Review Committee
Mr. J. F. Fernandopulle	✓✓	✓	✓
Dr. Jayatissa De Costa P. C.	✓	✓✓	✓✓
Mr. Prasanna Fernando	✓	✓	✓

✓✓Chairman to the committee ✓Member to the committee

Corporate Governance Structure

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



Chief Executive Officer

Mr. Sriyan Eriyagama acting as the Chief Executive Officer of the Company with effect from 1 January 2017. Mr. Eriyagama does not hold any shares in the Company to date.

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 Accounts as well as in the Annual Report & the Shareholders are able to contact the Senior Management.

Internal Controls

The Board is responsible for instituting an effective internal control system to safeguard the assets of the Company and ensure that accurate and complete records are maintained from which reliable information is generated. The system includes all controls including financial, operational and risk management. Strategies adopted by the Company to manage its risk are set out in its report on Risk Management on pages 88 - 95.

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.

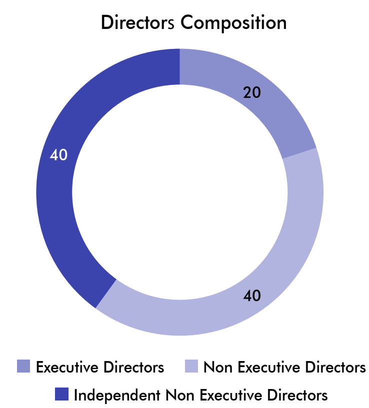
The Board also ensures that the Group policies and practices are in line with the Company's values and its social responsibilities. The Company promotes protection of the environment, health and safety standards of its employees and others within the organization. The relevant measures taken are given in detail in the Sustainability Report on pages 44 - 74.

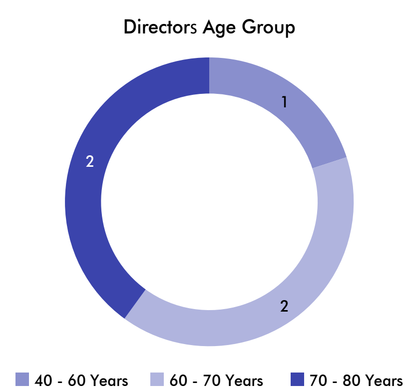
Compliance

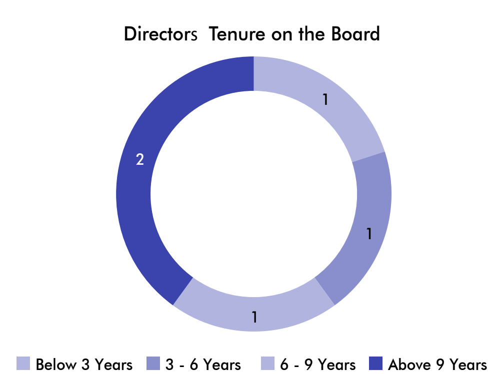
The Board places significant emphasis on strong internal compliance procedures. The Financial Statements of the Company are prepared in strict compliance with the guidelines of the Sri Lanka Accounting Standards (LKAS and SLFRS) and other statutory regulations. Financial Statements are published quarterly 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.

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 believe that the Company has adequate resources to continue its operation for the foreseeable future.







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

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

Disclosures required by the Companies Act No. 07 of 2007;

Section Reference	Requirement	Annual Report Reference (Page/s)
168 (1) (a)	The nature of the business together with any change thereof during the accounting period	116
168 (1) (b)	Signed Financial Statements for the accounting period completed	108-114
168 (1) (c)	Auditors’ Report on Financial Statements	104-107
168 (1) (d)	Accounting Policies and any changes therein	116-135
168 (1) (e)	Particulars of the entries made in the Interests Register during the accounting period	101
168 (1) (f)	Remuneration and other benefits paid to Directors of the Company during the accounting period	138
168 (1) (g)	Corporate donations made by the Company during the accounting period	100
168 (1) (h)	Information on the Directorate of the Company and its Subsidiaries during and at the end of the accounting period	147
168 (1) (i)	Amounts paid/payable to the External Auditor as audit fees and fees for other services rendered during the accounting period	102,138
168 (1) (j)	Auditors’ relationship or any interest with the Company and its Subsidiaries	102
168 (1) (k)	Acknowledgement of the contents of this Report and Signatures on behalf of the Board (Annual Report of the Board of Directors)	99-102

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.

Purpose

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 controls and risk management.
3. Monitor and evaluate 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.

Members

The Audit Committee consisted of two Independent Non-Executive Directors of the Richard Pieris & Company PLC, the Ultimate Parent Company, namely Dr. Jayatissa De Costa and Mr. Prasanna Fernando and a Non-Executive Director, the Chairman of the Committee, Mr. J. F. Fernandopulle. 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.

- 25 Apr 2018
- 25 May 2018
- 25 Jun 2018
- 06 Aug 2018
- 03 Sep 2018
- 10 Oct 2018
- 09 Nov 2018
- 11 Feb 2019

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 every month end highlighting all key performance criteria pertaining to the Kegalle

Plantations PLC and its Subsidiary which is reviewed by the Senior Management on a monthly basis.

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

Financial Statements

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

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

External Auditors

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

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

The Audit Committee has recommended to the Board of Directors that Messrs. Ernst & Young be re-appointed as Auditors for the financial year ending 31 March, 2020 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 complied with.

J. F. Fernandopulle
Chairman of the Audit Committee

12 June 2019

REPORT OF THE REMUNERATION COMMITTEE

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

Members

The Remuneration Committee, appointed by and responsible to the Board of Directors, consists of two independent Non-Executive Directors of the Richard Pieris & Company PLC, Dr. Jayatissa De Costa P.C. and Mr. Prasanna Fernando and a Non-Executive Director, Mr. J. F. Fernandopulle. The Committee is chaired by Dr. Jayatissa De Costa.

Meetings

The Committee met on several occasions during the financial year.

Purpose

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 calibre executives is a key challenge faced by the Company. In this context, the Committee took into account, competition, market information and business performance in declaring the overall remuneration policy of the Company.

Remuneration Policy

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

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

12 June 2019

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.

Members

The Committee consists of two Independent Non-Executive Directors namely its' Chairman Dr. Jayatissa De Costa P.C., Mr. Prasanna Fernando and a Non-Executive Director, Mr. J. F. Fernandopulle of the Ultimate Parent Company.

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.

Purpose

The objectives of the Committee,

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

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

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

Meetings

The Committee held four meetings during the period under review on following days,

- 25 Jun 2018
- 10 Oct 2018
- 31 Dec 2018
- 29 Mar 2019

The activities and views of the Committee have been communicated to the Board of Directors through verbal briefings, and by tabling the minutes of the Committee meetings.

Related Party Transactions during the year 2018/19

Details of the related party transactions entered into by the Company/Group are disclosed on page 158.

Declaration

Refer: Annual Report of the Board of Directors on the Affairs of the Company, Pages 99 to 102 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 2018/19, except what was disclosed in the note No. 36.

Disclosures

A detailed disclosure of all the related party transactions including Recurrent and Non-Recurrent related party transactions which are required to be disclosed under section 9.3.2 of the Listing Rules of the Colombo Stock Exchange has been made in note No. 36 to the Fnancial Statements given in Pages 158 to 159 to this report.

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

12 June 2019

IS Traditional

Our annual report for 2016/17 was based on the theme of "Transforming the Tradition" which focused the Company's investment into crop diversification. As a National need, Oil Palm cultivation was identified as the most appropriate crop for Kegalle Plantations. In fact, substantial investments made in respect of Oil Palm is one way of reinforcing our commitment to "Seeing Beyond Philosophy". Meanwhile, the government is also in the process of encouraging the Oil Palm plantation among traditional planting areas. Consequently, approval was granted to import 259,900 Oil Palm seeds as planting material for five regional plantation companies in 2017, under the supervision of Coconut Research Institute, in line with the policy decision to expand Sri Lanka's Oil Palm cultivation up to 20,000 hectares to meet 80,000 tons of Crude Palm Oil to curtail the importation of edible oil. Further, a scientific study on the environment impact of Oil Palm cultivation is being conducted in collaboration with the Central Environmental Authority (CEA).

IUCN Oil Palm Task Force

Accordingly, we continue our investment in Oil Palm during the current year as well with the intention of reaping benefits in the future. This type of approach is crucial to the successful standing of the Company amidst the global challenges. However, locally we have encountered several challenges emanating due to misinformation on Oil Palm cultivation in Sri Lanka and quoting references to Indonesia by some party which has no relevance to the Sri Lankan condition. Therefore, we highly believe that the accurate information should be shared across local community to eliminate such misunderstandings.

However, we continue to focus our efforts on the cultivation of Oil Palm which will bring benefits not only to the Company but also to the national economy. Accordingly, we have allocated Rs. 255 million for the development of Oil Palm planta-

Transformation Over?

tion in the next financial year. We highly rely on our investment that it will create a new era for our Company and our contribution to the country's economy.

Due to the acute shortage of edible oil in the local market to meet the increasing demand of edible oil, massive quantities of oil and oil related other substances are being imported amounting to 220 Mn Metric Tons spending Rs. 24 Bn for the same in the year 2018. Furthermore, it is alleged that some of the oil importers are stooped down to importing used and recycled Oils which are not fit for human consumption are released to the market which are highly carcinogenic. The imports are not being properly monitored or controlled to avoid this importations of substandard edible Oil. If the 20,000 Ha is cultivated it would have produced 80,000 Mt of Oil which would reduce the importation and reduce drain of valuable foreign exchange.

However due to very poor decisions taken by the authorities the planed 20,000 Ha of planting had been put on suspense and this has already led to overgrowing of imported plants in the nursery, which is going to have a detrimental effect even if late decisions are taken to go ahead with planting. It is predicted that population is going to be doubled by year 2050 and the requirement of edible Oils going to increase over two fold and how we are going to meet this demand is a challenge on us. One has to be asked as to how many hectares are required to plant with coconut to meet the requirement of edible Oils for the Srilankan population. The statistics are very clear that 1 Ha of Oil Palm cultivation could produce 3.8 Tons of Oil, whereas Coconut could only produce 800 Kgs of Oil per Hectare.

This clearly indicates that with the increasing population, demand for land becomes more acute. Under these circumstances the only option we have is to increase production of edible oil by increasing the extent under Oil Palm.

All the misconcepts regarding Oil Palm cultivation in Sri Lanka is released to the public and media by personnel who have no knowledge or have no scientific basis. However, they have managed to enlighten the Local Politicians, Buddhist Clergy and the General Public not to protest against Oil Palm without knowing actual facts.

This is another drawback for Sri Lanka as a country as the responsible authorities in the country are just ignoring the country's future edible oil requirement to ensure the national food security.

RISK MANAGEMENT

Risk, understood as the potential failure to realize plans and activities, is an inherent attribute of any business organization. Management science, especially in the decision-making process, focuses on the identification and evaluation of skills appropriate for handling risk. This in turn justifies the need for identifying, characterizing, and most importantly, developing plans for preventing or at least reducing the effects of risk occurrence. By identifying and managing risks Company is able to actively protect from any potential catastrophes and save its valuable time and money.

A risk management system is there to do more than identify risk, a good system should also quantify the risk, predict the impact, and put procedures in place to mitigate the risk, or even eliminate it completely, Corporations operate in a dynamic environment. Hence the future remains uncertain to a large extent, allowing for fate to play a part in the results that are achieved by the Companies. As with any business, the risk landscape confronted by KPPLC is defined by the trends and forces at work in both the global and the local business environments. To effectively manage risk, the Company must consider these myriad forces, recognize the ones that may have a material effect on our survival and the ability to create sustainable value and work on managing and mitigating those risks effectively. In our aspiration to be a sustainable business, we adopt a proactive approach in identifying and mitigating economic, social and environmental risks. Specific risks are associated with the cultivation and processing of Rubber, Tea and the economic environment in which it operates. The Board of Directors is ultimately responsible for the Group's risk management practices, internal controls and reviewing their effectiveness. The management systematically monitors existing and potential risk by working with risk owners to refresh risk registers, validate risks for continued relevance, identify emerging risks and prioritize all risks in terms of financial impact and likelihood of occurrence. Internal auditors and senior management team time to time review the systems' viability to address prevailing risks to eliminate down side of risks and make the use of upside of risks, in order to safeguard shareholders' investment and assets.

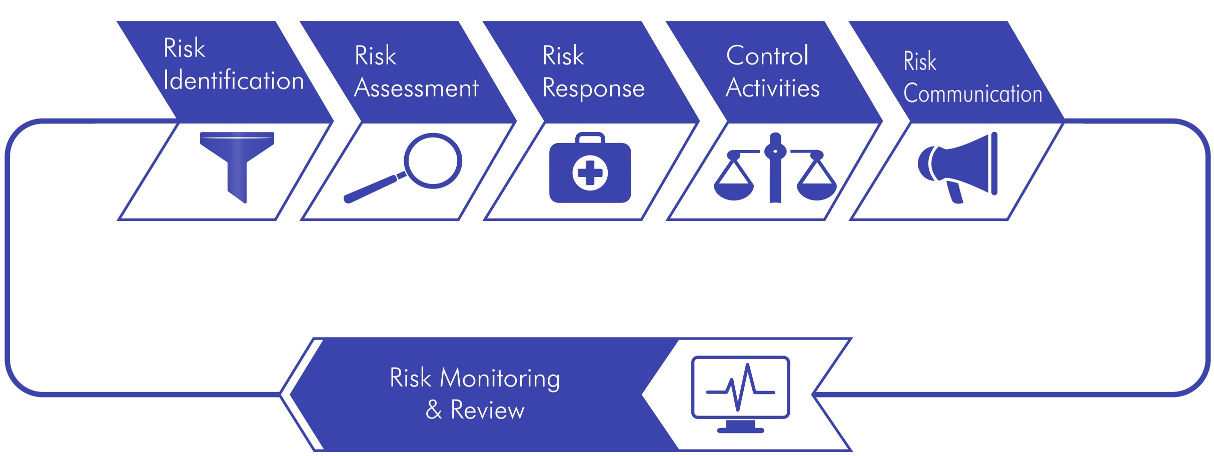
Risk Management Process

The risk management process is interconected with the Company's strategic and business procedures as the Risk Management discipline requires the business to proactively look at its strategic objectives, operations and processes then evaluate each component to find potential pitfalls (on an ongoing basis) that could derail the organization from achieving its objectives.

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

Risk Culture

Risk culture for any organization includes the values, beliefs, knowledge, attitude and understanding of risk shared across an organization. An appropriate risk culture will differ between organizations and industries, but it's one that's aligned with business strategy and ensures all members of entity approach risk in the



manner which senior management and the Board expects.

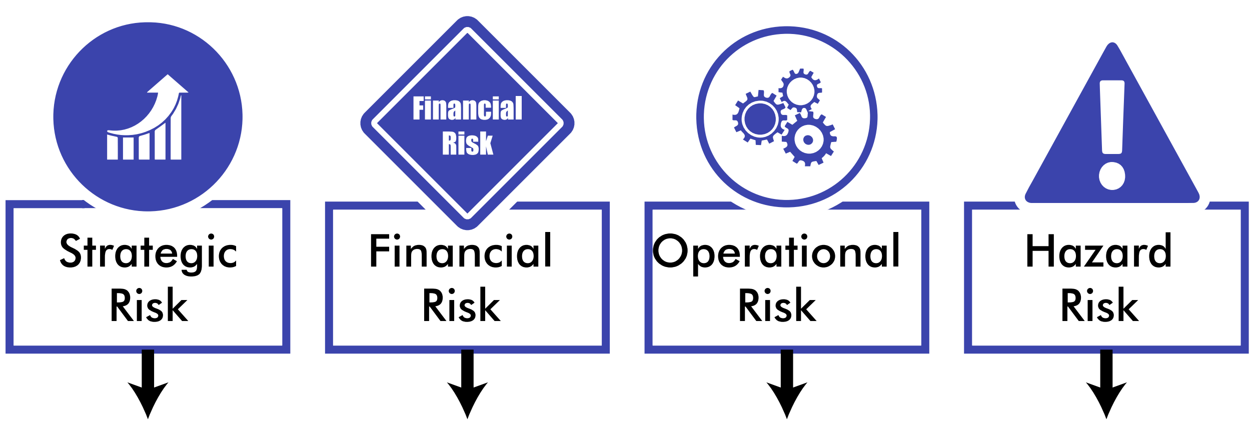
The Board of Directors has identified their position and distinct consistent tone has maintained in establishing a sound risk management system implying the conformity to the underline requirements of such a system. The management has reflected the commitment to ethical principles and the decision making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

Risk Identification

Risk identification is the first part of the proactive management process. Risk identification is based on the application of scientific or fact based methods to identify hazards which are relevant to the risk under review. It provides the opportunity to raise risk concerns before they occur, keeping them from damaging the business operations or goals. A risk poorly identified means the project manager will struggle or fail to communicate this risk to high level stakeholders or team members. They will not understand the magnitude or an aspect of the risk.

The KPPLC's objective of risk identification is to identify all possible risks, not to eliminate risks from consideration or to develop solutions for mitigating risks-those functions are carried out during the risk assessment and risk mitigation steps.Our Company's top management has committed to create risk culture within the Company and sufficient risk awareness among employees. Company is following Bottom-up-approach to identify internal risks and this will encourage even operational level employees to identify risk arising within their respective functional areas. Top management is always conscious about the external developments to identify external risks. Company would be exposed to wide range of risks, some are specific to the Plantations Sector and some of them are common for every organization. These identified risks are categorized basically under four main headings include Strategic Risk, Financial Risk, Operational Risk, and Hazard Risk for effective control purposes.

Range of Key Risks



Strategic Risk
- Global Economic Risk
- Environmental Risk
- Fiscal Policy Changing Risk
- Technological Risk
- Reputation Risk

Financial Risk
- Currency Risk
- Interest Rate Risk & Gearing Risk
- Liquidity & Cash Management Risk
- Capital Investments Risk
- Credit Risk

Operational Risk
- Inventory & Asset Risk
- Human Capital & Labor Risk
- Product Risk & Risk of Competition
- Procurement Risk
- Information Systems Risk

Hazard Risk
- Industrial Accident Risk
- Natural Disaster Risk

Risk Assessment & Response

Risk Assessment

Uncertainty is due to combination of incomplete knowledge about a process and its expected or unexpected variability. Accordingly, Risk Assessment stage compares the identified and analyzed risk against given risk criteria. The output of a risk assessment is either a quantitative estimate of risk or a qualitative description of a range of risk. When risk is expressed quantitatively, a numerical probability is used. Alternatively, risk can be expressed using qualitative descriptors, such as "high" "medium" or "low" which should be defined in as much detail as possible.

The risks identified are scored/rated against the impact and likelihood of the risk using a Risk Scoring Matrix. The likelihood which is tabulated is a frequency based assessment where the risks will be rated according to the probability of the risk occurrence. 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. The following diagram depicts identified risks upon their likelihood of occurrence & the monitory impact to the Company.

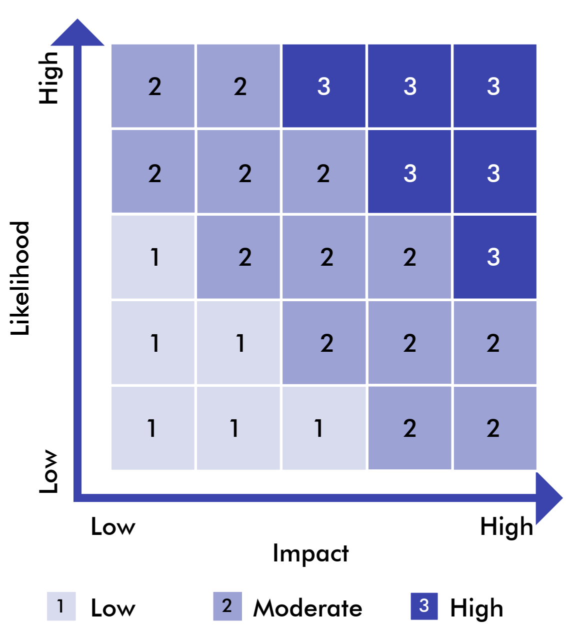
Risk Response

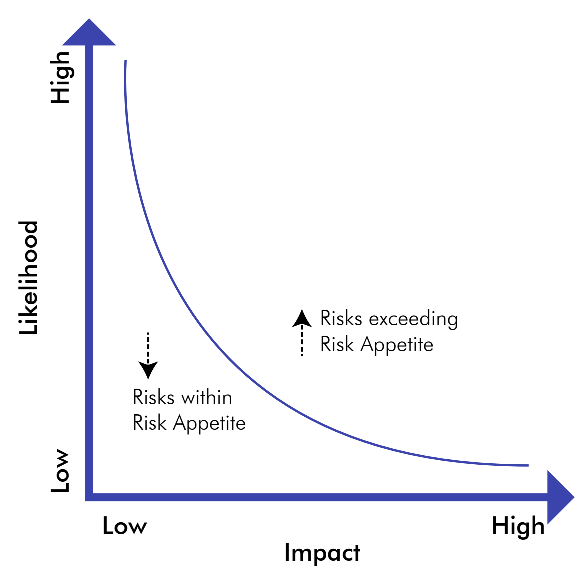
This is the process of developing strategic options and determining actions, to enhance opportunities and reduce threats to the organizational objectives. Risk response ensures that each risk requiring a response has an owner monitoring the responses, although the owner may delegate implementation of a response to someone else. There are a number of possible responses to risks and as risks can be threats or opportunities these include responses that are suitable for potential opportunities.

