



Horana Plantations PLC

Annual Report 2014-15



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Financial Calendar

	2014/15	2013/14
<i>Interim Financial Statements:</i>		
Three months ended 30th June	7-Jul-14	2-Aug-13
Six months ended 30th September	7-Nov-14	22-Oct-13
Nine months ended 31st December	5-Feb-15	31-Jan-14
Twelve months ended 31st March	18-May-15	29-May-14
<i>Annual Report</i>	5-Jun-15	5-Jun-14
<i>21st Annual General Meeting</i>		27-Jun-14
<i>22nd Annual General Meeting</i>	29-Jun-15	

Chairman's Review

I would like to extend a warm welcome to our shareholders at the 22nd Annual General Meeting of Horana Plantations PLC (HP-PLC). On behalf of the Board of Directors, I present to you the Annual Report and Audited Financial Statements of Horana Plantations PLC for the Financial Year ended March 31, 2015.

The year under review proved to be one of many challenges in the domestic and international markets. It was in this backdrop that your Company achieved a commendable profit after tax of Rs. 61.976 Million for the year under review. In the domestic sphere, adverse and erratic weather conditions together with poor trading conditions had an unfavourable impact on the rubber sector. On the other hand, the glut of rubber in the global markets pushed down rubber prices. As a result of this combination, this sector recorded a loss of Rs. 82.469 Million contributing towards an overall reduction in post-tax profit against the previous financial year. Despite the above, we remain confident of an optimistic future as your Company's fundamentals continue to remain strong while our strategy moving forward is well defined.

The Company's tea sector recorded a profit of Rs.69.375 Million, an increase from Rs 67.320 Million in the previous year. Despite a lower Net Sale Average of Rs 432.89 per kilogram versus Rs 453.42 in the previous financial year, a higher yield resulting from better agricultural and management practices boosted the bottom line.

The Ruble crisis, and economic contraction in Russia, Sri Lanka's primary importer, unrest in the Middle East, and its' declining oil prices, sanctions on Iran as well as political and economic instability in Syria, Egypt, and Libya had its' impact on the industry. However, the situation is expected to improve considering the significant diminishing of tensions between the USA and Iran which, according to the former will improve trade ties between Sri Lanka and Iran shortly. At the time of the imposed sanctions, Iran was the second largest importer of Sri Lankan tea. This has come about after much lobbying on the domestic front and more essentially post historic and peaceful negotiations between the two nations along

with Britain, France, Germany, China and the European Union. In addition, Russia's accession to the WTO will prove beneficial as tariffs on value added imports have declined. In Sri Lanka, tea yields are climate dependent while wage negotiation remains our bigger challenge considering the fact that there is no linkage between wage and productivity indicators. This is continuously being addressed by the industry as a whole.

Sri Lanka's national tea production for 2014 declined to 338 Million kilograms from a record breaking 340 Million kilograms in 2013 primarily due to heavy rains in the months of November and December. Despite this, exports increased to 297.5 Million kilograms from 290.6 Million kilograms in 2013 indicating improved conditions on the international front.

The global market experienced a natural rubber surplus of almost 735,000 tonnes brought forward from 2013 when supply outstripped consumption as a result of maturing trees in Asia boosting latex production. This has been exacerbated by a significant decline in global demand, fuelled by weakening consumption growth in China, the largest importer of rubber. In an effort to ease the glut, Thailand, Indonesia and Malaysia which account for two thirds of the worlds' production have reduced exports to tighten supply. The decline in crude oil prices on the other hand increased the demand for synthetic rubber which exerted downward pressure on natural rubber prices. On the national front Sri Lanka's rubber production declined for the third consecutive year to 98,573 metric tonnes in 2014 from 130,420 metric tonnes in 2013. Weak international demand and unfavourable weather conditions which disrupted latex tapping were direct causes for this. The shortfall locally, and lower prices internationally, caused domestic rubber product manufacturers to import rubber, while smallholders in major producing countries started switching to cultivation of other crop which also contributed towards a decline in rubber production.

Despite the negative circumstances surrounding the Plantation industry, your Company continued to invest in replanting, upgrading and modernization of its tea and rubber factories as

Chairman's Review (Contd...)

part of its larger capital expenditure program with an investment of Rs 346.5 Million during the financial year under review. Despite a higher cost of production, our ability to achieve a post tax profit was due to clearly defined strategy in terms of our investments and reduced wastage. Rubber and tea being climate dependent will continue to have that factor as an uncontrollable variable. The outlook for rubber does not look too favourable until the rubber stockpiles are reduced and managed. Slower recovery of the European and US economies and the slowdown in economic growth in emerging economies such as India and China means a lower global demand. With vehicle sales also down in developed and developing nations, the demand for natural rubber from the tyre and auto components industry that consumes bulk of the natural rubber supply will also come down. Unless the US and EU markets recover fully, it will take a while for natural rubber to get back on a fast track as they continue to be the biggest markets.

For Sri Lanka, the outlook of the Russian market is important going forward. The weakening of the Ruble will exert pressure on Sri Lankan exporters and Russian importers, while political tensions in the Middle East and declining oil prices are negative factors. The upside is that direct trade with Iran is expected to resume as soon as tensions with the West ease and the fact that Sri Lanka is a unique supplier in high end black orthodox tea for which demand and prices fetched are growing rapidly. The country also remains largely sheltered from the supply of CTC teas which is a plus.

Crop diversification was given priority in the Company's Strategic Field Development Program. We have completed planting of the lucrative oil palm crop in Neuchatel, Mirishena and Halwatura and initiated the planting of fruits and vegetables. Cinnamon and Coconut planting continued as usual while the Company plans to commence Coffee planting during the financial year 2015/2016.

Our Company policies have always remained people-oriented which has helped us retain a loyal and committed workforce, while continuing to provide them with the maximum possible benefits. The plantation industry

being one of the key drivers of the economy necessitates a solution for plantation worker wages being linked to productivity. We believe that this framework of operation will benefit plantation workers. While the industry as a whole continues to lobby for this change, we trust that all related parties concerned will recognize the threat to the industry by way of these ad-hoc wage increases, and more essentially take steps to ensure the long term stability of the industry.

Dividend

I am pleased to announce a First and Final dividend of Rs -/50 per Ordinary Share which will be paid after Shareholder approval at the 22nd Annual General Meeting.

Directorate

I would like to convey my appreciation to the Board of Directors for their valuable contribution to the Company throughout their tenure on the Board and welcome Mr W. G. R. Rajadurai, Managing Director of Kelani Valley Plantations PLC and Talawakelle Tea Estates PLC. Mr Rajadurai counts over 30 years of experience in Plantation Management.

Acknowledgement

Our Company's biggest strength lies in its people at every level of the organization. It is with their efforts and endeavor that we continue to sustain ourselves successfully. As we continue to move forward, I would like to express my sincere gratitude to the Board of Directors, the team in Management, Estate Managers and all employees for their hard work, commitment and loyalty to the Company at all times. While remaining confident in the continued success of Horana Plantations PLC, I also thank our shareholders for their unwavering support and confidence in us.



W.D.N.H. Perera
Chairman

29th May 2015

Director/CEO's Review

In the backdrop of a very challenging domestic and international front, Horana Plantations PLC reported a post-tax profit of Rs 61.9 Million for the Financial Year 2014/2015. Although a significant reduction from the previous years' Rs 137.2 Million, your Company has proved to be resilient once again, and I present to you a review of Company's performance for the Financial Year 2014/2015.

Sector Review-Tea

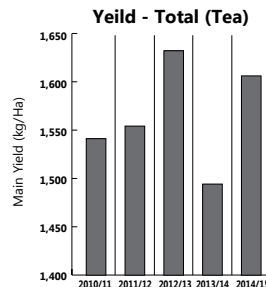
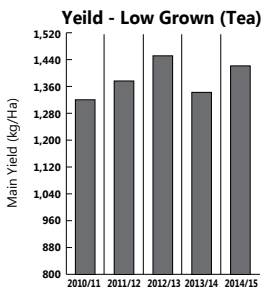
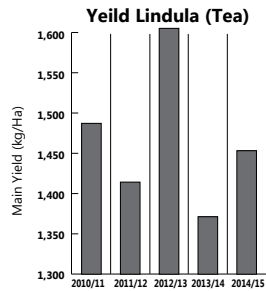
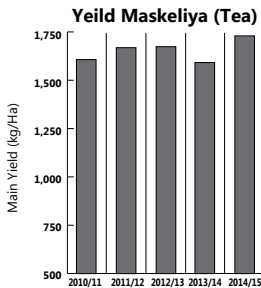
Adverse weather accompanying heavy rains towards the last two months of 2014 impacted Sri Lanka's national tea production, which declined to 338 Million kilograms from a record breaking 340 Million kilograms in 2013. Bulk of the production was from the low grown segment, followed by the high grown and medium grown segments respectively. Despite this drop, exports increased to 297.5 Million kilograms from 290.6 Million kilograms in 2013 primarily due to brought forward exports from the previous years and an increase in exports to Turkey and Syria. Horana Plantations PLC performed reasonably well with an improved yield per hectare of 1,606 kilograms compared

to 1,494 kilograms achieved the previous Financial Year.

The shortage of fertilizer especially during the cropping periods of the year stemming from a Government cap on importation of fertilizer was of concern during the first quarter of the Financial Year. The resultant loss of crop, and reduction of leaf quality, would ultimately have an overall impact on tea quality. We hope that the regulatory authorities would take necessary steps to address this concern going forward.

Tea Prices

Due to political and economic uncertainties in the global markets, the Sri Lankan Tea industry witnessed a sharp decline in prices and sales averages during the last quarter of 2014. The total national average for the calendar year 2014 stood at Rs. 461.86 per kilogram surpassing Rs.444.42 in 2013. On the other hand a sharp decline in prices in the last quarter of the Company's Financial Year 2014/15 resulted in the Company's Net Sale Average declining to Rs.432.89 against the previous year's Rs 453.42.



Director/CEO's Review (Contd...)

Cost of Production (COP) - Tea

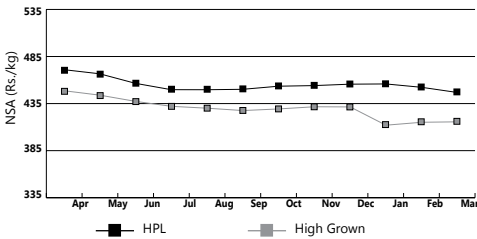
Better management practices and improved technology to reduce energy costs, together with a well trained workforce contributed towards a reduction in the Company's cost of production of a kilogram of tea to Rs 409.91 from Rs 425.64 in the previous Financial Year. We continue to adopt stringent management controls and better agricultural practices in an effort to reduce our production costs and have initiated the development of several mini hydro power plants, which are expected to accrue cost benefits to the Company going forward. Worker wages constitute 45 % of the Company's cost of production and further increases would undoubtedly prove challenging in terms of maintaining Company's profitability.

We strongly advocate fair labour practices, and hope that all wage increases be linked to productivity indicators going forward. These two factors remain a serious challenge to the plantation industry as a whole.

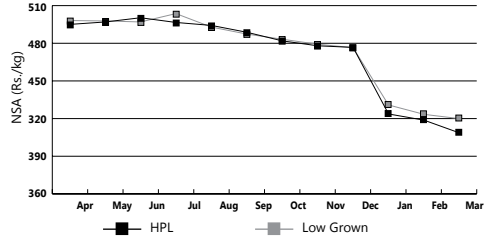
Profitability - Tea

Despite a lower Net Sale Average of Rs 432.89 per kilogram, a higher yield per hectare, allowed the tea sector to report a profit of Rs 69.375 Million for the Financial Year against Rs 67.320 Million in the previous year. This is quite commendable considering the numerous challenges faced on the domestic and international front. We continue to strive towards better management of costs and improvement of our efficiencies to further improve profitability.

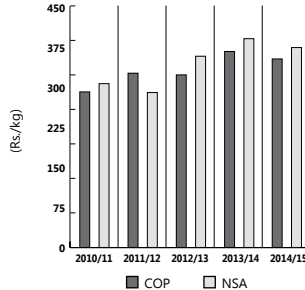
**Net Sales Average (GSA)
HPL-Vs. High Grown**



**Net Sales Average (GSA)
HPL-Vs. Low Grown**



Tea - COP & NSA



Director/CEO's Review (Contd...)

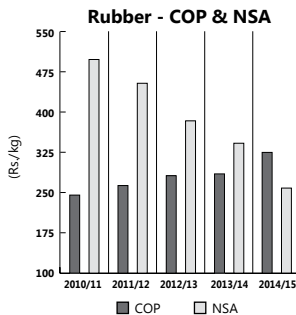
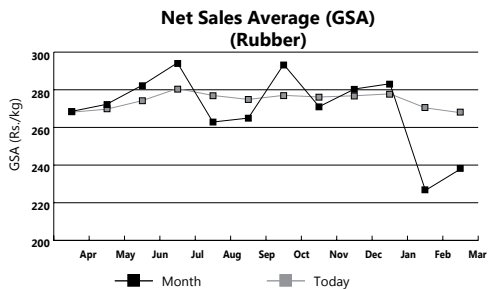
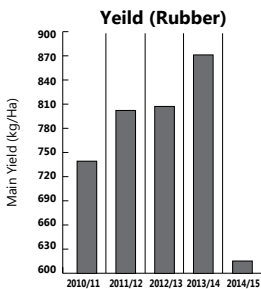
Sector Review - Rubber

Rubber production in Sri Lanka dipped by 24.4% to 98,573 metric tonnes in 2014 from 130,420 metric tonnes, primarily due to very dry conditions in the early part of the year and heavy rains towards the end which disrupted latex tapping. As a result rubber production plunged to 1.11 Million kilograms against 1.48 Million kilograms in the previous year while the yield per hectare amounted to only 615 kilograms against 871 kilograms in 2013. Lower crude oil prices in the global market increased demand for synthetic rubber, and conversely reduced importer demand for natural rubber. Coupled with depressed prices, this sector reported a loss of Rs 82.469 Million for the year under review.

Rubber Prices/Cost of Production & Profitability

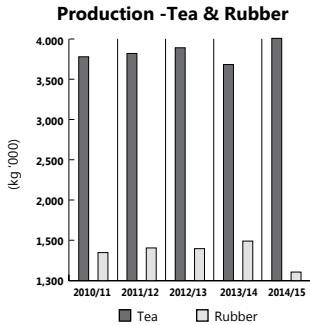
The surplus stocks of rubber in the global market and increased demand for synthetic

rubber pushed down natural rubber prices. The Colombo Auction prices reflected the lowest price levels since 2009 and do not look favourable in the foreseeable future in the backdrop of the global environment. There are approximately 200,000 smallholders in the rubber sector and collectively they produce only 1% of the natural rubber supply. In an effort to ease the impact of the severe fall in commodity prices, the small holders are to receive guaranteed prices of Rs 350/- per kg of rubber. Unfortunately this guaranteed price has not been extended to the regional plantation companies and we hope that relief would be provided to sustain and grow the industry. Cost of Production was increased to Rs 324.35 as compared to Rs 284.39 in the previous Financial Year, while the net sale average was Rs 257.14 against Rs 341.54 in the previous Financial Year.



Director/CEO's Review (Contd...)

Main Crop Production



Field Development/Crop Diversification

We have understood a need for risk minimization and diversification especially in the Agricultural/Plantation sectors. As Tea and Rubber are the main commodities, and are essentially climate dependent, the Company's Field Development Program was initiated in an effort to diversify risk, absorb cost increases and improve profitability. Despite the adverse climate that prevailed for Tea and Rubber, the Company continued its replanting programs without disruption. During the year under review, 16 hectares of tea and 50.14 hectares of rubber were planted while the Company commenced the planting of fruit and vegetables. Cinnamon and Coconut cultivation continued as usual while we plan to commence planting of Coffee shortly.

Crop Diversification - Oil Palm

A lucrative crop that commands high prices in the world market, we have completed planting Oil Palm at Neuchatel, Mirishena, and Halwatura estates on 49.5 hectares during the year under review. The total extent of planted Oil Palm amounts to 107.53 hectares, while the Company's five year plan is to plant 500 hectares by 2018. Our progress slowed down due to a regulatory setback in relation to importation of Oil Palm seeds which we continue to lobby for, although we are yet to receive positive feedback. On a more positive note, the demand for Oil Palm in the world market is stable and

growing which is a plus in terms of future profitability once all regulatory restrictions are smoothed out.

Cinnamon

It is notable that 'Ceylon Cinnamon' has become a reputed international brand, while the commodity continues to be a highly lucrative crop given the high prices it commands in the global market. With this in the forefront, we continue to invest in our cinnamon plantations and at present 27.9 hectares have been planted out of which 14.5 hectares are in a productive stage.

Capital Expenditure/Factory Development

The upgrade and development of the factories always remain a priority and your Company has made strategic investments in order to remain competitive at all times. The total capital expenditure for the period under review amounted to Rs 346.5 Million against Rs 342.6 Million in the previous year, which has allowed us to manage the costs more efficiently. As part of the factory development, construction of effluent treatment plants at the Kobowella, Frocester and Dumbara factories have been completed. Waste/oil and water separation tanks have been installed in all our factories within the Upcot Estates, ensuring that any waste discharged to inland waterways meets the standards stipulated by the relevant authorities. As such, despite adverse external conditions and increased production costs within the rubber sector, the Company has invested Rs.48.2 Million on factory development during the year under review.

Timber and Fuel Wood Planting

Horana Plantations PLC intends to be self-sufficient in fuel wood within the next five years. As such, your Company now reaps the benefits of the reforestation of Eucalyptus trees in the up country estates, while Acacia Mangium and Mahogany have been planted in the Low Country estates. As the Sri Lankan economy

Director/CEO's Review (Contd...)

grows, we anticipate a demand for timber within the construction sector. Although there remain restrictions on harvesting timber at present, our strategic investments in fuel wood and timber are expected to yield dividends in the future.

Human Resource Development and Social Welfare

We understand and place immense value on our dedicated and loyal workforce as large assets of the Company. Accordingly, we strive towards improving their social amenities and living standards, enhance their skill levels and ultimately productivity. During the year under review, the Company implemented several social development programs for the benefit and welfare of the plantation community. All of our Estate Worker Housing Corporative Societies are well managed and actively functioning and in recognition of this service Neuchatel Estate, Naboda was awarded " Best excellence in social Development through Estate Worker Housing Cooperative Society" out of all Plantations in the Island for the year 2014 presented by the Plantation Housing Development Trust. Housing projects have been implemented at Gouravilla, Mahanilu, and Neuchatel estates which include the upgrading of existing houses and this is being carried out under the New Life Housing program with the participation of the community.

We continually invest in occupational health and safety to ensure proper working conditions, the provision of a safe and healthy place to work, while minimizing accidents and injury to our workers. Personal protective gear is provided to our employees while training sessions are also conducted for all chemical sprayers and factory workers during the year.

Investing in the training and development needs of our employees continues to remain a focal point as we believe that such training and development initiatives will only serve to instill confidence and loyalty in our employees while

improving their level of productivity. The training programs carried out during the year 2014/15 focused on knowledge and skill enhancement in the areas of General Management, Agriculture and Operations, Occupational Health and Safety, and Product Certifications.

Compliance/Quality Certifications and Awards

Horana Plantations PLC has continuously strived towards the adherence of quality, safety and environmental standards in all aspects of carrying out our business operations, while our business practices have remained ethical at all times. As reflection of this, we have derived the benefits in the form of numerous awards, and internationally recognized certificates of excellence.

All of our factories have been accredited with the ISO 22000:2005/HACCP certification which focuses on the purity and safety of its food products, by ensuring good agricultural and manufacturing practices. The products from our tea factories are periodically tested by accredited laboratories to ensure conformance to the minimum permitted levels of agro-chemicals, heavy metals and micro biological content. The manufacturing process itself is also evaluated regularly by way of internal and external audits to ensure compliance with safe and hygienic parameters. In this regard, annual surveillance audits have been carried out by SGS Lanka and revalidated during the year under review.

The Neuchatel & Frocester Estates have obtained the 9001:2008/ QMS certification which specifies requirements for maintenance of a quality management system as the name suggests. In an effort to educate our staff and workers on the standards of this certification that needs to be maintained, training programs were conducted.

Director/CEO's Review (Contd...)

Ethical Tea Partnership (ETP)

In collaboration with the Ethical Tea Partnership Program your Company has continued to follow and maintain the principals required to grow towards being a responsible player within the Tea industry. The ETP certifications pertaining to the Bambarakelle, Fairlawn and Mahanilu Plantations were revalidated subsequent to an audit carried out by an audit arm of the ETP Body during the year under review. As international markets increasingly demand high social and environmental standards, the ETP certifications of our plantations will immensely benefit trading of our produce in varying market conditions.

Rainforest Alliance Certification

The Sustainability Agriculture Network (SAN) promotes efficient agriculture, biodiversity conservation and sustainable community development by creating social and environmental standards. SAN advocates best management practices across agricultural value chains by encouraging plantations to comply with SAN standards.

We moved into the third year of our routine audit cycle during 2014. A series of activities relating to ten principles of SAN have been carried out as well as awareness on objectives of the Rainforest Certification. This was communicated to the estate communities by way of a series of training sessions conducted by the Rainforest Alliance Sustainability team. This certification which promotes sustainable agricultural standards will add value to the Company's major product lines.

Fair Trade Certification

The Fair Trade product certification was initially awarded to the Stockholm and Alton Estates for complying with several environments, development and labour standards. Your Company continues to advocate fair trade policies in its other estates as well.

Recognitions and Awards

During the year under review your Company was the proud recipient of numerous awards as testimony to its standards in all aspects of operation. Alton Estate was recognized at first place for achievement of the highest GSA in the Maskeliya/ Upcot Agro climatic region for the year 2014 securing an average of Rs 496.32 at the Forbes & Walkers Tea Award Ceremony.

The Alton Estate was recognized for its improvements in ranking in the Western High Grown Category over the previous year. This estate was also positioned at fifth place under the Western High Grown Category at the Forbes & Walkers Award Ceremony.

Alton Estate was awarded a certificate of merit for its BOP Grade in the Western High Grown category at the Specialty Tea Estates competition held in Dubai organised by the Sri Lanka Tea Board . Stockholm Estate was also awarded a certificate of merit at the John Keells Award Ceremony.

Neuchatel Estate, Naboda won the 'Best Excellence in Social Development through Estate Worker Housing Cooperative Society' award of all the Plantations island wide, presented by the Plantation Housing Development Trust.

The Company's Annual Report for the Financial Year 2013/2014 received the Bronze Award in the Plantations category at the Annual Reports Awards 2014 conducted by the Institute of Chartered Accountants of Sri Lanka.

Future Strategy and Outlook

The climate being an uncontrollable variable, a higher cost of production stemming from high wages, as well as higher energy costs, enhances the risk element of our dependence on the two main crops - tea and rubber. This could

Director/CEO's Review (Contd...)

also affect the stability of the Company in the long term. We have understood this and have taken several measures to better the Company outlook. Different elevation categories have allowed us to manage a mixed crop variety, while we have embarked upon several capital development initiatives in an effort to reduce threats to the industry and thereby minimize risk. Some of our capital development strategic initiatives include replanting programs and energy saving measures to reduce our cost of production, factory modernisation, and mechanization of harvesting to improve our efficiencies, crop diversification to minimize our product risk, and timber and fuel wood planting for future revenue potential. We have also identified a niche within the tourism sector and are presently collaborating with a related party in order to combine synergies for a new venture in luxury high end tourism.

Acknowledgement

I would like to extend my appreciation to all our employees who have reinforced their loyalty and commitment to the Company during a very challenging year. We remain confident of a long lasting partnership with them and strive towards this end. Although this financial year has proved to be a challenging one, our resilience and drive has also derived from our partner and stakeholder support, as well as a strong belief in our people which has only drawn us support and cooperation throughout the years. We remain confident of overcoming our obstacles, and grow from strength to strength in the forthcoming years ahead.



J. Manuja Kariapperuma
Director/Chief Executive Officer

29th May 2015

Board of Directors

Mr. W D N H Perera

Chairman

Mr. Nimal Perera has been on the Board of Horana Plantations PLC since 2013. He also serves on boards of Pan Asia Banking Corporation PLC, Lanka Ceramic PLC, Lanka Tiles PLC, Lanka Walltiles PLC, Swisstek Ceylon PLC, N P Capital Limited and N Capital (Pvt) Ltd as the Chairman, Vallibel One PLC as the Deputy Chairman, Royal Ceramic Lanka PLC as the Managing Director, LB Finance PLC as an Executive Director, Vallibel Power Erathna PLC and The Fortress Resorts PLC as an Alternate Director.

He also holds directorships in Hayleys PLC, Kingsbury PLC, Haycarb PLC, Talawakelle Tea Estates PLC and Amaya Leisure PLC.

He is a renowned business magnate, stock trader and shareholder of many companies in the country.

Mr. Dhammika Perera

Deputy Chairman

Mr. Dhammika Perera is the quintessential business leader, with interests in a variety of key industries including Hydropower generation, Manufacturing, Hospitality, Entertainment, Banking and Finance. He enriches the Board with over 25 years of experience in building formidable businesses through unmatched strategic foresight.

Mr. Perera is the Chairman of Sampath Bank PLC, Vallibel One PLC, Vallibel Power Erathna PLC, Royal Ceramics Lanka PLC, The Fortress Resorts PLC, Delmege Limited and Sun Tan Beach Resorts Ltd. He is the Co- Chairman of Hayleys PLC, Executive Deputy Chairman of LB Finance PLC and Deputy Chairman of Lanka Ceramic PLC. He is the Executive Director of Vallibel Finance PLC. He also serves on the Boards of Amaya Leisure PLC, Haycarb PLC, Hayleys MGT Knitting Mills PLC, The Kingsbury PLC, Dipped Products PLC & Hayleys Global Beverages (Pvt) Ltd.

Mr. J M Kariapperuma

Director /Chief Executive Officer

Mr. Manuja Kariapperuma was appointed as a Director/Chief Executive Officer of Horana Plantations PLC since 1st December, 2013 and continues to hold the position at present and also serves in the Board of Directors of Vallibel Plantation Management Ltd , UniDil Packaging Ltd and an Alternate Director to Thalawakelle Tea Estates PLC.

He counts over 30 years experience in Plantation Management as Planter of which he had served 22 years as a Senior Manager. He has successfully completed a course in General Management Programme conducted by the Business School of National University of Singapore.

He had functioned as the Head of Produce/ Marketing at Hapugastenne Plantations PLC and Uda Pussellawa Plantations PLC managed by Finlays Tea Estates Lanka Ltd., owned by Swire Group, United Kingdom, as well as, the Manufacturing Advisor of Balangoda Plantations PLC.

Mr. L J A Fernando

Director

Mr. Fernando was appointed as a Director of Horana Plantations PLC on 4th May 2001. He is also the Managing Director of Standard Trading Company(Pvt) Limited and a Director of LF Teas (Pvt) Ltd, STC Logistics (Pvt) Ltd, STC Trading House (Pvt) Ltd, and Marlinkspike Property Developers (Pvt) Ltd.

Board of Directors (Contd...)

Dr. S Selliah

Director

Dr. Selliah joined the Board of Horana Plantations PLC in 2009. Dr. Selliah holds an MBBS degree and a Master's Degree (M.Phil). He has over 23 years of experience in diverse fields.

He is currently the Deputy Chairman of Asiri Hospitals Holdings PLC, Deputy Chairman of Asiri Surgical Hospital PLC and Central Hospital Private Ltd. Dr. Selliah is also the Chairman of Cleanco Lanka Pvt Ltd and JAT Holdings Pvt Ltd.

He is a Director of Lanka Tiles PLC, Lanka Walltiles PLC, Softlogic Holdings PLC, Lanka Ceramic PLC, HNB Assurance PLC and ODEL PLC. Dr. Selliah serves on the Remuneration Committee and Audit Committee of some of the companies listed above.

Mr. K D H Perera

Director

Mr. Harendra Perera joined the Board of Horana Plantations PLC in 2013. He is also a Director of Vallibel Leisure (Pvt) Ltd and holds directorships in other private sector companies which are under the Vallibel Group.

Mr. A M Pandithage

Director

Chairman & Chief Executive of Hayleys PLC. Appointed to the Board of Horana Plantations PLC in July 2013. Fellow of the Chartered Institute of Logistics & Transport (UK). Honorary Consul of United Mexican States (Mexico) to Sri Lanka. Committee Member of the Ceylon Chamber of Commerce. Council Member of the Employers' Federation of Ceylon. Member of the Advisory Council of the Ceylon Association of Ship's Agents. Recipient of the Best Shipping Personality award by the Institute of Chartered Shipbrokers. Corporate Excellence Leadership Recognition - Institute of Chartered Accountants of Sri Lanka.

Mr A N Wickremasinghe

Director

Mr Wickramasinghe was appointed to Horana Plantations PLC in December 2013. He also serves as a Director of Udapussellawa Plantations PLC and Hapugastenne Plantations PLC.

Until early 2012, Mr Wickremasinghe was General Manager of Finlay Tea Estates Sri Lanka PLC - an integral part of a most respected business conglomerate in Sri Lanka, which commenced operations in 1893. It is owned by the global Swire Group, which has tea estate holdings in Kenya and Sri Lanka.

Mr. Wickremasinghe has extensive senior management experience and technical expertise in the plantation sector in Sri Lanka. His specialised training includes: Logging and harvesting trees in Germany's Black Forest; Plant breeding at the Ravi Shankar University in Raipur, India, and in Sloping Agriculture Land Technology in Mindanao, Philippines.

Mr. W G R Rajadurai

Director

Mr. Roshan Rajadurai is the Managing Director of Kelani Valley Plantations PLC and Talawakelle Plantations PLC since January 2013. Prior to rejoining Hayleys, he served as Director/CEO of Kahawatte Plantations PLC and held Senior Plantation Management positions in Kelani Valley Plantations PLC from 1993 to 2001. He holds a BSc. in Plantation Management and holds an MBA from the Post Graduate Institute of Agriculture, Peradeniya. He is a Fellow Member of the National Institute of Plantations Management.

Currently, Mr. Rajadurai serves as the Chairman of the Planters' Association of Ceylon. He is also a member of the Sri Lanka Tea Board, Rubber Research Board, Tea Council of Sri Lanka and a Director of the Tea Small Holdings Development Authority. Mr. Rajadurai is also a Director of Mabroc Teas (Pvt) Ltd and Hayleys Global Beverages (Pvt) Ltd. He holds the overall responsibility of the Plantation Sector of Hayleys PLC.

Board of Directors (Contd...)

Mr. K D G Gunaratne

Alternate Director

Mr. Gunaratne studied at St. Thomas' College Mt. Lavinia and was a member of the Western Province Council during the period 1989 to 2009.

He currently holds the position of Chairman Lanka Hotels & Residences (Pvt) Ltd.

Mr. N T Bogahalande

Alternate Director

Mr. Neil Bogahalande counts over 25 years of Managerial experience in Plantation, Manufacturing, Trading, and Financial sectors. Having commenced his career as a Trainee Planter with JEDB, he continued to serve under the Regional Plantation Companies until he made a change in career.

He is a Certified Management Accountant of ICMA Australia, a Graduate in Master of Business Administration from the University of Sunderland UK and currently reading for his Ph.D from the Management and Science University, Malaysia.

He served as an Advisory Council Member and was conferred with the most prestigious 'Pride of HR Profession' award by World HRD Congress in 2006 and 2010 respectively.

He is the Group Head of Human Resources of Vallibel One PLC /Royal Ceramics Lanka PLC. He is also a Director of Talawakelle Tea Estates PLC, Chairman/Director of Elkaduwa Plantation Ltd., Director of LB Management Services (Pvt) Ltd., and Delmege Coir (Pvt) Ltd.

Management Team

Corporate Management Team

J Manuja Kariapperuma

Director/Chief Executive Officer

H M S Kahatapitiya

Deputy General Manager - Upcot Cluster

U K P P Silva

Deputy General Manager - Lindula Cluster

B H Weerakoon

Deputy General Manager - Low Country Cluster

Ms. P M Ediriweera

Assistant General Manager - Finance

P S Samarakoon

Manager - Human Resource & Administration

J R Gunathilake

Manager - Finance

T I Wijekulasooriya

Accountant

Ms. Y C Abeyawardena

Agricultural Economist

C J K Rupasinghe

Manager - Information Technology

D Gunathillake

Manager - Forestry and Ancillary Crops

Estate Management Team

Upcot Cluster

Alton Estate

Fairlawn Estate

Gouravilla Estate

Mahanilu Estate

Stockholm Estate

H I B Herath

B L W Gunawardene

J C Weerasekera

A K I Silva

M Munasinghe

Lindula Cluster

Bambrakelly Estate

Eildon Hall Estate

Tillicoultry Estate

S Jegathesan

M A G Perera

U K P P Silva

Low Country Cluster

Millakanda Estate

Dumbara Estate

Halwatura Estate

Hillstream Estate

Kobowella Estate

Neuchatel Estate

Mirishena Estate

Frocester Estate

K A D G Kulanayake

I D Weerakoon

L Ranasinghe

C D W Kirinda

W N M Wijenayake

B H Weerakoon

K K H H Kannangara

W N M Wijenayake

Sustainability Report

The Company's drive for sustainability on a social, environmental and economic front has always been priority at Horana Plantations PLC. Your Company continues to strive towards ethical practices in conducting its business and remains committed towards ensuring sound quality of its products and safety of processes. Our CSR initiatives have always reflected our corporate values while we have demonstrated time and again that a long term sustainable business model incorporating the interests of all our stakeholders is what will succeed. As evidence of this, we have embarked on numerous initiatives in an effort to ensure sustainability in our business practices.

Our workforce has been our top most priority. We believe the need for goodwill between the workforce and management, a sound culture to work within, strong Company values, and best employment practices. We also believe that a combination of the above will only lead to improved productivity and a happier workforce. In an effort to achieve this end, we have continued to channel our focus towards keeping our employees engaged at all levels, appreciated, and supported by community empowerment in the regions under our purview. The plantation industry continues to remain a vibrant and dynamic sector of the country's economy and therefore we recognize the plantation community as a core component of the Company's management strategy. Our ultimate aim is to ensure and preserve the quality of our product, safety of processes while at the same time protecting the environment and society.

Empowerment and Participation

The plantation industry is both complex and unique in that it employs a large community of people living on the plantations, within a closely woven social structure. We understand and recognize the contribution of the plantation community towards the organization and society as a whole and continue to work

tirelessly to empower our labour and uplift their living conditions. Horana Plantations provides living facilities to approximately 32,000 people living in housing units. This large resident population spanning 16 estates is spread over 7,534 hectares in two regions.

During the year under review, your Company built a well-equipped training centre with the help of the Fair Deal Rubber Association amounting to LKR 2.8 million. This was purely for the benefit of the estate communities. Estate Worker Housing Corporative Societies, which were established in all of our estates. All pluckers of our upcountry estates were provided with water proof jackets as a further initiative of the company, while a new volley ball court was constructed on Neuchatel Estate for their leisure. Community Development Forums have been established in several estates in an effort to give ownership of the development work to the communities living there. This has proved to be a successful step.

Training and Development

We believe in the continuous training and development of our employees to better their skill and knowledge levels. This has proved to be a key success factor throughout our years in business. During the year under review, training programs conducted focused on knowledge and skill enhancements in the areas of general management, agricultural operations, occupational health and safety as well as product certifications.

- Two Managers and eight Assistant Managers followed training programs conducted by the National Institute of Plantation Management. These included academic programs such as the B.SC in Plantation Management, National Diploma in Plantation Management, Professional Program in Tea and Rubber as well as Manufacturing and Factory Practices.

Sustainability Report (Contd...)

- Conducted by the Employers Federation of Ceylon, executives of our head office and Managers of the plantations attended workshops on different types of misconduct, disciplinary inquiry procedures and punishments.
- Eight plantation executives attended a seminar on labour laws applicable to the plantation sector conducted by the Employers Federation of Ceylon.
- Ten Executives from the plantations and two from Head Office attended workshops on Lean Six Sigma process improvement conducted by specialists from 'Brandix i3'.
- Estate tappers attended a workshop on tapping techniques and field practices conducted by the Frocester Estate.
- 25 workers attended a nursery management program conducted by the Rubber Research Institute
- Rubber and tea field staff officers attended a field staff training on skills development.
- 10 child development officers underwent training on child care and pre -school training.

Social and Community Welfare

Occupational health and workplace safety is of high priority in our estates, and accordingly the Company actively seeks to provide a suitable environment for its employees inclusive of its estate workers and their families. This encompasses proper housing, health and sanitation facilities while strategies are in place to minimize accidents and injury to workers in the workplace. Workers are also provided with health and safety instruction, as well as Personnel Protective Equipment (PPE) for their safety at work. During the year under review,

the Company conducted a series of training sessions on health and safety for its chemical sprayers, and factory workers on all of its estates.

All of our estates are equipped with the services of qualified medical staff and has an appropriate medical welfare structure in place to meet its community requirements. This has seen a tremendous improvement in the health of our workers over the years. Investments made by the Company to develop the sanitation, drainage and water infrastructure have also contributed towards healthier living conditions. All of the health issues addressed during the year benefited many ranging from infancy to post retirement with our programs being extended to communities outside of the organization as a gesture of goodwill.

While maternal and children's health continue to be priority areas, other health issues relating to communicable diseases, eye and dental care were also given appropriate attention. Occupational health risks as well as prevention and management of hazards were addressed through specific awareness programs. The ISO 22000: HACCP and other relevant certifications obtained by the company's processing centers carry features which specifically protect workers from process related risks. Several blood donation camps and medical camps were conducted on the estates with the assistance of other donor agencies during the year under review.

Improvements to Living Standards

We understand that the creation of a hardworking and loyal workforce will essentially stem from a stable and happy family. Accordingly we have initiated a concept called the Happy Family, which we believe will create a contented family life for our worker community, uplift the plantation worker who will in turn move the industry forward and contribute towards the success of the Company.

Sustainability Report (Contd...)

During the year under review, several initiatives were undertaken by the company to improve the quality of life of our community of which some projects were supported by Ministry of Infrastructure Development, Plantation Human Development Trust, the National Housing Development Authority and NGO's.

In our efforts to provide proper accommodation for our worker community, we renovated existing houses that were in need of an upgrade while families of workers were granted seven perches of land and access to credit facilities to construct their houses. As part of the Indian Housing Program, plans are currently underway to construct 550 housing units in the upcountry estates. All of our tea and rubber factories are now equipped with separate male and female worker rest rooms, which provide facilities such as beds, toilets and separate dining areas for the use of the workers while on duty.

Under The Estates Sanitation Program, latrines were constructed on Halwatura, Tillicoultry, Bambarakelle, Stockholm and Fairlawn Estates, while new water projects were implemented on the Halwatura and Neuchatel Estates. The hospital at Neuchatel Estate was renovated with the assistance of the Provincial Health Ministry.

Environment

We consider the protection and conservation of the environment a very important factor in the process of carrying out our business operations while ensuring that all our agricultural practices conform to local and international environmental protection standards. In a means to enrich and preserve the biodiversity, we have adopted a scientific approach of habitat enrichment and a means to increase awareness among the staff and people living in the area as to the benefits that will be derived by safeguarding biodiversity. To this end, the

Company has initiated programs to conserve and protect our ecosystems.

As a part of an integrated waste management system waste bins were installed to ensure proper disposal of waste such as glass, plastic, paper, and biodegradables. Waste water soakage pits have been constructed in worker houses to ensure proper discharge of domestic waste water thereby avoiding pollution. The construction of effluent treatment plants at Kobowella, Frocester and Dumbara Factories have allowed the proper management of waste water, while waste oil and water separation tanks have been installed in all of the factories in the Upcot Estates to ensure a clean drinking water supply.

Awards and Certificates

Horana Plantations PLC continues to focus on the quality purity and safety of its products, by ensuring good agricultural and manufacturing practices and remains an ethical business partner in the industry. Accordingly, the Company has been successful in obtaining prestigious product purity accreditations such as the ISO 22000:2005/ HACCP certification and the ISO 9001:2008 /QMS certification. The products from our tea factories are periodically tested by accredited laboratories to ensure that it conforms to the minimum permitted levels of agro-chemicals, heavy metals and micro biological content. The process is also regularly evaluated by way of internal and external audits, to ensure its conformity to safe and hygienic parameters. All our factories have been accredited with the ISO 22000:2005/ HACCP certifications and annual surveillance audits have been carried out by SGS Lanka and revalidated during the year under review. Training of staff and workers on the standards and requirements of the certifications were also conducted.

Sustainability Report (Contd...)

Ethical Tea Partnership (ETP) and Fair Trade

Horana's strong relationship with the Ethical Tea Partnership, an alliance of international tea companies continued to grow during the year under review. Bambarakelle, Fairlawn and Mahanilu which are ETP accredited plantations were revalidated subsequent to an audit carried out by an auditing body of the ETP during the year 2014/15. As international markets revamp and increasingly demand high social and environmental standards, the ETP certification of our plantations will immensely benefit trading of our produce in varying market conditions. The fair trade product certification system was initially accredited to Stockholm and Alton Estates as the benefits to the Estate community have been immense. The Company continued to advocate fair trade policies in its other estates as well.

in the plantations, our efforts in protecting and preserving our environment, as well as our ethical corporate practices. In essence, we understand that by building our business on this foundation, the success and sustainability of the Company's operation is inevitable going into the future.

Rainforest Alliance Certification

The Sustainability Agriculture Network (SAN) promotes efficient agriculture, biodiversity conservation and sustainable community development by creating social and environmental standards. SAN advocates best management practices across agricultural value chains by encouraging plantations to comply with SAN standards. We moved into the third year of the audit cycle in 2014, wherein a series of activities relating to 10 principles of SAN were carried out as well as an awareness on the objectives of the Rain forest certification. This has been communicated to the estate community, through a series of training sessions by our Rainforest Alliance sustainability team.

We strongly believe the need to be a socially responsible entity and give back to the greater community while striving towards profitable growth. We recognize this by way of our continued commitment towards uplifting the living standards of our workforce especially

Statement of Corporate Governance

The Board of Directors of Horana Plantations PLC values the guiding principles of good corporate governance to adopt best practices and maintain high standards of business ethics and integrity in all our activities. The Company complies with standards of sound business and accounting codes, which conform to the best practices set out by the institute of Chartered Accountants of Sri Lanka and Securities Exchange Commission of Sri Lanka.

Board of Directors

The Company's Board consists of nine (9) Directors, of whom three (3) are Non-Executive Directors and five (5) are Independent Non - Executive Directors.

The Board of Directors are of the view that the period of service as a Board Member exceeding nine years rendered by Mr. L J A Fernando does not compromise his independence and objectivity in discharging his functions as a Director.

Accordingly the Board has determined that Mr. L J A Fernando, Dr. S Selliah, Mr. A M Pandithage, Mr. A N Wickremasinghe and Mr. W G R Rajadurai are "Independent" Directors as per the criteria set out in the Listing Rules of the Colombo Stock Exchange.

An Audit Committee and Remuneration Committee function as Board Sub Committees. The composition of the said Committees is as follows:

Audit Committee

Mr M.D.S Gunatillake - Chairman
Mr L.J.A Fernando - Director
Mr A.N Wickramasinghe - Director

Remuneration Committee

Mr W.D.N.H Perera - Chairman
Mr A.M Pandithage - Director
Mr A.N Wickramasinghe - Director

The Board meetings are held on a regular

basis and have a formal schedule of matters reserved to it. The Board is supplied with full and timely information to enable it to discharge its responsibilities, effectively. During the past year the Board held eleven (11) scheduled meetings.

Corporate Management

The management of the business of the Company have been contracted to the Managing Agent of the Company. Vallibal Plantation Management Ltd (Formally known as Ceytea Plantation Management Limited), which is also the parent company. The Board has delegated the primary authority to implement policy and the strategic objectives of the Company to the Director / Chief Executive Officer. He is assisted by, Assistant General Manager - Finance, Manager - Human Resource & Administration, Deputy General Manager - Upcot Cluster, Deputy General Manager - Lindula Cluster, Deputy General Manager - Low -Country Properties. Management committee meetings are held monthly to ensure that the Company's strategies and plans are carried out effectively to the satisfaction of the Board.

Director / Chief Executive Officer and the Management committee are responsible for the establishment and monitoring financial controls on operations, annual budgets, monthly operational reviews, capital expenditure proposals and quarterly performance appraisals, prior to recommending to the Board.

Disclosure of information and compliance

The Financial Statements of the Company are prepared in accordance with the Sri Lanka Accounting Standards and in accordance with the requirements of the Colombo Stock Exchange.

PW Corporate Secretarial (Pvt) Ltd who act as Secretaries to the Company advise the Board on appropriate procedures for the management of its meetings and duties, as well as the compliance of Corporate Governance in the Company.

Statement of Corporate Governance (Contd...)

Levels of compliance with the CSE's Listing Rules - Section 7.10 Rules on Corporate Governance are given in the following table:-

Section		Subject	Applicable Rule	Compliance Status
7.10.1	(a)	Non-Executive Directors	At least one-third of the total number of Directors should be Non-Executive Directors	Complied
7.10.2	(a)	Independent Directors	Two or one third of Non-Executive Directors whichever is higher, should be Independent.	Complied
	(b)	Independent Director's Declaration	Each Non-Executive Director should submit a declaration of independence / non-independence in the prescribed format.	Complied
7.10.3	(a)	Disclosure relating to Directors	The Board shall annually make a determination as to the independence or otherwise of the Non-Executive Directors and names of Independent Directors should be disclosed in the Annual Report	Complied
	(b)	Disclosure relating to Directors	The basis of the Board to determine a Director is Independent, if criteria specified for Independence is not met.	Complied
	(c)	Disclosure relating to Directors	A brief resume of each Director should be included in the Annual Report and should include the Director's areas of expertise	Complied
	(d)	Disclosure relating to Directors	Forthwith provide a brief resume of new Directors appointed to the Board with details specified in 7.10.3 (a), (b) and (c) to the Exchange	Complied
7.10.5	Remuneration Committee		A listed Company shall have a Remuneration Committee.	Complied
	(a)	Composition of Remuneration Committee	Shall comprise of Non-Executive Directors a majority of whom will be independent.	Complied
	(b)	Functions of Remuneration Committee	The Remuneration Committee shall recommend the remuneration of the Chief Executive Officer and Executive Directors	Complied
	(c)	Disclosure in the Annual Report relating to Remuneration Committee	The Annual Report should setout; a) Names of the Directors comprising the Remuneration Committee b) Statement of Remuneration Policy c) Aggregated remuneration paid to Executive and Non-Executive Directors	Complied

Statement of Corporate Governance (Contd...)