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

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

We believe that Effective risk response strategies allow KPPLC to utilize strengths and opportunities to manage weaknesses and threats. By planning for unexpected





events, we are always ready to respond if they arise. 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. Risk response strategies maintained by KPPLC allow us to ensure our success, while achieving overall strategic goals.

Control Activities

Risk control includes decision making to reduce and/or accept risks. The purpose of risk control is to reduce the risk to an acceptable level. It is very much essential to evaluate the amount of effort used for risk control with the proportional significance of the risk. 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.

Control activities are the policies & procedures that help ensure that management risk responses are effectively carried out. KPPLC'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.

Risk Communication

To ensure that operations run smoothly, risk management process ensure effective and efficient communication of risk management plans to the all relevant individuals including stakeholders and team members. Therein, the organization runs smoothly so one step proceeds to the next without disruption by identifying, avoiding and dealing with potential risks in advance, which ensure that all the relevant parties can respond effectively when challenges emerge and require intervention.This may certify the confidence in people who provide funding and are affected by the organizational outcomes.

The risk management process in KPPLC 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 by ensuring proper risk communication within the organization. Ultimately, this approach enables the Company to keep the relevant personnel informed regarding the potential for risks. This 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. Cross functional risk communication and inter management level risk communication uses to further strengthen our risk communication process.

Risk Monitoring & Review

Risks must be actively monitored and new risks must be responded to as they are discovered. Herein KPPLC, Risk monitoring process involve monitoring identified risks for signs that they may be occurring, controlling identified risks with the agreed-upon responses, and looking for new risks that may creep into the operations. Furthermore, our risk monitoring process is also concerned with the documentation of the success or failure of risk response plans and keeping records of metrics that signal risks are occurring or disappearing from the KPPLC operations. The ultimate responsibility for ongoing monitoring activities or separate evaluations lies with the top management & the audit committee. Our group internal audit team carries out frequent system base audits by visiting each estate and reporting to the risk management committee on matters that require immediate responses.

The uncertain economic times of the past few years have had a major effect on how Companies operate these days. KPPLC has used to operate smoothly with the help of above mentioned effective and efficient risk management process and always driven towards enhancement of this process. Relevant information is identified and communicated in order to facilitate the people who are responsible for risk management within the Company.

Risk Exposure of KPPLC

Effective risk management is critical for the sustainability of our value creation process. It is inevitable that every Company or organization is exposed to arrange of risks stemming from its internal and external environment. On the basis of the above risk management framework of KPPLC, the following risks have been identified as risks that exert a higher level influence on the achievement of the Company's objectives. It is an integral part of maintaining financial stability for our customers, shareholders and other stakeholders. Our sustainability and financial strength are underpinned by effective risk management, which allows us to prepare for future challenges, move speedily and facilitate better decisions for our customers, giving them peace of mind.

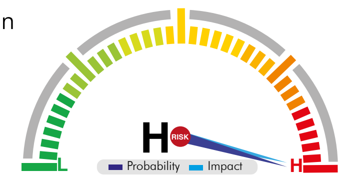
Particularly, in the assessment phase of the risk, a categorized approach based on the nature is adopted to evaluated the identified risk.

Strategic Risks

Global, Economic Risk

To minimize the uncertainty of global economic risks that involve risks associated with global in their nature and impact, such as unexpected changes due to global recession, sanctions on Countries or change in international markets.

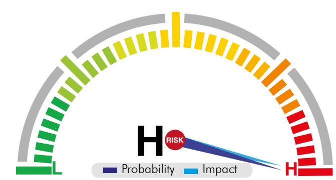
- Adopt to diversify the risk by exploring and engaging to market the products in different global markets and finding reliable new markets.
- Identifying and investigating product mix to match the global trends and demand.
- Analyzing global financial trends and entering into negotiations with foreign buyers.



Environmental Risk

To minimize the impact of occurrence of adverse consequences to the economy arising from the organizational operations.

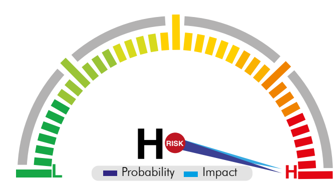
- Adopting sustainable agricultural practices.
- Closely interacting with environmental authority to align our operations with their requirements.
- Taking steps for soil conservation.
- Allocate land for forestry.



Fiscal Policy Changing Risk

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

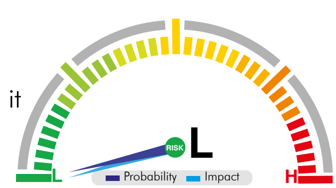
- Company has employed tax & legal Consultants to advice on these issues.
- Government lobbying through the Minister by maintaining good formal relationship.
- Willing to deal with financial risk arising with government policy changes.



Technological Risk

To minimize the impact of technological advancement for Company product obsolescence.

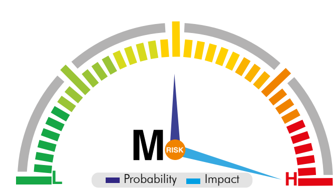
- Focus on technological changes arising in the industry and adopt them where it necessitates.
- Upgrade the production facilities through allocation of Company funds.



Reputation Risk

To minimize the impact of risk associated with breaches of Company reputation.

- Active and regular communication with stakeholders to enhance the image of the Company.
- Regular review on the Company's interactions with outside environment.
- Adopting stringent quality assurance standards with regard to ensuring the quality of our products, including raw and packing materials.

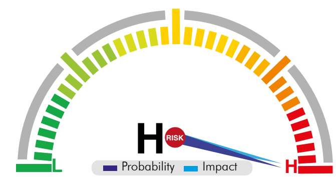


Financial Risk

Currency Risk

To minimize impact of foreign currency rate fluctuations associated with the fluctuation in relation to export proceeds, import payments and foreign currency debt transactions.

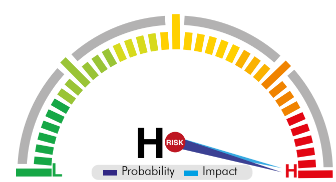
- Regular analysis of major foreign currency trends which Company usually deals with.
- Match the export proceeds with foreign currency payments to ensure foreign currency surplus.
- Export proceeds exceeding the import payments and foreign currency debt payments through various hedging techniques.



Interest Rate Risk & Gearing Risk

To minimize the impact of unfavourable impact of interest rate volatility and currency denominated borrowings.

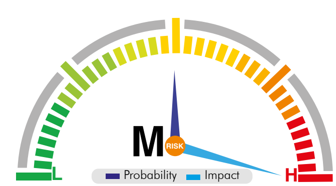
- Structuring the loan portfolio to combine foreign currency and local.
- Minimize interest rate risk through internal hedging techniques such as matching by having balance between variable & fixed portion of interest income & expense.
- Maximum utilization of the concessionary funding available to Plantation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



Liquidity & Cash Management Risk

To capitalize the benefit of opportunities to raise funds at lowest possible cost while ensuring a strong liquidity position.

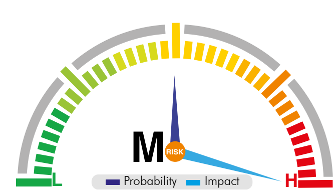
- Funding of long term assets through Equity and Long Term Loans.
- Ensure availability and effective utilization of short term facilities where necessary.
- Ensuring proper management of working capital via maintaining adequate level of funds.
- Maximum utilization of the concessionary funding available to Plantation Companies.



Capital Investment Risk

To maximize the shareholder wealth maximization via investing in most suitable investment opportunity.

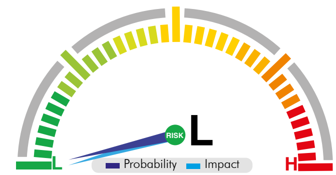
- Adopting a stringent approval procedure for Capital expenditure.
- In depth analysis of investment in both long term and short term capital employments.
- Use various approaches for systematically analyze the feasibility of capital budgeting including NPV, Payback, Profitability ratio etc.



Credit Risk

To minimize impact of risks associated with defaults in debtors.

- Insure the export debtors to secure the payment of receivables of foreign transactions.
- Sales are made through auction and brokers assuring 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.

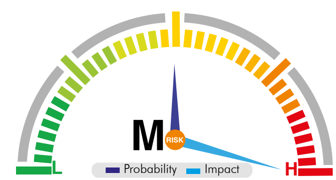


Operational Risk

Inventory & Asset Risk

To obtain the maximum outcome by reducing stock obsolescence, risks from fire, theft and manage stock holding costs and to minimize machinery & equipment breakdown.

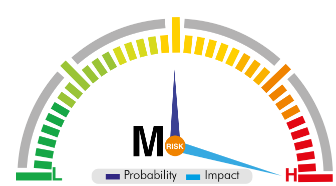
- Frequent physical check and adopting to a monthly declaration policy.
- Identify slow moving stocks and effectively laying out a channel for these to be sold off.
- Obtaining comprehensive insurance covers for all tangible assets.
- Carrying out mandatory preventive maintenance programs.
- Carrying out frequent employee training programs in areas such as fire prevention.



Human Capital & Labor Risk

To ensure a smooth flow of operations without any undue disruptions while maximizing the productivity of human capital.

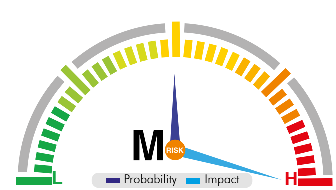
- Maintaining healthy relationships with trade unions through regular dialogues.
- Entering in to collective agreements with trade unions.
- Ensure compliance with all regulatory requirements with regard to the benefits applicable to workers at estates level.
- To protect ourselve as a human employer 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 & Risk of Competition

To maximize our market share and ensure the ability to met the competition in the respective industries by maintaining leadership.

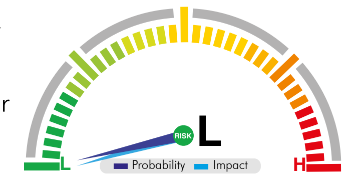
- Ensure high standards of quality of Products through obtaining local and global certificates and recognitions such as ISO Certificates.
- Increasing productivity and efficiency in order to ensure an adequate margin despite increasing wage, energy and transportation cost.
- Carrying out research & development activities to meet the competition.
- Regular attention towards competitor behaviour to secure and improve the market.



Procurement Risk

To minimize risk associated with price and availability of materials.

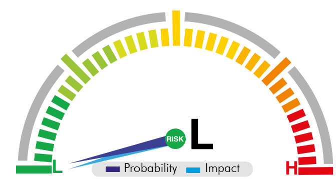
- Continuous replanting activities of all crops to meet the increasing demand.
- Ensure the availability of all required materials through regular investigation of Procurement.
- Establishing relationships with many suppliers for latex and bought leaf in order to reduce over-dependency on a single supplier.
- Entering into forward contracts for purchases of certain raw material items.



Information Systems Risk

To minimize impact of risk associated with information system failures to improve 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 preservation.
- Carrying out Application Control Audits.

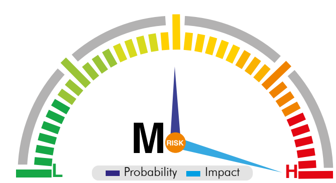


Hazard Risk

Industrial Accident Risk

To eliminate the probability of the occurrence of industrial accident to ensure the internal security.

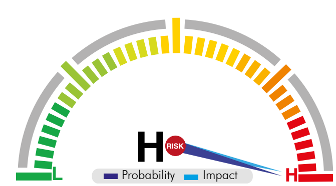
- Implementing safety measures in the factories and estates.
- Improving the awareness of the employees on the possible accidents.
- Facilitating the employee education on first aid treatment.
- Aligning the production processes with relevant safety standards.



Natural Disaster Risk

To minimize the negative impact of occurrence of natural disasters.

- Analyzing the seasonal trends of usual disasters such as floods and getting prepared to minimize avoidable losses.
- Obtaining insurance covers for the risky areas.
- Preparation of the staff to face unexpected disasters by improving their knowledge on such events.



Hazards to rubber industry

Bad weather conditions such as heavy rains, droughts and limited skilled workforce are directly affecting the natural rubber production.

In the meantime, the artificial rubber is the competitor which is well known as synthetic Rubber, Neoprene based Rubber and other Synthetic Polymers as a derivative of petroleum products. However, due to certain high qualities of Natural Rubber many are using the mixture of Natural Rubber and Synthetic Rubber. However, Natural Rubber industry has been faced with a challenge since the low market price of synthetic rubber, is comparatively low...... continued to page no. 163

FINANCIAL REPORTS

FINANCIAL CALENDAR

Interim Financial Statements

	2018/19	2017/18
1st Quarter (Three months ended 30th June)	13 August 2018	09 August 2017
2nd Quarter (Six months ended 30th September)	12 November 2018	10 November 2017
3rd Quarter (Nine months ended 31st December)	13 February 2019	08 February 2018
4th Quarter (Twelve months ended 31st March)	30 May 2019	30 May 2018

Dividend Announcements

	2018/19	2017/18
Date of Announcement	14 March 2019	13 March 2018
Interim Dividend	Rs. 5.00 Per Share	Rs. 7.50 Per Share
Date of Payment	29 March 2019	27 March 2018

Annual General Meeting

Annual Report	Published	Meetings	Date
2009/10	19 May 2010	17th Annual General Meeting	29 June 2010
2010/11	27 May 2011	18th Annual General Meeting	30 June 2011
2011/12	29 May 2012	19th Annual General Meeting	29 June 2012
2012/13	30 May 2013	20th Annual General Meeting	28 June 2013
2013/14	30 May 2014	21st Annual General Meeting	30 June 2014
2014/15	28 May 2015	22nd Annual General Meeting	30 June 2015
2015/16	31 May 2016	23rd Annual General Meeting	30 June 2016
2016/17	31 May 2017	24th Annual General Meeting	30 June 2017
2017/18	30 May 2018	25th Annual General Meeting	29 June 2018
2018/19	**12 June 2019**	**26th Annual General Meeting**	**26 July 2019**

ANNUAL REPORT OF THE BOARD OF DIRECTORS

The Directors of Kegalle Plantations PLC have pleasure in presenting to the Members, their report together with the Audited Financial Statements of the Company and its subsidiary for the year ended 31 March 2019 and the Auditor's Report thereon.

The Board of Directors approved this report at the Board meeting held on 12 June 2019.

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 registration number is PQ 135.

Principal Activities and Operational Review

The principal activity of Kegalle Plantations PLC is cultivation and processing of Rubber, Tea, Coconut and other crops and remains unchanged from the previous year. The number of estates managed remain the same as last year - 17 estates with the total extent cultivated being 7,328 hectares (7,513 hectares in 2017/18).

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. 2,421,796,755/- (2017/18 - Rs. 2,508,166,714/-) which is a 3% decrease over last year. Composition of the Revenue is given in Note 6 to the Accounts.

Year Ended 31 March	2019	2018
	Rs.'000	Rs.'000
Profit from operations after deducting all expenses, depreciation and all known liabilities	101,097	345,264
(-) Taxation	941	(109,405)
Profit After Tax	102,038	235,859
(+) Other Comprehensive Income/(Loss)	(25,338)	(2,671)
Total Comprehensive Income	76,700	233,187
(+) Un-appropriated profit brought forward	2,113,775	2,084,575
Profit available for distribution	2,190,475	2,317,762
Appropriation		
Dividends paid	(125,000)	(187,500)
Timber Reserve	(1,513)	(16,487)
Fair Value Through Other Comprehensive Income Reserve	-	-
Un-appropriated profit carried forward	2,063,962	2,113,775

Investments

Information relating to the movement of investments is given in Notes 17 and 22 to the Accounts.

Property, Plant and Equipment

The total capital expenditure incurred on the acquisition of fixed assets during the year amounted to Rs. 282,751,989/- (2018 - Rs. 334,739,466/-), out of which expenditure on Biological Assets amounts to Rs. 260,837,408/- (2018 - Rs. 300,895,052/-). 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 2019 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 2019 was Rs. 2,369,083,142/- (2017 - Rs. 2,417,382,541/-). The details are given in the Statement of Changes in Equity on Page 112 to the Financial Statements.

Dividends

The Directors recomended an interim cash dividend of Rs. 5 per share and paid on 29 March 2019.

Donations

No Donations were made during the year under review by the Company (2018 - Rs. 746,718).

Taxation

According to the New Inland Revenue Act No. 24 of 2017 (i.e. effective from 1 April 2018), the Company is liable to pay income tax at the rate of 14% on its agricultural business for the year of assessment 2018/19 (2017/2018 – 10%). Further details of Taxation are given in Note 12 to the Financial Statements.

Share Information

Information on Earnings, Dividend, Net Assets and Market Value per share is given on Pages 177 to 180 of this report.

Major Shareholders

The twenty largest shareholders of the Company as at 31 March 2019 together with percentages held are given under the caption "Shareholder & Investor Information" on Page 179.

Directors

The Names of the Directors who held Office during the year are given below. Their brief profile appears on Pages 16 to 17.

Dr. Sena Yaddehige	Chairman
Prof. R C W M R A Nugawela	Director
Dr. S S B D G Jayawardena	Director
Shaminda Yaddehige	Director
S S Poholiyadde (Resigned w.e.f 02 August 2018)	Director
S S G Liyanage (Appointed w.e.f 15 August 2018)	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 73 years of age be and is hereby appointed a Director of the Company in terms of section 211 of the Companies Act No. 07 of 2007, and it is further specially declared that the age limit of 70 years referred to in Section 210 of the Companies Act no. 07 of 2007 shall not apply to the said Dr. 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 76 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 98 of the Articles of Association of the Company, Mr. Sunil Liyanage, who retires at the Annual General Meeting will offer himself for election.

Directors' Interest in Contracts

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

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' and CEO's Interest in Shares

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

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.

Name of Director/CEO	2019 No. of shares
Dr. Sena Yaddehige, Chairman	Nil
Prof. R C W M R A Nugawela, Director	Nil
Dr. S S B D G Jayawardena, Director	Nil
Shaminda Yaddehige, Director	Nil
S S Poholiyadde, Director (Resigned w.e.f 02 August 2018)	3,307
S S G Liyanage, Director (Appointed w.e.f 15 August 2018)	Nil
Sriyan Eriyagama, Chief Executive Officer	Nil

Directors' Remuneration and Other Benefits

The Remuneration of the Directors for the year ended 31 March 2019 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 2 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 66 under "Sustainability Report".

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 82 to 85 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 158 to 159.

Corporate Governance and Internal Control

The policies adopted by the Company in relation to Best Practices and Good Corporate Governance are given on Pages 77 to 81.

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 103 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 2019 have been audited by Messrs. Ernst & Young, Chartered Accountants. The Auditors Report is given on Pages 104 to 107.

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

The Audit Fee of Messrs. Ernst & Young for the current year was Rs. 4,567,299/- (2018 Rs. 4,184,807/-). In addition Rs. 556,180/- (2018 Rs. 687,044/-) 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 26 July 2019 at the registered office of the Company at 310, High Level Road, Nawinna, Maharagama. The notice of the Annual General Meeting is on Page 185 of the report.

On behalf of the Board,

S S G Liyanage
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.

12 June 2019

STATEMENT OF THE DIRECTORS' RESPONSIBILITY

In keeping with the provisions under the Companies Act No.7 of 2007, the Directors of Kegalle Plantations PLC, acknowledge their responsibility in relation to financial reporting of both, the Company and that of its Group. These responsibilities differ from those of its Auditors, Messrs. Ernst & Young, which are set out in their report, appearing on pages 104 to 107 of this report.

The Financial Statements of the Company and its subsidiary for the year ended 31 March 2019 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 115 to 135 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 2019 and that of the profit for the year then ended.

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

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

The Directors have provided the Auditors Messrs. Ernst & Young, Chartered Accountants, with every opportunity to carry out reviews and tests that they consider appropriate and necessary for the performance of their responsibilities. The Company's Auditors, Messrs. Ernst & Young, Chartered Accountants have examined the Financial Statements together with all financial records and related data and express their opinion which appears as reported by them on pages 104 to 107 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.

12 June 2019

INDEPENDENT AUDITORS' REPORT

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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

Opinion

We have audited the Financial Statements of Kegalle Plantations PLC ("the Company") and the consolidated Financial Statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at March 31, 2019, statement of profit or loss and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the Financial Statements, including a summary of significant accounting policies.

In our opinion, the accompanying Financial Statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at March 31, 2019, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

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

Key audit matters

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

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

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

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Key audit matter	How our audit addressed the key audit matter
Retirement Benefit Obligation	
The retirement benefit obligation of the Group is significant (Rs. 488 Mn) in the context of the total liabilities of the Group. Valuation of the Group's Retirement Benefit Obligation involves a complex calculation; the calculation requires the use of significant assumptions such as rate of increase in salary & discount rate. Small changes in those assumptions could have a significant effect on the financial performance and financial position of the Group. Accordingly, actuarial valuation of retirement benefit obligation is considered to be a key audit matter.	We evaluated the assumption made in relation to the actuarial valuation of the retirement benefit obligation in particular: • We assessed the assumption for salary increase against the group's historic trend and expected future outlook. • We agreed the discount rate used, to our internally develop benchmarks. • We evaluated the key data used by the actuary to the underlying data held by the group. We evaluated the adequacy of the related disclosure given in note 25 in the Financial Statements.
Bearer Biological Assets - Immature	
During the financial year Group capitalised an amount of Rs. 252 Mn relating to immature plantations while transfers out to mature plantations amounted to Rs. 289 Mn. Due to the magnitude of the amounts involved and the significance of the management judgments required; in assessing if the indicators of impairment present and determining the points at which transfers to matured plantations should be made, we considered this area as a key audit matter for our audit.	Our audit procedures to address this area of focus included (amongst others) the following: • We assessed the processes and controls in place to ensure; proper capitalisation of the expenses incurred relating to immature plantations, timely transfer of matured plants to respective matured plantation categories and triggers of impairment (if any) are on a timely basis. • We validated the significant amounts capitalised (including capitalized labour, borrowing costs and other acceptable costs) by examining related invoices, capital expenditure authorizations and other corroborative evidences. • We inspected the ageing profile of the immature biological assets as of the reporting date as well as at the points of transfers out to ensure appropriate and timely transfers are made to respective matured plantation. We evaluated the adequacy of the related disclosures given in Note 16.1 in the Financial Statements.