7.10.6	Audit Committee		The Company shall have an Audit Committee	Complied
	(a)	Composition of Audit Committee	<p>a) Shall comprise of Non-Executive Directors a majority of whom will be Independent</p> <p>b) One Non- Executive Director shall be appointed as Chairman of the Committee</p> <p>c) Chief Executive Officer and Chief Financial Officer shall attend Committee meetings</p> <p>d) The Chairman of the Audit Committee or one member should be a member of a professional accounting body</p>	Complied
	(b)	Audit Committee Functions	<p>Functions shall include:</p> <p>a) Overseeing of the preparation, presentation and adequacy of disclosures in the financial statements in accordance with Sri Lanka Accounting Standards.</p> <p>b) Overseeing of the compliance with financial reporting requirements, information requirements of the Company's Act and other relevant financial reporting related regulations and requirements.</p> <p>c) Overseeing the processes to ensure that the internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards.</p> <p>d) Assessment of the independence and performance of the External Auditors.</p> <p>e) Make recommendations to the Board pertaining to appointment, re-appointment and removal of External Auditors and approve the remuneration and terms of engagement of the External Auditors.</p>	Complied
	(c)	Disclosure in the Annual Report relating to Audit Committee	<p>a) Names of Directors comprising the Audit Committee.</p> <p>b) The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination.</p> <p>c) The Annual Report shall contain a Report of the Audit Committee setting out of the manner of compliance with their functions.</p>	Complied

By Order of the Board
Horana Plantations PLC



P W Corporate Secretarial (Pvt) Ltd
Secretaries

Colombo
29th May 2015

Risk Management

The Board of Directors places special emphasis on management of business risks together with the management committee ensures that the sound system of controls including financial, operational and compliance are in place to safeguard shareholder investment and assets and reviews regularly the effectiveness of such controls.

The following are some of the major risk factors and actions implemented reduced to eliminate risk.

Operational Risk

A sound internal control system is a key factor in safeguarding tangible and intangible assets. The Company has satisfactory system of internal control in place and periodic checks are carried out at estate level and regular reviews are undertaken to ensure the Company's assets are safeguarded and to minimize financial losses. The Company has designed internal control and training programmes for employees at all levels. The Company has implemented a centralized purchasing policy in order to get the best advantage of the cost benefit.

Interest rate Risk

Adverse effect on fluctuating interest rates need to be minimized as it has a significant impact on profitability and cash flow. Company manages and mitigates interest rate risk by utilizing concessionary and advantageous lending rates. The Company utilized funds available under Asian Development Bank line of credit, to its full potential as they are offered at concessionary rates of interest.

Liquidity Risk

Availability of sufficient funds is crucial as the industry is cyclical and the returns are long term. In order to mitigate the risk Company's borrowings are suitably structured to ensure the availability of sufficient liquidity to meet debt commitments and other operational requirements.

Weather

The Company's product portfolio being Tea and Rubber in equal proportion has mitigated the adverse effects on climatic changes. The location of our estates in the high grown elevation and low grown elevation has also mitigated the impact on climatic changes. The Company adopts prudent agricultural practices such as TRI recommended clones in order to minimize the loss on crop due to adverse

weather conditions and also pro active plans has also helped the Company to minimize risk of adverse weather conditions.

Legal and Regulatory Risk

Legal risks are those risks resulting from legal consequences causing financial losses. The Company with the assistance of its Legal Advisers and Secretaries ensures compliance of all legislative and regulatory requirements including corporate governance, labour relations and requirements of Security and Exchange Commission and Colombo Stock Exchange. The Company also obtain expert advice from Auditors, Tax Consultants, Actuaries and Advisory Services of Tea Research Institute (TRI) and Rubber Research Institute (RRI).

Reputation Risk

Reputation is considered as most valuable asset of the Company as non-compliance may lead to loss of reputation and financial loss. The Company's systems and procedures cover the areas such as maintenance of quality, health and safety and environmental issues and ensure that best practices are followed. The Company maintains international standardization accreditations such as HACCP, Ethical Tea Partnership (ETP), Fair Trade Certifications, Rainforest Alliance Certification held at present by our estates.

Human Resource

The Plantation sector employs a large workforce and they are highly unionized. In order to mitigate the risk of industrial disputes and work stoppages a collective agreement is signed between the Trade Unions and the Employers' Federation of Ceylon, which our Company is a member. The Company considers Human resource management is vital for the business continuity. Training, development and performance management, motivation and empowerment are practiced to reduce the impact.

Information Risk

Accurate and timely information is vital for decision-making and control. The Company has a fully integrated information system with our estates and head office in order to produce accurate and reliable information. The system integrity is reviewed constantly and maintained by the software provider and uses licensed software.

Annual Report of the Board of Directors on the Affairs of the Company

The Directors of Horana Plantations PLC have pleasure in presenting their Annual Report together with the Audited Financial Statements of the Company for the year ended 31st March 2015.

General

Horana Plantations PLC is a public limited liability company which was incorporated under the Companies Act No. 17 of 1982 on 22nd June 1992, and re-registered as per the Companies Act, No.7 of 2007 on 18th March 2008 and bears registration number PQ 126. Accordingly, the name of the Company has changed to Horana Plantations PLC.

Principal activities of the Company and review of performance during the year

The principal activity of the Company, which is cultivation and processing of Tea and Rubber, remained unchanged.

A review of the business of the Company and its performance during the year with comments on financial results and future strategies and prospects are contained on the Chairman's Review and Director / CEO's Review (pages 1 to 9).

This report together with the Financial Statements reflect the state of affairs of the Company.

Financial Statements`

The complete Financial Statements of the Company duly signed by two Directors on behalf of the Board and the Auditors are given on pages 29 to 72.

Summarized Financial Results

	31st March 2015 Rs. '000	31st March 2014 Rs. '000
Revenue	2,164,860	2,269,092
Total Comprehensive Income for the year	76,685	70,786
Retained Earnings	1,108,239	1,056,554

Auditors' Report

The Report of the Auditors on the Financial Statements of the Company is given on page 29.

Accounting Policies

The Financial Statements of the Company have been prepared in accordance with the revised Sri Lanka Financial Reporting Standards (SLFRS/ LKAS) and the policies adopted there of are given on pages 34 to 43.

Directors

The names of the Directors who held office as at the end of the accounting period are given below and their brief profiles appear on pages 10 to 12.

Executive Directors

Mr. J M Kariapperuma - Executive Director

Non - Executive Directors

Mr. W D N H Perera - Chairman
Mr. Dhammika Perera - Deputy Chairman*
Mr. K D H Perera - Director**

Independent Non - Executive Directors

Dr. S Selliah - Director
Mr. L J A Fernando - Director
Mr. A M Pandithage - Director
Mr. A N Wickremasinghe - Director
Mr. W G R Rajadurai - Director
*Mr. K D G Gunaratne

- Alternate Director to Mr. Dhammika Perera
**Mr. N T Bogahalande
- Alternate Director to Mr. K D H Perera

Mr. Dhammika Perera and Dr. S Selliah retire by rotation at the conclusion of the Annual General Meeting in terms of Articles 92 of the Articles of Association and being eligible are recommended by the Directors for re-election.

Mr. W G R Rajadurai who was appointed to the Board on 15th November 2014 is due to retire at the forthcoming Annual General Meeting in terms of Article No.98 of the Articles of Association of the Company, and being eligible, offers himself for re-election.

Annual Report of the Board of Directors on the Affairs of the Company (Contd...)

Interests Register

The Company maintains an Interests Register in terms of the Companies Act, No. 7 of 2007, which is deemed to form part and parcel of this Annual Report and available for inspection upon request.

All related party transactions which encompasses the transactions of Directors who were directly or indirectly interested in a contract or a related party transaction with the Company during the accounting period are recorded in the Interests Register in due compliance with the applicable rules and regulations of the relevant Regulatory Authorities.

The relevant interests of Directors in the shares of the Company as at 31st March 2015 as recorded in the Interests Register are given in this Report under Directors' shareholding.

Directors' Remuneration

The Directors' remuneration is disclosed under key management personnel compensation in Note 35.3 to the Financial Statements on page 70.

Directors' Interests in Contracts

Directors' interests in contracts with the Company are stated in Note 35.2 to the Financial Statements. The Directors have no direct or indirect interest in any other contract or proposed contract with the Company. Except for the transactions referred to in Note 35.2 to the Financial Statements, the Company did not carry out any transaction with any of the Directors. The Company carried out transactions during the year in the ordinary course of its business at commercial rates with the following director related entities.

Directors' responsibility for Financial Reporting

The Directors are responsible for the preparation of Financial Statements of the Company to reflect a true and fair view of the state of its affairs. A further statement in this regard is included on page 26.

Auditors

Messrs KPMG, Chartered Accountants served as the Auditors during the year under review. Based on the written representations made by the Auditors, they do not have any interest in the Company other than as Auditors.

The audit fee payable to the Auditors for the year under review is Rs.1,810,000.00.

The Auditors have expressed their willingness to continue in office. The Audit Committee at a meeting held on 18th May 2015 recommended that they be re-appointed as Auditors. A resolution to re-appoint the Auditors and to authorise the Directors to determine their remuneration will be proposed at the Annual General Meeting.

Stated Capital

The Stated Capital of the Company is Rs.250,000,010/- divided into Twenty Five Million (25,000,000) Ordinary Shares and One (01) Golden Share.

Directors' Shareholding

The Directors' have not held any shares in the company as at 31st March 2014 or 31st March 2015.

Major Shareholders, Distribution Schedule and other information

Information on the distribution of shareholding, analysis of shareholders, twenty largest shareholders of the Company and percentage of shares held by the public as per the Listing Rules of the Colombo Stock Exchange are given on page 76 to 77 under Share Information. Market values per share, earnings, dividends and net assets per share are given on page 75.

Employment Policy

The Company's employment policy is totally non-discriminatory which respects individuals and provides carrier opportunities irrespective of the gender, race or religion.

As at 31st March 2015 6,847 persons were in employment (7,311 persons as at 31st March 2014).

Annual Report of the Board of Directors on the Affairs of the Company (Contd...)

Reserves

The reserves of the Company with the movements during the year are given in Notes 22 and 23 to the Financial Statements on page 55.

Land holdings

The Company does not own any freehold property.

Property, Plant & Equipment

Details and movements of property, plant and equipment are given under Notes 12 to 15 to the Financial Statements on page 47 to 53.

Capital Expenditure

The total capital expenditure during the year including the capitalization of borrowing cost amounted to Rs.346.560 Million compared to Rs.342.619 Million incurred in the previous year.

Dividends

The Directors have recommended a payment of a first and final dividend of 50 cents per share amounting to Rs.12,500,000.00 for the year under review subject to obtaining a Certificate of Solvency from the auditors and to be approved by the shareholders at the forth coming Annual General Meeting. As required by the Section 56 of the Company's Act the directors have certified that they are satisfied that the Company will immediately after the said distribution is made satisfy the solvency test in accordance with the Company's Act No. 7 of 2007.

The said dividend subject to approval by the Shareholders, be payable on the 9th July 2015.

Donations

The Company made donations to approved charities amounting to Rs. 160,000/- in total, during the year under review. (2014 Rs.377,500/-)

Risk Management

An ongoing process is in place to identify and manage the risks that are associated with the business and operations of the Company. The Directors review this process through the Audit Committee.

Specific steps taken by the Company in managing the risks are detailed in the section on Risk Management on pages 21.

Statutory Payments

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company, all contributions, levies and taxes payable on behalf of, and in respect of employees of the Company and all other known statutory dues as were due and payable by the Company as at the Balance Sheet date have been paid or, where relevant provided for, except for certain assessments where appeals have been lodged.

Contingent Liabilities

Except as disclosed in Note 32 to the Financial Statements on page 66, there were no material Contingent Liabilities as at the Balance Sheet date.

Events occurring after the Balance Sheet date

Except for the matters disclosed in Note 34 to the Financial Statements on page 67 there are no material events as at the date of the Auditor's Report which require adjustment to, or disclosure in the Financial Statements.

Corporate Governance

The Board of Directors confirm that the Company is compliant with section 7.10 of the Listing Rules of the Colombo Stock Exchange.

An Audit Committee and a Remuneration Committee function as Board sub committees, with Directors who possess the requisite qualifications and experience. The composition of the said committees is as follows.

Audit Committee

Mr. M D S Gunatilleke - Chairman
Mr. L J A Fernando - Member
Mr. A N Wickremasinghe - Member

Remuneration Committee

Mr. W D N H Perera - Chairman
Mr. A M Pandithage - Member
Mr. A N Wickremasinghe - Member

Annual Report of the Board of Directors on the Affairs of the Company (Contd...)

The corporate governance of the Company is reflected in its strong belief in protecting and enhancing stakeholder value in a sustainable manner, supported by a sound system of policies and practices. Prudent internal controls ensure professionalism, integrity and commitment of the Board of Directors, Management and employees.

The Corporate Governance Statement on pages 18 to 20 explains the measures adopted by the Company during the year.

Corporate Social Responsibility

The Company continued its Corporate Social Responsibility Programme, details of which are set out on pages 14 to 17 of this Report.

Annual General Meeting

The Notice of the Twenty Second(22nd) Annual General Meeting appears on page 82.

This Annual Report is signed for and on behalf of the Board of Directors by



W D N H Perera

Chairman



J M Kariapperuma

Director / Chief Executive Officer



P W Corporate Secretarial (Pvt) Ltd

Secretaries

Colombo
29th May 2015

Statement of Directors' Responsibilities

The Directors are required by the Companies Act to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit and loss for that period.

In preparing the financial statements, suitable accounting policies have been used and applied consistently, and reasonable and prudent judgments and estimates have been made. Relevant accounting standards have been followed.

The Directors are responsible for maintaining adequate accounting records, for safe guarding the assets of the Group and for preventing and detecting fraud and other irregularities.

Accordingly, the Directors have taken all reasonable steps to ensure that proper books of accounts of the Company and its subsidiaries and associates have been maintained and that the financial statements have been prepared in compliance with the Sri Lanka Accounting Standards.

By Order of the Board
Horana Plantations PLC



P W Corporate Secretarial (Pvt) Ltd
Secretaries

Colombo
29th May 2015

Report of the Remuneration Committee

The Remuneration Committee appointed by the Board of Directors comprises of one (1) Non-Executive Director and two (2) Independent Non-Executive Directors as follows:

Mr W.D.N.H Perera – Chairman
Mr A.M Pandithage
Mr A.N Wickramasinghe

The Remuneration Policy on remuneration packages is to attract and retain the best professionals and an experienced workforce and motivate, encourage high levels of performance in a competitive environment bearing in mind the business performance and stakeholder expectations.

The Committee met twice during the year. The meetings were for the purpose of examining the remuneration package of Director/ Chief Executive Officer and the Management Staff, their respective performances and deciding on appropriate remuneration packages for them; as well as determining incentives based on Company performance for all management staff.

The Committee also reviewed data concerning remuneration packages among comparable Companies. Director / Chief Executive Officer assists the Committee by providing all relevant information with regard to compensation package. Performance Evaluation method to compensate employees is in place and succession plans have been defined.



W D N H Perera
Chairman – Remuneration Committee

Colombo
29th May 2015

Audit Committee Report

In accordance with the Corporate Governance Guidelines, the Board of Directors appointed the Audit Committee. The Audit Committee is empowered by the Board of Directors to oversee the financial reporting, legal, and regulatory compliance, internal controls, risk management and assessment of independence and performance of external auditors. The Audit committee comprises of three Non - Executive Directors chaired by a Chartered Accountant. Present Audit Committee is as follows:

Mr M. D. S Gunathillake - Chairman
Mr L.J A Fernando
Mr A.N Wickramasinghe

Role of the Committee

The Committee reviews the operations and effectiveness of Internal Control Systems, ensuring that a good financial reporting system is in place, and oversees the preparation, presentation and adequacy of disclosures in the Financial Statements in accordance with Sri Lanka Accounting Standards, Companies Act and other relevant financial reporting regulations. The Committee monitors the internal and external audit functions of the Company.

Internal Audit

The internal Audit division comprises of Internal Audit Manager and Audit Assistants who report directly to the Executive Director / Chief Executive Officer. During the period under review the internal audit of all estate locations were carried out including special audits as required by the senior management.

External Audit

The Committee reviewed the Management Letter submitted by the External Auditors with the Management response. The management implements these recommendations and the Audit Committee follows up on the implementation of these recommendations.

The Committee makes recommendations to the Board on appointment, re-appointment and removal of External Auditors and approval of terms of engagement and remuneration.

Meetings and Activities

The Committee held 04 meetings during the year. The Chief Executive Officer and Assistant General Manager - Finance attend meetings by invitation. During the year, the Committee reviewed 06 reports forwarded by the Internal Auditor. The reports are submitted monthly as they carry out the audits according to a scheduled programme. In addition, they carryout special audits on a need basis. During its meetings the committee reviewed the adequacy of internal controls and procedures in place to provide reasonable assurance that the Company's assets are safeguarded. The Committee also reviewed the Company's Quarterly financial statements , the Annual Report and Accounts for reliability , consistency and compliance with the Sri Lanka Accounting Standards and other statutory requirements , including the Companies Act No 7 of 2007. Further the Chief Executive officer, Assistant General Manager - Finance and the Company Secretaries also provide assurance statements for the applicable compliances.

The Audit Committee has recommended to the Board of Directors that Messrs KPMG Ford Rhodes Thornton and Company , Chartered Accountants be reappointed as Auditors subject to the approval of the shareholders.



M.D.S Gunathillake
Chairman
Audit Committee

Colombo
29th May 2015

Independent Auditors' Report



KPMG

(Chartered Accountants)
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Independent Auditors' Report to the Shareholders of Horana Plantations PLC

Report on the Financial Statements

We have audited the accompanying financial statements of Horana Plantations PLC, ("the Company"), which comprise the statement of financial position as at 31st March 2015, and the statement of profit or loss and other comprehensive income, statement of changes in equity and, cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial

statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31st March 2015, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

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

- The basis of opinion and scope and limitations of the audit are as stated above.
- In our opinion we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company and the financial statements of the Company, comply with the requirements of section 151 of the Companies Act.

CHARTERED ACCOUNTANTS

Colombo
29th May 2015

Statement of Profit or Loss and Other Comprehensive Income

For the Year ended 31st March

		2015	2014
	Note	Rs'000	Rs'000
Revenue	4	2,164,860	2,269,092
Cost of Sales		(2,023,285)	(1,997,931)
Gross Profit	5	141,575	271,161
Other Operating Income	6	69,493	34,097
		211,068	305,258
Administrative Expenses		(80,441)	(77,969)
Management Fees	7	(14,799)	(14,328)
Profit from Operations		115,828	212,961
Net Finance Expenses	8	(28,848)	(50,399)
Profit before Taxation	9	86,980	162,562
Tax Expense	10.1	(25,004)	(25,325)
Profit for the year		61,976	137,237
Other Comprehensive Income/(Expense):			
Actuarial Gain/(Loss) on Employee Benefits		17,104	(77,269)
Tax Reversal/(Expense) on Other Comprehensive Income	10.4.1	(2,395)	10,818
Other Comprehensive Income/(Expense) for the year net of tax		14,709	(66,451)
Total Comprehensive Income for the year		76,685	70,786
Earnings per Ordinary Share (Rs.)	11	2.48	5.49


The accounting policies and explanatory notes form an integral part of these Financial Statements
 Figures in brackets indicate deductions.

Statement of Financial Position


As at 31st March	Note	2015 Rs'000	2014 Rs'000
ASSETS			
Non-Current Assets			
Property, Plant & Equipment:-			
Leasehold Right to Bare Land of JEDB/SLSPC Estates	12	116,852	120,719
Immovable JEDB/SLSPC Estate Assets on Finance Lease (Other than Bare Land)	13	73,161	82,342
Bearer Biological Assets	14.1	1,830,609	1,648,779
Consumable Biological Assets	14.2	349,513	283,928
Other Tangibles	15	560,326	556,698
		2,930,461	2,692,466
Other Non-Current Assets:-			
Investment in Subsidiary	16	-	-
Advance Company Tax (ACT) Recoverable	17	27,285	27,285
Total Non-Current Assets		2,957,746	2,719,751
Current Assets			
Inventories	18	220,465	239,629
Trade and Other Receivables	19	121,557	106,719
Holding Company Receivable	35.1.1	32,998	9,369
Other Related Company Receivables	35.1.1	3,996	535
Cash and Cash Equivalents	20.1	14,347	6,305
Total Current Assets		393,363	362,557
Total Assets		3,351,109	3,082,308
EQUITY & LIABILITIES			
Equity			
Stated Capital	21	250,000	250,000
Sinking Fund	22	35,000	35,000
Development Reserve	23	35,000	35,000
Retained Profits		1,108,239	1,056,554
Total Equity		1,428,239	1,376,554
Non-Current Liabilities			
Interest bearing Borrowings payable after one year	24.1	612,483	414,789
Net Liabilities to Lessor of JEDB/SLSPC Estates	25	87,953	89,551
Other Finance Lease Creditors	26	18,025	9,264
Employee Benefits	27	465,617	457,790
Deferred Income	28	121,613	118,411
Deferred Tax Liability	29	122,625	99,350
Total Non-Current Liabilities		1,428,316	1,189,155
Current Liabilities			
Trade and Other Payables	30	221,174	264,401
Payable to Other Related Companies	35.1.2	9,350	13,746
Interest bearing Borrowings payable within one year	24.1	77,373	69,586
Net Liabilities to Lessor of JEDB/SLSPC Estates	25	1,598	1,536
Other Finance Lease Creditors	26	11,965	10,671
Short Term Borrowings	31	173,094	156,659
Total Current Liabilities		494,554	516,559
Total Equity and Liabilities		3,351,109	3,082,308

The accounting policies and explanatory notes form an integral part of these Financial Statements
Figures in brackets indicate deductions.

These Financial Statements have been prepared in compliance with the requirements of the Companies Act No.7 of 2007.


Ms. P. M. Ediriweera
Assistant General Manager - Finance

The Board of Directors are responsible for the preparation and presentation of these Financial Statements.
Approved and Signed for and on behalf of the Board of Directors of Horana Plantations PLC.