Other Information included in 2018/19 Annual Report

Other information consists of the information included in the Annual Report, other than the Financial Statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

Responsibilities of management and those charged with governance

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

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

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

Auditor's responsibilities for the audit of the Financial Statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of the Company and the Group.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is M-1420.

Ernst & Young

Ernst & Young
Chartered Accountants

12 June 2019
Colombo

STATEMENT OF PROFIT OR LOSS

Year Ended 31 March		Group		Company	
	Notes	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
Revenue	6	2,421,797	2,508,167	2,421,797	2,508,167
Cost of Sale		(2,309,743)	(2,141,969)	(2,309,743)	(2,141,969)
Gross Profit		112,054	366,198	112,054	366,198
Gain / (Loss) on fair value of Biological Assets	16.4	(543)	18,111	(543)	18,111
Other Income	7	41,379	46,233	163,680	180,757
Administrative Expenses		(57,526)	(58,369)	(52,907)	(53,358)
Management Fee		(25,510)	(66,239)	(25,510)	(66,239)
Profit from Operations	8	**69,854**	305,935	**196,773**	445,469
Finance Income	9	188,899	180,030	188,899	180,030
Finance Cost	10	(284,575)	(280,235)	(284,575)	(280,235)
Share of Result of Equity Accounted Investees	11	358,851	294,776	-	-
Profit Before Taxation		**333,029**	500,505	**101,097**	345,264
Tax Expenses	12.1	65,052	(152,319)	941	(109,405)
Profit After Taxation		**398,081**	348,186	**102,038**	235,859
Basic Earnings Per Share - Rs.	13	**15.92**	13.93	**4.08**	9.43
Dividend Per Share - Rs.	13.3	-	-	**5.00**	7.50

The accounting policies and notes on Pages 115 through 162 form an integral part of the Financial Statements.

STATEMENT OF COMPREHENSIVE INCOME

Year Ended 31 March		Group		Company	
	Notes	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
Profit for the year		398,081	348,186	102,038	235,859
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	(26,699)	(50,953)	(26,699)	(50,953)
Income Tax Effect	12.2	3,738	7,133	3,738	7,133
Other Comprehensive income not to be reclassified to profit or loss in Subsequent periods		(22,962)	(43,819)	(22,962)	(43,819)
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	(3)	(1,303)	-	-
Income Tax Effect	11.2	(3)	124	-	-
		(6)	(1,179)	-	-
Net Gain / (Loss) on Fair Value Through Other Comprehensive Income Financial Assets	17.2	(2,640)	45,720	(2,640)	45,720
Income Tax Effect	12.2	264	(4,572)	264	(4,572)
		(2,376)	41,148	(2,376)	41,148
Other Comprehensive income not to be reclassified to profit or loss in Subsequent periods		**(2,382)**	39,969	**(2,376)**	41,148
Other Comprehensive income to be reclassified to profit or loss in Subsequent periods (net of tax)		-	-	-	-
Other Comprehensive Income for the year, net of tax		**(25,344)**	(3,850)	**(25,338)**	(2,671)
Total Comprehensive Income for the year, net of tax		**372,738**	344,336	**76,701**	233,187

The accounting policies and notes on Pages 115 through 162 form an integral part of the Financial Statements.

STATEMENT OF FINANCIAL POSITION

As at 31 March		Group		Company	
ASSETS	Notes	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
Non Current Assets					
Leasehold Property, Plant and Equipment	14	180,798	194,319	180,798	194,319
Freehold Property, Plant and Equipment	15	298,989	321,113	270,466	288,412
Bearer Biological Assets	16.1	2,431,448	2,258,161	2,431,448	2,258,161
Consumable Biological Assets	16.2	135,878	125,818	135,878	125,818
Financial Assets	17/22.1	243,960	1, 246,600	243,960	1, 246,600
Long Term Investments	18.3	1,245,807	947,927	491,850	491,850
Total Non Current Assets		4,536,880	5,093,939	3,754,400	4,605,162
Current Assets					
Produce on Bearer Biological Assets	16.3	3,758	5,815	3,758	5,815
Inventories	19	350,652	329,420	350,538	330,092
Trade and Other Receivables	20	356,581	247,505	348,286	239,057
VAT Recoverable		24,301	23,280	24,294	23,272
ESC Recoverable		34,408	25,543	34,408	25,543
Income Tax Recoverable		16,131	12,688	16,131	12,688
Amounts due from Related Companies	21	10,879	13,610	43,570	48,025
Short Term Investments	22	1,611,090	1,594,809	1,611,090	1,594,809
Financial Assets	22.1	1,000,000	-	1,000,000	-
Cash and Bank Balances		16,970	18,649	16,970	18,649
Total Current Assets		3,424,770	2,271,318	3,449,045	2,297,949
TOTAL ASSETS		7,961,650	7,365,257	7,203,445	6,903,111
EQUITY AND LIABILITIES					
Equity					
Stated Capital	23	250,000	250,000	250,000	250,000
General Reserve	23.1	225,000	225,000	225,000	225,000
Timber Reserve	23.2	31,521	30,008	31,521	30,008
Fair Value Through Other Comprehensive Income Reserve	23.3	48,588	48,588	48,600	48,600
Retained Earnings		2,808,897	2,562,673	2,063,962	2,113,775
Total Equity		3,364,007	3,116,269	2,619,083	2,667,383
Non Current Liabilities					
Interest-bearing Loans & Borrowings	24	524,661	1,051,147	524,661	1,051,147
Retiring Benefit Obligations	25	488,519	440,169	488,424	440,074
Deferred Income	26	212,753	211,831	212,753	211,831
Deferred Tax Liability	27	145,319	150,262	145,319	150,262
Liability to make Lease Payment after one year	28	247,242	252,872	247,242	252,872
Total Non Current Liabilities		1,618,494	2,106,281	1,618,399	2,106,186

As at 31 March		Group		Company	
EQUITY AND LIABILITIES	**Notes**	**2019**	2018	**2019**	2018
		Rs.'000	Rs.'000	**Rs.'000**	Rs.'000
Current Liabilities					
Trade and Other Payables	29	251,692	239,188	243,625	231,142
Interest-bearing Loans & Borrowings	24	2,606,429	1,850,513	2,606,429	1,850,513
Liability to make Lease Payment within one year	28	5,630	5,413	5,630	5,413
Dividend Payable	30	29,484	23,963	29,484	23,963
Amounts due to Related Companies	31	85,915	23,630	80,796	18,511
Total Current Liabilities		**2,979,149**	2,142,707	**2,965,963**	2,129,542
TOTAL EQUITY AND LIABILITIES		**7,961,650**	7,365,257	**7,203,445**	6,903,111

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

Sudheera Epitakumbura
Financial Controller

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

S S G Liyanage
Director

Dr. S S B D G Jayawardena
Director

The accounting policies and notes on Pages 115 through 162 form an integral part of the Financial Statements.

12 June 2019
Colombo

STATEMENT OF CHANGES IN EQUITY

Year Ended 31 March Group	Stated Capital Rs.'000	General Reserve Rs.'000	Retained Earnings Rs.'000	FVTOCI Reserve Rs.'000	Timber Reserve Rs.'000	Total Rs.'000
As at 01 April 2017	250,000	225,000	2,422,324	48,588	13,521	2,959,433
Profit for the year	-	-	348,186	-	-	348,186
Other Comprehensive Income						
Actuarial Gains / (Losses) on Defined Benefit Plans	-	-	(43,819)	-	-	(43,819)
Share of Other Comprehensive Income of Equity Accounted Investees						
Net Gain / (Loss) on FVTOCI Financial Assets	-	-	41,148	-	-	41,148
Actuarial Gains and (Losses) on Defined Benefit Plans	-	-	(1,179)	-	-	(1,179)
Timber Reserve	-	-	(16,487)	-	16,487	-
Dividend Paid	-	-	(187,500)	-	-	(187,500)
Balance as at 31 March 2018	**250,000**	**225,000**	**2,562,673**	**48,588**	**30,008**	**3,116,269**
Profit for the year	-	-	398,081	-	-	398,081
Other Comprehensive Income						
Actuarial Gains / (Losses) on Defined Benefit Plans	-	-	(22,962)	-	-	(22,962)
Share of Other Comprehensive Income of Equity Accounted Investees						
Net Gain / (Loss) on FVTOCI Financial Assets	-	-	(2,376)	-	-	(2,376)
Actuarial Gains / (Losses) on Defined Benefit Plans	-	-	(6)		-	(6)
Timber Reserve	-	-	(1,513)	-	1,513	-
Dividend Paid	-	-	(125,000)	-	-	(125,000)
Balance as at 31 March 2019	**250,000**	**225,000**	**2,808,897**	**48,588**	**31,521**	**3,364,007**

Company	Stated Capital Rs.'000	General Reserve Rs.'000	Retained Earnings Rs.'000	FVTOCI Reserve Rs.'000	Timber Reserve Rs.'000	Total Rs.'000
As at 01 April 2017	250,000	225,000	2,084,575	48,600	13,521	2,621,695
Profit for the year	-	-	235,859	-	-	235,859
Other Comprehensive Income	-	-	(2,671)	-	-	(2,671)
Timber Reserve	-	-	(16,487)	-	16,487	-
Dividend Paid	-	-	(187,500)	-	-	(187,500)
Balance as at 31 March 2018	**250,000**	**225,000**	**2,113,775**	**48,600**	**30,008**	**2,667,383**
Profit for the year	-	-	102,038	-	-	102,038
Other Comprehensive Income	-	-	(25,338)	-	-	(25,338)
Timber Reserve	-	-	(1,513)	-	1,513	-
Dividend Paid	-	-	(125,000)	-	-	(125,000)
Balance as at 31 March 2019	**250,000**	**225,000**	**2,063,962**	**48,600**	**31,521**	**2,619,083**

The accounting policies and notes on Pages 115 through 162 form an integral part of the Financial Statements.

CASH FLOW STATEMENT

Year Ended 31 March	Notes	Group 2019 Rs.'000	Group 2018 Rs.'000	Company 2019 Rs.'000	Company 2018 Rs.'000
CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES					
Net Profit Before Taxation		333,029	500,505	101,097	345,264
ADJUSTMENTS FOR					
Interest Income	9	(188,899)	(180,030)	(188,899)	(180,030)
Depreciation / Amortisation	8	127,536	105,486	127,536	105,486
Provision for Defined Benefit Plan Costs	25	83,385	77,300	83,385	77,300
Amortisation of Grants / Subsidies	26	(11,089)	(10,688)	(11,089)	(10,688)
Finance Costs	10	284,575	280,235	284,575	280,235
Dividend Received from Associates / FVTOCI Financial Assets	7	(3,996)	-	(128,030)	(136,372)
Impairment of Property, Plant & Equipment		4,177	4,834	-	-
(Profit) / Loss on disposal of Assets		3,850	-	3,850	-
(Gains) / Losses on Fair Value of Biological Assets	16.4	543	(18,111)	543	(18,111)
Gains / (Losses) on Sales of Biological Assets		-	(7,644)	-	(7,644)
Share of result of Associates		(358,851)	(294,776)	-	-
Operating Profit before Working Capital Changes		**274,262**	457,112	**272,970**	455,441
(Increase) / Decrease in Inventories		(20,189)	(61,971)	(20,446)	(61,971)
(Increase) / Decrease in Trade and Other Receivables		(110,097)	49,115	(110,251)	49,269
Increase / (Decrease) in Trade and Other Payables		12,504	(19,945)	12,483	(19,969)
(Increase) / Decrease in amounts due from Related Companies		2,731	(11,296)	4,455	(9,754)
Increase / (Decrease) in amounts due to Related Companies		62,285	(22,662)	62,285	(22,662)
Cash Generated from / (used in) Operations		**221,496**	390,353	**221,496**	390,353
Finance Costs Paid		(226,158)	(226,447)	(226,158)	(226,447)
Defined Benefit Plan Costs Paid	25	(61,734)	(68,979)	(61,734)	(68,979)
ESC/Income Tax Paid		(12,307)	(12,716)	(12,307)	(12,716)
Net Cash from / (used in) Operating Activities		**(78,703)**	82,211	**(78,703)**	82,211
CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES					
Interest Income	9	188,899	180,030	188,899	180,030
Dividend Received from Associates		128,030	136,372	128,030	136,372
Grants / Subsidies Received	26	12,010	26,341	12,010	26,341
Proceeds from Disposal of Property, Plant & Equipment		1,000	-	1,000	-
Proceeds from Disposal of Biological Assets		-	9,000	-	9,000
Field Development Expenditure	Note A	(260,837)	(300,895)	(260,837)	(300,895)
Purchase of Property, Plant & Equipment	Note B	(21,915)	(33,844)	(21,915)	(33,844)
Net Cash from / (used in) Investing Activities		**47,187**	17,002	**47,187**	17,002
CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES					
Dividend Paid		(119,479)	(190,114)	(119,479)	(190,114)
Payment of Government lease rentals - Interest	28	(58,417)	(53,788)	(58,417)	(53,788)
Payment of Government lease rentals - Capital	28	(5,413)	(5,205)	(5,413)	(5,205)
Proceed from loans		50,000	799,646	50,000	799,646
Repayment of loans		(668,332)	(570,226)	(668,332)	(570,226)
Net Cash from / (used in) Financing Activities		**(801,641)**	(19,687)	**(801,641)**	(19,687)
Net Increase / (Decrease) in Cash & Cash Equivalents		(833,158)	79,527	(833,158)	79,527
Cash & Cash Equivalents at the beginning of the year	Note C	504,503	424,976	504,503	424,976
Cash & Cash Equivalents at the end of the year	Note D	**(328,655)**	504,503	**(328,655)**	504,503

The accounting policies and notes on Pages 115 through 162 form an integral part of the Financial Statements.

NOTES TO THE CASH FLOW STATEMENT

Year Ended 31 March	Group		Company	
NOTE A	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
Investment in Field Development expenditure				
Investment in Immature Plantations				
Rubber	152,496	184,279	152,496	184,279
Tea	12,206	24,990	12,206	24,990
Coconut	778	1,808	778	1,808
Unallocated	95,358	89,818	95,358	89,818
Total	260,837	300,895	260,837	300,895

	Group		Company	
NOTE B	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
Investment in Property, Plant & Equipment				
Rubber	7,441	16,684	7,441	16,684
Tea	13,884	8,929	13,884	8,929
Coconut	-	-	-	-
Unallocated	590	8,232	590	8,232
Total	21,915	33,844	21,915	33,844

	Group		Company	
NOTE C	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
Cash & Cash Equivalents at the beginning of the year				
Cash & Bank Balances	18,649	17,293	18,649	17,293
Bank Overdrafts	(1,108,954)	(1,013,209)	(1,108,954)	(1,013,209)
Short term Investments	1,594,809	1,420,892	1,594,809	1,420,892
Total	504,503	424,976	504,503	424,976

	Group		Company	
NOTE D	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
Cash & Cash Equivalents at the end of the year				
Cash & Bank Balances	16,970	18,649	16,970	18,649
Bank Overdrafts	(1,956,715)	(1,108,954)	(1,956,715)	(1,108,954)
Short term Investments	1,611,090	1,594,809	1,611,090	1,594,809
Total	(328,655)	504,503	(328,655)	504,503

NOTES TO THE FINANCIAL STATEMENTS

Index to the notes to the Financial Statements

1. REPORTING ENTITY

Kegalle Plantations PLC was incorporated on 22nd June 1992 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 Corporation and Government-Owned Business Undertakings into Public Companies under Public Companies Act No. 23 of 1987.

The registered office of the Company is located at No. 310, High Level Road, Nawinna, Maharagama, Sri Lanka and Plantations are situated in the planting districts of Kegalle, Kurunegala and 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 Consolidated Financial Statements of Kegalle Plantations PLC., as at and for the year ended 31 March 2019 comprise the Company, its Subsidiary and Associates namely, Hamefa Kegalle (Pvt.) Ltd, Richard Pieris Natural Foams Ltd, and Arpico Insurance PLC.

The Financial Statements of all companies in the Group are prepared for a common financial year, which ends on 31st March.

1.1 Principle Activities and nature of the operations

During the year, the principal activities of the Company were the producing and processing of Rubber, Tea and Coconut.

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

Company	Relationship	Nature of the business/Principal Place of 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.

1.2 Holding Company

The Company is a subsidiary of RPC Plantation Management Services (Pvt) Ltd., which is a wholly-owned subsidiary of Richard Pieris Plantations (Pvt) Ltd whose ultimate parent enterprise is Richard Pieris & Co. PLC.

1.3 Date of Authorization for issue

The Financial Statements of Kegalle Plantations PLC for the year ended 31 March 2019, were authorized for issue in accordance with a resolution of the Board of Directors on 12 June 2019.

1.4 Responsibility for Financial Statements

The responsibility of the Directors in relation to the Financial Statements is set out in the Statement of Directors' Responsibility Report in the Annual Report.

2. BASIS OF PREPERATION

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, Statement of Cash Flow 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.

- Managed Consumable biological assets are measured at fair value.
- Harvestable Agricultural Produce growing on bearer biological assets are measured at fair value.

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

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

2.3 New accounting standards, interpretations and amendments adopted by the group

The accounting policies adopted in the preparation of the Financial Statements are consistent with those followed in the preparation of the Group's annual Financial Statements in the previous financial year, except for the adoption of new standards effective as of 1st January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, SLFRS 15, Revenue from Contracts with Customers and SLFRS 9, Financial Instruments that require restatement of previous Financial Statements.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the Financial Statements of the Group.

2.3.1 SLFRS 15 Revenue from Contracts with Customers

SLFRS 15 supersedes LKAS 11, Construction Contracts, LKAS 18, Revenue and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new Standard establishes a five-step model to account for revenue arising from contracts with customers. Under SLFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted SLFRS 15 using the full retrospective method of adoption. Based on the assessment performed, the Group concluded that SLFRS 15 does not have a material impact on the Group's Financial Statements. The revised policies as per SLFRS 15 are indicated in the note no. 3.21.1.

2.3.2 SLFRS 9 Financial Instruments

SLFRS 9 Financial Instruments replaces LKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group adopted SLFRS 9 using the full retrospective method of adoption. Based on the assessment performed, the Group concluded that SLFRS 9 does not have a material impact on the Group's Financial Statements, except for following classification changes occurred.

Classification and measurement

Except for trade receivables, under SLFRS 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under SLFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss (FVTPL), amortised cost, or fair value through other comprehensive income (FVTOCI). The classification is based on two criteria: The Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Group's business models was made as of the date of initial application, 1st January 2018, and then applied retrospectively to those financial assets that were not derecognized before 1st January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The new classification and measurement of the Group's debt financial assets are as follows:

Debt instruments at amortised cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category includes the Group's Trade and other receivables. (These financial assets were classified as loans and receivables under LKAS 39 in the previous Financial Statements).

Held to maturity financial assets reclassified as financial assets at amortised cost and available for sale financial assets reclassified as fair value through other comprehensive income financial assets, carrying values of these financial assets represented in Financial Statements for the year ended 31 March 2019 are Rs. 1.0 Bn and Rs. 243.9 Mn respectively.

No any other classification changes were identified due to the adoption of SLFRS 9.

The accounting for the Group's financial liabilities remains largely the same as it was under LKAS 39.

Impairment

The adoption of SLFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing LKAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

SLFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVTPL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For trade and other receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses.

2.4 Functional and Presentation Currency

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

2.5 Materiality and Aggregation

Each material class of similar items is presented separately in the Consolidated Financial Statements. Items of a dissimilar nature or function are presented separately unless they are immaterial.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below are consistent with those used in the previous year. The accounting policies set out below are consistent with those used in the previous year. Accounting policies of subsidiaries are consistent with the policies adopted by the Group.

3.1 Going Concern

The Consolidated Financial Statements have been prepared on the assumption that The Company is a going concern. The Directors have made an assessment of the Group's ability to continue as a going concern in the foreseeable future. Furthermore, board is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as going concern and they do not intend either to liquidate or to cease operations of Group. Therefore, the Consolidated Financial Statements continue to be prepared on the going concern basis.

3.2 Basis of Consolidation

The Consolidated Financial Statements comprise the Financial Statements of the Group and its subsidiaries as at 31 March 2019. Subsidiaries are those entities controlled by the group. 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 derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

Company level investments in subsidiaries are recognized at cost.

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 recognized in profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized 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 recognized 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 recognized in statement of 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 Equity Accounted Investees

Equity accounted investees are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity. Equity accounted investees are accounted for using the equity method.

Under the equity method, the investment in the equity accounted investee is carried on the Statement of Financial Position at cost plus post acquisition changes in the Group's share of net assets of the equity accounted investee. Goodwill relating to the equity accounted investee is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The Statement of Profit or Loss reflects the Group's share of the results of operations of the equity accounted investee. When there has been a change recognized directly in the equity of the equity accounted investee, the Group recognizes its share of any changes and discloses this, when applicable, in the Statement of Changes in Equity. Unrealized gains and losses resulting from transactions between the Group and the equity accounted investee are eliminated to the extent of the interest in the equity accounted investee.