W. D. N. H. Perera
Chairman
Colombo
29th May 2015


J. Manuja Kariapperuma
Director/Chief Executive Officer

Statement of Cash Flows

For the year ended 31st March	Note	2015	2014
		Rs' 000	Rs' 000
Cash Flows from Operating Activities			
Profit before Taxation		86,980	162,562
Adjustments for non-cash items :			
Change in Fair Value of Consumable Biological Assets		(56,640)	(26,052)
Depreciation and Amortisation		119,166	107,966
Provision for Retiring Gratuity -including Actuarial Gain/(Loss)		62,526	153,035
Actuarial Gain/(Loss) on Employee Benefits		17,104	(77,269)
Net Finance Expenses		28,158	49,388
Finance Lease Interest		6,712	7,650
Profit on Disposal of Property, Plant and Equipment and Redundant Materials		(8,199)	(2,386)
Amortisation of Capital Grants		(4,653)	(4,255)
Operating Profit before Working Capital Changes		251,154	370,639
(Increase)/Decrease in Debtors, Deposits & Prepayments		(17,288)	8,935
(Increase)/Decrease in Inventories		19,165	(8,651)
(Increase)/Decrease in Related Party Receivables		(27,090)	(7,559)
Increase/(Decrease) in Related Party Payables		(4,396)	1,524
Increase/(Decrease) in Creditors, Provisions & Accrued Charges		(28,719)	(6,261)
Cash Generated from Operations		192,826	358,627
Interest paid		(30,082)	(59,946)
Payments made for Employee Benefits		(55,450)	(61,858)
Payment of Income Tax (Economic Service Charge & Withholding Tax)		(1,673)	(1,436)
Net Cash Inflow from Operating Activities		105,621	235,387
Cash Flows from Investing Activities			
Purchase/Construction of Property, Plant and Equipment		(36,979)	(85,728)
Expenditure incurred on Biological Assets		(240,800)	(288,735)
Capital Grants and Subsidies received		7,855	10,121
Proceeds on Disposal of Property, Plant and Equipment and Redundant Materials		8,199	2,527
Interest Income		558	184
Net Cash Outflow from Investing Activities		(261,167)	(361,631)
Cash Flows from Financing Activities			
Receipt of Project Loans		200,000	200,000
Repayment of Project Loans		(38,849)	(24,249)
Receipts of Other Term Loans		115,500	16,483
Repayment of Other Term Loans		(71,168)	(101,815)
Receipts of Short Term Advances		-	100,000
Repayment of Short Term Advances		-	(100,000)
Payment of Finance Lease Rentals		(33,330)	(31,621)
Payment of Dividend		(25,000)	(50,000)
Net Cash Inflow from Financing Activities		147,153	8,798
Net Cash Outflows for the Year		(8,393)	(117,446)
Change in Cash and Cash Equivalents			
At the beginning of the Year		(150,355)	(32,908)
Net Cash Outflows for the Year		(8,393)	(117,446)
At the End of the Year	20	(158,747)	(150,354)

The accounting policies and explanatory notes form an integral part of these Financial Statements
Figures in brackets indicate deductions.

Statement of Changes in Equity

For the Year ended 31st March 2015

	Stated Capital	Sinking Fund	Develop- -ment Reserve	Retained Profit	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Balance as at 1st April 2013	250,000	35,000	35,000	1,035,768	1,355,768
Profit for the year	-	-	-	137,237	137,237
Other Comprehensive Income/(Expense)	-	-	-	(66,451)	(66,451)
Final Dividend of Rs. 2.00 per Ordinary Share, paid for the year ended 31st March 2013	-	-	-	(50,000)	(50,000)
Balance as at 31st March 2014	250,000	35,000	35,000	1,056,554	1,376,554
Profit for the year	-	-	-	61,976	61,976
Other Comprehensive Income	-	-	-	14,709	14,709
Final Dividend of Rs. 1.00 per Ordinary Share, paid for the year ended 31st March 2014	-	-	-	(25,000)	(25,000)
Balance as at 31st March 2015	250,000	35,000	35,000	1,108,239	1,428,239

The accounting policies and explanatory notes form an integral part of these Financial Statements
Figures in brackets indicate deductions.

Significant Accounting Policies

For the Year ended 31st March 2015

1. REPORTING ENTITY

Horana Plantations PLC (hereafter mentioned as "the Company"), is a Public Limited Liability Company, incorporated and domiciled in Sri Lanka, under the Companies Act No.17 of 1982 (the Company re-registered under the Companies Act No.07 of 2007), in terms of the Public Corporation of Government Owned Business Undertakings into Public Companies Act No.23 of 1987. The registered office of the Company is situated at No 20, R. A. de Mel Mawatha, Colombo -3, and the plantations are situated in the planting districts of Nuwara-Eliya, Kalutara and Ratnapura.

During the year, the principle activities of the Company were the cultivation, manufacturing and sale of tea, rubber and other agricultural produce.

The Company's parent undertaking is Vallibel Plantation Management Limited, which is incorporated in Sri Lanka and previously known as Ceytea Plantation Management Limited and the ultimate parent undertaking and controlling party is Vallibel One PLC.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The financial statements of the Company such comprise Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and Statement of Cash Flows together with the Significant Accounting Policies and Notes to the Financial Statements. These statements are prepared in accordance with Sri Lanka Accounting Standards (LKASs & SLFRSs) promulgated by the Institute of Chartered Accountants of Sri Lanka (ICASL) and with requirements of the Companies Act No.07 of 2007.

The Financial Statements were authorized for issue by the Board of Directors on 29th May 2015.

2.2 Basis of Measurement

These Financial Statements have been prepared in accordance with the historical cost convention basis except for the following material items in the statement of financial position.

- Lease hold right to Bare Land and leased assets of JEDB/SLSPC, which have been revalued as morefully described in note 12.
- Consumable Mature Biological Assets are measured at fair value less cost to sell as per LKAS 41 - Agriculture.
- Non derivative financial instruments measured at fair value
- Employee Benefits recognized based on actuarial valuation (LKAS 19)

The Directors have made an assessment of the Company's ability to continue as a going concern in the foreseeable future and they do not foresee a need for liquidation or cessation of trading.

2.3 Functional and Presentation Currency

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

2.4 Use of Estimates and Judgments

The preparation of the Financial Statements in conformity with Sri Lanka Accounting Standards (LKAS and SLFRS) requires the management to make judgments, estimates and assumptions that effect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates and judgmental decisions. Estimates are underlying assumptions that are reviewed on an on going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future period affected.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements unless otherwise stated.

3.1 Basis of Consolidation

3.1.1 Subsidiaries

Subsidiaries are those enterprises controlled by the Company. Control exist when the Company has the power, directly or indirectly to govern

Significant Accounting Policies (Contd...)

For the Year ended 31st March 2015

the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable are taken into account.

However the Company has not prepared Consolidated Financial Statements due to the reasons more fully described in Note 16 to the Financial Statements.

3.2 Foreign Currency

3.2.1 Foreign Currency Transactions

Transactions in foreign currencies are translated to Sri Lankan Rupees at the rates of exchange prevailing at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into local currencies at the rates of exchange prevailing at the reporting date while non-monetary items are reported at the rates prevailing at the date of the transactions were affected.

The exchange difference arising on the translations are recognized in the Statement of Profit or Loss.

3.3 Assets and Bases of their Valuation

Assets classified as Current Assets in the Statement of Financial Position are Cash and Bank balances and those which are expected to be realized in cash during the normal operating cycle of the Company's business, or within one year from the reporting date whichever is shorter. Assets other than current assets are those which the Company intends to hold beyond a period of one year from the reporting date.

3.3.1 Property, Plant and Equipment

a) Recognition & Measurement

Property, Plant and Equipment are stated at cost or valuation less accumulated depreciation and accumulated impairment losses. The cost of Property, Plant and Equipment is the cost of acquisition or construction together with any incidental expenditure incurred in bringing the asset to its working condition for its intended use. Capital work in progress is transferred to the respective asset accounts when the assets are available for use.

b) Subsequent Expenditure

The Cost of replacing part of an item of Property, Plant and Equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The cost of the day-to-day servicing of Property, Plant and Equipment are recognized in Statement of Profit or Loss.

c) De-recognition

The carrying amount of an item of Property, Plant and Equipment is de-recognized on disposal; or when no future economic benefits are expected from its use or disposal. Gains or losses on de-recognition are recognized in Statement of Profit or Loss.

d) Permanent Land Development Cost

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

These costs have been capitalized and amortized over the remaining lease period.

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

3.3.2 Biological Assets

a) Bearer Biological Assets & Consumable 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.

The cost of land preparation, rehabilitation, new planting, re-planting, crop diversifying, inter-planting and fertilizing, etc., incurred between the time of planting and harvesting (when the planted area attains maturity), are

Significant Accounting Policies (Contd...)

For the Year ended 31st March 2015

classified as immature plantations. These immature plantations are shown at direct costs plus attributable overheads, including interest attributable to long term loans used for financing immature plantations.

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 includes managed timber trees those that are to be sold as biological assets.

The expenditure incurred on bearer biological assets (tea and/or rubber fields), which come in to bearing during the year, has been transferred to mature plantations. Expenditure incurred on consumable biological assets is recorded at cost at initial recognition and thereafter at fair value at the end of each reporting period.

The entity recognize the biological assets when, and only when, the entity controls the assets as a result of past event, it is probable that future economic benefits associated with the assets will flow to the entity and the fair value or cost of the assets can be measured reliably.

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 as per the option provided by the ruling issued by Institute of Chartered Accountants of Sri Lanka.

The managed timber trees are 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 - Agriculture. 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 Discounted Cash Flow (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.

The main variables in DCF model concerns

Variable	Comment
Currency Valuation	Sri Lankan Rupees
Timber Content	Estimate based on physical verification of girth, height and considering the growth of the each spices. Factor all the prevailing statutory regulations enforced against harvesting of timber coupled with forestry plan of the Company.
Economic Useful Life	Estimated based on the normal life span of each spices by factoring the forestry plan of the Company
Selling Price	Estimated based on prevailing Sri Lankan market price. Factor all the conditions to be fulfil in bringing the trees in to saleable condition
Discount Rate	Discount rate reflects the possible variations in the cash flows and the risk related to the biological assets.

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

Permanent impairments to Biological Assets are charged to the Statement of Profit or Loss in full and reduced to the net carrying amounts of such asset in the year of occurrence after ascertaining the loss.

b) Infilling Cost on Biological Assets

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

Significant Accounting Policies (Contd...)

For the Year ended 31st March 2015

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

c) 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 capitalized as a part of the asset.

Borrowing costs that are not capitalized are recognized 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 capitalization are determined in accordance with LKAS 23 - "Borrowing Costs".

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

Depreciation and Amortisation

3.3.3. Amortisation of Assets on JEDB / SLSPC Lease

a) The leasehold rights to JEDB/SLSPC Estate Assets are amortized in equal amounts over the following years. (Lower of lease period and economic useful life)

	No. of Years	Rate
Bare Land	53	1.9%
Mature Plantations	30	3.3%
Permanent Land Development Cost	30	3.3%
Buildings	25	4.0%
Plant and Machinery	15	6.7%

b) Amortisation of Other Mature Plantations (Re-planting and New Planting)

	No. of Years	Rate
Mature Plantations (Tea)	33	3.00%
Mature Plantations (Rubber)	20	5.00%
Mature Plantations (Coconut)	50	2.00%
Mature Plantations (Cinnamon)	15	6.67%
Mature Plantations (Coffee & Pepper)	4	25.00%
Mature Plantations (Pineapple)	3	33.33%

Depreciation of an asset begins when it is available for use and ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is de-recognized.

Depreciation methods, useful lives and residual values are re-assessed at the reporting date. Mature plantations are depreciated over their useful lives or unexpired lease period, whichever is lower.

c) Depreciation

Depreciation is charged on a straight line basis over the estimated useful economic life of such assets based on the cost or re-valued amount of all Property, Plant and Equipment. Assets are depreciated over the shorter of the lease term or their useful lives.

	No. of Years	Rate
Buildings	40	2.50%
Permanent Land Development Costs	40	2.50%
Plant and Machinery	13	7.50%
Equipment	10, 8, 5	10%, 12.5%, 20%
Furniture and Fittings	10	10.00%
Motor Vehicles	5, 4	20.00%, 25.00%
Computer Hardware and Software	8, 4	12.50%, 25.00%

Significant Accounting Policies (Contd...)

For the Year ended 31st March 2015

3.3.4. Impairment of Non Financial Assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's value in use and its fair value less cost to sale and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the assets 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 pre-tax discount rates that reflect current market assessments of the time value of money and the risk specific to the asset. In determining fair value less cost to sell, recent market transactions are taken into account, if available. If no such transaction can be identified, an appropriate valuation model is used.

Impairment loss of continuing operations are recognized in the Statement of Profit or Loss in those expense categories consistent with the function of the impaired asset.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognized. If that is the case, carrying amount of the asset is increased to its recoverable amount. That increased amount cannot 'exceed' the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the Statement of Comprehensive Income.

3.3.5. Leased Assets

Assets obtained under finance lease, which effectively transfer to the Company substantially all of the risks and benefits incidental to ownership of the leased assets, are treated as if they have been purchased outright and are

capitalized at their cash price. Assets acquired by way of a finance lease are measured at an amount equal to the lower of their present value and the minimum lease payments.

Assets held under finance lease are amortized shorter of the lease period or the useful lives of equivalent owned assets, unless ownership is not transferred at the end of the lease period.

The principal/capital elements payable to the lessor is shown as liability/obligation. The lease rentals are treated as consisting of capital and interest elements. The capital element in the rental that is applied to reduce the outstanding obligation and interest element is charged against profit, in proportion to the reducing capital elements outstanding.

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

3.3.6. Intangible assets

An Intangible Assets is recognized if it is probable that economic benefits are attributable to the assets will flow to the entity and cost of the assets can be measured reliably. Such items with finite useful life are carried at cost less accumulated amortization and accumulated impairment losses.

a) Software

All computer software cost incurred, which are not internally related to associate hardware, which can be clearly identified, reliably measured and its probable that they will lead to future economic benefits, are included in the Statement of Financial Position under the category of Intangible Assets.

b) Subsequent Expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred.

Significant Accounting Policies (Contd...)

For the Year ended 31st March 2015

c) Amortisation

Amortization is recognized in the profit or loss on a straight line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful life is as follows:

	No. of Years	Rate
Computer Software	4	25.00%

3.3.7. Investment in Subsidiaries

Unquoted investment in shares held on long term basis by Horana Plantations PLC are stated at cost less provisions for diminution in value of investment.

3.3.8. Inventories

Agricultural Produce harvested from Biological Assets

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

Agricultural Produce after further processing

Further processed output of Agricultural Produce are valued at the lower of cost and estimated net realizable value, after making due allowance for obsolete and slow moving items. Net realizable value is the price at which stocks can be sold in the normal course of business after allowing for estimated costs of conversion and the estimated costs necessary to bring them to a saleable condition.

The cost incurred in bringing the inventories to its present location and conditions are accounted using the following cost formulas.

Input Material

At actual cost on first-in-first-out basis.

Spares and Consumables

At actual cost on first-in-first-out basis.

Produced Stocks

Valued at lower of cost or NRV.

3.3.9. Trade and Other Receivables

Trade receivables are stated at the amounts they are estimated to realize inclusive of provisions for bad and doubtful debts. Other receivables and dues from related parties are recognized at cost less provision for bad and doubtful receivables.

3.3.10. Cash and Cash Equivalents

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

3.4 Liabilities and Provisions

Liabilities classified as current liabilities on the Statement of Financial Position are those which fall due for payment on demand or within one year from the reporting date.

All known liabilities have been accounted for in preparing these Financial Statements. Provision and liabilities are recognized when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of economic benefits will be required to settle the obligation.

3.4.1. Employee Benefits

3.4.1.1. Defined Benefit Plan

The retirement benefit plan adopted is as required under the Payment of Gratuity Act No.12 of 1983 and the Indian Repatriate Act No.34 of 1978 to eligible employees. This item is grouped under Employee Benefits in the Statement of Financial Position. Provision for Gratuity on the Employees of the Company is based on an actuarial valuation, using the Projected Unit Credit (PUC) method as recommended by Sri Lanka Accounting Standards No.19 "Employee Benefits". The actuarial valuation was carried out by a professionally qualified firm of actuaries, Messers Actuarial and Management Consultants (Private) Limited as at 31st March 2015.

The key assumptions used by the actuary include the following:

Significant Accounting Policies (Contd...)

For the Year ended 31st March 2015

(i) Rate of Interest	10.50% per annum
(ii) Rate of Salary Increase	
- Workers	15.00% every two years
- Estate Staff	12.50% every three years and 2% per annum
- Head Office Staff	8.00% per annum
(iii) Retirement Age	
- Workers	60 years
- Estate Staff	60 years
- Head Office Staff	55 years
(iv) Daily Wage Rate	
- Tea	Rs.450.00
- Rubber	Rs.450.00

(v) The Company will continue as a going concern.

However, according to the Payment of Gratuity Act No.12 of 1983, the liability for payment to an employee arises only after the completion of 5 years continued services.

The liability is not externally funded.

3.4.1.2. Defined Contribution Plans - Provident Funds and Trust Fund

The Company contributes 12% on consolidated salary of the employees to Ceylon Planters' Provident Society (CPPS)/Estate Staff's 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.

3.4.2. Trade and Other Payables

Trade and other payables are stated at their costs.

3.4.3. Deferred Income

Grants and Subsidies

Grants related to Property, Plant and Equipment other than grants received for consumer biological assets are initially deferred and allocated to income on a systematic basis over the useful life of the related Property, Plant and Equipment, more fully mentioned in Note 28 to the Financial Statements.

Grants related to income are recognized in the Statement of Profit or Loss in the year which it is receivable.

Unconditional grants received for Consumer Biological Assets measured at fair value less cost to sell are recognized in the Statement of Profit or Loss when, and only when such grants become receivable.

3.5. Financial Instruments

a) Initial Recognition

The Company initially recognizes loans and receivables and deposits on the date that they are originated.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

b) Held to Maturity Assets

If the Company has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held to maturity. Held-to-maturity financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, Held To Maturity Financial Assets are measured at amortized cost using the effective interest method, less any impairment losses.

c) Loans and Receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are

Significant Accounting Policies (Contd...)

For the Year ended 31st March 2015

recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Loans and receivables comprise cash and cash equivalents, and trade and other receivables.

d) Other Financial Liabilities

Such financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. Other financial liabilities comprise loans and borrowings, bank overdrafts, and trade and other payables.

3.6. Statement of Profit or Loss and Other Comprehensive Income

3.6.1. Revenue and Income Recognition

a) Recognition of Revenue

Revenue is recorded at invoice value net of brokerage, sale expenses and other levies related to revenue. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized. The fair value gain arising on the valuation of harvested crops has been separately disclosed as part of the revenue.

b) Gain and Losses on Disposal

Gains and losses on disposal of an item of Property, Plant & Equipment are determined by comparing the net sales proceeds with the carrying amounts of Property, Plant & Equipment and are recognized within 'other operating income' in the Statement of Profit or Loss.

c) Interest Income

Interest income is recognized on an accrual basis.

d) Other Income

Other income is recognized on an accrual basis.

3.6.2. Expenditure Recognition

All expenses incurred in running the business and in maintaining the Property, Plant and Equipment in a state of efficiency is charged to the Statement of Profit or Loss.

For the purpose of the presentation of the Statement of Profit or Loss and Other Comprehensive Income, the Directors are of the opinion that function of expenses method presents fairly the elements of the enterprise's performance; hence such presentation method is adopted.

3.6.3. Net Finance Income / Expense

Interest income is recognized as it accrues, using the effective interest method

Finance costs comprise interest expense on borrowings, impairment losses recognized on financial assets and borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset. These are recognized in profit or loss using the effective interest method.

3.6.4. Income Tax

Income tax expense comprises current and deferred tax. Income tax expense is recognized in Statement of Profit or Loss except to the extent that it relates to items recognized directly in equity or in Other Comprehensive Income.

a) Current Taxes

The provision for income tax is based on the elements of income and expenditure as reported in the Financial Statements and computed in accordance with the provisions of the Inland Revenue Act No.10 of 2006 and amendments thereto. Relevant details are disclosed in Note 10 to the Financial Statements.

The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted on the reporting date.

Significant Accounting Policies (Contd...)

For the Year ended 31st March 2015

b) Deferred Taxation

Deferred tax is recognized using the liability method, providing for temporary differences between the carrying amounts and tax bases used for taxation purposes.

Deferred tax is not recognized for the following temporary differences: The initial recognition of assets or liabilities in a transaction that is not a business combination and that effects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantially enacted by the reporting date.

The principal temporary differences arise from depreciation on Property, Plant & Equipment, tax losses carried forward and provisions for defined benefit obligations.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3.7. Segmental Information

An operating segment is a component of the Company 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 Company's other components. All operating segments' operating results are reviewed regularly by the Group's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

3.8. Related Party Transactions

Disclosure has been made in respect of the transaction in which one party has the ability to control or exercise significant influence over the financial and operating policies/ decisions of the other, irrespective of whether a price is being charged or not.

3.9. Statement of Cash Flows

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

3.10. Earnings Per Share (EPS)

Earnings per Share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of shares outstanding during the period.

3.11. Events Occurring After the Reporting Period

All material post Reporting Period events have been considered & where appropriate adjustments or disclosure have been made in the respective notes to the Financial Statements.

3.12. Commitment and Contingencies

Contingencies are possible assets or obligations that arise from a past event and would be confirmed only on the occurrence or non occurrence of one or more uncertain future events, which are beyond the company's control. Contingent Liabilities are disclosed in Note 32 to the Financial Statements. Commitments are disclosed in Note 33 to the Financial Statements.

3.13. New Standards and Interpretations not yet Adopted

SLFRS 9 – Financial Instruments: Classification and Measurement

SLFRS 9 replaces LKAS 39 and applies to classification and measurement of financial assets and liabilities as defined in LKAS 39. The standard is effective for annual periods beginning on or after 01st January 2015. The adoption of the first phase of SLFRS 9 will have an effect on the classification and measurements of financial liabilities. The Company will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

Significant Accounting Policies (Contd...)

For the Year ended 31st March 2015

SLFRS 15 – Revenue from Contracts with Customers

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces the existing revenue recognition guidance including LKAS 18 Revenue and LKAS 11 Construction Contracts. SLFRS 15 is effective for annual reporting periods beginning on or after 01st January 2017, with early adoption permitted.

3.14. Critical Accounting Estimates and Judgments

Information about assumptions and estimates uncertainties that have a significant risk of resulting in a material adjustment in the financial statements are included in the table below:

Critical Accounting Estimate/ Judgment	Disclosure Reference	
	Note	Page
Biological Assets	14	49
Inventories	18	54
Income Tax Expense	10.1	45
Deferred Tax Assets / Liabilities	29	65
Employee Benefits	27	62

Notes to the Financial Statements

For the Year ended 31st March		2015	2014
		Rs'000	Rs'000
4	Revenue		
	Segmental Analysis of Revenue:		
	Main Crops - Tea	1,708,478	1,644,151
	- Rubber	284,204	481,504
		1,992,682	2,125,655
	Diversified Crops	7,170	5,920
	Sale of Rubber Trees	46,029	32,579
	Sale of Timber Trees	17,367	14,486
	Other Operating Revenue	101,612	90,452
		2,164,860	2,269,092

5.	Gross Profit		
	Segmental Analysis of Gross Profit:		
	Main Crops - Tea	69,375	67,320
	- Rubber	(82,469)	71,015
		(13,094)	138,335
	Diversified Crops	3,945	2,298
	Sale of Rubber Trees	46,029	32,579
	Sale of Timber Trees	17,367	14,486
	Other Operating Revenue	87,328	83,463
		141,575	271,161

Segmental Revenue, Expenses, Assets and Liabilities are morefully discribed in Note 37 to the Financial Statements.