The consolidated Financial Statements include the Group's share of profit net of tax and equity movements of equity accounted investees from the date that significant influence commences until the date significant influence ceases. When the Group's share of losses exceeds its investment in an equity accounted investee, the carrying amount of that interest is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has incurred obligations or has made payments on behalf of the investee.
The Financial Statements of the equity accounted investees are prepared for the same reporting period as the Group. After application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on its investment in its equity accounted investee. The Group determines at each reporting date whether there is any objective evidence that the investment in the equity accounted investee is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amounts of the equity accounted investee and its carrying value and recognizes the amount in the 'share of profit of an equity accounted investee, in the Statement of Profit or Loss.

Upon loss of significant influence over the equity accounted investee, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the equity accounted investee upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

In the Company level, investments in subsidiaries and associates are recognized at cost.

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

- It does not have a right at the reporting date to defer the settlement of the liability for at least twelve months after the reporting date.

The Group classifies all other liabilities as non-current.

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

3.4 Fair Value Measurement

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

- Managed Consumable biological assets Note 16.2.
- Produce Growing on Bearer Biological Assets Note 16.3.

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 consumable biological assets. 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. Valuers are normally rotated every three years. 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 Currencies

The Group's consolidated Financial Statements are presented in Sri Lankan Rupees, which is also the parent Company's functional currency. For each entity the Group determines the functional currency and items included in the Financial Statements of each entity are measured using that functional currency.

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 statement of 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 OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. 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 translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or statement of profit or loss are also recognised in OCI or statement of profit or loss, respectively).

3.6 Cash Dividend and Non-Cash Distribution to Equity Holders of the Parent

The Company recognises a liability to make cash or non-cash distributions to equity holders of the parent when the distribution is authorised and the distribution is no longer at the discretion of the Company. A distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value remeasurement recognised directly in equity.

Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in the statement of profit or loss.

3.7 Property, Plant & Equipment

The group applies the requirements of LKAS 16 on 'Property Plant and Equipment' in accounting for its 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.

3.7.1 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.

3.7.2 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.

3.7.3 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 Profit or Loss.

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

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

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

3.7.4 Owned Assets

The cost of property, plant & equipment includes expenditures that are directly attributable to the acquisition of the asset. Such costs include 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 and 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.

3.7.5 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.

3.7.6 De-recognition

An item of property, plant and equipment and any significant part initially recognised is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition 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 derecognised and gains are not classified as revenue.

3.7.7 Land Development Cost

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

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

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

3.7.8 Biological Assets

Biological assets are classified in to 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 specifications. Tea, rubber, other plantations and nurseries are classified as biological assets.

Biological assets are further classified as bearer biological assets and consumable biological assets. Bearer biological asset includes tea and rubber trees, those that are not intended to be sold or harvested, however used to grow for harvesting agricultural produce from such biological assets. Consumable biological assets include managed timber trees those that are to be harvested as agricultural produce or sold as biological assets.

The entity recognizes 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.

Bearer Biological Asset

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. The expenditure incurred on bearer biological assets (Tea, Rubber) which comes into bearing during the year, is transferred to mature plantations.

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 the number of plants per hectare exceeded 3,000 plants and, also if it 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.

Consumable Biological Asset

Consumable biological assets include managed timber trees those that are to be harvested as agricultural produce or sold as biological assets. Expenditure incurred on consumable biological assets (managed timber trees) is measured on initial recognition and at the end of each reporting period at 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 species 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 species by factoring the forestry plan of the Company
Selling price	Estimated based on prevailing Sri Lankan market price. Factor all the conditions to be fulfill in bringing the trees in to saleable condition.
Planting cost	Estimated costs for the further development of immature areas are deducted.
Discount rate	Future cash flows are discounted at 14%.

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 statement of profit or loss for the period in which it arises.

Permanent impairments to biological asset 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.

Nursery Plants

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

3.7.9 Depreciation and Amortisation

a) Depreciation

Depreciation is recognised in Income Statement on a straight-line basis over the estimated useful economic lives of each part of an item of Property, Plant & Equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. 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 & Roads	40	2.5
Plant & Machinery	12.5	8
Colour Separator	20	5
Furniture & Fittings	10	10
Vehicle	5	20
Equipment	8	12.5
Sanitation, Water Supply & Electricity	20	5
Computer Accessories	8	12.5
Furniture & Fittings	10	10
Lines & Latrines	40	2.5

Mature Plantations (Replanting and New Planting)

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

Depreciation of an asset begins when it is available for use and ceases at the earlier of the date on which the asset is classified as held for sale or is derecognized. 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 (%)
Right to Use of Land	53	1.89
Improvements to land	30	3.33
Mature Plantations (Tea & Rubber)	30	3.33
Buildings	25	4.00
Machinery	15	6.67

3.7.10 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 statement of 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 live 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.

Research and Development

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.

3.8 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.

3.8.1 Financial assets

Initial Recognition and Measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

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 recognized on the trade date, 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, investments, trade and other receivables.

Subsequent Measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

a) Financial assets at amortized cost (debt instruments)

The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Financial Assets at amortized cost comprise of trade receivables, amounts due from related parties, deposits, advances and other receivables.

b) Financial assets at fair value through OCI (debt instruments)

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling.

and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

The Group does not have any debt instruments at fair value through OCI.

c) Financial assets at fair value through OCI

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under LKAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument- by instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment. The Group has opted to classify investment in shares Richard Pieris Finance Ltd under Financial assets at fair value through OCI.

d) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

De-recognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is de-recognised 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.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

3.8.2 Financial Liabilities

Initial recognition and measurement

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

All financial liabilities are recognized 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 and loans and borrowings.

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.

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

(b) Financial liabilities at amortized cost

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

Financial liabilities comprise interest bearing loans and borrowings, trade payables, other payables, income tax payables and amounts due to related parties.

De-recognition

A financial liability is de-recognised 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 de-recognition 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.

3.8.3 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset, and the net amount reported in the Consolidated Statement of Financial Position 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.

Financial risk management objectives and policies have been disclosed under Note 38.

3.9 Harvestable Agricultural 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 less cost of harvesting & transport.
- Rubber – Latex price (95% of current RSS1 Price) less cost of tapping & transport.

3.10 Inventories

Finished Goods Manufactured from Agricultural Produce of Biological Assets

These are valued at the lower of cost and estimated net realisable value. 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

Agricultural produce harvested from its biological assets are measured at their fair value less cost to sell at the point of harvest. The finished and semi-finished inventories from agriculture produce are valued by adding the cost of conversion to the fair value of the agricultural produce.

3.11 Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand form an integral part of the Group's cash management and are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

3.12 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.

3.13 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 Contribution Plans - Provident Funds and 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 Company 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 Company are members of the Employees' Trust Fund, to which the Company contributes 3% on the consolidated salary of such employees.

(b) 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 as in retained earnings through comprehensive income. 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 are given in Note 25.

3.15 Capital Commitments and Contingencies

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

3.16 Events Occurring after the Reporting Date

All material 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.

3.17 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 Company by the weighted average number of ordinary shares outstanding during the period.

3.18 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 installments. 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.

3.19 Statement of Profit or Loss

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

3.19.1 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. Under SLFRS 15, revenue is recognised upon satisfaction of performance obligation.

The Group is in the business of cultivation, manufacture and sale of black tea, rubber and other crops (Plantation Produce). Revenue from contracts with customers is recognized when control of the goods are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods. The Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods before transferring them to customer.

Revenue from Contracts with Customers

- **Sale of Plantation Produce**

Revenue from sale of plantation produce is recognized at the point in time when the control of the goods are transferred to the customer. Black tea and Rubber produce are sold at the Colombo tea/rubber Auction and the highest bidder whose offer is accepted shall be the buyer, and a sale shall be completed at the fall of the hammer, at which point control is transferred to the customer. Revenue from sale of other crops are recognized at the point in time when the control of the goods has been transferred to the customer generally upon delivery of the goods to the location specified by the customer and the acceptance of the goods by the customer.

There is no element of financing present as the Group's sale of plantation produce are either on cash terms (Immediate payment or advance payment not exceeding 30 days) or on credit terms ranging from 7 to 15 days.

Other Source of Income

Revenue recognition criteria for the other source of income as follows;

- **Rental Income**

Rental income is recognized on an accrual basis in accordance with the substance of the relevant agreement.

- **Dividend Income**

Dividend income is recognized when the right to receive payment is established.

- **Interest Income**

Interest income is recognized based on effective interest method.

Interest income on financial assets at FVTPL is recognized as part of net gains or losses on these financial instruments.

Interest income of financial assets at amortized cost is calculated by using the effective interest method and is recognized as other income.

3.19.2 Expenses

All expenditure incurred in the running of the business and in maintaining the Property, Plant & Equipment in a state of efficiency is charged to revenue in arriving at the profit/(loss) for the year.

(a) Financing Income and Finance cost

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss, and losses on hedging instruments that are recognised in profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

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. Foreign currency gains and losses are reported on a net basis.

(b) Taxes

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.

3.20 Statement of Cash Flow

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

3.21 Segment Reporting

Segmental information is provided for the different business segments of the Group. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components.

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 in Note 06 in the Notes to the Financial Statements. The group transfers products from one industry segment for use in another. Inter-segment transfers are based on fair market prices.

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.

All operating segments' operating results are reviewed regularly to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

4. USE OF ESTIMATES AND JUDGMENTS

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

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:

4.1 Taxation

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. Unused tax losses as of 31 March 2019 are given in Note 10B.
As per the Inland Revenue Act No. 24 of 2017 (ACT), in the case of a Company predominantly conducting an agricultural business, the applicable income tax rate is 14%. As per the above ACT "Predominantly" is defined as 80% or more calculated based on gross income. The "Agriculture business" is defined in section

195 (1) as business of producing agricultural, horticultural or any animal produce and includes an undertaking for the purpose of rearing livestock or poultry. Based on the legal expert opinion obtained, the management is of the view that the Company is predominantly engaged in agricultural business.

4.2 Measurement of Retirement Benefit Obligation

The present value of the retirement benefit obligation determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate; future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting period.

In determining the appropriate discount rate, management considers the interest rates of Sri Lanka government bonds with maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables. Future salary increases are based on expected future inflation rate and expected future salary increase rates of the Company.
Further details about Retirement benefit obligations are provided in Note 25.

4.3 Fair Valuation of Biological Assets

The fair value of managed timber depends on number of factors that are determined on a discounted method using various financial and non-financial assumptions. The growth of the trees is determined by various biological factors that are highly unpredictable. Any change to the assumptions will impact to the fair value of biological assets. Key assumptions and sensitivity analysis of the biological assets are given in the Note 16.2.1.

4.4 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 Company 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 Company's CGUs to which the individual assets are allocated.

5. STANDARD ISSUED BUT NOT YET EFFECTIVE

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

• SLFRS 16 –Leases

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

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

6 REVENUE

6.1 Summary

	Group 2019 Rs.'000	Group 2018 Rs.'000	Company 2019 Rs.'000	Company 2018 Rs.'000
Sale of Goods				
Rubber	1,206,202	1,153,628	1,206,202	1,153,628
Tea	960,089	1,127,097	960,089	1,127,097
Coconut	51,845	58,361	51,845	58,361
Other Crops	544	338	544	338
Sale of Rubber Trees	203,117	168,743	203,117	168,743
Total Revenue	2,421,797	2,508,167	2,421,797	2,508,167

6.2 OPERATING SEGMENTS

Geographical Segments - Revenue	Group 2019 Rs.'000	Group 2018 Rs.'000	Company 2019 Rs.'000	Company 2018 Rs.'000
Local Revenue	2,295,694	2,364,496	2,295,694	2,364,496
Export Revenue	126,103	143,671	126,103	143,671
Total Revenue	2,421,797	2,508,167	2,421,797	2,508,167

6.3 Business Segments

	Group 2019 Rs.'000	Group 2018 Rs.'000	Company 2019 Rs.'000	Company 2018 Rs.'000
Rubber				
Revenue	1,206,202	1,153,628	1,206,202	1,153,628
Revenue Expenditure	(1,111,867)	(925,676)	(1,111,867)	(925,676)
Depreciation & Amortisation	(87,688)	(74,658)	(87,688)	(74,658)
Other Non Cash Expenditure - Gratuity	(47,203)	(45,401)	(47,203)	(45,401)
Segment Result - Gross Profit / (Loss)	(40,557)	107,893	(40,557)	107,893
Tea				
Revenue	960,089	1,127,097	960,089	1,127,097
Revenue Expenditure	(963,750)	(1,003,033)	(963,750)	(1,003,033)
Depreciation & Amortisation	(36,414)	(28,664)	(36,414)	(28,664)
Other Non Cash Expenditure - Gratuity	(36,181)	(31,900)	(36,181)	(31,900)
Segment Result - Gross Profit /(Loss)	(76,256)	63,500	(76,256)	63,500
Coconut				
Revenue	51,845	58,361	51,845	58,361
Revenue Expenditure	(25,848)	(31,263)	(25,848)	(31,263)
Segment Result - Gross Profit	25,997	27,098	25,997	27,098
Other Crops				
Revenue	544	338	544	338
Revenue Expenditure	(151)	(269)	(151)	(269)
Segment Result - Gross Profit	393	69	393	69
Sale of Rubber Trees				
Revenue	203,117	168,743	203,117	168,743
Revenue Expenditure	(640)	(1,106)	(640)	(1,106)
Segment Result - Gross Profit	202,477	167,637	202,477	167,637
Total Segments				
Revenue	2,421,797	2,508,167	2,421,797	2,508,167
Revenue Expenditure	(2,102,256)	(1,961,346)	(2,102,256)	(1,961,346)
Depreciation & Amortisation	(124,102)	(103,323)	(124,102)	(103,323)
Other Non Cash Expenditure - Gratuity	(83,385)	(77,300)	(83,385)	(77,300)
Total Segment Results - Gross Profit	112,054	366,198	112,054	366,198

	Group 2019 Rs.'000	Group 2018 Rs.'000	Company 2019 Rs.'000	Company 2018 Rs.'000
Total Segment Results - Gross Profit	112,054	366,198	112,054	366,198
Gain/(Loss) on fair value of biological assets	(543)	18,111	(543)	18,111
Other Income	41,379	46,233	163,680	180,757
Administrative Expenses	(57,526)	(58,369)	(52,907)	(53,358)
Management Fee	(25,510)	(66,239)	(25,510)	(66,239)
Finance Income	188,899	180,030	188,899	180,030
Finance Cost	(284,575)	(280,235)	(284,575)	(280,235)
Share of Result of Associates	358,851	294,776	-	-
Profit Before Tax	333,029	500,504	101,097	345,264

6.4. Business Segments - Assets

	Group 2019 Rs.'000	Group 2018 Rs.'000	Company 2019 Rs.'000	Company 2018 Rs.'000
Non Current Assets				
Rubber	1,856,600	1,815,538	1,856,600	1,815,538
Tea	772,639	765,643	772,639	765,643
Other Crops	285,706	200,391	285,706	200,391
Unallocated	1,621,936	2,312,367	839,456	1,823,589
Total Non Current Assets	4,536,880	5,093,939	3,754,400	4,605,162
Current Assets				
Rubber	348,049	357,250	348,049	357,250
Tea	235,287	207,701	235,287	207,701
Other Crops	44,246	41,715	44,246	41,715
Unallocated	2,797,188	1,664,652	2,821,463	1,691,283
Total Current Assets	3,424,770	2,271,318	3,449,045	2,297,949

6.5. Business Segments - Liabilities

	Group 2019 Rs.'000	Group 2018 Rs.'000	Company 2019 Rs.'000	Company 2018 Rs.'000
Non Current Liabilities				
Rubber	225,961	170,766	225,961	170,766
Tea	303,048	247,097	303,048	247,097
Other Crops	77,624	70,764	77,624	70,764
Unallocated	1,011,860	1,617,653	1,011,766	1,617,559
Total Non Current Liabilities	1,618,494	2,106,281	1,618,399	2,106,186
Current Liabilities				
Rubber	114,217	97,566	114,217	97,566
Tea	104,622	101,119	104,622	101,119
Other Crops	19,284	24,216	19,284	24,216
Unallocated	2,741,026	1,919,807	2,727,840	1,906,642
Total Current Liabilities	2,979,149	2,142,707	2,965,963	2,129,542

6.6. Segment Capital Expenditure

	Group 2019 Rs.'000	Group 2018 Rs.'000	Company 2019 Rs.'000	Company 2018 Rs.'000
Rubber	159,937	200,963	159,937	200,963
Tea	26,089	33,919	26,089	33,919
Coconut	778	1,808	778	1,808
Unallocated	95,948	98,050	95,948	98,050
Total Capital Expenditure	282,752	334,739	282,752	334,739

7. OTHER INCOME

	Group		Company	
	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Amortisation of Capital Grants/Subsidy	11,089	10,688	11,089	10,688
Dividend Income	3,996	-	128,030	136,372
Sundry Income	26,295	35,545	24,562	33,697
Total Other Income	41,379	46,233	163,680	180,757

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

8. PROFIT BEFORE TAXATION IS STATED AFTER CHARGING FOLLOWINGS

	Group		Company	
	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Auditors' Remuneration	4,567	3,644	4,567	3,644
Depreciation & Amortization	127,536	105,486	127,536	105,486
Directors' Remuneration	800	3,300	800	3,300
Defined Benefit Plan Cost	83,385	77,300	83,385	77,300
Defined Contribution Plans - EPF & ETF	121,500	120,444	121,500	120,444
Others - Staff Cost	926,399	982,376	926,399	982,376

9. FINANCE INCOME

	Group		Company	
	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Debenture Interest	106,875	112,500	106,875	112,500
Exchange Gain	12,379	-	12,379	-
Other Interest Income	69,645	67,530	69,645	67,530
Total Finance Income	188,899	180,030	188,899	180,030

10. FINANCE COST

	Group		Company	
	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Overdraft Interest	167,229	140,050	167,229	140,050
Interest on Government Lease	10,331	10,539	10,331	10,539
Variable Lease Rental	48,086	43,249	48,086	43,249
Exchange Loss	-	1,103	-	1,103
Term Loan Interest	114,126	116,448	114,126	116,448
	339,772	311,389	339,772	311,389
Less: Interest Capitalised	(55,196)	(31,154)	(55,196)	(31,154)
Total Finance Cost	284,575	280,235	284,575	280,235

11. SHARE OF RESULT OF ASSOCIATES

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

The Group's share of the income of the entities for the years ending 31 March 2019 and 2018, which are accounted under the equity method are as follows.

11.1. Statement of Profit or Loss

	Group	
	2019 Rs.'000	2018 Rs.'000
Richard Pieris Natural Foams Ltd		
Group's Share of Profit Before Tax	276,299	210,917
Tax on Associate Results	(37,751)	(27,762)
Group Share of Profit After Tax	238,548	183,155
Arpico Insurance PLC		
Group's Share of Profit Before Tax	82,552	83,859
Tax on Associate Results	121,011	-
Group Share of Profit After Tax	203,563	83,859
Total Group Share of Result		
Group's Share of Profit Before Tax	358,851	294,776
Tax on Associate Results	83,260	(27,762)
Group Share of Profit After Tax	442,111	267,014

11.2. Statement of Other Comprehensive Income (OCI)

	Group	
	2019 Rs.'000	2018 Rs.'000
Richard Pieris Natural Foams Ltd		
Gain/(Loss) on Acturial Valuation	23	(886)
Income Tax Effect	(3)	124
Group Share of Other Comprehensive Income/(Loss)	20	(762)
Arpico Insurance PLC		
Gain(/Loss) on Acturial Valuation	(26)	(417)
Income Tax Effect	-	-
Group Share of Other Comprehensive Income/(Loss)	(26)	(417)
Total Group Share of Result		
Gain/(Loss) on Acturial Valuation	(3)	(1,303)
Income Tax Effect	(3)	124
Group Share of Other Comprehensive Income/(Loss)	(6)	(1,179)

12. CURRENT TAX EXPENSES

	Group		Company	
	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
12.1. Statement of Profit or Loss				
(I) Current Income Tax:				
• Current income tax charge	(83,260)	31,204	-	3,443
• Tax on dividend paid by Group Companies	20,192	15,152	-	-
(II) Deferred Tax (Note 27.1):				
• Relating to origination and (reversal) of temporary differences	(941)	(4,336)	(941)	(4,336)
• Amount originated due to the Income Tax rate change	-	110,298	-	110,298
Income Tax charge/(reversal) reported in Statement of Profit or Loss	(65,052)	152,319	(941)	109,405

12.2. Statement of Other Comprehensive Income (OCI)

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

• Net gain/(loss) on actuarial gains and losses on defined Benefit Plans (Note 27.1)	3,738	7,133	3,738	7,133
• Net gain/(loss) on FVTOCI Financial assets (Note 27.1)	264	(4,572)	264	(4,572)
Income Tax charge directly to Other Comprehensive Income	4,002	2,561	4,002	2,561

12.3. Reconciliation between Current Tax Expense and Accounting Profit

	Group		Company	
	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Accounting Profit Before Tax	333,029	500,505	101,097	345,264
Aggregate Disallowed Items	239,955	223,354	239,955	223,354
Aggregate Allowable Items	(678,516)	(689,748)	(678,516)	(583,750)
Tax Exempt Income	-	(162,278)	-	(162,278))
Total Statutory Income	(105,532)	(128,167)	(337,464)	(177,410)
Liable Interest Income	194,524	18,916	194,524	18,916
	88,992	(109,251)	(142,940)	(158,494)
Tax Losses Utilized During the Year	(194,524)	(6,620)	(194,524)	(6,620)
Total Assessable Income / Taxable Income	(105,532)	(115,871)	(337,464)	(165,115)
Assessable Income / Taxable Income from Agriculture	(337,464)	(165,115)	(337,464)	(165,115)
Assessable Income / Taxable Income from Manufacture	-	12,295	-	12,295
Total Assessable Income / Taxable Income	(337,464)	(152,820)	(337,464)	(152,820)
Income Tax @ 10%	-	-	-	-
Income Tax @ 14%	-	-	-	-
Income Tax @ 28%	-	3,443	-	3,443
Income Tax on Current Year Profits	-	3,443	-	3,443
Less: Over Provision previous years	-	-	-	-
	-	3,443	-	3,443
Share of Equity Accounted Investees' Income Tax	(84,303)	27,762	-	-
Current Income Tax Expenses	(84,303)	31,204	-	3,443
Details of Business Losses Carried Forward				
Loss Brought Forward	1,106,400	935,611	1,106,400	935,611
Loss incurred during the year	337,464	177,410	337,464	177,410
Loss Appropriate during the year	(194,524)	(6,620)	(194,524)	(6,620)
Loss Carried Forward	1,249,340	1,106,400	1,249,340	1,106,400

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.