		2015	2014
		Rs'000	Rs'000
6.	Other Operating Income		
	Profit on Disposal of Property, Plant & Equipment	6,440	2,386
	Proceeds on Disposal of Redundant Materials	1,760	-
	Change in Fair Value of Consumable Biological Assets (Refer Note No.14.2)	56,640	26,052
	Amortisation of Capital Grants (Refer Note No.28)	4,653	4,255
	Revenue Grants Received	-	1,404
		69,493	34,097
7.	Management Fees		
	Management Fee	13,279	12,816
	Value Added Tax on Management Fee (Unclaimed)	1,520	1,512
		14,799	14,328

As per the Management Agreement signed between the Company and the Managing Agent, Vallibel Plantation Management Ltd., on 15th July 2005, the basis of computing management fee is on Earnings Before Interest Received/Paid, Corporate Tax, Depreciation, Amortisation and Management Fees (EBIDTA). The rate applicable for the year under review is 5% of EBIDTA or Rs.15 Million, whichever is lower (same basis has been applied for 31st March 2014).

Notes to the Financial Statements (Contd...)

For the Year ended 31st March	2015 Rs'000	2014 Rs'000
8. Net Finance Expenses		
Project Loan Interest	44,321	36,860
Term Loan Interest	11,276	25,890
Bank Overdraft Interest	7,782	17,599
Interest on Government Lease & Other Finance Leases	13,083	12,297
Debit Tax, Stamp Duty and Other Finance Charges	1,316	1,137
Total	77,778	93,783
Capitalisation of Borrowing Costs on Immature Plantations	(48,664)	(43,195)
Finance Expense	29,114	50,588
Interest Income	(558)	(184)
Foreign Exchange Gain/(Loss)	292	(5)
Net Finance Expenses	28,848	50,399
9. Profit before Taxation is stated after charging all expenses including the following		
Auditors Fees -Statutory Audit	1,810	1,617
-Other audit related services	75	65
Finance Lease Interest on JEDB/SLSPC Lease and Others	6,712	7,650
Operating Lease Rentals	838	838
Secretarial Fees and Expenses	375	388
Legal Fees and Expenses	3,261	3,929
Donations	176	1,447
Depreciation and Amortisation:-		
- Leasehold Rights to Bare Land	3,867	3,867
- Immovable Estate Assets on Finance Lease	9,181	9,181
- Bearer Biological Assets	50,025	42,751
- Other Tangibles	56,094	52,167
Personnel Costs include:-		
- Provision for Retiring Gratuity:-		
-Current Service Cost	31,562	31,189
-Interest Cost	48,068	44,576
- Defined Contribution Plan Costs (Provident Funds & ETF)	132,208	133,943
- Other Staff Costs	1,162,658	1,201,671
10. Tax Expense		
10.1 Current Taxes on Continuing Operations:		
In terms of Section 16 of the Inland Revenue Act No.10 of 2006 and subsequent amendments there to, "Profits from any Agricultural Undertaking" is liable for income tax at 10%, commencing from 1st April 2011. Manufacturing profits and other income are liable for income tax at 28%.		
	2015 Rs'000	2014 Rs'000
Income Tax on Profits for the year (Refer Note No.10.2)	-	1,606
Deferred Taxation charged for the year (Refer Note No.10.4.1)	20,880	23,589
Economic Service Charge (non-claimable)	4,122	130
	25,004	25,325

Notes to the Financial Statements (Contd...)

For the Year ended 31st March

	2015	2014
	Rs'000	Rs'000
10.2 Reconciliation between Profit before Taxation and Current Tax on Ordinary Activities:		
Profit before Taxation	86,980	162,562
Disallowable Items	223,924	197,335
Loss attributable to the Manufacture	148,646	167,729
Allowable Items	(401,984)	(412,521)
Trade receipt on Disposal of Capital Assets	7,918	1,277
Profit from Agriculture, Trade or Business	65,484	116,382
Other Sources of Income (Interest Income)	558	184
Total Statutory Income	66,042	116,566
Loan Interest Paid	(48,664)	(43,195)
Ground Rent Paid	(17,621)	(16,515)
Business Loss set off during the year	(23,115)	(40,799)
Taxable Income for the period	(23,358)	16,057
Tax Rates Applicable	10% & 28%	10% & 28%
Current Income Tax Expense	-	1,606
10.3 Tax Losses:		
Tax Loss Brought Forward	988,737	861,807
Loss incurred during the year	172,006	167,729
Tax Losses set off during the year	(23,115)	(40,799)
Reassessment of previous year tax loss	(37,949)	-
Tax Loss Carried Forward	1,099,679	988,737

Under the Section 32 of the Inland Revenue Act No.10 of 2006, tax losses can be claimed only up to a maximum limit of 35% of total Statutory Income and there is no restrictions for carrying forward of any tax losses, which cannot be deducted from total statutory income, for future years of assessments.

	2015		2014	
	Rs'000	Rs'000	Rs'000	Rs'000
10.4 Deferred Taxation:	Temporary Differences	Tax Effect	Temporary Differences	Tax Effect
On Property, Plant & Equipment	290,995	40,739	254,712	35,660
On Biological Assets	2,180,122	305,217	1,932,706	270,579
On Employee Benefits	(496,115)	(69,456)	(489,040)	(68,466)
On Tax Loss Carried Forward	(1,099,109)	(153,875)	(988,736)	(138,423)
	875,893	122,625	709,642	99,350
Tax Rates Applicable (Refer Note 10.4.2)	14.00%		14.00%	
Provision of Deferred Taxation (Refer Note 29)	23,275		12,771	
10.4.1 On Operating Profit	20,880		23,589	
On Other Comprehensive Income	2,395		(10,818)	
	23,275		12,771	

10.4.2 Since the Company's income is liable for income tax at different rates, the deferred tax liability is arrived at by applying the income tax rates of 28% and 10% applicable for the manufacture income and agricultural income respectively. The effective tax rate (weighted average) applicable is 14.00% (2014-14.00%).

Notes to the Financial Statements (Contd...)

For the Year ended 31st March 2015

11. Earnings per Ordinary Share

Earnings per Share has been calculated by dividing the profit attributable to ordinary shareholders of the Company by the weighted average number of shares outstanding during the year. There were no diluted potential ordinary shares outstanding at any time during the year.

		2015	2014
Profit for the year	-Rs'000	<u>61,976</u>	<u>137,237</u>
Weighted Average Number of Ordinary Shares in issue during the year	-Numbers (in Thousands)	<u>25,000</u>	<u>25,000</u>
Earnings per Share	-Rs.	<u>2.48</u>	<u>5.49</u>
As at 31st March		2015 Rs'000	2014 Rs'000

12. Leasehold Rights to Bare Land of JEDB/SLSPC Estates**Capitalised Value :**

As at 22.06.1992	<u>204,931</u>	<u>204,931</u>
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Amortisation :

At the beginning of the year	84,212	80,345
Charge for the year	<u>3,867</u>	<u>3,867</u>
At the end of the year	<u>88,079</u>	<u>84,212</u>

Carrying Amount :

At the end of the year	<u>116,852</u>	<u>120,719</u>
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The leasehold rights to the bare land on all estates (except for Dumbara Estate which is under an operating lease) have been taken into the books of the Company as at 22nd June 1992, immediately after the formation of the Company, in terms of the opinion obtained from the Urgent Issues Task Force (UITF) of the Institute of Chartered Accountants of Sri Lanka. For this purpose lands have been revalued at Rs.204.931 Million being the value established for these lands by Valuation Specialist, D.R.Wickremasinghe just prior to the formation of the Company.

Notes to the Financial Statements (Contd...)

As at 31st March 2015

13. Immovable JEDB/SLSPC Estate Assets on Finance Lease (Other than Bare Land)

	Bearer Biological Assets (Immature) Rs'000	Bearer Biological Assets (Mature) Rs'000	Permanent Land Development Costs Rs'000	Buildings Rs'000	Plant & Machinery Rs'000	Total as at 2015 Rs'000	Total as at 2014 Rs'000
Capitalised Value :							
As at 22.06.1992	145,993	68,817	4,014	47,173	6,818	272,815	272,815
Transfers to Mature :							
At the beginning of the year	(145,993)	145,993	-	-	-	-	-
At the end of the year	-	214,810	4,014	47,173	6,818	272,815	272,815
Amortisation :							
Opening Balance	-	139,644	2,915	41,096	6,818	190,473	181,292
Charge for the year	-	7,160	134	1,887	-	9,181	9,181
At the end of the year	-	146,804	3,049	42,983	6,818	199,654	190,473
Carrying Amount :							
As at 31.03.2015	-	68,006	965	4,190	-	73,161	
As at 31.03.2014		75,166	1,099	6,077			82,342

In terms of the opinion obtained from the UITF all immovable estate Property, Plant and Equipment under finance leases have been taken into the books of the Company retroactive to 22nd June 1992. For this purpose all estate immovables have been revalued at their book values as they appear in the books of the lessor(JEDB/SLSPC), as the case may be on the day immediately preceding the date of formation of the company.

Investments in Bearer Biological Assets which were immature, at the time of handing over to the Company by way of estate leases, are shown under Bearer Biological Assets-Immature (revalued as at 22.06.1992). Further investments in such Bearer Biological Assets (Immature) to bring them to maturity are shown under "**Note 14.1.1 - Bearer Biological Assets (Immature Plantations)**". When these plantations become mature the additional investment to bring them to maturity will be moved from the **Note 14.1.1 - Bearer Biological Assets (Immature Plantations)** to **Note 14.1.2 - Bearer Biological Assets (Mature Plantations)** shown under **Note 14.1**, and a corresponding move from Bearer Biological Assets (Immature) to Bearer Biological Assets (Mature) will be made in the above category, namely cost incurred before take over.

Notes to the Financial Statements (Contd...)

As at 31st March 2015

14. Biological Assets**14.1 Bearer Biological Assets**

	Tea	Rubber	Oil Palm	Diversi- fication	Total as at 2015	Total as at 2014
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
14.1.1 Immature Plantations						
Cost :						
At the beginning of the year	182,325	505,649	41,497	5,380	734,851	627,112
Additions	69,703	133,163	23,703	5,286	231,855	277,536
Transfers to Mature	(82,010)	(112,814)	-	(4,127)	(198,951)	(169,797)
At the end of the year	<u>170,018</u>	<u>525,998</u>	<u>65,200</u>	<u>6,539</u>	<u>767,755</u>	<u>734,851</u>
14.1.2 Mature Plantations						
Cost :						
At the beginning of the year	494,711	686,696	-	19,695	1,201,102	1,031,305
Transfers from Immature	<u>82,010</u>	<u>112,814</u>	<u>-</u>	<u>4,127</u>	<u>198,951</u>	<u>169,797</u>
At the end of the year	<u>576,721</u>	<u>799,510</u>	<u>-</u>	<u>23,822</u>	<u>1,400,053</u>	<u>1,201,102</u>
Amortisation :						
At the beginning of the year	91,401	190,580	-	5,193	287,174	244,423
Charge for the year	<u>14,841</u>	<u>34,335</u>	<u>-</u>	<u>849</u>	<u>50,025</u>	<u>42,751</u>
At the end of the year	<u>106,242</u>	<u>224,915</u>	<u>-</u>	<u>6,042</u>	<u>337,199</u>	<u>287,174</u>
Carrying Amount	<u>470,479</u>	<u>574,595</u>	<u>-</u>	<u>17,780</u>	<u>1,062,854</u>	<u>913,928</u>
14.1.3 Total Bearer Biological Assets	<u>640,497</u>	<u>1,100,593</u>	<u>65,200</u>	<u>24,319</u>	<u>1,830,609</u>	<u>1,648,779</u>

These are investments in immature/mature plantations since the formation of the company. The assets (including plantations) taken over by way of estate leases are set out in **Note 12 and 13**. Further investments in the immature plantations taken over by way of these leases are also shown in the above. When such plantations become mature, the additional investments since take over to bring them to maturity have been (or will be) moved from immature to mature under this category as and when fields become mature.

14.2 Consumable Biological Assets

	As at 2015 Rs'000	As at 2014 Rs'000
14.2.1 Immature Plantations		
Cost :		
At the beginning of the year	20,916	14,790
Additions	8,945	11,200
Transfers to Mature	(6,425)	(5,074)
At the end of the year	<u>23,436</u>	<u>20,916</u>
14.2.2 Mature Plantations		
Cost :		
At the beginning of the year	263,012	231,886
Increase due to new plantations	6,425	5,074
Change in Fair Value less costs to sell	56,640	26,052
At the end of the year	<u>326,077</u>	<u>263,012</u>
14.2.3 Total Consumable Biological Assets	<u>349,513</u>	<u>283,928</u>

Notes to the Financial Statements (Contd...)

As at 31st March 2015

14.2 Consumable Biological Assets (Contd.)

14.2.4 Basis of Valuation

Under LKAS 41 the company has valued its managed plantations at fair value less cost to sell. Managed timber plantations as at 31st March 2015 comprised approximately 350.00 hectares.

Managed trees which are less than three years old are considered to be immature consumable biological assets, amounting Rs.23.436 Million as at 31st March 2015. The cost of immature trees is treated as approximate fair value, particularly on the ground that little biological transformation has taken place and the impact of the biological transformation on price is not material. When such plantation become mature, the additional investments since taken over to bring them to maturity are transferred from immature to mature.

The mature consumable biological assets were valued by Chartered Valuer Mr.S.N.Wijepala for 2014/15 using Discounted Cash Flow (DCF) method. In ascertaining the fair value of timber, physical verification was carried covering all the estates.

Key assumptions used in valuation are;

14.2.4.1 The prices adopted are net of expenditure

14.2.4.2 Discounted rates used by the Valuer are within the range of 10% - 12%.

The valuation, as presented in the external valuation model based on the net present value, takes into accounts the long-term exploitation of the timber plantation. 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 realisation value. The Board of Directors retains their view that commodity markets are inherently volatile and their long-term price projection are highly unpredictable. Hence, the sensitivity analysis regarding the selling price and discount rate variation as included in this note allows every investor to reasonably challenge the financial impact of the assumptions used in the valuation against his own assumptions.

The biological assets of the Company are mainly cultivated in leased lands. When measuring the fair value of the biological assets it was assumed that these concession can and will be renewed at normal circumstances. Timber content expects to be realised in future and is included in the calculation of the fair value that takes into account the age of the timber plants and not the expiration date of the lease.

14.2.5 The Company is exposed to the following risks relating to its timber plantation:-

14.2.5.1 Regulatory and Environmental Risks

The Company is subject to laws and regulations in Sri Lanka. The Company has established environmental policies and procedures aimed at compliance with local environmental and other laws. Management performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage those risks.

14.2.5.2 Supply and Demand Risks

The Company is exposed to risks arising from fluctuations in the price and sales volume of timber. When possible the Company manages this risk by aligning its harvest volume to market supply and demand. Management performs regular industry trend analyses to ensure that the Company's pricing structure is in line with the market and to ensure that projected harvest volumes are consistent with the expected demand.

Notes to the Financial Statements (Contd...)

As at 31st March 2015

14.2.5.3 Climate and Other Risks

The Company's timber plantations are exposed to the risk of damage from climatic changes, diseases, forest fires and other natural forces. The Company has extensive processes in place aimed at monitoring and mitigating those risks, including regular forest health inspections and industry pest and disease surveys.

14.3 Sensitivity Analysis

14.3.1 Sensitivity Variation on Sales Price

Net Present Value of the Biological Assets as appearing in the Statement of Financial Position are very sensitive to changes in the average sales price applied. Simulations made for timber show that an increase or decrease by 10% of the estimated future selling price has the following effect on the Net Present Value of the Biological assets.

	-10%		10%
Managed Timber (Rs'000)	293,470	326,077	358,686

14.3.2 Sensitivity Variation on Discount Rate

Net Present Value of the Biological Assets as appearing in the Statement of Financial Position are very sensitive to changes in the discount rate applied. Simulations made for timber show that an increase or decrease by 1% of the estimated future discount rate has the following effect on the Net Present Value of the Biological assets.

	-1%		1%
Managed Timber (Rs'000)	340,374	326,077	312,815

14.4 Capitalisation of Borrowing Costs

Borrowing costs amounting to Rs.48.664 Million (Rs.43.195 Million in 2013/14) directly relating to investment in Biological Assets (Immature Plantations) have been capitalised during the period, at an average borrowing rate of 7.58% (10.87% in 2013/14).

Notes to the Financial Statements (Contd...)

As at 31st March 2015

15. Other Tangibles

	Infrastruc- -ture and Buildings Rs'000	Plant & Machinery (Freehold) Rs'000	Plant & Machinery (Leasehold) Rs'000	F & F / Equipment (Freehold) Rs'000	Computer Software Rs'000	Motor Vehicles (Freehold) Rs'000	Motor Vehicles (Leasehold) Rs'000	Capital Work in Progress Rs'000	Total as at 2015 Rs'000	Total as at 2014 Rs'000
Cost :										
Opening Balance	331,414	335,739	3,270	87,115	16,157	124,604	44,712	53,886	996,897	911,433
Additions	12,667	42,108	6,099	2,021	-	25,247	17,617	12,187	117,946	106,273
On disposals	-	-	-	-	-	(10,995)	-	-	(10,995)	(264)
Transfers (from)/to	-	-	-	-	-	-	-	(58,224)	(58,224)	(20,545)
At the end of the year	344,081	377,847	9,369	89,136	16,157	138,856	62,329	7,849	1,045,624	996,897
Depreciation :										
Opening Balance	53,998	171,771	1,295	57,213	15,199	113,269	27,454	-	440,199	388,155
Charge for the year	8,417	19,819	945	6,813	394	8,112	11,594	-	56,094	52,167
On disposals	-	-	-	-	-	(10,995)	-	-	(10,995)	(123)
At the end of the year	62,415	191,590	2,240	64,026	15,593	110,386	39,048	-	485,298	440,199
Carrying Amount :										
As at 31.03.2015	281,666	186,257	7,129	25,110	564	28,470	23,281	7,849	560,326	556,698
As at 31.03.2014	277,416	163,968	1,975	29,902	958	11,335	17,258	53,886		

(a) These Property, Plant and Equipment are those movable assets vested in the company by Gazette Notification on the date of formation of the company (i.e.22nd June 1992), and all investment in tangible assets(both movables and immovables) by the Company since its formation, other than plantation improvements.

(b) The cost of fully depreciated Property, Plant & Equipment of the Company which are still in use as at the year end is Rs.234,647 Million (2014-221.109 Million).

(c) Details of assets pledged as mortgage are morefully described under Note No 24 "Interest Bearing Borrowings".

Notes to the Financial Statements (Contd...)

As at 31st March 2015

15.1 Extents, Locations, Valuations and Number of Buildings of the Company's Land Holdings

Location	Planting District	Leasehold Lands		Buildings			
		Extents Hects.	Valuation Rs'000	Numbers	Leasehold Valuation Rs'000	Freehold Cost Rs'000	Total Rs'000
Upcot/Maskeliya							
Alton	Nuwara Eliya	350	12,914	269	4,368	22,330	26,698
Fairlawn	Nuwara Eliya	448	17,132	228	3,754	19,839	23,593
Gouravilla	Nuwara Eliya	381	13,912	770	7,700	24,005	31,704
Mahanilu	Nuwara Eliya	236	9,058	145	4,923	7,973	12,896
Stockholm	Nuwara Eliya	305	11,393	521	5,034	26,475	31,509
Regional Total		1,719	64,409	1,933	25,779	100,622	126,400
Lindula							
Bambrakelly	Nuwara Eliya	591	19,727	357	4,347	21,082	25,428
Eildon Hall	Nuwara Eliya	162	6,301	303	2,941	17,689	20,630
Tillicoultry	Nuwara Eliya	377	13,807	687	3,608	10,648	14,256
Regional Total		1,129	39,835	1,347	10,896	49,419	60,315
Up-Country Total		2,849	104,244	3,280	36,675	150,041	186,715
Ingiriya/Bulathsinghala							
Millakande	Kalutara	387	14,822	177	1,680	17,857	19,537
Dumbara	Ratnapura	1,017	-	87	1,252	30,393	31,646
Halwatura	Kalutara	612	16,110	80	1,198	12,517	13,716
Hillstream	Kalutara	400	12,317	24	561	2,814	3,375
Kobowela	Kalutara	217	8,187	38	821	13,476	14,297
Neuchatel	Kalutara	902	20,172	105	1,361	30,629	31,991
Mirishena	Kalutara	487	12,908	152	1,376	10,115	11,491
Procester	Kalutara	664	16,171	102	2,249	15,205	17,453
Low-Country Total		4,686	100,687	765	10,498	133,006	143,506
Total		7,534	204,931	4,045	47,173	283,047	330,221

Notes to the Financial Statements (Contd...)

As at 31st March **2015** 2014
Rs'000 Rs'000

16. Investment in Subsidiary**16.1. Cost of Shares in Subsidiary Companies (Unquoted) :-**

Name of Subsidiary	No. of Shares	Controlling Interest		
Fairlawn Power Limited (Refer Note 16.2):-				
Cost	13,207	54%	132	132
Less: Provision for fall in value of investment			(132)	(132)
Written Down Value			<u>-</u>	<u>-</u>

16.2. The Financial Statements of Fairlawn Power Limited has not been consolidated as at the year end, since they are still in pre-operational stage and no real value to the shareholder of the Company, under the section 153(6)a of the Companies Act No.07 of 2007. Further the Company has fully provided for this investment. The shares of Fairlawn Power Limited were allotted on 29th July 1997.

2015 2014
Rs'000 Rs'000

17. Advance Company Tax (ACT) Recoverable

At the beginning of the year	27,285	27,285
Less: Setoff against Income Tax Payable	<u>-</u>	<u>-</u>
At the end of the year	27,285	27,285

18. Inventories

Harvested Crops (Tea & Rubber)	196,866	213,001
Input Materials	2,121	514
Consumables and Spares	21,478	26,114
	220,465	239,629

19. Trade and Other Receivables

Trade Receivables	75,173	54,337
Staff Debtors	32,315	30,463
Income Tax Recoverable (ESC & VAT)	9,405	11,850
Other Receivables	1,814	1,678
Deposits, Advances and Prepayments	2,850	8,391
	121,557	106,719

20. Cash and Cash Equivalents**20.1 Favourable Balances**

Short Term Monetary Investments	5,730	27
Cash at Bank and in Hand	7,150	5,006
Cash in Transit	1,467	1,272
Cash and Cash Equivalents shown in the Statement of Financial Position	14,347	6,305

20.2 Unfavourable Balances

Less : Bank Overdrafts (Refer Note No.31.1)	(173,094)	(156,659)
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Cash and Cash Equivalents for the purpose of the Statement of Cash Flows **(158,747)** (150,354)

Notes to the Financial Statements (Contd...)

As at 31st March

	2015	2014
	Rs.	Rs.

21. Stated Capital**Issued and Fully Paid :-**

25,000,000 Ordinary Shares	250,000,000	250,000,000
1 Golden Share held by Secretary to the Treasury (Refer Note 21.1)	10	10
	250,000,010	250,000,010

21.1. Rights of the Golden Shareholder :

The concurrence of the Golden Shareholder will be required for the Company to sub-lease any of the estate lands/to be leased to the company by the Janatha Estate Development Board/Sri Lanka State Plantations Corporation.

The concurrence of the Golden Shareholder will be required to amend any clause in the Articles of Association of the company which grant specific rights to the Golden Shareholder.

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 written notice.

The company will be required to submit a detailed quarterly 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 fiscal year.

The Golden Shareholder can request the Board of Directors of the company to meet with him/his nominee, once every quarter to discuss issues of interests to the Government relating to the company's operations.

The Golden Share must be owned either directly by the Government or by a 100% Government owned public company.

22. Sinking Fund

Sinking Fund represents the amount set a side by the Directors for general application.

23. Development Reserve

Development Reserve represents the amount set a side by the Directors for capital expenditure.

	2015	2014
	Rs'000	Rs'000
24. Interest bearing Borrowings		
At the beginning of the year	484,375	393,954
Loans obtained during the year	300,000	216,483
Less: Repayment during the year	(94,519)	(126,062)
At the end of the year	689,856	484,375
24.1 Payable as follows:-		
Amount repayable within one year	77,373	69,586
Amount repayable more than one year	612,483	414,789
Total Payable	689,856	484,375

Notes to the Financial Statements (Contd...)

As at 31st March

2015 2014
Rs. '000 Rs.'000

24. Interest bearing Borrowings (Contd.)**24.2 Project Loans repayable within fifteen(15) years with a five(5) years grace period :-**

Purpose	Date of Receipt	Bank of Ceylon (Out of ADB Line of Credit) 75% of Project Cost		Bank of Ceylon (Own Account) 5% of Project Cost			
		Capital	Rate of Interest	Capital	Rate of Interest		
Tree Crop Plantation Development	06-Mar-97	15,347	11.00%	1,023	12.37%	-	-
	28-Jan-98	23,199	11.00%	1,546	12.37%	-	-
	13-Oct-98	7,086	11.00%	422	12.37%	-	-
	07-Dec-98	26,595	11.00%	1,772	12.37%	-	-
	24-May-99	6,436	11.00%	429	12.37%	-	114
	05-Jun-00	8,149	11.00%	543	12.37%	-	1,087
	05-Jun-00	22,389	11.00%	1,493	12.37%	-	2,985
	23-Oct-00	10,525	11.00%	702	12.37%	-	1,778
		119,726		7,930		-	5,964
Processing, Improvement and Pollution Control Project	06-Mar-97	43,380	11.00%	2,892	12.37%	-	-
	02-Jul-98	15,782	11.00%	1,052	12.37%	-	-
	13-Oct-98	1,656	11.00%	110	12.37%	-	-
	07-Dec-98	5,449	11.00%	362	12.37%	-	-
	05-Jun-00	8,295	11.00%	553	12.37%	-	1,106
	05-Jun-00	2,990	11.00%	199	12.37%	-	399
	23-Oct-00	265	11.00%	18	12.37%	-	45
		77,817		5,186		-	1,550
Service Vehicles and Equipment	26-Mar-97	16,742	11.00%	1,116	12.37%	-	-
	24-Feb-98	5,594	11.00%	413	12.37%	-	-
	07-Dec-98	7,110	11.00%	473	12.37%	-	-
	05-Jun-00	1,686	11.00%	112	12.37%	-	225
	05-Jun-00	525	11.00%	35	12.37%	-	70
	23-Oct-00	490	11.00%	33	12.37%	-	83
		32,147		2,182		-	378
Sub-total		229,690		15,298		-	7,892

Security Offered :

Primary mortgage over leasehold rights of Alton, Bambrakelly, Eildon Hall and Gouravilla Estates, to the value of Rs.244.989 Million

Notes to the Financial Statements (Contd...)

As at 31st March

2015	2014
Rs. '000	Rs.'000

24. Interest bearing Borrowings (Contd.)**24.3 Project Loans repayable in eighty four (84) monthly instalments, after a thirty six (36) month grace period:**

Purpose	Date of Receipt	Lanka Orix Leasing Co., PLC (Out of ADB-Plantation Development Project Line of Credit)			
		Capital Rs'000	Rate of Interest		
Replanting/Infilling & Upkeep of Main Crops	16-May-06	24,170	10.86%	-	7,228
	26-Oct-06	3,456	11.63%	-	1,584
		27,626			-
Crop Diversification	16-May-06	16,692	10.86%	-	4,992
	26-Oct-06	2,823	11.63%	-	1,294
		19,515			-
Factory Modernization & Process Automation	16-May-06	11,352	10.86%	-	3,670
	26-Oct-06	14,800	11.63%	-	4,822
		26,152			-
Sub-total		73,293		-	23,590

Security Offered :

Secondary mortgage over leasehold rights of Millakande and Mirishena Estates.

Notes to the Financial Statements (Contd...)

As at 31st March

2015	2014
Rs'000	Rs'000

24. Interest bearing Borrowings (Contd.)**24.4 Project Loans repayable in forty eight (48) monthly instalments, after a twenty four (24) months grace period:**

Purpose	Date of Receipt	People's Leasing Co.,PLC (Out of E'Friends Line of Credit)			
		Capital (Rs'000)	Interest Rate (p.a.)		
Importation and Installation of a Hot Water Generator	28-Jul-09	6,851	6.50%	641	2,484
	10-Dec-09	5,150	6.50%	1,415	2,742
		<u>12,001</u>		2,056	<u>5,226</u>

Security Offered :

Promisory Note and Primary mortgage over leasehold rights of Hillstream Estate, to the value of Rs.12.001 Million

24.5 Project Loans repayable in seventy two (72) monthly instalments, after a twenty four (24) months grace period:

Purpose	Date of Receipt	Hatton National Bank PLC			
		Capital (Rs'000)	Interest Rate (p.a.)		
Replanting of Main & Minor Crops	23-Jan-13	150,000	AWPLR + 0.85%	145,800	150,000
Replanting of Main & Minor Crops	04-Sep-13	200,000	AWPLR + 0.75%	200,000	200,000
Replanting of Main & Minor Crops	19-May-14	200,000	AWPLR + 0.50%	200,000	-
		<u>550,000</u>		545,800	<u>350,000</u>

Security Offered :

Primary Mortgage for Rs.150.00 Million, over leasehold rights of Frocester Estate

24.6 Other Term Loans (Securitized Debt Facility):-

Institution	Security Offered	Repayment Terms	Rate of Interest (p.a.)		Capital Rs'000		
			%	Months			
National Development Bank PLC	Undertaking from Tea Brokers to recover and remit from future Tea Sales Proceeds	38 monthly instalments w.e.f. 30th May 2011	AWPLR+1.19%	2	200,000	-	24,000
			AWPLR+1.24%	12			
			AWPLR+1.39%	12			
			AWPLR+1.44%	12			
Indian Bank	Primary mortgage over leasehold rights of Tillicoultry Estate	54 monthly instalments w.e.f. 26th April 2013	AWPLR+0.65% (with a Cap of 12.00% p.a. and a floor of 9.75% p.a.)		75,000	42,000	58,800
	Undertaking from Tea Brokers to recover and remit from future Tea Sales Proceeds					42,000	<u>82,800</u>

Notes to the Financial Statements (Contd...)

As at 31st March

2015	2014
Rs'000	Rs'000

24.7 Other Term Loan repayable in sixty (60) monthly instalments :

Purpose	Date of Receipt	Central Finance Company PLC			
		Capital (Rs'000)	Interest Rate (p.a.)		
Importation and Installation of Tea Colour Separator Machine	11-Jul-13	16,483	13.45%	-	14,868

Security Offered :

Equipment and it's Accessories

24.8 Other Term Loan repayable in sixty (60) monthly instalments :

Purpose	Date of Receipt	Hatton National Bank PLC			
		Capital (Rs'000)	Interest Rate (p.a.)		
Borrowing Restructure Facility	04-Dec-14	100,000	AWPLR + 0.50%	100,000	-

Security Offered :

Primary mortgage over leasehold rights of Alton, Bambarakelly, Eildon Hall and Gouravilla Estates.

Total Payable

689,856	484,375
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24.9 Maturity Analysis :

Financial Institution	Within 1 Year Rs'000	Between 1 Year & 2 Years Rs'000	Between 2 Years & 5 Years Rs'000	Over 5 Years Rs'000	Total Rs'000
People's Leasing Co.,PLC (Refer Note 24.4)	2,056	-	-	-	2,056
Hatton National Bank PLC (Refer Note 24.5)	25,200 16,650 -	25,200 33,300 27,750	75,600 99,900 99,900	19,800 50,150 72,350	145,800 200,000 200,000
Indian Bank (Refer Note 24.6)	16,800	16,800	8,400	-	42,000
Hatton National Bank PLC (Refer Note 24.8)	16,667	20,000	60,000	3,333	100,000
Total	77,373	123,050	343,800	145,633	689,856

Notes to the Financial Statements (Contd...)

As at 31st March

	2015			2014		
	Gross Liability	Future Finance Cost	Net Liability	Gross Liability	Future Finance Cost	Net Liability
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
25. Net Liability to Lessor of JEDB/SLSPC Estates						
25.1. Movement :						
As at 1st April	162,068	(70,981)	91,087	167,296	(74,732)	92,564
GDP Deflator Due	12,393	-	12,393	11,287	-	11,287
Repayments	(17,621)	-	(17,621)	(16,515)	-	(16,515)
Transferred to Statement of Comprehensive Income	-	3,692	3,692	-	3,751	3,751
As at 31st March	<u>156,840</u>	<u>(67,289)</u>	<u>89,551</u>	<u>162,068</u>	<u>(70,981)</u>	<u>91,087</u>
25.2. Payable as follows :						
Amount Repayable within One Year						
Payable by due dates	5,228	(3,630)	1,598	5,228	(3,692)	1,536
	<u>5,228</u>	<u>(3,630)</u>	<u>1,598</u>	<u>5,228</u>	<u>(3,692)</u>	<u>1,536</u>
Amount Repayable after One Year :-						
Payable within Two to Five Years	20,912	(13,857)	7,055	20,912	(14,128)	6,784
Payable after Five Years	130,700	(49,802)	80,898	135,928	(53,161)	82,767
	<u>151,612</u>	<u>(63,659)</u>	<u>87,953</u>	<u>156,840</u>	<u>(67,289)</u>	<u>89,551</u>
Total Payable	<u>156,840</u>	<u>(67,289)</u>	<u>89,551</u>	<u>162,068</u>	<u>(70,981)</u>	<u>91,087</u>

- 25.3.** The lease rentals have been amended with effect from 22nd June 1996 to an amount substantially higher than the previous nominal lease rental of Rs.500/- per estate per annum. The basic rental payable under the revised basis is Rs.5.228 Million per annum. This amount is to be inflated annually by the Gross Domestic Product(GDP) deflator in the form of contingent rent.

This lease agreement was further amended on 10th June 2005, freezing the annual lease rental at Rs.7.472 Million for a period of six years commencing from 22nd June 2002. Hence, the GDP Deflator adjustment will be frozen at Rs.2.244 Million per annum until 21st June 2008. Accordingly, the Financial Statements have been adjusted, in order to reflect the future net liability in the following manner:-

- 25.3.1** Future liability on the revised annual lease payment of Rs.7.472 Million continued until 21st June 2008, and thereafter from 22nd June 2008, annual lease payment remained at Rs.5.228 Million, until 21st June 2045. The Net Present Value of this liability at a 4% discounting rate would result in a liability of Rs.89.551 Million.

Notes to the Financial Statements (Contd...)

As at 31st March 2015

25.3.2 The Net Present Value as at date is represented by:-

		Rs.Million
Gross Liability	-Overdue Rentals/GDP Deflator (Contingent Rent) -30 Years @ Rs.5.228 Million per annum	-
		<u>156.840</u>
		156.840
Less: Interest in Suspense		<u>(67,289)</u>
Net Present Value		<u>89.551</u>

25.3.3 The contingent rental charged during the current year to Statement of Profit or Loss amounted to Rs. 12,393,029/- and the gross liability to make contingent rentals for the remaining 30 years of lease term at the current rate would be estimated to Rs. 371,790,870/- as at 31st March 2015.

	<u>2015</u>			<u>2014</u>		
	Gross Liability	Future Finance Cost	Net Liability	Gross Liability	Future Finance Cost	Net Liability
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
26. Other Finance Lease Creditors						
26.1. Movement :						
As at 1st April	23,381	(3,446)	19,935	38,488	(7,345)	31,143
Facilities Obtained	27,509	(4,766)	22,743	-	-	-
Repayments	(15,709)	-	(15,709)	(15,107)	-	(15,107)
Transferred to Statement of Comprehensive Income	-	3,020	3,020	-	3,899	3,899
As at 31st March	<u>35,181</u>	<u>(5,192)</u>	<u>29,989</u>	<u>23,381</u>	<u>(3,446)</u>	<u>19,935</u>
26.2. Payable as follows :						
Amount Repayable within One Year	<u>14,822</u>	<u>(2,857)</u>	<u>11,965</u>	<u>12,987</u>	<u>(2,316)</u>	<u>10,671</u>
Amount Repayable after One Year :-						
Payable within Two to Five Years	20,360	(2,335)	18,025	10,394	(1,130)	9,264
Payable after Five Years	-	-	-	-	-	-
	<u>20,360</u>	<u>(2,335)</u>	<u>18,025</u>	<u>10,394</u>	<u>(1,130)</u>	<u>9,264</u>
Total Payable	<u>35,182</u>	<u>(5,192)</u>	<u>29,990</u>	<u>23,381</u>	<u>(3,446)</u>	<u>19,935</u>

Notes to the Financial Statements (Contd...)

As at 31st March	2015 Rs'000	2014 Rs'000
27. Employee Benefits		
Balance as at 1st April	489,040	397,863
Provision made during the Year	62,526	153,034
Payments made during the Year	(55,450)	(61,858)
Balance at the end of the Year	<u>496,116</u>	<u>489,040</u>

Payable for retired employees included under current liabilities (**Refer Note 30**) (30,499) (31,249)
Present Value of Obligation as at 31st March 465,617 457,790

An Actuarial Valuation of the retirement benefit obligation was carried out as at 31st March 2015 by Mr.M. Poopalanathan, Actuarial & Management Consultants (Pvt) Ltd.

The valuation method used by the actuaries to value the benefit is the "Project Unit Credit (PUC) Method", the method recommended by the Sri Lanka Accounting Standards (LKAS) No.19 "Employee Benefits".

	2015 Rs'000	2014 Rs'000
27.1. The amount recognised in the Statement of Financial Position is as follows:-		
Present Value of Unfunded Obligation	465,617	457,790
Present Value of Funded Obligation -	-	-
Total Present Value of Obligation	<u>465,617</u>	<u>457,790</u>
Fair Value of Plan Assets	-	-
Present Value of Net Obligation	<u>465,617</u>	<u>457,790</u>
Unrecognised Actuarial (Gain)/Losses	-	-
Recognised liability for Defined Benefit Obligation	<u>465,617</u>	<u>457,790</u>
27.2. Movement in the Present Value of Defined Benefit Obligation:-		
Liability for Defined Benefit Obligation as at 1st April	457,790	371,467
Actuarial (Gain)/Loss	(17,104)	77,269
Benefit payable by the Plan	(54,699)	(66,711)
Current Service Cost	31,562	31,189
Interest Cost	48,068	44,576
Liability for Defined Benefit Obligation as at 31st March	<u>465,617</u>	<u>457,790</u>
27.3. Expenses recognised in Statement of Profit or Loss and Other Comprehensive Income:-		
Current Service Cost	31,562	31,189
Interest Cost	48,068	44,576
Actuarial (Gain)/Loss during the year	(17,104)	77,269
	<u>62,526</u>	<u>153,034</u>

27.4. The Key Assumptions used by the actuary include the following:-

27.4.1. Rate of Interest	-10.50% per annum
27.4.2. Rate of Salary Increase	
-Workers	-15.00% for every two years beyond
-Estate Staff	-12.50% for first three years & 2.00% per annum beyond
-Head Office Staff	-08.00% per annum beyond
27.4.3. Retirement Age	
-Workers	-60 years
-Estate Staff	-60 years
-Head Office Staff	-55 years

Notes to the Financial Statements (Contd...)

As at 31st March 2015

27.4.4. Daily Wage Rate

-Tea	-Rs.450.00
-Rubber	-Rs.450.00

27.4.5. The Company will continue as a going concern.

The Actuarial Present Value of all benefits accrued to the existing employees of the scheme based on the current labour wage rate as at 31st March 2015, was Rs.465.617 Million (31st March 2014 -Rs.457.790 Million).

27.5. Sensitivity Analysis:-

The following sensitivity analysis shows the significance of the change in liability of Present Value of the Defined Benefit Obligation due to change in salary/wage escalation rate and discount rate assumed in this valuation, for all employees as at 31st March 2015 :-

Discount Rate	Salary Escalation Rate	Present Value of the Defined Benefit Obligation - Rs'000
Increase of 1%	As per Note No.27.4.2.	428,361
Decrease of 1%	As per Note No.27.4.2.	507,165
As per Note No.27.4.1.	Increase of 1%	488,632
As per Note No.27.4.1.	Decrease of 1%	442,822

27.6. Maturity Profile of the Defined Benefit Obligation :-

Future Working Life Time	Present Value of the Defined Benefit Obligation Rs'000
Within the next 12 months	37,080
Between 1 - 5 years	157,436
Between 5 -10 years	118,923
Beyond 10 years	152,178
Total	465,617

2015 2014
Rs'000 Rs'000

28. Deferred Income**28.1. Deferred Capital Grants & Subsidies****28.1.1. Movement :****Grant Received :**

At the beginning of the year	158,837	148,716
Received during the year	7,855	10,121
At the end of the year	166,692	158,837

Accumulated Amortisation :

At the beginning of the year	40,426	36,171
Amortisation for the year	4,653	4,255
At the end of the year	45,079	40,426

Net Grant Received	121,613	118,411
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Notes to the Financial Statements (Contd...)

As at 31st March

28.1.2. Category wise details on Deferred Capital Grants & Subsidies

Granted By	Purpose of the Grant	Amount Re-ceived (todate) Rs'000	Basis of Amortisation	Balance as at 31-Mar-14 Rs'000	Re-ceived During the Year Rs'000	Amor-tised During the Year Rs'000	Balance as at 31-Mar-15 Rs'000
Sri Lanka Tea Board	Tea Factory Modernization	419	Rate of Depreciation applicable to Plant & Machinery (7.50% p.a.)	230	-	(31)	199
	Tea Replanting Subsidy	1,215	Will be amortised at rate applicable to Tea Mature Plantations, after become mature (3.00% p.a.)	1,215	-	-	1,215
Plantation Development Project (PDP) -Asian Development Bank (ADB)	Improvement of workers living environment	31,588	Rate of Depreciation applicable to Buildings (2.50% p.a.)	21,198	-	(790)	20,409
Plantation Human Development Trust (PHDT)	Improvement of workers living environment	45,143	Rate of Depreciation applicable to Buildings and Furniture & Fittings (2.50% and 10.00% p.a.)	33,697	-	(1,120)	32,577
Estate Infrastructure Development Project (EIDP)	Improvement of workers living environment	489	Rate of Depreciation applicable to Buildings (2.50% p.a.)	342	-	(12)	330
Plantation Development Project (PDP) -ADB/IBIC	Improvement of workers living environment	20,051	Rate of Depreciation applicable to Buildings (2.50% p.a.)	16,836	-	(501)	16,334
	Ergonomic Equipment	5,854	Rate of Depreciation applicable to Equipment (12.50% p.a.)	1,288	-	(732)	556
	Internal Road Development and Boundry Posts	4,622	Rate of Depreciation applicable to Permanent Land Development Cost (2.50% p.a.)	3,976	-	(116)	3,861
	Minor Factory Development	10,099	Rate of Depreciation applicable to Buildings (2.50% p.a.)	8,771	-	(252)	8,518
Rubber Development Department (RDD)	Rubber Replanting Subsidy	39,246	Will be amortised at rate applicable to Rubber Mature Plantations, after become mature (5.00% p.a.)	30,546	7,803	(1,048)	37,301
	Rubber Factory Development	675	Rate of Depreciation applicable to Plant & Machinery (7.50% p.a.)	312	-	(51)	262
Export Agriculture Department (EAD)	Cinnamon Replanting Subsidy	52	Will be amortised at rate applicable to Cinnamon Mature Plantations, after become mature (6.67% p.a.)	-	52	-	52
		159,451		118,411	7,855	(4,653)	121,613

Notes to the Financial Statements (Contd...)

As at 31st March	2015 Rs'000	2014 Rs'000
29. Deferred Tax Liability		
Balance at the Beginning	99,350	86,578
Charge during the period (Refer Note 10.4.1)	23,275	12,771
Balance at the End	<u>122,625</u>	<u>99,350</u>
30. Trade and Other Payables		
Trade and Service Creditors	32,337	47,304
Retiring Benefit Obligations (Current) (Refer Note 27)	30,499	31,249
Bank Interest Payable	21,348	35,107
Other Payables and Accrued Charges (Refer Note 30.1)	<u>136,990</u>	<u>150,741</u>
	<u>221,174</u>	<u>264,401</u>
30.1 Other Payables and Accrued Charges :		
Staff Creditors	60,276	62,442
Incentives to Staff	9,774	18,603
Government Departments and Statutory Bodies	23,862	25,140
Capital Grant Repayable to Ceylon Electricity Board	2,641	2,641
Others including Provisions and Accrued Charges	40,437	41,914
	<u>136,990</u>	<u>150,740</u>

31. Short Term Borrowings**31.1 Bank Overdrafts (Secured) :**

The following facilities were granted to the Company, during the year under review :-

Financial Institution	Type of Securities	Rate of Interest	Facility Available Rs'000		
Seylan Bank PLC Millennium Branch Colombo 3	Primary Mortgage for - Rs. 3.50 Million Secondary Mortgage for - Rs. 2.45 Million Tertiary Mortgage for - Rs.30.00 Million over leasehold rights of Mahanilu Estate	7.47% p.a. [Average Weighted Prime Lending Rate (AWPLR) plus 1%]	10,000	979	4,756
Commercial Bank of Ceylon PLC Foreign Branch Colombo 1	Mortgage over leasehold rights of Stockholm Estate and Fairlawn Estate, including buildings, fixed and floating assets.	6.47% p.a. [Average Weighted Prime Lending Rate (AWPLR)]	200,000	172,115	
Bank of Ceylon Corporate Branch Colombo 1	-	-	-	-	17,144
People's Bank Corporate Banking Division Colombo 10	-	-	-	-	134,759
			<u>210,000</u>	<u>173,094</u>	<u>156,659</u>

Notes to the Financial Statements (Contd...)