	Group		Company	
	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
Amounts used as the Numerator :				
Net profit applicable to Ordinary Shareholders for basic earnings per share	398,081	348,186	102,038	235,859
	398,081	348,186	102,038	235,859
Amounts used as the Denominator :	Nos '000	Nos '000	Nos '000	Nos '000
Weighted average number of Ordinary Shares in issue applicable to basic earnings per share	25,000	25,000	25,000	25,000
	25,000	25,000	25,000	25,000
Earnings Per Share (EPS) - Rs.	15.92	13.93	4.08	9.43

13.3. DIVIDEND PER SHARE

	Group		Company	
	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
Interim Dividend of Rs. 5.00 per share (2017/18 Rs. 7.50 per share)	-	-	125,000	187,500
Dividend Per Share (DPS) - Rs.	-	-	5.00	7.50

The interim dividend of Rs. 5.00 per share for the financial year ended 31 March 2019 was declared on 14 March 2019 and was paid on 29 March 2019.

14. LEASEHOLD PROPERTY, PLANT & EQUIPMENT

As at 31 March	Notes	Group 2019 Rs.'000	Group 2018 Rs.'000	Company 2019 Rs.'000	Company 2018 Rs.'000
Right-to-use of land	14.1	128,770	133,678	128,770	133,678
Immovable leased bearer biological assets	14.2	51,930	60,527	51,930	60,527
Immovable Leased assets (other than right-to-use land and bearer biological assets)	14.3	99	114	99	114
		180,798	194,319	180,798	194,319

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 2019 are as follows.

	Group		Company	
	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 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	126,464	121,555	126,464	121,555
Amortization charge for the year	4,908	4,908	4,908	4,908
As at 31 March	131,372	126,464	131,372	126,464
Carrying amount	128,770	133,678	128,770	133,678

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 2019 are as follows.

	Group		Company	
	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
Capitalised Value as at 22nd June, 1992	262,680	262,680	262,680	262,680
Accumulated Amortisation				
At the begining of the year	202,154	193,522	202,154	193,522
Amortisation for the year	8,597	8,632	8,597	8,632
As at 31 March	210,751	202,154	210,751	202,154
Carrying amount	51,930	60,527	51,930	60,527

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)

	Group				Company			
	Improvement to Land Rs.'000	Buildings Rs.'000	Plant & Machinery Rs.'000	Total Rs.'000	Improvement to Land Rs.'000	Buildings Rs.'000	Plant & Machinery Rs.'000	Total Rs.'000
Capitalised Value as at 22.06.1992	192	53,935	24,289	78,415	192	53,935	24,289	78,415
Amortisation								
Accumulated Amortisation as at 01.04.2018	161	53,852	24,289	78,301	161	53,852	24,289	78,301
Amortisation for the year	6	10	-	16	6	10	-	16
Accumulated Amortisation as at 31.03.2019	167	53,861	24,289	78,317	167	53,861	24,289	78,317
Written down value as at 31.03.2019	**25**	**74**	**-**	**99**	**25**	**74**	**-**	**99**
Written down value as at 31.03.2018	31	84	-	114	31	84	-	114

Note:

The useful lives as follows;

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

15. FREEHOLD PROPERTY, PLANT AND EQUIPMENT

	Group				Company			
	Balance as at 01.04.2018	Additions for the year	Disposals / Adjustment during the year	Balance as at 31.03.2019	Balance as at 01.04.2018	Additions for the year	Disposals / Adjustment during the year	Balance as at 31.03.2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cost/Valuation								
Buildings	112,250	-	-	112,250	71,701	-	-	71,701
Motor Vehicles	154,801	300	-	155,101	154,801	300	-	155,101
Furniture & Fittings	5,633	26	-	5,658	5,556	26	-	5,581
Equipment	60,209	327	-	60,536	59,536	327	-	59,863
Water Sanitation	2,184	257	-	2,442	2,184	257	-	2,442
Computers & Computer Software	17,670	1,230	-	18,901	17,293	1,230	-	18,523
Plant & Machinery	408,183	20,050	(9,130)	419,102	339,151	20,050	(9,130)	350,071
Other Assets on Grants	214,923	(276)	-	214,647	214,923	(276)	-	214,647
	975,852	21,915	(9,130)	988,637	865,144	21,915	(9,130)	877,928

	Balance as at 01.04.2018	Charge for the Year	Accumulated depreciation on disposal	Balance as at 31.03.2019	Balance as at 01.04.2018	Charge for the Year	Disposal/ Impairment Loss during the year	Balance as at 31.03.2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Depreciation								
Buildings	49,454	1,842	1,916	53,212	23,490	1,842	-	25,332
Motor Vehicles	116,004	10,471	-	126,474	116,004	10,471	-	126,474
Furniture & Fittings	3,963	25	-	3,988	3,911	25	-	3,936
Equipment	55,514	1,227	-	56,740	55,221	1,227	-	56,447
Water Sanitation	1,818	103	-	1,921	1,818	103	-	1,921
Computers & Computer Software	15,418	439	-	15,857	14,911	439	-	15,350
Plant & Machinery	315,823	13,643	(2,019)	327,447	264,631	13,643	(4,280)	273,994
Other Assets on Grants	98,061	7,261	-	105,322	98,061	7,261	-	105,322
	656,053	35,011	(102)	690,962	578,045	35,011	(4,280)	608,776
Written Down Value	319,799			297,675	287,099			269,152
Assets acquired on Finance Leases								
Cost								
Plant & Machinery	8,417	-	-	8,417	8,417	-	-	8,417
	8,417	-	-	8,417	8,417	-	-	8,417
Depreciation								
Plant & Machinery	8,417	-	-	8,417	8,417	-	-	8,417
	8,417	-	-	8,417	8,417	-	-	8,417
Written Down Value	-			-	-			-

	Balance as at 01.04.2018	Additions for the Year	Capitalised/ Transfer during the Year	Balance as at 31.03.2019	Balance as at 01.04.2018	Additions for the Year	Capitalised/ Transfer during the Year	Balance as at 31.03.2019
Capital Work-in-Progress	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Capital Work-in-Progress	1,313	-	-	1,313	1,313	-	-	1,313
Total Written Down Value	321,113			298,989	288,412			270,466

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.

Depreciation expense amounts to Rs. 31,576,219/- (2017/18 - Rs. 27,306,911/-) has been charged in cost of sales and Rs. 3,434,575/- (2017/18 - Rs. 2,163,284/-) in administrative expenses.

16. BIOLOGICAL ASSETS - COMPANY/ GROUP

16.1. BEARER BIOLOGICAL ASSETS - COMPANY/GROUP

16.1.1. IMMATURE PLANTATIONS

	Tea Rs.'000	Rubber Rs.'000	Coconut Rs.'000	Others Rs.'000	Total Rs.'000
Cost					
At the beginning of the year 01/04/2018	131,579	917,095	1,166	143,055	1,192,895
Additions	12,206	152,496	778	86,812	252,291
Transfers	(69,007)	(165,191)	-	(54,866)	(289,063)
At the end of the year 31/03/2019	74,778	904,400	1,943	175,002	1,156,123
Cost as at 31.03.2019	**74,778**	**904,400**	**1,943**	**175,002**	**1,156,123**
Cost as at 31.03.2018	131,579	917,095	1,166	143,055	1,192,895

16.1.2. MATURE PLANTATIONS

	Tea Rs.'000	Rubber Rs.'000	Coconut Rs.'000	Others Rs.'000	Total Rs.'000
Cost					
At the beginning of the year 01/04/2018	282,023	1,256,184	46,811	18,673	1,603,690
Additions	-	-	-	-	-
Transfers	69,007	165,191	-	54,866	289,063
At the end of the year 31/03/2019	351,029	1,421,375	46,811	73,539	1,892,754
Depreciation					
At the beginning of the year 01/04/2018	68,890	459,644	2,600	7,291	538,425
Charge for the year	13,680	63,050	1,214	1,061	79,005
At the end of the year 31/03/2019	82,570	522,694	3,814	8,352	617,429
Written Down Value - as at 31.03.2019	**268,459**	**898,681**	**42,997**	**65,187**	**1,275,325**
Written Down Value - as at 31.03.2018	213,133	796,540	44,211	11,382	1,065,266
Bearer Biological Assets as at 31.03.2019	**343,238**	**1,803,081**	**44,940**	**240,189**	**2,431,448**
Bearer Biological Assets as at 31.03.2018	344,712	1,713,635	45,376	154,437	2,258,161

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. 55,196,324/- (2017/18 - Rs. 31,154,207/-) were capitalized during the year under Immature Plantations, at an average borrowing rate of 7.40% (2017/18 - 6.43%).

16.2. CONSUMABLE BIOLOGICAL ASSETS - TIMBER PLANTATIONS

	Group/Company	
	2019 Rs.'000	2018 Rs.'000
As at 01 April	125,818	107,220
Increase due to development	8,546	3,467
Decrease due to Harvet	-	(1,356)
Gain/(loss) fair value of Biological Assets	1,513	16,487
As at 31 March	135,878	125,818

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

The fair value of managed trees was ascertained since the LKAS 41 is only applicable for managed agricultural activity in terms of the ruling issued by The Institute of Chartered Accountants of Sri Lanka. The valuation was carried by Mr. W. M. Chandrasena , Chartered Valuation Surveyor, using Discounted Cash Flow (DCF) methods. In ascertaining the fair value of timber a physical verification was carried covering all the estates.

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

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

Non Financial Asset	Valuation Technique	Unobservable Inputs	Range of Unobservable Inputs (Probability weighted average)		Relationship of Unobservable Inputs to Fair Value
			2019	2018	
Consumable Managed Biological Assets	DCF Method	Discounting Rate	14.0%	14.0%	The higher the discount rate, the lesser the fair value
		Optimum rotation (Maturity)	20-25 Years	20-25 Years	Lower the rotation period, the higher the fair value
		Price per Cu.Ft.	Rs. 150/- to Rs. 700/- per Cu.Ft	Rs. 150/- to Rs. 700/- per Cu.Ft	The higher the price, the higher the fair value

Other key assumptions used in valuation;

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

The valuations, as presented in the external valuation models based on net present values, take into account the long term exploitation of the timber plantations. Because of the inherent uncertainty associated with the valuation at fair value of the biological assets due to the volatility of the variables, their carrying value may differ from their realisable value. Hence, the sensitivity analysis regarding selling price and discount rate variations as included in this note allows every investor to reasonably challenge the financial impact of the assumptions used in 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 2019	(13,588)	13,588
As at 31 March 2018	(12,582)	12,582

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 2019	13,185	(10,941)
As at 31 March 2018	12,638	(10,372)

16.3 Produce on Bearer Biological Assets

	Group		Company	
	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
As at 01April - as previously reported	5,815	4,191	5,815	4,191
Impact of the AmendmentS of LKAS 16 & LKAS 41	-	-	-	-
Change in fair value less cost to sell	(2,056)	1,624	(2,056)	1,624
At the end of the year	3,758	5,815	3,758	5,815

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

	Group		Company	
	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Consumable Biological Assets Gain/(loss) arising from change in fair value less cost to sell (Note 16.2)	1,513	16,487	1,513	16,487
Produce on Bearer Biological Assets Gain/(loss) arising from change in fair value less cost to sell (Note 16.3)	(2,056)	1,624	(2,056)	1,624
Total change in fair value of Biologcal Assets	(543)	18,111	(543)	18,111

17. FINANCIAL ASSETS

17.1 UNQUOTED INVESTMENT

FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME FINANCIAL ASSETS

Non-Quoted Equity Shares Held by the Company		Group		Company	
Non-Quoted Ordinary Shares - Richard Pieris Finance Ltd		2019	2018	2019	2018
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 1 April	Rs.'000	246,600	200,880	246,600	200,880
Equity Value Per Share as at 31 March	Rs.	20.33	20.55	20.33	20.55
Gain/(Loss) on FVTOCI Financial Asset	Rs.'000	(2,640)	45,720	(2,640)	45,720
Carrying Value as at 31 March	Rs.'000	243,960	246,600	243,960	246,600

The review of equity valuation of Richard Pieris Finance Ltd was carried out by Messrs. Ernst & Young Transaction Advisory Services (Pvt) Ltd, using market approach (trading multiples).

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

Financial Asset	Valuation Methodology	Unobservable Inputs	Range of Unobservable Inputs 2019
Investment in non-quoted Ordinary Shares of Richard Pieris Finance Ltd	Market Approach (trading multiples) - Primary methodology	Price to Book Value multiple	Price to Book multiple range of 0.76 - 0.92

Key assumptions used in valuation;

1. Screening was conducted on similar Companies listed on the Colombo Stock Exchange based on similiarities in Net Asset Value and total Revenue.
2. Results of screening based on publicly available information as at the latest practicable date.
3. Valuation exercise was concluded on Price to Book Value multiples of identified similar Companies.

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

17.3 FAIR VALUE HIERARCHY

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

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

NON FINANCIAL ASSETS - CONSUMABLE BIOLOGICAL ASSETS

As at 31 March	Date of Valuation	Level 1		Level 2		Level 3	
		2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
Assets measured at fair value							
Fair Value Through OCI Financial Assets	31 March	-	-	243,960	246,600	-	-
Consumable Biological Assets - Timber	31 March	-	-	-	-	135,878	125,818
Produce on Bearer Biological Assets	31 March	-	-	3,758	5,815	-	-

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. 14.0 Mn. Since it was provided for diminishing in value of Rs. 14.0 Mn upto 2008, the carrying amount of investment shows no balance at the end of the year.

Directors of the Subsidiary,

Subsidiary incorporated in 2003.

- Dr. Sena Yaddehige, Chairman
- Mr. Lalith Wijesinghe, Director
- Mr. Sriyan Eriyagama, Director

18.2 Investments in Associates

Quoted Investment - Arpico Insurance PLC	Group		Company	
	2019	2018	2019	2018
	%	%	%	%
% Holding	40.29	40.29	40.29	40.29
	Nos '000	Nos '000	Nos '000	Nos '000
No of Shares	26,685	26,685	26,685	26,685
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Carrying Value - Rs.	584,240	380,703	266,850	266,850

Movement of the Investment - Arpico Insurance PLC	Group	
	2019	2018
	Rs.'000	Rs.'000
At the beginning of the year	380,703	307,935
Share of Profit, net of tax	203,563	83,859
Share of Other Comprehensive Income/(loss), net of tax	(26)	(417)
Dividends Received, gross	-	(10,674)
At the end of the year	584,240	380,703

18.2.2 Unquoted Investment - Richard Pieris Natural Foams Ltd

Unquoted Investment - Richard Pieris Natural Foams Ltd	Group		Company	
	2019	2018	2019	2018
	%	%	%	%
% Holding	35.11	35.11	35.11	35.11
	Nos '000	Nos '000	Nos '000	Nos '000
No of Shares	22,500	22,500	22,500	22,500
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Carrying Value - Rs.	661,567	567,224	225,000	225,000

Movement of the Investment - Richard Pieris Natural Foams Ltd	Group	
	2019	2018
	Rs.'000	Rs.'000
At the beginning of the year	567,224	525,681
Share of Profit, net of tax	238,548	183,155
Share of Other Comprehensive Income/(loss), net of tax	20	(762)
Dividends Received, gross	(144,225)	(140,850)
At the end of the year	661,567	567,224

Total investments in associates	**1,245,807**	**947,927**	**491,850**	**491,850**

18.3 Other Long Term Investments

Other Long Term Investments	Group		Company	
	2019	2018	2019	2018
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	0.01	0.01	0.01	0.01
Exotic Horticulture (Pvt) Ltd	0.01	0.01	0.01	0.01
Total long Term Investments - Others	0.02	0.02	0.02	0.02
Long Term Investments - Total	1,245,807	947,927	491,850	491,850

18.4 Summarised Financial Information of Associates

Richard Pieris Natural Foams Ltd	2019 Rs.'000	2018 Rs.'000
Revenue	3,875,659	3,173,993
Profit Before Tax	786,952	600,733
Profit After Tax	679,430	521,662
Other Comprehensive Income/(Loss)	56	(2,171)
Total Comprehentive Income	679,486	519,491
Group's Share of Profit Before Tax	276,299	210,917
Group's Share of Other Comprehensive Income/(Loss)	20	(762)
Group's Share of Total Comprehentive Income	276,319	210,155
Dividends Received, net of tax	124,034	126,765
Current Assets	1,393,484	1,523,862
Non Current Assets	1,005,265	691,005
Total Assets	2,398,750	2,214,867
Current Liabilities	865,824	917,996
Non Current Liabilities	140,159	172,823
Total Liabilities	1,005,983	1,090,819

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	2019 Rs.'000	2018 Rs.'000
Revenue	1,374,171	1,185,700
Profit Before Tax	204,894	208,138
Profit After Tax	505,244	208,138
Other Comprehensive Income/(Loss)	(64)	(1,034)
Total Comprehentive Income	505,180	207,104
Group's Share of Profit Before Tax	82,552	83,859
Group's Share of Other Comprehensive Income/(Loss)	(26)	(417)
Group's Share of Total Comprehentive Income	57	(333)
Dividends Received, net of tax	-	9,607
Current Assets	1,130,653	1,199,615
Non Current Assets	1,972,377	1,071,705
Total Assets	3,103,030	2,271,320
Current Liabilities	247,442	161,481
Non Current Liabilities	1,401,898	1,161,331
Total Liabilities	1,649,341	1,322,812
Market Price Per Share - Close (Rs.)	17.90	18.00

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

	Group 2019 Rs.'000	Group 2018 Rs.'000	Company 2019 Rs.'000	Company 2018 Rs.'000
Input Materials	40,548	36,245	32,677	29,417
Growing Crop - Nurseries	39,490	30,372	39,490	30,372
Produce Stock	267,082	258,455	267,082	258,455
Spares and Consumables	11,289	11,848	11,289	11,848
	358,409	336,920	350,538	330,092
(-) Provision for slow moving stocks	(7,757)	(7,500)	-	-
	350,652	329,420	350,538	330,092

20. TRADE AND OTHER RECEIVABLES

		Group 2019 Rs.'000	Group 2018 Rs.'000	Company 2019 Rs.'000	Company 2018 Rs.'000
Produce Debtors	Related Companies (20.1)	188,174	125,254	188,174	125,254
Produce Debtors	Others	67,948	48,677	67,948	48,677
Total Produce Debtors		256,122	173,930	256,122	173,930
Advances & Prepayments		20,187	16,358	20,187	16,358
Other Debtors		80,272	57,217	71,977	48,768
		356,581	247,505	348,286	239,057

The age analysis of produce debtors is as follows;

Neither past due nor impaired

Balance as at 31 March 2019	0-60 days Rs.'000	61-120 days Rs.'000	121-180 days Rs.'000	181-365 days Rs.'000	> 365 days Rs.'000	Total Rs.'000
Group	254,918	1,203	-	-	-	256,122
Company	254,918	1,203	-	-	-	256,122

20.1. TRADE RECEIVABLES FROM RELATED COMPANIES

	Relationship	Group 2019 Rs.'000	Group 2018 Rs.'000	Company 2019 Rs.'000	Company 2018 Rs.'000
Richard Pieris Natural Foams Ltd	Associate Company	156,105	92,709	156,105	92,709
Arpico Natural Latex Foam (Pvt) Ltd	Related Company	32,055	32,055	32,055	32,055
Richard Pieris Exports PLC	Related Company	24,913	24,934	24,913	24,934
Richard Pieris Rubber Products Ltd	Related Company	1,119	-	1,119	-
Richard Pieris Distributors Ltd	Related Company	3,214	6,057	3,214	6,057
Arpitech (Pvt) Ltd	Related Company	2,822	1,554	2,822	1,554
		220,228	157,309	220,228	157,309
(-) Provision for doubtful receivables		(32,055)	(32,055)	(32,055)	(32,055)
		188,174	125,254	188,174	125,254

21. AMOUNTS DUE FROM RELATED COMPANIES

	Relationship	Group 2019 Rs.'000	Group 2018 Rs.'000	Company 2019 Rs.'000	Company 2018 Rs.'000
Maskeliya Plantations PLC	Related Company	10,879	10,355	10,879	10,355
Hamefa Kegalle (Pvt) Limited	Subsidiary Company	-	-	87,581	89,305
Richard Pieris & Company PLC	Ultimate Parent Company	-	3,239	-	3,239
RPC Management Services (Pvt) Ltd	Related Company	-	16	-	16
		10,879	13,610	98,460	102,915
(-) Provision for doubtful receivables		-	-	(54,891)	(54,891)
		10,879	13,610	43,570	48,025

22. SHORT TERM INVESTMENTS

	Group 2019 Rs.'000	Group 2018 Rs.'000	Company 2019 Rs.'000	Company 2018 Rs.'000
Investment in Treasury Bills, REPO, USD Deposits & Others	1,611,090	1,594,809	1,611,090	1,594,809
	1,611,090	1,594,809	1,611,090	1,594,809

22.1 FINANCIAL ASSETS
QUOTED INVESTMENT
FINANCIAL ASSETS AT AMORTISED COST

Quoted Debt Securities Held by the Company		Group		Company	
Quoted Debentures - Richard Pieris and Company PLC		2019	2018	2019	2018
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

Kegalle Plantations PLC, a subsidiary of Richard Pieris and Company PLC has received Rs. 1.0 Bn on 15 May 2019 from Richard Pieris and Company PLC, the redemption of 10.0 Mn, Rs. 100/- each five year fixed rated, unsecured, redeemable, listed debentures (11.25% p.a.) issued on 16 May 2014 as per the prospectus for debenture issue 2014.

Due to the short term maturity fair value of the investment approximated to its carrying value as of the reporting date.

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

23. STATED CAPITAL

Issued and Fully Paid Ordinary Shares		Group		Company	
		2019	2018	2019	2018
Number of ordinary shares including one golden share held by the Treasury which has special rights	Nos.'000	25,000	25,000	25,000	25,000
Number of ordinary shares including one golden share held by the Treasury which has special rights	Rs.'000	250,000	250,000	250,000	250,000

The holders of Ordinary Shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. Special rights of the Golden Share are given under the caption "Shareholder & Investor information" on the page 177.

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.

23.2. Timber Reserve

Timber reserve represents the fair value changes in the carrying value of managed timber plantations of the Company since 1 April 2011.

23.3. Fair Value Through Other Comprehensive Income Reserve

Fair Value Through Other Comprehensive Income Reserve represents the change in fair value of financial assets held with Richard Pieris Finance Limited from the Financial Year 2015/16.

24. LOANS AND BORROWINGS

Company/Group	2019			2018
	Repayable within 1 year	Repayable after one year less than five years	Total as at 31.03.2019	Total as at 31.03.2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Long Term Loans 24.1	649,714	524,661	1,174,374	1,792,706
Short Term Loans	-	-	-	-
Bank Overdraft	1,956,715	-	1,956,715	1,108,954
	2,606,429	524,661	3,131,089	2,901,661

24.1. LONG TERM LOANS (Secured)

Group/Company

	2019			2018		
	Repayable within 1 year	Repayable after one year less than five years	Total as at 31.03.2019	Total as at 31.03.2018	Rate of interest	Terms of Repayment
	Rs.'000	Rs.'000	Rs.'000	Rs.'000		
National Development Bank PLC	-	-	-	73,859	AWPLR+0.25%	1 Month Installment @ Rs. 6,550,000 and 83 Installments @ Rs. 6,150,000 commencing from 31.05.2012
Indian Oversease Bank State Bank of India Indian Bank	60,850	-	60,850	140,650	AWPLR+0.9%	1 Month Installment @ Rs. 7,650,000 and 59 Installments @ Rs. 6,650,000 commencing from 31.01.2015
Indian Oversease Bank Term Loan - USD	262,548	137,241	399,789	573,992	3 Months LIBOR+4%	1 Month Installment @ Rs. 17,256,610 and 71 installments @ Rs. 14,487,090 commencing from 31.10.2014
Commercial Bank of Ceylon PLC Term Loan 1 - USD	88,066	-	88,066	233,738	1 Month LIBOR+5.0%	1 Month Installment @ Rs.11,265,571 and 59 Installments @ Rs.11,001,431 commencing from 31.10.2014
Commercial Bank of Ceylon PLC Term Loan 2 - USD	219,376	383,905	603,280	729,750	1 Month LIBOR+4.0%	1 Month Installment @ Rs.16,020,885 and 48 Installments @ Rs.16,018,423 commencing from 31.01.2018
Sri Lanka Tea Board Term Loan 1	7,667	2,556	10,222	17,889	Monthly Reviewed	36 Monthly Installments @ Rs. 638,888.89 commencing from 31.08.2017
Sri Lanka Tea Board Term Loan 2	11,207	959	12,167	22,829	Monthly Reviewed	36 Monthly Installments @ Rs. 892,930.94 commencing from 31.05.2017
	649,714	524,661	1,174,374	1,792,706		

25. RETIRING BENEFIT OBLIGATIONS

	Group		Company	
	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Provision for retiring gratuity				
At the beginning of the year	440,169	380,895	440,074	380,800
Interest Cost	48,408	46,648	48,408	46,648
Current Service Cost	34,977	30,652	34,977	30,652
Gratuity Payments for the year	(61,734)	(68,979)	(61,734)	(68,979)
Actuarial (Gain) / Loss arising from changes in financial assumptions	(15,882)	31,750	(15,882)	31,750
Actuarial (Gain) / Loss arising from experience adjustments	42,581	19,203	42,581	19,203
At the end of the year	488,519	440,169	488,424	440,074

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 2019, which amounts to Rs. 488,424,431/-. 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 2019, in line with the Gratuity Act No.12 of 1983 the liability would have been Rs. 637,410,398/-. 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.

	Group		Company	
Future Working Life Time	**2019**	2018	**2019**	2018
	Rs.'000	Rs.'000	**Rs.'000**	Rs.'000
Within the next 12 months	109,587	92,650	109,587	92,650
Between 2 and 5 years	112,997	113,044	112,997	113,044
Beyond 5 years	265,935	234,475	265,840	234,381
Total RBO	488,519	440,169	488,424	440,074

The weigted average duration of the Defind Benefit Plan obligation at the end of the reporting period is as follows.

Weigted Average Duration	**2019**	2018
Workers	7.93 years	7.94 years
Staff	5.67 years	5.50 years

The key assumptions used by Messrs. Actuarial & Management Consultants (Pvt) Ltd when determining the retirement benefit obligations are as follows.

Key Assumptions	**2019**	2018
i) Rate of discount	11.5% (per annum)	11% (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		
Workers	60 years	60 years
Staff	58 years	58 years
Executives & Head Office staff	55 years	55 years
iv) Daily wage rate for workers	Rs. 700/-	Rs. 500/-
v) The Company will continue as agoing concern.		

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 2019	(27,856)	31,894	(3,549)	4,014
As at 31 March 2018	(24,377)	27,945	(3,708)	4,195
	+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 2019	14,441	(13,697)	4,430	(3,978)
As at 31 March 2018	14,427	(13,676)	4,602	(4,132)

26. DEFERRED INCOME

	Group		Company	
	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Deferred Grants and Subsidies				
Balance at the beginning of the year	211,831	196,178	211,831	196,178
Add : Grants/Subsidy received during the year	12,010	26,341	12,010	26,341
Less : Amortisation for the year	(11,089)	(10,688)	(11,089)	(10,688)
Balance at the end of the year	212,753	211,831	212,753	211,831

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

	Group		Company	
	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Temporary Differences,				
At the beginning of the year	1,092,763	1,025,576	1,092,763	1,025,576
Amount originating / (Reversal) during the year	(55,523)	67,187	(55,523)	67,187
At the end of the year	1,037,241	1,092,763	1,037,241	1,092,763
Temporary Differences of,				
Property, Plant & Equipment (including Biological Assets)	2,775,005	2,639,238	2,775,005	2,639,238
Retirement Benefit Obligations	(488,424)	(440,074)	(488,424)	(440,074)
Carried forward Tax Losses	(1,249,340)	(1,106,400)	(1,249,340)	(1,106,400)
At the end of the year	1,037,241	1,092,763	1,037,241	1,092,763
Tax Effect,				
At the beginning of the year	150,262	46,861	150,262	46,861
Transfer from/ (to) Income Statement	(4,943)	103,401	(4,943)	103,401
At the end of the year	145,319	150,262	145,319	150,262
Deferred Tax Liabilities				
Property, Plant & Equipment (including Biological Assets)	388,606	367,664	388,606	367,664
	388,606	367,664	388,606	367,664
Deferred Tax Assets				
Retirement Benefit Obligations	(68,379)	(61,610)	(68,379)	(61,610)
Carried forward Tax Losses	(174,908)	(155,792)	(174,908)	(155,792)
	(243,287)	(217,402)	(243,287)	(217,402)
Deferred Tax (Asset)/ Liability	145,319	150,262	145,319	150,262

27.1. Reconciliation of deferred tax charge / (reversal)

	Group		Company	
	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
At the beginning of the year	150,262	46,861	150,262	46,861
Tax charge/(reversal) during the year recognised Statement of profit or loss.				
• Amount originated/(reversed) during the year	(941)	(4,336)	(941)	(4,336)
• Amount originated due to the Income Tax rate change	-	110,298	-	110,298
Tax charge/(reversal) during the year recognised in other Comprehensive Income.	(4,002)	(2,561)	(4,002)	(2,561)
At the end of the year	145,319	150,262	145,319	150,262

The effective tax rate used to calculate deferred tax liability for all the temporary differences as at 31 March 2019 is 14% (2017/18 - 14%) for the Company.

28. LIABILITY TO MAKE LEASE PAYMENT

	Group		Company	
	2019 Rs.'000	2018 Rs.'000	**2019 Rs.'000**	2018 Rs.'000
Gross Liability				
At the beginning of the year	428,486	444,230	428,486	444,230
Repayment during the year	(15,744)	(15,744)	(15,744)	(15,744)
At the end of the year	412,742	428,486	412,742	428,486
Finance cost allocated to future periods	(159,870)	(170,201)	(159,870)	(170,201)
Net Liability	252,872	258,284	252,872	258,284
Payable within one year				
Gross liability	15,744	15,744	15,744	15,744
Finance cost allocated to future periods	(10,114)	(10,331)	(10,114)	(10,331)
Net liability transferred to current liabilities	5,630	5,413	5,630	5,413
Payable within two to five years				
Gross liability	62,976	62,976	62,976	62,976
Finance cost allocated to future periods	(38,114)	(39,069)	(38,114)	(39,069)
Net liability	24,862	23,907	24,862	23,907
Payable after five years				
Gross liability	334,022	349,766	334,022	349,766
Finance cost allocated to future periods	(111,642)	(120,801)	(111,642)	(120,801)
Net liability	222,379	228,965	222,379	228,965
Net liability payable after one year	247,242	252,872	247,242	252,872

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. 48,086,180/- which in based on GDP deflator of 8.2% (2018 - Rs. 43,248,772/- 3.6%)

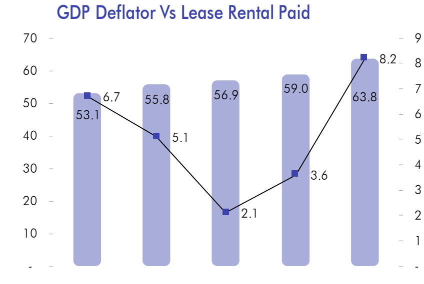
	Group		Company	
	2019 Rs.'000	2018 Rs.'000	**2019 Rs.'000**	2018 Rs.'000
Variable Lease Rental	48,086	43,249	48,086	43,249
Interest on Government Lease	10,331	10,539	10,331	10,539
Lease Interest for the Year	58,417	53,788	58,417	53,788
Capital for the Year	5,413	5,205	5,413	5,205
Lease Rental Paid for the year	63,830	58,993	63,830	58,993

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	3,005,394
Finance Charges	(1,968,343)
Net Liability	1,037,051

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

GDP Deflator Vs Lease Rental Paid



29. TRADE AND OTHER PAYABLES

	Group		Company	
	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
Trade Creditors	215,521	203,306	210,472	198,258
Other Creditors	36,171	35,881	33,152	32,884
	251,692	239,188	243,625	231,142

30. DIVIDEND PAYABLE

	Group		Company	
	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
Dividend Payable	29,484	23,963	29,484	23,963
	29,484	23,963	29,484	23,963

31. AMOUNTS DUE TO RELATED COMPANIES

		Group		Company	
	Relationship	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
Namunukula Plantations PLC	Related Company	38,190	10,363	38,190	10,363
RPC Logistics (Pvt) Ltd	Related Company	295	170	295	170
Richard Pieris & Company PLC	Ultimate Parent Company	27,651	5,119	22,531	-
Richard Pieris Group Services (Pvt) Ltd	Related Company	200	-	200	-
RPC Plantation Management Services (Pvt) Ltd	Parent Company	19,498	7,844	19,498	7,844
Richard Pieris Distributors Ltd	Related Company	29	87	29	87
Maskeliya Tea Garden Ceylon Ltd	Related Company	52	47	52	47
		85,915	23,630	80,796	18,511

32. ASSETS PLEDGED AS SECURITIES

The following assets have been pledged as securities for liabilities.

Name of Bank	Loan Facility Rs./USD (Mn)	Security
Bank of Ceylon	Rs. 35.0 Mn	Primary mortgage over leasehold rights of Gampaha Estate.
Hatton National Bank PLC	Rs. 50.0 Mn	Primary mortgage over leasehold rights of Luckyland Estate.
National Development Bank PLC	Rs. 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.
Indian Oversease Bank (IOB), State Bank of India (SBI), Indian Bank (IB)	Rs. 400.0 Mn	Primary mortgage over leasehold rights of Madeniya and Higgoda Estates.
Indian Overseas Bank (IOB)	USD 8.0 Mn	Primary mortgage over leasehold rights of Ambadeniya, Hathbawa and Udapola Estates.
Commercial Bank of Ceylon PLC	USD 10.0 Mn	Primary and secondary mortgage over leasehold rights of Etana and Kirklees Estates and a negative pledge over leasehold rights of Allagolla, Eadella and Doteloya Estates.
Nations Trust Bank PLC	Rs. 150.0 Mn	Primary mortgage over Produce Stocks (Rubber, Tea and Coconut).

Carring values of the assets pledged are as follows,

Name of Bank	Nature of Liability	Outstanding Rs. / USD (Mn)	Carring Amount Pledged	
			2019 Rs.'000	2018 Rs.'000
Bank of Ceylon	Overdraft	-	130,360	119,670
Hatton National Bank PLC	Overdraft	-	189,043	190,497
National Development Bank PLC	Term Loan	-	1,205,636	1,124,798
Indian Oversease Bank (IOB) State Bank of India (SBI) Indian Bank (IB)	Term Loan	Rs. 60.9 Mn	268,116	245,769
Indian Overseas Bank (IOB)	Term Loan	USD 2.3 Mn	519,133	492,591
Commercial Bank of Ceylon PLC	Term Loan	USD 3.9 Mn	602,078	608,310
Nations Trust Bank PLC	Term Loan/ Overdraft	-	-	-

Notes:

1. Corporate Guarantee by the Company for Rs. 25 Mn given to Maskeliya Tea Garden Ceylon Ltd.
2. Corporate Guarantee to HSBC by the Company for USD 450,000 on behalf of Richard Peiris Natural Forms Ltd.

33. CAPITAL COMMITMENTS

Followings are the capital commitments as at the Statement of Financial Position date;

	Group		Company	
	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
Approved by the Board & Contracted for	Nil	Nil	Nil	Nil
Approved by the Board & not Contracted for	306,479	574,860	306,479	574,860
	306,479	574,860	306,479	574,860

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. 211,853/- (2017/18 - Rs. 2,308,187/-).

35. EVENTS AFTER REPORTING PERIOD

No circumstences have arisen since the Statement of Financial Position date, which would require adjustment or disclosuer in the Financial Statements.

36. RELATED PARTY DISCLOSURES

36.1. Transaction with related entities

Nature of Transaction	Group 2019 Rs.'000	Group 2018 Rs.'000	Company 2019 Rs.'000	Company 2018 Rs.'000
36.1.1. Parent Company				
Amount Payable/Recoverable as at 31 March	(19,498)	(7,844)	(19,498)	(7,844)
Managing Agent's Fee	(25,770)	(67,004)	(25,770)	(67,004)
Settlement of Management Fee	14,111	81,219	14,111	81,219
Recovery of expenses	5	133	5	133
36.1.2. Subsidiaries				
Amount Receivable as at 31 March	-	-	32,690	34,414
Administrative Expenses	-	-	(1,724)	(1,542)
36.1.3. Associates				
Amount Receivable as at 31 March	1,401,912	1,040,636	647,955	584,559
Amount Payable as at 31 March	-	-	-	-
Sale of Latex	723,335	624,580	723,335	624,580
Settlement Amount	(659,938)	(642,691)	(659,938)	(642,691)
Share of Result of Equity Accounted Investees	442,105	265,836	-	-
Insurance Premium	(2,057)	-	(2,057)	(1,598)
Insurance Premium Settlements	2,057	-	2,057	1,598
Dividend Receivable	-	-	124,034	136,372
Dividend Settlement	(144,225)	(151,524)	(124,034)	(136,372)
36.1.4. Related Companies				
Amount Receivable as at 31 March	1,286,908	1,292,755	1,286,908	1,292,755
Amount Payable as at 31 March	(66,417)	(15,787)	(61,298)	(10,668)
Salaries, Rent, Vehicle repairs & other Expenses	(19,917)	(17,287)	(19,917)	(17,287)
Purchase of Goods	(68,636)	(63,389)	(68,636)	(63,389)
Settlement of Dues	185,838	248,770	185,838	248,770
Sale of Goods	169,101	209,636	169,101	209,636
Sales cash receipts	(150,146)	(206,387)	(150,146)	(206,387)
Secretarial Fees	(200)	(200)	(200)	(200)
Freight Charges	(3,773)	(2,196)	(3,773)	(2,196)
Dividend/Repo/Debenture Interest Receivable	111,743	112,928	111,743	112,928
Dividend/Repo/Debenture Interest settlement	(277,847)	(252,962)	(277,847)	(252,962)
Deemed Disposal Gain/(Loss) - Sudsequent Recognition	(2,640)	45,720	(2,640)	45,720

36.1.5. Terms and conditions

Transactions with related parties are carried out in the ordinary course of business on an arm's length basis. Outstanding balances at the year end are unsecured and net settlement occurs in cash.

Non recurrent related party transactions

There were no non recurrent related party transactions which in aggregate value exceeds 10% of the equity or 5% of the total assets which ever is lower of the Company as per 31 March 2018 audited Financial Statements, which required additional disclosures in the 2018/19 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.

However, Kegalle Plantations PLC received from Richard Pieris and Company PLC Rs. 1.0 Bn on 15 May 2019 against the redemption of 10.0 Mn, Rs. 100/- each five year fixed rated, unsecured, redeemable, listed debentures (11.25% p.a.) which had been issued on 16 May 2014 as per the prospectus for debenture issue 2014.

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 2018 audited Financial Statements, which required additional disclosures in 2018/19 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.

		Group		Company	
	Disclosures	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 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	723,335	624,580	723,335	624,580
	Consolidated revenue as per latest audited Financial Statements	2,508,167	2,287,161	2,508,167	2,287,161
e.	Aggregate value of related party transactions as a % of net revenue/ income	28.8%	27.3%	28.8%	27.3%
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 2018, 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 (EBITDA) 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 2019. Further there were no key management compensation paid during the year other than those disclosed in Note 8.

36.3 Related Party Transactions

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

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

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

37. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

Sri Lanka Accounting Standard - LKAS 7 (Statement of Cash Flows), requires an entity to disclose information that enables users of Financial Statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Accordingly, changes in liabilities arising from financing activities for the year ended 31 March 2019 are disclosed below.

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

	Company Interest-Bearing Borrowings Rs.'000	Group Interest-Bearing Borrowings Rs.'000
Balance as at 01 April 2018	1,792,706	1,792,706
Net Cash flows from/(used in) Financing Activities	(618,332)	(618,332)
Non Cash Changes	-	-
Balance as at 31 March 2019	1,174,374	1,174,374

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. 357 Mn (2017/18 – Rs. 248 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.1,611 Mn as at 31 March 2019 (2017/18 – Rs.1,595 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 2019 (2017/18 – Rs. 19 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 summarises the maturity profile of the Group financial liabilities based on contractual undiscounted payments.

As at 31 March 2019	On Demand	Less than 3 Months	3 to 12 Months	2 to 5 years	>5 years	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Group						
Interest bearing loans & borrowing	1,976,657	167,395	531,981	781,325	-	3,457,358
Trade & other payables	251,692	-	-	-	-	251,692
	2,228,349	167,395	531,981	781,325	-	3,709,050
Company						
Interest bearing loans & borrowing	1,976,657	167,395	531,981	781,325	-	3,457,358
Trade & other payables	243,625	-	-	-	-	243,625
	2,220,282	167,395	531,981	781,325	-	3,700,983

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

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

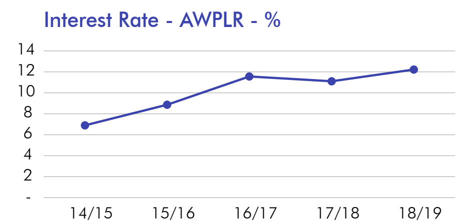
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating 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. 1,174 Mn (2017/18 – Rs.1,793 Mn) which represents its maximum credit exposure on these liabilities.