As at 31st March 2015

32. Contingent Liabilities

There were no material contingent liabilities outstanding as at the year end except for the following:

32.1 Legal Proceedings on Labour and Other Disputes: -

The case bearing No. 27692/L filed by Rev. Hadapangoda Mahinda Thero, claiming the possession of Dumbara estate, on the basis that the terms of the Indenture of the aforesaid lease arrangement have been violated. The Thero also made claims for the value of rubber trees excavated together with interest. Furthermore he claims for the loss incurred due to the non cultivation on the property leased.

Apart from the above mentioned case, several other cases and disputes are pending against the company in Labour Tribunal and Courts. All these cases are being vigorously contested / prosecuted and our lawyers have advised that an evaluation of the likelihood of an unfavourable outcome and the amount or range of potential loss cannot be quantified or commented upon at this stage.

32.2 Contingent Rent on Government Annual Lease Rental: -

Refer Note 25.3 to these Financial Statements.

32.3 Unfulfilled Conditions on Capital Grants: -

Capital Grant received from the Ceylon Electricity Board (CEB) for Stand by Power Generators is subject to a condition of minimum usage of CEB Power as against the Generator Power. A liability will arise only if the above condition is not fulfilled.

32.4 Super Gain Tax (SGT): -

The interim budget proposal presented by the Minister of Finance on 29th January 2015 and the pursuant bill presented to the Parliament on 30th March 2015, impose a one off tax of 25% on taxable profits for the year of assessment 2013/14 on any company or each company in a group of companies, if the company's / Group's profit before income tax exceeds Rs. 2,000 Million.

The consolidated profit before tax of the Group and that of the Company exceeds the said threshold of RS 2,000Mn. Accordingly, as per the provisions of the bill presented to parliament the liability is estimated at approximately Rs.4.015 Million for the Company

The liability will be recognized in the financial statements when the bill is enacted.

33. Commitments

33.1 Financial Commitments:-

Operating Lease Rentals on Dumbara Estate :

1	-	10 years	Rs. 0.552	Million per annum
11	-	20 years	Rs. 0.698	Million per annum
21	-	30 years	Rs. 0.838	Million per annum

Finance Lease Rentals Payable to the Secretary to the Treasury:

22.06.2015	to	21.06.2045	Rs. 5.228	Million per annum
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Notes to the Financial Statements (Contd...)

As at 31st March 2015

33.2 Capital Commitments:-

There were no capital commitments outstanding as at the year end.

34. Events Occurring After the Reporting Period

Subsequent to the year end date, no circumstances or events have arisen or been revealed that would require adjustments to or disclosure in the financial statements except for the proposed dividend as described below :-

34.1 Proposed Dividend:-

The Directors have recommended a payment of final dividend of Rs. 0.50 Per Ordinary Share amounting to Rs. 12,500,000.00 for the year ended 31st March 2015 (31st March 2014 -Rs.25,000,000.00), at the Directors' Meeting held on the 29th May 2015.

	2015	2014
	Rs'000	Rs'000

35. Related Party Transactions and Balances**35.1 The following balances were outstanding as at the year end: -****35.1.1 Amounts due from Related Companies:****Holding Company:-**

Vallibel Plantation Management Ltd.	32,998	9,369
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Other Related Companies:-

Royal Ceramics Lanka PLC	182	155
Royal Porcelain (Pvt) Ltd	11	5
Rocell Bathware Ltd	16	27
Lanka Ceramic PLC	126	315
Lanka Walltile PLC	6	-
Lanka Tiles PLC	256	-
Swisstek Aluminium Ltd	21	-
Uni-Dil Pakaging Ltd.	64	32
Mabroc Teas (Pvt) Ltd	5	-
Dipped Products PLC	3,308	-
	3,995	534

35.1.2 Amounts due to Related Companies:**Other Related Companies:-**

Royal Ceramics Lanka PLC	893	388
Hayleys Agriculture Holdings Ltd	1,575	730
Hayleys Agro Fertilizer (Pvt) Ltd	2,049	2,848
Hayleys Agro Farms (Pvt) Ltd	-	42
Hayleys Agro Product (Pvt) Ltd	15	15
Agro Technica Ltd	1,396	759
Puritas (Pvt) Ltd	605	6,350
Uni-Dil Pakaging Ltd.	156	182
Uni-Dil Paper Sacks (Pvt) Ltd	2,662	2,433
	9,351	13,747

Notes to the Financial Statements (Contd...)

For the Year ended 31st March 2015

35. Related Party Transactions and Balances

35.2 Transactions with Related Companies:

The transactions carried out in the ordinary course of its business with parties who are defined as related parties as per Sri Lanka Accounting Standard (LKAS) 24 "Related Party Disclosure". The details of which are reported below:-

Name of Company	Name of Director	Nature of Interest	Details of Transactions	2015 Rs'000	2014 Rs'000
Vallibel Plantation Management Ltd	Mr. W.D.N.H.Perera Mr.J. Manuja Kariapperuma Mr.N.T.Bogahalanda	Chairman Director Director	Management Fee (net of VAT)	13,279	12,816
Uni-Dil Packaging Ltd.	Mr. W.D.N.H.Perera Mr.J. Manuja Kariapperuma	Chairman Director	Sale of Tea Purchase of Packing Materials	(296) 611	(266) 1,471
Uni-Dil Paper Sacks(Pvt) Ltd.	Mr. W.D.N.H.Perera Dr. S. Selliah Mr.J. Manuja Kariapperuma	Chairman Director Director	Sale of Tea Purchase of Packing Materials	- 11,610	- 9,513
Lanka Ceramic PLC	Mr. W.D.N.H.Perera Mr. Dhammika Perera Dr. S. Selliah Mr.K.D.G.Gunaratne	Chairman Deputy Chairman Director Director	Sale of Tea Reimbursement of Expenses	(55) (952)	(11) (487)
Lanka Walltile PLC	Mr. W.D.N.H.Perera Dr. S. Selliah Mr.K.D.G.Gunaratne	Chairman Director Director	Sale of Tea Reimbursement of Expenses	(61) -	- (33)
Lanka Tiles PLC	Mr. W.D.N.H.Perera Dr. S. Selliah Mr. Dhammika Perera Mr.K.D.G.Gunaratne	Chairman Deputy Chairman Director Director	Purchase of Tiles Reimbursement of Expenses	(35) (240)	- -
Royal Ceramics Lanka PLC	Mr. W.D.N.H.Perera Mr. Dhammika Perera	Managing Director Chairman	Sale of Tea Income on Hiring of Vehicles Purchase of Tiles Office Rent Reimbursement of Expenses	(119) (900) - 3,725 885	(5) (150) 1 550 (388)
Royal Porcelain (Pvt) Ltd	Mr. W.D.N.H.Perera Mr. Dhammika Perera	Managing Director Chairman	Sale of Tea	(48)	(5)
Rocell Bathware Ltd	Mr. W.D.N.H.Perera Mr. Dhammika Perera	Managing Director Chairman	Sale of Tea	(161)	(27)
The Kingsbury PLC	Mr. W.D.N.H.Perera Mr. Dhammika Perera Mr. A.M.Pandithage	Director Co-Chairman Chairman	A.G.M. Expenses	210	-
HNB Assurance PLC	Dr. S. Selliah	Director	Insurance Premium Paid	6,533	-

Notes to the Financial Statements (Contd...)

For the Year ended 31st March 2015

35. Related Party Transactions and Balances**35.2 Transactions with Related Companies (Continued):**

Name of Company	Name of Director	Nature of Interest	Details of Transactions	2015 Rs'000	2014 Rs'000
Swisstek Aluminium Ltd	Mr. W.D.N.H.Perera	Chairman	Sale of Tea	(193)	-
Hayleys Agriculture Holdings Ltd	Mr. W.D.N.H.Perera Mr. Dhammika Perera Mr. A.M.Pandithage	Director Co-Chairman Chairman	Purchase of Chemicals	1,697	2,860
Hayleys Agro Fertilizer (Pvt) Ltd	Mr. W.D.N.H.Perera Mr. Dhammika Perera Mr. A.M.Pandithage	Director Co-Chairman Chairman	Purchase of Fertilizer	48,003	18,839
Hayleys Agro Products Ltd	Mr. W.D.N.H.Perera Mr. Dhammika Perera Mr. A.M.Pandithage	Director Co-Chairman Chairman	Purchase of Spraying Equipments	-	15
Hayleys Agro Farms (Pvt) Ltd	Mr. W.D.N.H.Perera Mr. Dhammika Perera Mr. A.M.Pandithage	Director Co-Chairman Chairman	Purchase of Fertilizer	114	186
Agro Technica Ltd	Mr. W.D.N.H.Perera Mr. Dhammika Perera Mr. A.M.Pandithage	Director Co-Chairman Chairman	Purchase of Chemicals	4,635	1,789
Puritas (Pvt) Ltd	Mr. W.D.N.H.Perera Mr. Dhammika Perera Mr. A.M.Pandithage	Director Co-Chairman Chairman	Construction of Water Purification Plant	-	13,552
Dipped Products PLC	Mr. W.D.N.H.Perera Mr. Dhammika Perera Mr. A.M.Pandithage	Director Co-Chairman Chairman	Sale of Latex	(79,591)	-
N Capital (Pvt) Ltd	Mr. W.D.N.H.Perera	Chairman	Office Rent	375	-
Mabroc Teas (Pvt) Ltd	Mr. W.D.N.H.Perera Mr. Dhammika Perera Mr. A.M.Pandithage Mr.W.G.R. Rajadurai	Director Co-Chairman Chairman Director	Reimbursement of Expenses	(26)	2
C T Holdings PLC	Mr. Anthony A. Page Mr. V. R. Page Mr. Sunil Mendis Mr. A. T. P. Edirisinghe	Resigned on 11th January 2014 Resigned on 15th May 2013 Resigned on 15th May 2013 Resigned on 15th May 2013	Chairman Managing Director Director Director	- - -	(2,251) 12
CT Land Development PLC	Mr. Anthony A. Page Mr. V. R. Page Mr. A. T. P. Edirisinghe	Resigned on 11th January 2014 Resigned on 15th May 2013 Resigned on 15th May 2013	Chairman Director Director	-	(5)
Cargills (Ceylon) PLC	Mr. Anthony A. Page Mr. V. R. Page Mr. Sunil Mendis Mr. A. T. P. Edirisinghe	Resigned on 11th January 2014 Resigned on 15th May 2013 Resigned on 15th May 2013 Resigned on 15th May 2013	Director Deputy Chairman Director Director	-	(4,896)
Cargills Foods Company (Private) Ltd	Mr. Anthony A. Page Mr. V. R. Page Mr. Sunil Mendis Mr. A. T. P. Edirisinghe	Resigned on 11th January 2014 Resigned on 15th May 2013 Resigned on 15th May 2013 Resigned on 15th May 2013	Director Deputy Chairman Director Director	-	(1,044)
Ceylon Printers PLC	Mr. Anthony A. Page Mr. R. Casie Chitty	Resigned on 11th January 2014 Resigned on 31st December 2013	Director Director	- -	(36) 776
Bandarawella Hotel	Mr. Anthony A. Page	Resigned on 11th January 2014	Deputy Chairman	-	(61)

Notes to the Financial Statements (Contd...)

As at 31st March 2015

35.3 Transactions with Key Management Personnel

According to Sri Lanka Accounting Standard (LKAS) 24, "Related Party Disclosure", Key Management Personnel are those having authority and responsibility for planning, directing and controlling activities of the entity. Accordingly members of the Board of Directors (including Executive and Non-Executive Directors) has been classified as Key Management Personnel of the Company.

	2015 Rs'000	2014 Rs'000
Fees paid to Directors	<u>11,008</u>	<u>5,498</u>

36. Financial Risk Management

36.1 Overview :

The Company has exposure to the following risks from its use of financial instruments:-

- * Credit risk
- * Liquidity risk
- * Market risks (Including currency risk and interest rate risk)

This note present qualitative and quantitative information about the Company's exposure to each of the above risks, The Company's objectives, policies and procedures for measuring and managing risk.

36.2 Risk Management Framework :

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework The Company's risk management policies are established to identify and analyse the risk faced by the Company, to set appropriate risk limits and controls, and to monitor risk and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

36.3 Credit Risk :

Credit risk is the risk of financial loss to the company if a customer or counter party to a financial instrument fails to meet it's contractual obligation, and arises principally from the company's receivables from customer, investment securities etc.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows :-

	31st March 2015 Rs'000	31st March 2014 Rs'000
Loans and Receivables		
Trade and Other Receivables	121,557	106,719
Amount Due From Related Companies	36,994	9,903
Cash and Cash Equivalents	14,347	6,305
	<u>172,898</u>	<u>122,927</u>

Notes to the Financial Statements (Contd...)

As at 31st March 2015

36.4 Liquidity Risk :

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

To measure and mitigate liquidity risk, Company closely monitor its net operating cash flow, maintained a level of cash and cash equivalents and secured committed funding facilities from financial institutions.

36.5 Non-Derivative Financial Liabilities:

	31st March 2015 Rs'000	31st March 2014 Rs'000
Interest bearing Loans & Borrowings	862,950	641,034
Net Liabilities to Lessor of JEDB/SLSPC Estates	89,551	91,087
Other Finance Lease Creditors	29,990	19,935
Amounts due to Related Companies	9,350	13,747
Trade and Other Payables	221,175	264,401
	<u>1,213,016</u>	<u>1,030,204</u>

36.6 Market Risk :

Market risk is the risk that changes in market prices, such as foreign exchange rates, Interest rates and etc; will affect the Company's income or the value of its holdings of financial instruments. The objective of the market risk management is to manage and control market risk exposures within acceptable parameters while optimising the returns.

36.7 Interest Rate Risk :

Interest rate risk is the risk that the fair value or future cash flows of a financial instruments fluctuate because of changes in market interest rates. The Company exposure to the risk of changes in market interest rates relates primarily to the Company's long term debt obligation and Investments with floating Interest rates.

However the company do not have material long term floating rate borrowings or deposits as at the reporting date which results a material interest rate risk.

Notes to the Financial Statements (Contd...)

For the year ended 31st March 2015

37. Information on Business Segments

	Tea		Rubber		Unallocated		Total	
	2015 Rs'000	2014 Rs'000	2015 Rs'000	2014 Rs'000	2015 Rs'000	2014 Rs'000	2015 Rs'000	2014 Rs'000
Segmental Revenue								
Main Crops	1,708,478	1,644,151	284,204	481,504			1,992,682	2,125,655
Diversified Crops					7,170	5,920	7,170	5,920
Sale of Rubber Trees					46,029	32,579	46,029	32,579
Sale of Timber Trees					17,367	14,486	17,367	14,486
Other Operating Revenue					101,612	90,452	101,612	90,452
	1,708,478	1,644,151	284,204	481,504	172,178	143,437	2,164,860	2,269,092
Segmental Gross Profit	69,375	67,320	(82,469)	71,015	154,669	132,826	141,575	271,161
Other Operating Income					69,493	34,097	69,493	34,097
Administrative Overheads					(80,441)	(77,969)	(80,441)	(77,969)
Management Fees					(14,799)	(14,328)	(14,799)	(14,328)
Profit from Operations							115,828	212,961
Net Finance Expense					(28,848)	(50,399)	(28,848)	(50,399)
Profit before Taxation							86,980	162,562
Tax Expense					(25,004)	(25,327)	(25,004)	(25,327)
Profit for the year							61,976	137,235
Other Comprehensive Income:								
Actuarial Gain/(Loss) on Retiring Gratuity					17,104	(77,269)	17,104	(77,269)
Tax Expense on Other Comprehensive Income					(2,395)	10,818	(2,395)	10,818
Other Comprehensive Income for the year							14,709	(66,451)
Total Comprehensive Income for the year							76,685	70,786

OTHER INFORMATION

Segmental Assets

Non-current Assets	1,152,507	1,088,495	1,330,238	1,245,964	475,003	385,292	2,957,748	2,719,751
Current Assets	299,601	267,775	27,612	56,364	66,152	38,419	393,365	362,557
Total Assets	1,452,108	1,356,270	1,357,850	1,302,328	541,155	423,711	3,351,113	3,082,308

Segmental Liabilities

Non-current Liabilities	428,685	411,642	123,291	125,089	876,340	652,423	1,428,316	1,189,155
Current Liabilities	159,180	154,518	34,821	62,995	300,550	299,085	494,554	516,599
Total Liabilities	587,865	566,160	158,112	188,084	1,176,890	951,508	1,922,870	1,705,754

Capital Expenditure

	118,143	143,566	143,962	183,757	38,417	47,140	300,522	374,463
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Amortisation and Depreciation

	60,301	57,731	53,507	44,935	5,358	5,299	119,166	107,966
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Non-Cash Expenditure other than Amortisation and Depreciation

	64,853	62,074	17,428	17,603	(37,275)	20,435	45,006	100,111
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Value Added Statement

For the year ended 31st March	2015 Rs'000	%	2014 Rs'000	%
Revenue	2,164,859		2,269,092	
Other Income	69,493		34,097	
	2,234,352		2,303,189	
Cost of Materials and Services obtained	(621,170)		(567,132)	
Value Addition	1,613,182		1,736,057	

Distribution of Value Addition:-

To Employees

Salaries and Other Benefits	1,357,392	84.1	1,488,648	85.7
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To Providers of Funds

Interest Cost	16,455	1.0	39,112	2.3
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To Government

Income Tax	27,399		14,507	
Lease Interest	16,085		15,038	
	43,484	2.7	29,545	1.7

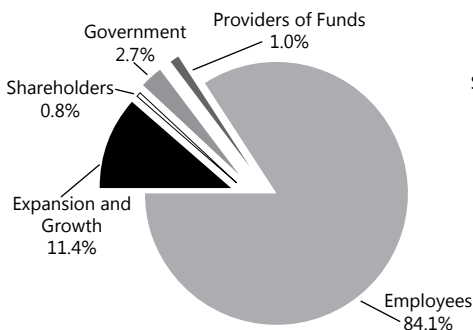
To Shareholders

Dividends to Shareholders	12,500	0.8	25,000	1.4
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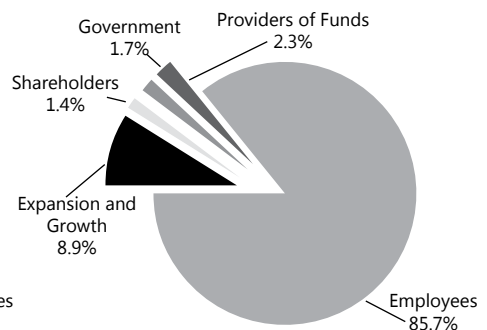
To Expansion and Growth

Profit Retained	64,185		45,786	
Depreciation	119,166		107,966	
	183,351	11.4	153,752	8.9
	1,613,182	100.0	1,736,057	100.0

Distribution of Value Addition - 2015



Distribution of Value Addition - 2014



Ten Year Summary

	Year Ended 31-Mar-06 Rs'000	Year Ended 31-Mar-07 Rs'000	Year Ended 31-Mar-08 Rs'000	Year Ended 31-Mar-09 Rs'000	Year Ended 31-Mar-10 Rs'000	Year Ended 31-Mar-11 Rs'000	Year Ended 31-Mar-12 Rs'000	Year Ended 31-Mar-13 Rs'000	Year Ended 31-Mar-14 Rs'000	Year Ended 31-Mar-15 Rs'000
Operating Results :										
Revenue	1,184,290	1,314,654	1,630,740	1,388,687	1,781,125	2,079,720	2,068,933	2,220,225	2,269,092	2,164,859
Gross Profit	196,463	250,276	271,010	147,738	204,345	464,708	209,955	369,330	271,161	141,576
Profit from Operations	132,947	184,477	190,761	96,692	148,876	392,246	154,526	305,138	212,961	115,827
Interest	(37,620)	(30,529)	(35,435)	(41,348)	(49,295)	(53,878)	(44,110)	(61,623)	(50,399)	(28,848)
Amortisation of Negative Goodwill	9,911	-	-	-	-	-	-	-	-	-
Extra-ordinary Items	-	-	(1,733)	-	-	-	-	-	-	-
Profit before Taxation	105,238	153,948	153,593	55,344	99,581	338,368	110,416	243,515	162,562	86,979
Tax Expense	-	-	(1,613)	(113)	(5,013)	(8,770)	96	(38,652)	(25,325)	(25,004)
Profit for the year	105,238	153,948	151,980	55,231	94,568	329,598	110,512	204,863	137,237	61,975
Other Comprehensive Income	-	-	-	-	-	-	(23,192)	19,403	(66,451)	14,709
Total Comprehensive Income	105,238	153,948	151,980	55,231	94,568	329,598	87,320	224,266	70,786	76,685
Net Assets Employed :										
Property, Plant & Equipment	1,128,616	1,226,627	1,344,351	1,493,630	1,606,535	2,106,924	2,182,175	2,400,057	2,692,466	2,930,462
Investments	132	132	-	-	-	-	-	-	-	-
Other Non-Current Assets	27,285	27,285	27,285	27,285	27,285	27,285	27,285	27,285	27,285	27,285
Current Assets	195,022	232,950	300,119	216,569	279,715	475,203	329,584	358,053	362,557	393,362
Current Liabilities excluding Borrowings	(153,880)	(173,451)	(154,293)	(131,491)	(160,299)	(242,541)	(239,628)	(299,692)	(278,147)	(230,524)
Provisions and Deferred Income	(264,053)	(326,974)	(402,039)	(393,879)	(503,438)	(566,573)	(563,891)	(570,590)	(675,551)	(709,856)
	933,122	986,569	1,115,423	1,212,114	1,249,798	1,800,298	1,735,525	1,915,113	2,128,610	2,410,730
Financed By :										
Stated Capital	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000
Capital Reserves	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000
Revenue Reserves	119,686	197,245	336,725	341,955	436,523	967,505	836,502	1,035,768	1,056,554	1,108,239
Shareholders' Funds	439,686	517,245	656,725	661,955	756,523	1,287,505	1,156,502	1,355,768	1,376,554	1,428,239
Borrowings	493,436	469,324	458,698	550,159	493,275	512,793	579,023	559,345	752,056	982,491
	933,122	986,569	1,115,423	1,212,114	1,249,798	1,800,298	1,735,525	1,915,113	2,128,610	2,410,730
Cash Flow :										
Net Cash Inflow from										
Operating Activities	120,590	188,346	272,045	144,053	243,797	386,992	240,707	358,517	235,388	105,620
Net Cash Outflow from Investing Activities	(80,669)	(139,817)	(181,423)	(171,028)	(172,912)	(253,000)	(267,280)	(276,282)	(361,631)	(261,167)
Net Cash Inflow/(Outflow) from										
Financing Activities	(27,781)	14,586	(50,487)	(78,681)	3,388	36,652	(186,027)	6,228	8,798	147,154
Net Cash Inflow/(Outflow) for the period	12,140	63,115	40,135	(105,656)	74,273	170,644	(212,600)	88,463	(117,445)	(8,393)
Cash and Cash Equivalents at the beginning	(163,422)	(151,282)	(88,167)	(48,032)	(153,688)	(79,415)	91,229	(121,371)	(32,908)	(150,353)
Cash and Cash Equivalents at the end	(151,282)	(88,167)	(48,032)	(153,688)	(79,415)	91,229	(121,371)	(32,908)	(150,353)	(158,746)

Ten Year Summary (Contd...)