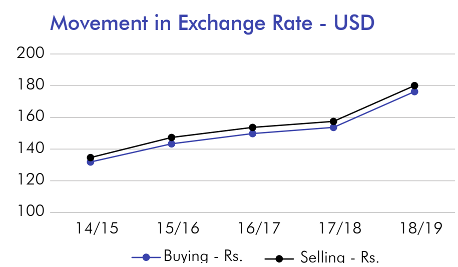
INTEREST RATE SENSITIVITY

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**
2018/19	**1%**	**(15,619)**
	-1%	**15,619**
2017/18	1%	(12,739)
	-1%	12,739
Company		
2018/19	**1%**	**(15,619)**
	-1%	**15,619**
2017/18	1%	(12,739)
	-1%	12,739



	Increase/ decrease in basis points	Effect on Profit Before Tax Rs.'000
Company/Group		
2018/19		
USD	5%	(4,621)
USD	-5%	4,621
Company/Group		
2017/18		
USD	5%	(3,765)
USD	-5%	3,765



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.

38.4.3. EQUITY PRICE RISK

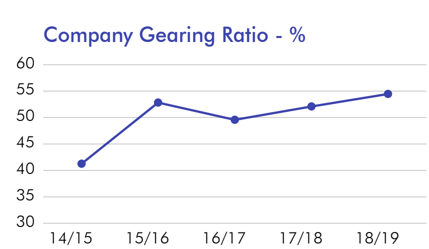
The Group's listed & unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments. Management 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 31.03.2019 Rs.'000	As at 31.03.2018 Rs.'000
Interest Bearing Borrowings		
Current portion of long term interest bearing borrowings	2,606,429	1,850,513
Payable after one year	524,661	1,051,147
Total Debts	**3,131,089**	2,901,661
Equity	2,619,083	2,667,383
Total Equity & Debts	**5,750,173**	5,569,043
Gearing Ratio	54%	52%



Evolve for a progressive future

KPPLC continuing with replanting programs with developed clones that has high endurance and providing higher yield. In addition to that KPPLC has covered 800 ha with Rain Guards in 2018/19 that allows to tap on wet weather conditions, and we are planning to cover another 800 ha with Rain Guards in 2019/20.

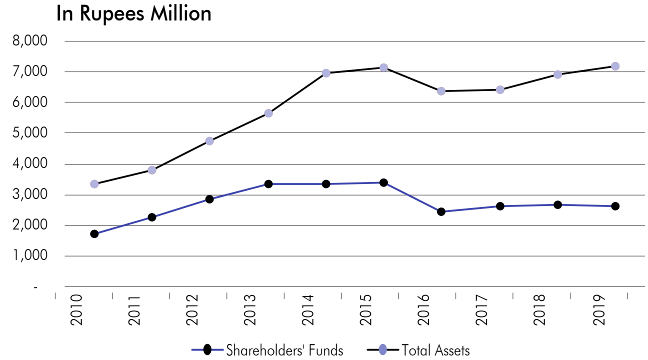
We have carried out series of training sessions for our workforce to transfer knowledge on Good Agricultural practices and we are always keep looking towards modern technical aspects to improve our productivity and efficiency.

SUPPLEMENTARY REPORTS

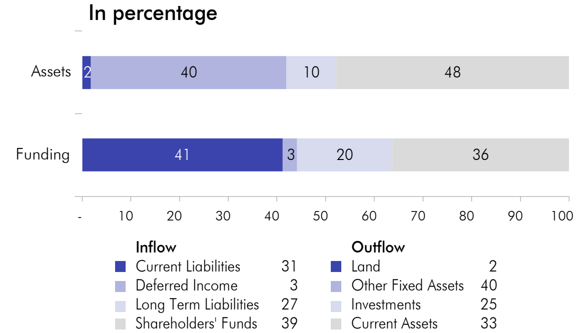
TEN YEAR SUMMARY

Year Ended 31 March		2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Operating Results											
Turnover	Rs '000	2,421,797	2,508,167	2,287,161	1,933,063	2,023,911	2,414,220	2,587,558	2,940,027	2,991,762	2,216,497
Operating Profit before Mgt Fee	Rs '000	171,263	511,708	302,804	85,345	62,710	409,416	670,346	930,179	1,150,845	492,193
Profit before Interest and Tax	Rs '000	385,673	625,499	457,275	262,086	274,227	564,605	710,927	990,709	1,031,593	410,000
Profit After Tax	Rs '000	102,038	235,859	217,263	101,330	127,034	345,993	473,186	769,842	883,127	376,030
Dividends	Rs '000	125,000	187,500	125,000	1,125,000	50,000	337,500	-	187,500	75,000	75,000
Financial Position											
Fixed Assets	Rs '000	3,018,590	2,866,712	2,622,327	2,553,641	2,437,195	2,232,039	2,024,766	1,872,057	1,707,820	1,814,679
Investments	Rs '000	735,810	1,738,450	1,692,730	1,636,150	1,611,850	611,850	597,000	450,000	225,000	225,000
Current Assets	Rs '000	3,449,045	2,297,949	2,089,323	2,168,563	3,078,052	4,102,606	3,028,955	2,421,056	1,847,793	1,325,104
Current Liabilities	Rs '000	2,965,963	2,129,542	1,879,266	1,476,509	771,499	560,053	373,638	347,441	366,372	317,718
Shareholders' Funds	Rs '000	2,619,083	2,667,383	2,621,697	2,436,309	3,412,393	3,342,520	3,336,956	2,841,915	2,272,074	1,698,311
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	2,369,083	2,417,383	2,371,697	2,186,309	3,162,393	3,092,520	3,086,956	2,591,915	2,022,074	1,448,311
Key Financial Indicators											
Current Ratio	Times	1.16	1.08	1.11	1.47	3.99	7.33	8.11	6.97	5.04	4.17
Quick Asset Ratio	Times	1.04	0.92	0.97	1.31	3.64	6.76	7.46	6.39	4.39	3.39
Debt Equity Ratio	Times	0.54	0.52	0.50	0.53	0.41	0.41	0.25	0.20	0.14	0.19
Interest Cover	Times	1.36	2.23	1.77	1.32	1.55	3.15	5.02	9.21	9.01	6.22
Equity /Asset Ratio	Times	0.36	0.39	0.41	0.38	0.48	0.48	0.59	0.60	0.60	0.54
Earnings per Share	Rs.	4.08	9.43	8.69	4.05	5.08	13.84	18.93	30.79	35.33	15.04
Dividends per Share	Rs.	5.00	7.50	5.00	45.00	2.00	13.50	-	7.50	3.00	3.00
Market Price of a Share	Rs.	55.00	65.90	52.00	50.70	85.80	105.00	112.00	103.00	207.50	47.00
Price Earning Ratio	Times	13.48	6.99	5.98	12.51	16.89	7.59	5.92	3.34	5.87	3.12
Dividend Cover	Times	0.82	1.26	1.74	0.09	2.54	1.03	-	3.85	11.78	5.01
Dividend Pay Out Ratio	%	122.50	79.50	57.54	1,110.28	39.36	97.55	-	25.98	8.49	19.95
Annual Production											
Rubber	kg '000	4,080	3,495	3,742	3,353	3,534	4,016	4,076	4,155	4,082	4,578
Tea	kg '000	1,923	1,962	2,165	2,375	2,094	2,243	2,162	2,630	2,773	2,479
Coconuts	nuts '000	1,295	1,117	1,471	1,559	1,549	1,596	1,713	1,731	1,413	1,572
Capital Expenditure											
Field Development	Rs '000	260,837	300,895	172,757	219,068	263,195	290,313	223,167	198,597	144,915	114,439
Purchase of PPE	Rs '000	21,915	33,844	3,168	1,580	42,656	4,155	30,554	51,058	55,329	68,597
Total Capex	Rs '000	282,752	334,739	175,924	220,648	305,851	294,468	253,720	249,656	200,244	183,036

Shareholders' Funds Vs Total Assets
In Rupees Million



Assets & Funding 2018/19
In percentage



HISTORICAL NOTE

ETANA ESTATE, Warakapola, Kegalle

Etana Estate is situated in the Sabaragamuwa provincial council, Kegalle district, Warakapola electorate and bordering East by Dummaladeniya village, West by Pandeniya Village, North in the villages of Etnawala, Ganithapura, Weligalla and Thumbaliyadda villages, South by Pilanduwa village at an elevational of 750 feet. It is 24 km away from Kegalle town, 2 km away from Warakapola town and the nearest Railway Station is at Ambepussa which is 8 km away from the Estate.

HISTORICAL BACKGROUND

Etana Estate had been established as a Rubber plantation in 1938 and the first Superintendent of this estate had been one Mr. Jenes. The estate had been initially managed by Messrs. Hewagam Rubber Company Ltd up to 1974. The estate was taken over by Land Reforms Commission (LRC) and managed up to 1977 with the Government policy of Nationalization, the ownership and management had been vested with the Janatha Estate Development Board (JEDB) from 1977 to 1992.

The Government of Sri Lanka as a part of re-structuring plan for the Plantation industry, decided to privatize the Plantation sector in June 1992 and incorporated 22 Regional Plantation Companies and vested the estates between these Companies on a leasehold basis.

Kegalle Plantations PLC was one such Company and it was allocated 21 estates including Etana estate which is currently having Rubber as the major crop and Rambutan project, Coconut, Pepper & King coconut as minor crops. RPC Plantation Management Services (Pvt) Ltd is the managing agents for the Company of which the Ultimate Parent Company is Richard Peiris & Company PLC.

PAST SUPERINTENDENTS

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

Name of Superintendents	Period
Jenes	1938 - 1939
N. M. Ameresekere	1940 - 1962
D. S. S. Perera	1963 - 1964
S. A. Aiyadore	1965 - 1976
R. A. Gunatillaka	1977 - 1981
G. Bulankulama	1982 - 1984
R. W. Gunawardana	1985 - 1987
V. J. Nanayakkara	1988 - 1989
N. B. Ranatunga	1989 - 1993
R. T. Siriwardana	1993 - 1996
G. B. Disanayake	1996 - 1997
A. C. S. Munaweera	1997 - 1999
E. C. G. Ehelepola	1999 - 2004
S. A. A. P. Jayathilake	2004 - 2008
S. D. Munasinghe	2008 - 2017
M.W. Liyanasekara	2017 - 2018
A. S. de C. Wijetunge	2018 up to now

Scrap Rubber Factory

The Rubber factory manufactures raw scrap by inter estates of the Company. The factory produces around 228,000 kilos of scrap annually which has been sold through Colombo auctions.

This estate consists of 483.26 hectares in total with a cultivated extent of 380.60 hectares and having a work force of 301.

The estate is divided into five Divisions namely Etana, Penihela, Thalawatte, Northland and Monrovia and contains the extent in five divisions as follows;

Division	Extent - ha
Etana	187.15
Penihela	89.94
Thalawatte	92.32
Northland	94.55
Monrovia	19.30
Total Land Extent	483.26

Crop Wise Extent – Hectares

Cultivation	Extent - ha
Rubber	328.65
Coconut	1.82
King Coconut	2.47
Paddy	1.32
Other Cultivations	46.34
Rambutan Project	34.12
Other Lands, buildings/jungle/rocks/ roads/reservation…. etc.	68.54
Total Land Extent	483.26

Key Indicators of the Estate, Rubber

Indicator	2018/19	2017/18
Rubber Production (kg)	319,127	337,519
Yield (kg/ha)	1,129	1,137
NSA (Rs./kg)	261.82	298.06
COP (Rs./kg)	214.35	207.16

EMPLOYEE HISTORY

NAME	YEAR	DESIGNATION
Sinclair, C.T.	1912 - 1912	Manager
Hermon, C.	1914 - 1914	Manager
Smith, E. Seddon	1917 - 1917	Manager
Seram, Shelton de	1922 - 1930	Manager

OWNERS

NAME	YEAR
Pine Hill Ests Co. Ltd	1912 - 1930

Superintendent's Bungalow

Rambutan Project

Etana estate produces crops of luscious red rambutan, fast outgrowing the traditional rambutan land, Malwana. This plantation consisting of 34.12 hectares (84 acres), is run by Exotic Horticulture (Pvt) Ltd., a BOI Company had been floated in 1993 to grow and sell rambutans to the local and overseas markets. And not only exotic, but also unique is the Etana plantation, for it is the single largest rambutan estate in the Country.

Estate Staff led by Mr. A S de C Wijetunge, Superintendent of the Estate

GRI REPORTING

The Reporting Framework

We adopted GRI reporting for the Third time in Financial year under Review, 2018/19. More and more, there is pressure on companies to become transparent about the impacts they have on their community and the world. Accordingly, we continue to adopt GRI reporting current year also as a way of effectively enabling the users of the annual reports to develop insights into how KPPLC performs along the financial and non-financial aspects. Our adoption of the GRI Standards as the framework for our public sustainability reporting, redoubles our commitment to transparency. Adhering to the GRI Standards is consistent with KPPLC's commitment to integrity and accountability, and demonstrates a balanced representation of our contributions and impact on our stakeholders and our world.

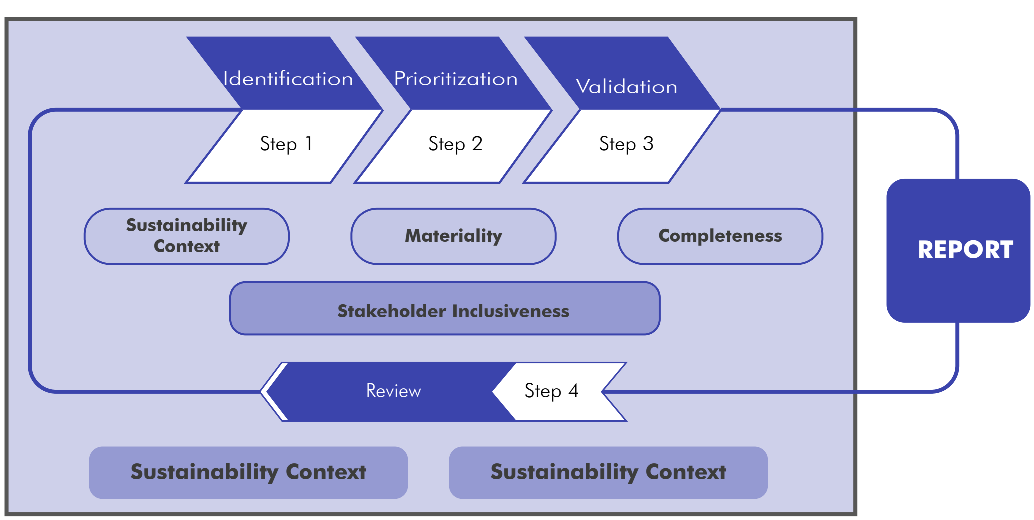
The practice is to be implemented and continued on the basic belief that the Company should direct appropriate attention not only on the expectations of the investors who are keen on financial status of the Company but also on the expectations and the requirements of a wide range of stakeholders who 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. However, the report presented voluntary basis and content has not been externaly assured.

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



Reporting Principles

The Reporting Principles are fundamental to achieving high quality sustainability reporting. According to the GRI, an organization is required to apply the Reporting Principles if it wants to claim that its sustainability report has been prepared in accordance with the GRI Standards. The Reporting Principles are divided into two groups: principles for defining report content and principles for defining report quality.

Principles for Defining Report Content

The Reporting Principles for defining report content help organizations decide which content to include in the report. This involves considering the organization's activities, impacts, and the substantive expectations and interests of its stakeholders.

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. Accordingly, the Company has duly applied the following principles in the determination of 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 is recognized. Accordingly, Stakeholders of our Company include not only the investors who have contributed to the financial capital but also others whose relationships are necessary for the achievement of the Company's objectives. In the preparation of our report, priority has been given to the reasonable expectations and interests of our stakeholders.

- **Sustainability Context**

  The 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 the Company contributes, or aims 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 the report, the Company reports the relevant topics that may reasonably be considered important for reflecting the organization's economic, environment 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 Company's performance in the reporting period.

Principles for Defining Report Quality

The Reporting Principles for defining report quality guide choices on ensuring the quality of information in a sustainability report, including its proper presentation. The quality of information is important for enabling stakeholders to make sound and reasonable assessments of an organization, and to take appropriate actions.

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 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**

  The 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**

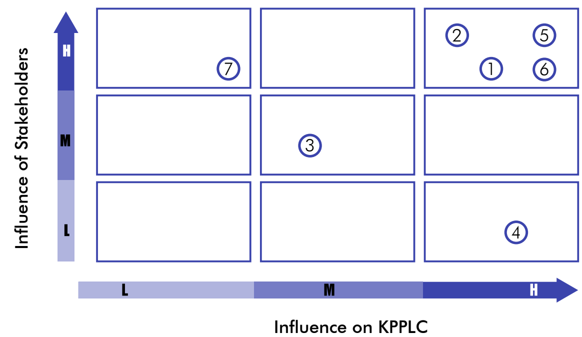
  The report has presented information in a manner that is understandable and accessible to stakeholders using the report.

- **Reliability**

  The process of gathering, recording, analyzing and disclosing information contained in the 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 the Company can be recognized based on the following matrix and those aspects are prioritized so that stakeholders can understand the significant aspects that matters most the business process of the Company.



Material Issue for KPPLC	Corresponding GRI G4 Material Aspect	Aspect Boundary	
		Internal	External
① Natural Environment	Materials	*	
	Energy	*	
	Water	*	
	Biodiversity	*	
	Emissions	*	
	Effluent and Waste	*	
	Products and Services	*	
	Compliance	*	
	Transport		*
	Overall	*	
	Supplier Environmental Assessment		*
	Environmental Grievance Mechanisms	*	
② Work Environment	Employment	*	
	Labour/Management Relations	*	
	Occupational Health and Safety	*	
	Training and Education	*	
	Diversity and Equal Opportunity	*	
	Equal Remuneration for Women and Men	*	
	Supplier Assessment for Labour Practices		*
	Labour Practices Grievance Mechanisms	*	
	Investment	*	
	Non-discrimination	*	
	Freedom of Association and Collective Bargaining	*	
	Child Labour	*	

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	Security Practices	*	
	Indigenous Rights		
	Assessment	*	
	Human Rights Grievance Mechanisms	*	
3 Local Development	Local Communities	*	
	Anti-corruption	*	
	Public Policy		
	Anti-competitive Behavior	*	
	Compliance	*	
	Grievance Mechanisms for Impacts on Society	*	
4 Supplier Management	Supplier Assessment for Impacts on Society		*
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5 Product Responsibility	Customer Health and Safety	*	
	Product and Service Labelling	*	
	Marketing Communications	*	
	Customer Privacy		
	Compliance	*	
6 Creating Value for Shareholders & Profitability	Economic Performance	*	
	Market Presence	*	
	Indirect Economic Impacts		
	Procurement Practices	*	
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SHAREHOLDER & INVESTOR INFORMATION

1. Stock Exchange Listing

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

2. Distribution of Shareholders

As at 31 March	2018/19	2018/19	2018/19	2017/18
No of Shares Held	No of Share Holders	No of Shares	% Holdings	% Holdings
1 - 1,000	8,578	1,819,794	7.28%	7.34%
1,001 - 10,000	284	998,223	3.99%	4.15%
10,001 - 100,000	41	1,152,482	4.61%	4.41%
100,001 - 1,000,000	7	1,259,025	5.04%	5.02%
1,000,001 - & above	1	19,770,477	79.08%	79.08%
Total	8,911	25,000,001	100.00%	100.00%
Resident Investors	8,889	24,525,780	98.10%	97.41%
Non-Resident Investors	22	474,221	1.90%	2.59%
Total	8,911	25,000,001	100.00%	100.00%
Individual Investors	8,807	3,622,019	14.49%	14.61%
Institutional Investors	104	21,377,982	85.51%	85.39%
Total	8,911	25,000,001	100.00%	100.00%
Related Company	3	19,783,877	79.14%	79.14%
Company Directors Holding	-	-	-	0.01%
General Public including Employees	8,908	5,216,124	20.86%	20.85%
Total	8,911	25,000,001	100.00%	100.00%

Public Holding: The percentage of shares held by the public is 20.86% of the issued Share Capital of the Company as at 31 March 2019 (31 March 2018 - 20.85%).

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

		Year Ended 31 March 2019	Year Ended 31 March 2018
Market Capitalization	Rs.'000	1,375,000	1,647,500
Price Earning Ratio	Times	13.48	6.99
Public Holding Percentage	%	20.86%	20.85%
Total number of Shareholders representing the Public Holding	Nos	8,908	8,937
Float Adjusted Market Capitalization	Rs.'000	286,887	343,525

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.