	Year Ended 31-Mar-06	Year Ended 31-Mar-07	Year Ended 31-Mar-08	Year Ended 31-Mar-09	Year Ended 31-Mar-10	Year Ended 31-Mar-11	Year Ended 31-Mar-12	Year Ended 31-Mar-13	Year Ended 31-Mar-14	Year Ended 31-Mar-15
Key Indicators :										
Earnings per Share (Rs.)	4.21	6.16	6.08	2.21	3.78	13.18	4.42	8.19	5.49	2.48
Market Value per Share (Rs.)	16.50	20.00	32.00	10.50	28.00	72.30	25.10	26.50	22.90	22.50
Dividend per Share (Rs.)	1.00	1.50	1.50	0.50	1.00	4.00	1.00	2.00	1.00	0.50
Net Assets per Share (Rs.)	17.59	20.69	26.27	26.48	30.26	51.50	46.26	54.23	55.06	57.13
Price-Earnings Ratio (times)	3.92	3.25	5.26	4.75	7.40	5.48	5.68	3.23	4.17	9.08
Earnings Yield (%)	25.51	30.79	19.00	21.04	13.51	18.24	17.61	30.92	23.97	11.02
Interest Cover (times covered)	3.53	6.04	5.38	2.34	3.02	7.28	3.50	4.95	4.23	4.02
Dividend Cover (times covered)	4.21	4.11	4.05	4.42	3.78	3.30	4.42	4.10	5.49	4.96
Dividend Payout (%)	23.76	24.36	24.67	22.63	26.44	30.34	22.62	24.41	18.22	20.17
Effective Dividend Rate (%)	10.00	15.00	15.00	5.00	10.00	40.00	10.00	20.00	10.00	5.00
Dividend Yield (%)	6.06	7.50	4.69	4.76	3.57	5.53	3.98	7.55	4.37	2.22
Current Ratio (times)	0.52	0.74	1.08	0.60	0.82	1.41	0.71	0.75	0.70	0.80
Revenue to Capital Employed (times)	1.27	1.33	1.46	1.15	1.43	1.16	1.19	1.16	1.07	0.90
Return after Taxation on Net Assets (%)	23.93	29.76	23.14	8.34	12.50	25.60	7.55	16.54	5.14	5.37
Property, Plant & Equipment to										
Shareholders' Funds (times)	2.57	2.37	2.05	2.26	2.12	1.64	1.89	1.77	1.96	2.05
Debt to Equity Ratio (%)	112.22	90.74	69.85	83.11	65.20	39.83	50.07	41.26	54.63	68.79
Equity to Total Assets Ratio (%)	32.54	34.78	39.28	38.10	39.54	49.34	45.55	48.67	44.66	42.62

Shareholder and Investor Information

1. Share Distribution

1.1 Shareholding As at 31st March 2015

From	To	No of Holders	No of Shares	%
1	1,000	10,055	2,053,691	8.21
1,001	10,000	373	1,339,986	5.36
10,001	100,000	71	2,220,378	8.89
100,001	1,000,000	10	2,042,331	8.17
Over 1,000,000		4	17,343,615	69.37
		10,513	25,000,001	100.00

2. Categories of Shareholders

	No of Holders	No of Shares	%
Local Individuals	10,387	6,629,878	26.52
Local Institutions	96	17,909,765	71.64
Foreign Individuals	28	264,958	1.06
Foreign Institutions	2	195,400	0.78
	10,513	25,000,001	100.00

3. Directors' and CEO's Shareholding as at 31st March 2015

Names of Directors	No. of Shares	%
Mr. Wannakuwattawaduge Don Nimal Hemasiri Perera	-	-
Mr. Kulappuarachige Don Dhammika Perera	-	-
Mr. Janak Manuja Kariapperuma	-	-
Mr. Lalin Joseph Ainsley Fernando	-	-
Dr. Sivakumar Selliah	-	-
Mr. Kulappuarachige Don Harendra Perera	-	-
Mr. Abeyakumar Mohan Pandithage	-	-
Mr. Anthony Nishantha Wickramasinghe	-	-
Mr. Weerakoon Godfrey Roshan Rajadurai	-	-
Mr. Kalupathiranalage Don Gamini Gunaratne (Alternate Director to Mr. K D D Perera)	-	-
Mr. Neil Terrance Bogahalande (Alternate Director to Mr. K D H Perera)	-	-

4. Share Prices for the year

	As at 31st March 2015	As at 31st March 2014
Market price per share		
Highest during the year	Rs. 27.50 (26/08/2014)	Rs. 30.90 (07/06/2013)
Lowest during the year	Rs. 22.10 (23/03/2015)	Rs. 19.90 (06/09/2013)
As at end of the year	Rs. 22.50	Rs. 22.90

Shareholder and Investor Information (Contd...)

5. Share Trading Statistics

	Year ended 31st March 2015	Year ended 31st March 2014
Number of Transactions during the year	2,724	3,999
Number of Shares traded during the year	7,155,268	3,791,193
Value of shares traded during the year (Rs.)	184,893,711.10	96,838,562
Days Traded	222	237

6. Public Holding

	As at 31st March 2015	As at 31st March 2014
Public Holding percentage	49.00%	49.00%
Number of Shareholders	10,512	10,660

7. Twenty Major Shareholders of the Company

Name	31st March 2015		31st March 2014	
	No. of shares	(%)	No. of shares	(%)
1 Vallibel Plantation Management Limited	12,750,000	51.000	12,750,000	51.000
2 Naratha Ventures Private Limited	2,064,206	8.257	81,605	0.326
3 Dr. T Senthilvel	1,486,709	5.947	-	-
4 Associated Electrical Corporation Ltd	1,042,700	4.171	780,900	3.124
5 Bank of Ceylon No. 1 Account	513,000	2.052	513,000	2.052
6 Mrs. N H Abdul Husein	281,000	1.124	56,000	0.224
7 Almar Holdings (Pvt) Limited	230,000	0.920	230,000	0.920
8 Almar Trading Co (Pvt) Ltd	211,300	0.845	211,300	0.845
9 Mr. K C Vignarajah	197,200	0.789	216,787	0.867
10 Gulf East Finance Limited	150,000	0.600	-	-
11 Mr. H A A H Algharabally	131,500	0.526	131,500	0.526
12 Mr. P F Nandasiri	113,320	0.453	102,320	0.409
13 Dee Investments (Pvt) Ltd	110,011	0.440	110,011	0.440
14 Mr. P H D Waidyatilaka	105,000	0.420	105,000	0.420
15 Mr. A A Page	100,000	0.400	100,000	0.400
16 DFCC Vardhana Bank Ltd/Mr. B A D H C Mahipala	100,000	0.400	100,000	0.400
17 Alpha Tours Private Limited	100,000	0.400	100,000	0.400
18 Seylan Bank PLC/Mr. Duleep Nissanka Daluwatte	88,500	0.354	88,500	0.354
19 Mrs. P C Cooray	81,700	0.327	81,700	0.327
20 Mr. J G De Mel	75,000	0.300	200	0.001
Sub Total	19,931,146	79.725	15,758,823	63.035
Others	5,068,855	20.275	9,241,178	36.965
Total	25,000,001	100.000	25,000,001	100.000

Statistical Information

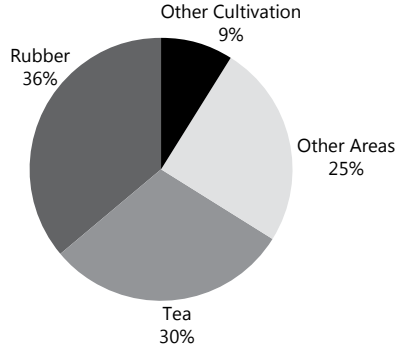
		Year Ended 31-Mar-11	Year Ended 31-Mar-12	Year Ended 31-Mar-13	Year Ended 31-Mar-14	Year Ended 31-Mar-15
PRODUCTION (kgs'000)						
Tea	- Estate Crop	3,437	3,434	3,454	3,155	3,295
	Bought Crop	341	385	436	526	711
		<u>3,778</u>	<u>3,819</u>	<u>3,890</u>	<u>3,681</u>	<u>4,007</u>
Rubber	- Estate Crop	1,344	1,402	1,393	1,487	1,102
	Bought Crop	-	-	-	-	-
		<u>1,344</u>	<u>1,402</u>	<u>1,393</u>	<u>1,487</u>	<u>1,102</u>
YIELD (kgs / Hectare)						
Tea		1,541	1,554	1,632	1,494	1,606
Rubber		739	802	807	871	615
COST OF PRODUCTION (Rs / kg)						
Tea		337.71	378.40	375.42	425.64	409.91
Rubber		244.86	262.65	267.48	284.39	324.35
NET SALE AVERAGE (Rs / kg)						
Tea		355.65	335.59	415.30	453.42	432.89
Rubber		497.66	473.41	383.28	341.54	257.14
CONTRIBUTION						
Tea	- Rs'000	67,777	(158,258)	145,021	67,320	69,375
	- Margin (%)	5.04	(12.20)	9.14	4.09	4.06
Rubber	- Rs'000	339,765	272,855	129,159	71,015	(82,469)
	- Margin (%)	50.80	40.88	24.37	14.75	(29.02)
EMPLOYMENT						
Workers		7,734	7,552	7,140	6,861	6,406
Clerical & Allied Staff		441	425	415	407	402
Executives		40	44	43	43	39
Total		<u>8,215</u>	<u>8,021</u>	<u>7,598</u>	<u>7,311</u>	<u>6,847</u>
CAPITAL EXPENDITURE (Rs'000)						
Field		173,338	216,230	238,057	288,736	240,801
Infrastructure and Building		18,936	32,718	29,513	10,106	12,667
Plant & Machinery		34,876	22,494	14,006	38,077	48,207
Motor Vehicles		43,018	11,065	17,730	228	42,864
Furniture, Fittings & Equipment		9,013	8,710	8,186	5,472	2,021
		<u>279,181</u>	<u>291,217</u>	<u>307,492</u>	<u>342,619</u>	<u>346,560</u>

Statistical Information (Contd...)

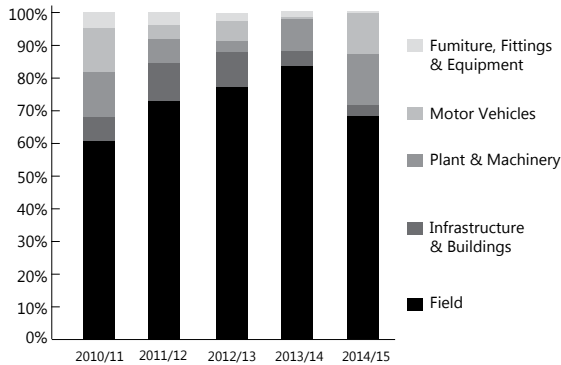
HECTARAGE

		Hectares
Tea	Mature	2,052
	Immature	53
	Others	123
	Total Tea	2,228
Rubber	Mature	1,792
	Immature	527
	Others	378
	Total Rubber	2,697
Other Cultivation	Palm Oil	99
	Coconut	32
	Spices	28
	Fuelwood/Timber Forestry	394
	Others	160
	Total Other Cultivation	712
Other Areas		1,897
Total Hectarage		7,534

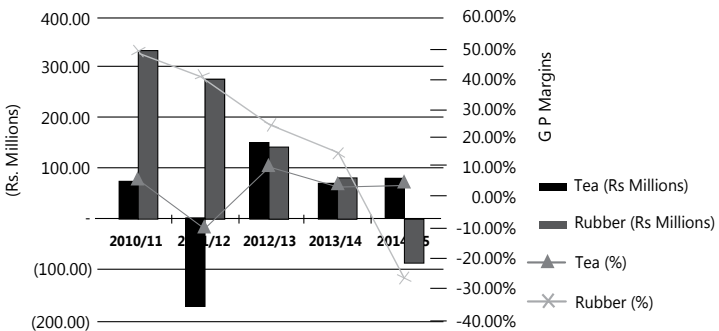
Land Usage %



Composition of Capital Expenditure (%)



Contribution & G.P.Margins



Our Plantations

Estate	Planting District	EXTENTS (Ha)				ELEVATION (ft)	CROP (kg/000)		Employee Strength		
		Tea	Rubber	Others	Total		Tea	Rubber	Workers	Staff	Total
Upcot/Maskeliya											
Alton	Nuwara Eliya	261	-	89	350	4,700-5,550	411		637	28	665
Fairlawn	Nuwara Eliya	316	-	132	448	4,500-4,870	465		734	31	765
Gouravilla	Nuwara Eliya	289	-	93	381	3,600-5,300	538		813	31	844
Stockholm	Nuwara Eliya	228	-	77	305	4,800	387		496	24	520
Mahanilu	Nuwara Eliya	157	-	79	236	4,500-5,000	197		346	14	360
Regional Total		1,250	-	470	1,719		1,998		3,026	128	3,154
Lindula											
Bambrakelly	Nuwara Eliya	333	-	258	591	4,200-5,400	542		706	35	741
Eildon Hall	Nuwara Eliya	129	-	32	162	4,430	228		269	18	287
Tillicoultrey	Nuwara Eliya	275	-	102	377	4,200-5,000	348		403	27	430
Regional Total		737	-	392	1,129		1,118		1,378	80	1,458
Up-Country Total		1,987	-	862	2,849		3,116		4,404	208	4,612
Ingiriya/Bulathsinghala											
Millakande	Kalutara	128	-	259	387	100	438	-	272	25	297
Dumbara	Ratnapura	113	538	904	1,017	1,750	452	151	434	35	469
Halwatura	Kalutara	-	347	612	612	396-825	-	104	196	22	218
Hillstream	Kalutara	-	191	400	400	429	-	131	134	10	144
Kobowela	Kalutara	-	169	217	217	310	-	80	104	12	116
Neuchatel	Kalutara	-	584	902	902	172-495	-	243	418	28	446
Mirishena	Kalutara	-	307	487	487	246-330	-	148	153	16	169
Frocester	Kalutara	-	561	664	664	165-330	-	246	291	29	320
Low-Country Total		241	2,697	4,445	4,686		891	1,102	2,002	177	2,179
Plantation Total		2,228	2,697	5,306	7,534		4,007	1,102	6,406	385	6,791

Quarterly Results

	2014/15	2013/14	Change
	Rs'000	Rs'000	%
Revenue :			
1st Quarter	540,153	493,780	9
2nd Quarter	575,293	519,837	11
3rd Quarter	522,373	641,533	(19)
4th Quarter	527,041	613,942	(14)
Year	2,164,860	2,269,092	(5)
Gross Profit :			
1st Quarter	58,176	(17,344)	435
2nd Quarter	16,353	59,275	(72)
3rd Quarter	51,353	161,941	(68)
4th Quarter	15,694	67,289	(77)
Year	141,576	271,161	(48)
Profit for the period :			
1st Quarter	23,396	(43,847)	153
2nd Quarter	(14,784)	24,774	(160)
3rd Quarter	22,339	107,997	(79)
4th Quarter	31,025	48,312	(36)
Year	61,976	137,236	(55)
Other Comprehensive Income/(Expense) :			
1st Quarter	3,750	(4,657)	181
2nd Quarter	3,750	(4,053)	193
3rd Quarter	3,750	(4,355)	186
4th Quarter	3,460	(53,386)	106
Year	14,709	(66,451)	122
Total Comprehensive Income/(Expense) :			
1st Quarter	27,145	(48,504)	156
2nd Quarter	(11,034)	20,722	(153)
3rd Quarter	26,088	103,642	(75)
4th Quarter	34,485	(5,074)	780
Year	76,685	70,786	8

Notice of Meeting

NOTICE IS HEREBY GIVEN that the Twenty Second Annual General Meeting of Horana Plantations PLC will be held at The Kingsbury Hotel (Victorian Ballroom), No. 48, Janadhipathi Mawatha, Colombo 1 on 29th June 2015 at 9.30 a.m. and the business to be brought before the Meeting will be:

1. To receive and consider the Annual Report of the Board of Directors on the affairs of Company and the Financial Statements for the year ended 31st March 2015 and the Report of the Auditors thereon.
2. To approve a dividend as recommended by the Directors.
3. To re-elect as a Director Mr. Dhammika Perera who retires by rotation in terms of Article 92 of the Articles of Association of the Company.
4. To re-elect as a Director Dr. S Selliah who retires by rotation in terms of Article 92 of the Articles of Association of the Company.
5. To elect as a Director Mr. W G R Rajadurai who was appointed a Director since the last Annual General Meeting in terms of Article 98 of the Articles of Association of the Company.
6. To authorise the Directors to determine donations for the ensuing year.
7. To re-appoint Messrs. KPMG, Chartered Accountants as Auditors of the Company and to authorise the Directors to determine their remuneration.

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend and vote instead of him/her.
2. A Proxy need not be a member of the Company.
3. A Form of Proxy is enclosed for this purpose.
4. The completed form of Proxy should be deposited at the Head Office of the Company, No. 7/1, Gower Street, Colombo 5, not less than forty-five (45) hours before the time fixed for the commencement of the Meeting.

By Order of the Board
Horana Plantations PLC



P W CORPORATE SECRETARIAL (PVT) LTD
Director/Secretaries

Colombo
29th May 2015

Form of Proxy

I/We* the undersignedNIC No.....
of

being a member/s* of Horana Plantations PLC hereby appoint:

Mr. Wannakawattewaduge Don Nimal Hemasiri Perera	of Colombo or failing him *
Mr. Kulappuarachchige Don Dhammika Perera	of Colombo or failing him *
Mr. Janak Manuja Kariapperuma	of Colombo or failing him *
Mr. Lalin Joseph Ainsley Fernando	of Colombo or failing him *
Dr. Sivakumar Selliah	of Colombo or failing him *
Mr. Kulappuarachchige Don Harendra Perera	of Colombo or failing him *
Mr. Abeyakumar Mohan Pandithage	of Colombo or failing him *
Mr. Anthony Nishantha Wickremasinghe	of Colombo or failing him *
Mr. Weerakoon Godfrey Roshan Rajadurai	of Colombo or failing him *

of.....
my/our * Proxy to vote and speak as indicated hereunder for me/us* and on my/our* behalf at the Twenty Second Annual General Meeting of the Company to be held on 29th June 2015 and at every poll which may be taken in consequence of the aforesaid Meeting and at any adjournment thereof:

- | | For | Against |
|--|--------------------------|--------------------------|
| Resolution 1
To receive and consider the Report of the Directors and the Statement of Accounts for the year ended 31st March 2015 with the Report of the Auditors thereon. | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 2
To approve a dividend as recommended by the Directors. | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 3
To re-elect as a Director Mr. Dhammika Perera who retires in terms of Article No. 92 of the Articles of Association of the Company. | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 4
To re-elect as a Director Dr. S Selliah who retires in terms of Article No. 92 of the Articles of Association of the Company. | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 5
To elect as a Director Mr. W G R Rajadurai who was appointed a Director since the last Annual General Meeting in terms of Article No. 98 of the Articles of Association of the Company. | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 6
To authorise the Directors to determine donations for the ensuing year. | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 7
To re-appoint Messrs. KPMG, Chartered Accountants as Auditors of the Company and authorise the Directors to determine their remuneration. | <input type="checkbox"/> | <input type="checkbox"/> |

In witness my/our* hands this day of Two Thousand and Fifteen

.....
Signature of Shareholder/s

* Please delete the inappropriate words.
Instructions as to completion appear on the reverse.

Instructions as to Completion

1. This Form of Proxy must be deposited at No. 7/1, Gower Street, Colombo 5 not less than forty five (45) hours before the time fixed for the Meeting.
2. In perfecting the Form of Proxy please ensure that all details are legible.
3. If you wish to appoint a person other than a Director of the Company as your proxy, please insert the relevant details in the space provided.
4. Please indicate with an 'X' in the space provided, how your proxy is to vote on the resolution. If no indication is given, the proxy in his discretion will vote as he thinks fit.
5. 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.
6. In the case of a Proxy signed by an Attorney, the Power of Attorney must be deposited at The Secretaries' Office (i.e. P W Corporate Secretarial (Pvt) Ltd, 3/17, Kynsey Road, Colombo 8) for registration.
7. In the case of joint holders the Form of Proxy must be signed by the first holder.

Corporate Information

Domicile and Legal Form

Horana Plantations PLC is a Quoted public Company with limited liability, Incorporated and domiciled in Sri Lanka, under the Companies Act No.17 of 1982 in terms of the provisions of the Conversion of Public Corporations of Government Owned Business Undertakings into Public Companies Act No.23 of 1987 and re-registered under the Companies Act No.7 of 2007

Date of Incorporation

22nd June 1992

Registration Number

PQ 126

Directors

Mr. W. D. N. H. Perera - Chairman
Mr. Dhammika Perera - Deputy Chairman
(Alternate Director Mr. K. D. G. Gunaratne)
Mr. J. Manuja Kariapperuma - Director/Chief Executive Officer
Mr. L. J. A. Fernando
Dr. S. Selliah
Mr. K. D. H. Perera
(Alternate Director Mr. N. T. Bogahalande)
Mr. A. M. Pandithage
Mr. A. N. Wickremasinghe
Mr. W. G. R. Rajadurai

Registered Office Address

No.20, R.A.De Mel Mawatha,
Colombo 3.

Head Office Address

No.7/1 Gower Street,
Colombo 5.
Telephone : 011 5400700, 011 5865984-7
Facsimile : 011 5400730
E-Mail : horanap@hplnet.com
horanap@horanaplantations.com
Web : www.horanaplantations.com

Parent Company

Vallibel Plantation Management Ltd
No.20, R.A.De Mel Mawatha,
Colombo 3.

Ultimate Parent Company of the Group

Vallibel One PLC
Level 29, West Tower,
World Trade Centre, Echelon Square,
Colombo 1.

Secretaries

P W Corporate Secretarial (Pvt) Ltd
3/17, Kynsey Road, Colombo- 8
Telephone 011 4640360-3

Independent Auditors

KPMG
Chartered Accountants
No.32A, Sir Mohamed Macan Markar Mawatha,
Colombo 3.

Legal Advisors

Nithi Murugesu & Associates
Attorneys-at-Law & Notaries Public
No.28, (Level 2) W.A.D.Ramanayake Mawatha,
Colombo 2.

Tax Advisors

Nanayakkara & Company
Chartered Accountants
3rd Floor, Yathama Building
No.142, Galle Road, Colombo 3.

Bankers

Commercial Bank of Ceylon PLC
Hatton National Bank PLC
People's Bank
Bank of Ceylon
Seylan Bank PLC
Sampath Bank PLC
NDB Bank
Indian Bank



Horana Plantations PLC

No.7/1 Gower Street, Colombo 5.
Telephone : 011 5400700, 011 5865984-7
Facsimile : 011 5400730
E-Mail : horanap@hplnet.com
horanap@horanaplantations.com
Web : www.horanaplantations.com