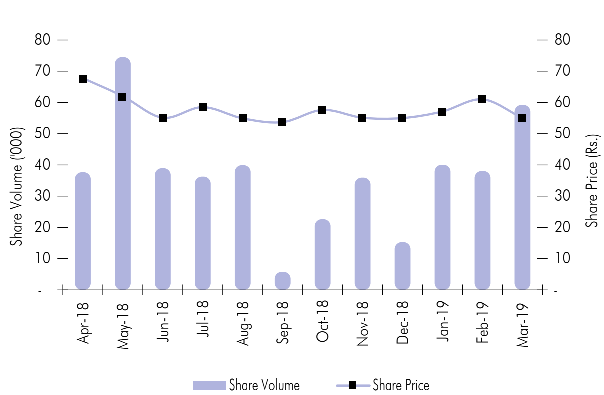
4. Share Information

Market Value		2018/19		2017/18	
Highest Price	- Rs.	70.00	(11 April 2018)	78.20	(12 September 2017)
Lowest Price	- Rs.	50.00	(17 October 2018)	51.00	(03 April 2017)
Closing Price	- Rs.	55.00	(28 March 2019)	65.90	(29 March 2018)

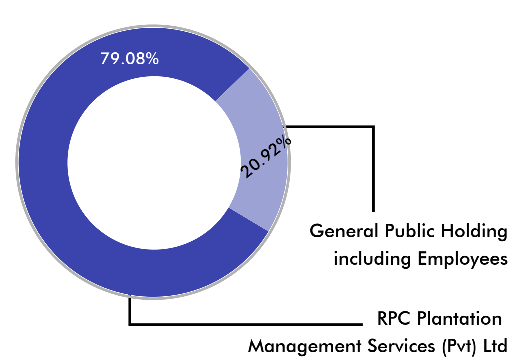
Share Trading	2018/19	2017/18
No. of Shares Traded	444,192	926,043
No. of Trades	1,413	2,388
Value of Shares Traded - Rs.	26,578,737	63,388,263

Key Ratios	2018/19	2017/18
Earnings per Share	4.08	9.43
Net Assets per Share	104.76	106.70
Dividends per Share	5.00	7.50

KPPLC Share Price & Transaction Volume - 2018/19



Shareholder Structure As At 31 March 2019



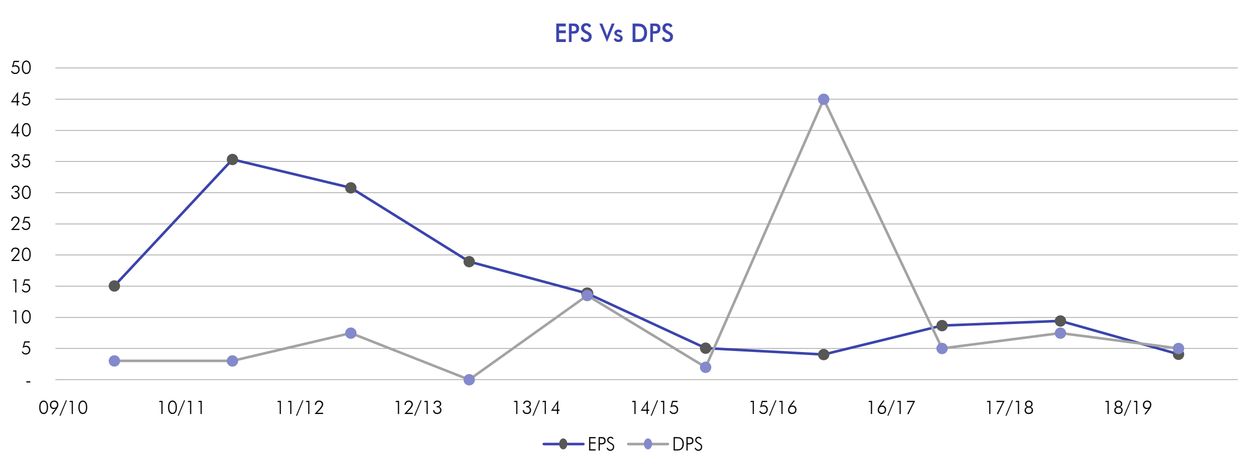
5. Twenty Largest Shareholders of the Company

As at		31 March 2019		31 March 2018	
	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	SSBT - Deustche Bank AG Singapore A/c 01	200,000	0.80%	200,000	0.80%
4	Mr. D. F. G. Dalpethado	193,050	0.77%	152,386	0.61%
5	Tranz Dominion, L.L.C	185,000	0.74%	185,000	0.74%
6	Pershing LLC S/A Averbach Grauson & Co.	132,000	0.53%	142,000	0.57%
7	Employees Provident Fund	122,300	0.49%	122,300	0.49%
8	Mubasher Financial Services BSC	107,370	0.43%	133,024	0.53%
9	Mr. D. M. Kodikara	95,000	0.38%	90,000	0.36%
10	Asha Financial Services Ltd/Ms. H. C. Kalansooriya	74,555	0.30%	-	-
11	Mrs. M. S. E. V. E. A. U. Von Stumm	59,349	0.24%	59,349	0.24%
12	Mr. N. Balasingam	50,600	0.20%	50,600	0.20%
13	Bank of Ceylon - No. 1 Account	50,600	0.20%	50,600	0.20%
14	Mr. P. F. Nandasiri	42,500	0.17%	42,500	0.17%
15	Mr. I. S. P. Perera	40,105	0.16%	40,105	0.16%
16	Commercial Bank of Ceylon PLC/Sithijaya Fund	40,000	0.16%	48,886	0.20%
17	Mr. J. G. De Mel	40,000	0.16%	40,000	0.16%
18	Alliance Finance Company PLC	37,100	0.15%	37,100	0.15%
19	Mrs. C. A. D. S. Woodward	35,706	0.14%	35,706	0.14%
20	Mr. R. Gautam	35,000	0.14%	34,500	0.14%
	Sub Total	**21,630,017**	**86.52%**	-	-
	Balance held by 8,891 Shareholders (31 March 2018 - 8,921 Shareholders)	3,369,984	13.48%	3,414,152	13.66%
	Total Shares	**25,000,001**	**100.00%**	**25,000,001**	**100.00%**

6. Exchange Rates - US $ (Selling)

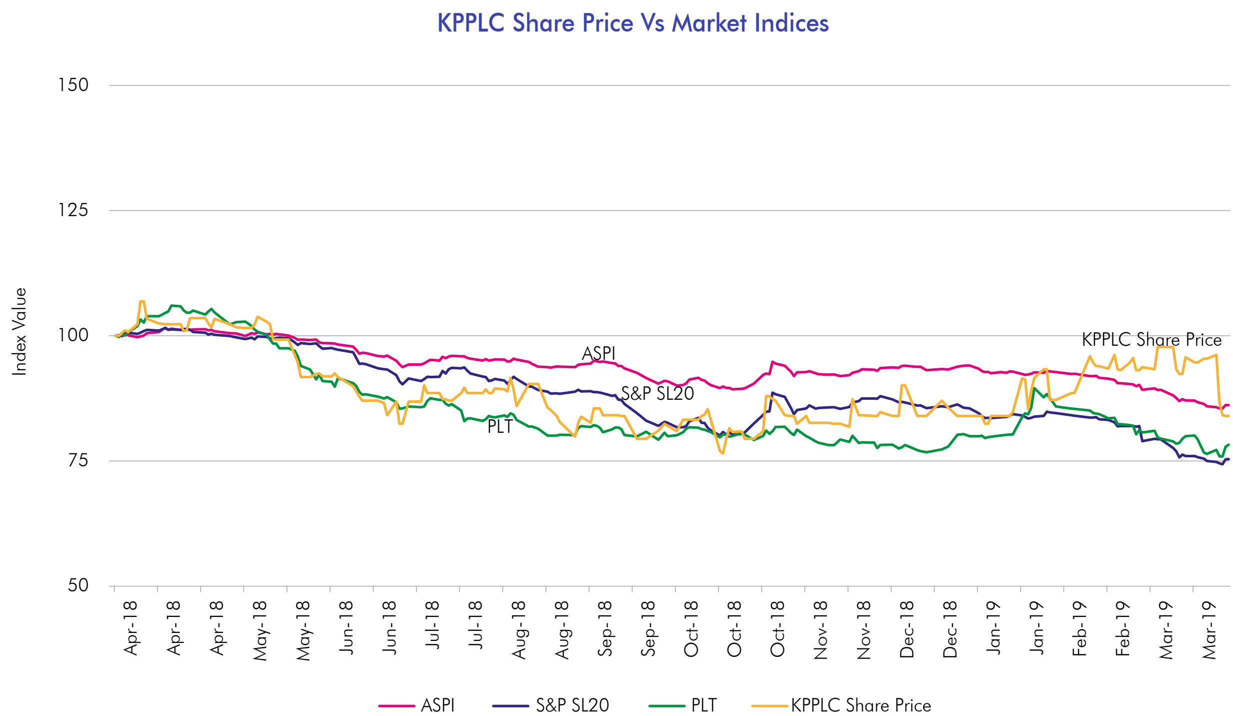
	2019	2018	2017	2016	2015
As at 31 March (Rs.)	178.02	157.49	153.91	146.78	134.73

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



8. Other Share Information

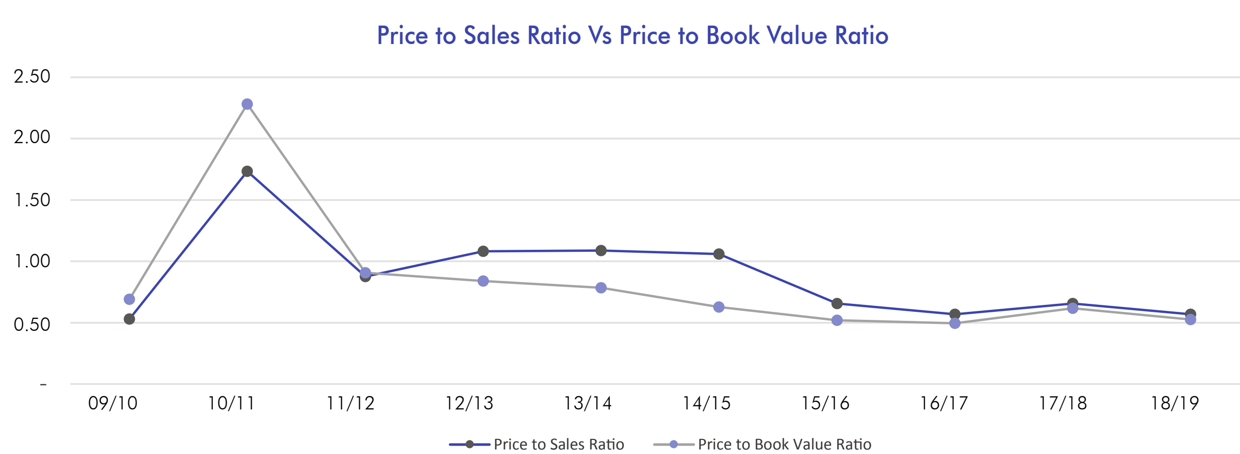
The performance of Kegalle Plantations PLC's share is as follows compared to the performances of All Share Price Index (ASPI), Standard & Poor's Sri Lanka 20 Index (S&P SL20) and Plantation Sector Index (PLT) in the Share Market during the year 2018/19.



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

- Log on to Colombo Stock Exchange - website: www.cse.lk
- Enter Company Code (KGAL.N000) in the search box at the top right hand corner of CSE home page and go to the Company description.

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



GLOSSARY

Term	Definition
Financial Terms	
A	
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.
AGRICULTURAL PRODUCE	Agricultural produce is the harvested product of the entity's 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.
B	
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.
BIOLOGICAL TRANSFORMATION	Biological transformation comprises the process of growth, degeneration, production, and procreation that cause qualitative or quantitative change in a biological asset.
BORROWING COSTS	Borrowing Costs are interest and other costs incurred by an enterprise in connection with borrowing of funds.
C	
CAPITAL EMPLOYED	The sum of Shareholders' Funds, Long Term & Short-Term Interest-bearing Borrowings.
CASH EQUIVALENTS	Abbreviation for liquid investments with original maturity periods of three months or less.
CONSUMABLE BIOLOGICAL ASSETS	The biological assets those that are to be harvested as agricultural produce or sold as biological assets.
CONTINGENT LIABILITIES	A possible obligation that arises from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the enterprise.
CURRENT RATIO	Current Assets divided by Current liabilities.
CURRENT SERVICE COST	Current Service Cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.
D	
DEBT TO EQUITY RATIO	Borrowings divided by equity.
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	Profit attributable to Ordinary Shareholders divided by dividend. Measures the number of times dividend is covered by distributable profit.
DIVIDEND PAYOUT	Dividend per share as a percentage of the earnings per share.
DIVIDEND YIELD	Dividend per share as a percentage of the market price. A measure of return on investment.
DIVIDENDS	Distribution of profits to holders of equity investments.
E	
EARNINGS PER SHARE	Profit after Tax divided by weighted average number of Ordinary Shares outstanding during the period.
EBIT	Earnings Before Interest and Tax.
EBITDA	Abbreviation for Earnings before Interest, Tax, Depreciation, and Amortization.
ENTERPRISE VALUE	Market Capitalization plus net debt.
EQUITY	Shareholders' fund.
EQUITY INSTRUMENTS	Equity Instruments is any contract that evidences a residual interest in the assets of a entity after deducting all of its liabilities.

Term	Definition
EQUITY METHOD	The equity method is a method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post acquisition changes in the investor's share of net assets of the investee. The profit or loss of the investor includes the investor's share of the profit or loss of the investee.
EQUITY/ASSETS RATIO	Shareholders' Funds divided by Long Term Assets plus Current Assets.
EU	European Union.
EVA	Economic Value Addition. The return earned beyond the cost of capital (Weighted Average Cost of Capita into Capital Invested minus Net Operating Profit).
F	
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.
FAIR VALUE THROUGH PROFIT AND LOSS	A financial asset/liability acquired/ incurred principally for the purpose of selling or repurchasing it in the near term, part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit taking, or a derivative (except for a derivative that is a financial guarantee contract).
FINANCIAL ASSET	Any asset that is cash, an equity instrument of another entity or a contractual right to receive cash or another financial asset from another entity.
FINANCIAL INSTRUMENT	Any contract that gives rise to a financial asset of one entity and a financial liability or equity to another entity.
FINANCIAL LIABILITY	Any liability that is a contractual obligation to deliver cash or another financial asset to another entity.
FVTOCI	Abbreviation for Fair Value Through Other Comprehensive Income.
G	
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.
H	
HARVEST	Detachment of produce from a biological asset or the cessation of biological assets life processes.
I	
IFRS	International Financial Reporting Standards
INTEREST COVER	Profit before Tax plus Interest Charges divided by Interest Charges, including Interest Capitalized.
J	
JEDB	Janatha Estates Development Board.
K	
KMP (KEY MANAGEMENT PERSONNEL)	Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.
L	
LIBOR	London Inter- Bank Offered Rate.
LIQUIDITY	The availability of liquid assets to a market or Company.
M	
MARKET CAPITALIZATION	Number of shares in issue, multiplied by the market value of each shares at the year end.
MVA	The difference of market capitalisation and book value of share capital.
N	
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.
O	
OCI	Other comprehensive income comprises the items of income and expenses that are not recognised in profit or loss as required or permitted by other SLFRS's.

Term	Definition
P	
PRICE EARNINGS RATIO	Market price of a share divided by Earnings per Share.
R	
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.
REVENUE RESERVES	Reserves considered as being available for distributions and investments.
RSS-1	Ribbed Smoked Sheet - Grade 1.
S	
SHAREHOLDERS' FUNDS	Funds attributable to Shareholders which consist of Share Capital, Reserves and Retained Profit.
SLA	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.
T	
TURNOVER PER EMPLOYEE	Consolidated turnover of the Company for the year divided by the number of employees at the year end.
U	
UITF	Urgent Issues Task Force of the Institute of The Chartered Accountants of Sri Lanka.
V	
VALUE ADDITION	The quantum of wealth generated by the activities of the Company and its application.
W	
WORKING CAPITAL	Current assets exclusive of liquid funds and interest-bearing financial receivables less operating liabilities and non-interest-bearing provisions.

Non - Financial Terms

A	
AGM	Annual General Meeting.
B	
BIODIVERSITY	The variability among living organisms from all sources including, among others, terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are part; this includes diversity within species, between species and of ecosystems.
BOI	Board of Investments of Sri Lanka.
C	
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.
E	
EMDEs	Abbreviation for emerging market and developing economies.
ETP	Ethical Tea Partnership is a non-competitive alliance of 20 international tea packers who share a vision for a thriving industry that is socially just and environmentally sustainable.
EXTENT IN BEARING	The extent of a land from which crop is being harvested. Also see "Immature Plantation".
F	
FIELD	A unit extent of land. Estates are divided into fields in order to facilitate management.

Term	Definition
G	
GDP	Gross Domestic Product.
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.
GRI	Global Reporting Initiatives.
H	
HACCP	Hazard Analysis and Critical Control Point System, Internationally accepted food safety standard.
I	
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.
ISO 22000	International standard for food safety management system (FSMS) released by ISO in September 2005.
L	
LFPR	Abbreviation for Labour Force Participation Rate.
M	
MATURE PLANTATION	The extent of plantation from which crop is being harvested.
N	
NSA	Net Sales Average per kilo.
P	
PHDT	Plantation Human Development Trust.
R	
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.
RAINFOREST ALLIANCE (RA)	The Rainforest Alliance certification scheme; RA works to conserve biodiversity and ensure sustainable livelihoods by transforming land-use practices, business practices and consumer behaviors.
S	
SEEDLING TEA	Tea grown from a seed.
T	
TRI	Tea Research Institution.
V	
VP TEA	Vegetatively propagated tea. i.e. tea grown from a cutting of a branch of tea plant.
Y	
YIELD (YPH)	Average yearly output of produce from a hectare of plantation.
YOY	Year on Year.

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Twenty Sixth (26th) Annual General Meeting of Kegalle Plantations PLC will be held at the Registered Office, No. 310, High Level Road, Nawinna, Maharagama on Friday, 26 July 2019 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 2019 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 73 years of age be and is hereby appointed a Director of the Company in terms of section 211 of the Companies Act No. 07 of 2007, and it is further specially declared that the age limit of 70 years referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to the said Dr. 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 76 years of age be and is hereby appointed a Director of the Company in terms of section 211 of the Companies Act No. 07 of 2007, and it is further specially declared that the age limit of 70 years referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to the said Dr. Gerry Jayawardena''.

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

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

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

7. To consider any other business of which due notice has been given.

By Order of the Board

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

12 June 2019

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, Sri Lanka., 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 PROF. ASOKA NUGAWELA whom failing DR. GERRY JAYAWARDENA whom failing SHAMINDA YADDEHIGE whom failing SUNIL SHANTHA GOTABHAYA LIYANAGE * as my/our proxy to represent me/us and to vote on my/our behalf at the 26TH ANNUAL GENERAL MEETING of the Company to be held on 26 July 2019 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 2019 with the Report of the Auditors thereon.		
2.	To approve under and in terms of Section 211 of the Companies Act No. 07 of 2007, the appointment of Dr. Sena Yaddehige at this Annual General Meeting, a Director.		
3.	To approve under and in terms of Section 211 of the Companies Act No. 07 of 2007, the appointment of Dr. Gerry Jayawardena at this Annual General Meeting, a Director.		
4.	To elect Mr. Sunil Liyanage who retires in terms of Article 98 as a Director.		
5.	To re-appoint Messrs. Ernst & Young, Chartered Accountants as Auditors of the Company and to authorise the Directors to determine their remuneration.		
6.	To authorize the Directors to determine contributions to charities.		
7.	To consider any other business of which due notice has been given.		

Dated this .... day of 2019

....
Signature of Shareholder

Notes:

(i) Please delete the inappropriate words.
(ii) A proxy need not be a member of the Company.
(iii) Instructions 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, Sri Lanka., not later than 10.00 a.m. on Wednesday, 24 July 2019.

- 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 NUMBER
P Q 135

REGISTERED OFFICE/HEAD OFFICE
No. 310, High Level Road, Nawinna, Maharagama, Sri Lanka.
Telephone:+ (94) 11 4310500
Fax: + (94) 11 4310799
E-mail: kpl.rpk@arpico.com
Website: www.arpico.com

ACCOUNTING YEAR END
31 March

PRINCIPAL BUSINESS ACTIVITIES
Cultivation, Manufacture and Sale of Rubber, Tea,
Coconut & other agricultural Produce.

MANAGING AGENT
RPC Plantation Management Services (Pvt) Ltd
No. 310, High Level Road, Nawinna, Maharagama, Sri Lanka.

ULTIMATE PARENT ENTERPRISE
Richard Pieris & Company PLC
No. 310, High Level Road, Nawinna, Maharagama, Sri Lanka.

BOARD OF DIRECTORS
Dr. Sena Yaddehige, Chairman
Prof. R C W M R A Nugawela
Dr. S S B D G Jayawardena
Mr. Shaminda Yaddehige
Mr. S S Poholiyadde (Resigned w.e.f 02 August 2018)
Mr. S S G Liyanage (Appointed w.e.f 15 August 2018)

STOCK EXCHANGE LISTING
The Ordinary Shares of the Company are listed with the
Colombo Stock Exchange of Sri Lanka.

MANAGEMENT
Mr. Sriyan Eriyagama, Chief Executive Officer
Prof. K Gunasekara, Director Special Projects
Mr. Sudheera Epitakumbura, Financial Controller
Mr. I S Doranegama, General Manager
Mr. S C Bandaranayake, Engineer
Mr. A C B Bowatte, Manager Forestry
Mr. D J L Sunil Govinnage, Consultant
Mr. T I Kodithuwakku, Senior Accountant
Mr. R M S S Herath, Manager - Information Systems

SECRETARIES
Richard Pieris Group Services (Pvt) Limited
No. 310, High Level Road,
Nawinna, Maharagama, Sri Lanka.
Telephone: + (94) 11 4310500

AUDITORS
Messrs. Ernst & Young
Chartered Accountants,
201, De Saram Place,
Colombo 10, Sri Lanka.

BANKERS
National Development Bank PLC
Bank of Ceylon - Corporate Branch & Regional Branches
Hatton National Bank PLC
Peoples Bank
Seylan Bank PLC
Commercial Bank of Ceylon PLC
Indian Overseas Bank/Indian Bank/State Bank of India
Nations Trust Bank PLC
DFCC Bank PLC

TAX ADVISORS
Messrs. Ernst & Young
Chartered Accountants,
201, De Saram Place,
Colombo 10, Sri Lanka.

Kegalle Plantations PLC
No. 310, High Level Road, Nawinna, Maharagama, Sri Lanka.
Tel: +94 114 310 500, Fax: +94 114 310 799, E Mail: kpl.rpk@arpico.com
Web Site: www.arpico.com