



ANNUAL REPORT | 2015/16

KALUBOWITIYANA TEA FACTORY LTD
MINISTRY OF PLANTATION INDUSTRIES

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CORPORATE INFORMATION

| | | |
|--------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|
| Name of the Company | : Kalubowitiyana Tea Factory Limited | |
| Company Registration No. | : PB 1020 | |
| Shifted Office | : No.556, Nagahamulla Road,Pannipitiya Road, Thalangama South,Pelawatta, Battaramulla. | |
| Legal Firm | : A Public Compny with Limited Liability Incorporated in Sri Lanka on 30th September 1992. | |
| Telephone No. | : 011-4645279 | |
| Fax No. | : 011-4645279 | |
| E-mail Address | : 'ktfl@sltnet.lk | |
| Auditors | : Auditor General Auditor General's Department No.306/72, Polduwa Road, Battaramulla. | |
| Secretaries | : Corporate Services Limited, 216, De Saram Place, Colombo 10. | |
| Lawyers | : F J & G De Saram Attorney -at-Law & Notaries Public 216, De Saram Place, Colombo 10. | |
| Bankers | : People's Bank | |
| Board of Directors | : Mr. P.S.Samarakoon -Chairman Mrs.S.N.Attanayake - Managing Director (Acting) Mr.Dammika Ambewela Mr.H.Hemal Kasthuriarachchi Mr.A.U.C.Athukorala Mr.M.A.L.S.N.K.Manthrinayaka Mrs.W.A.Indranie Sugathadasa Mr.M.A.S.P.Palihawadana Mr.P.Rasaiah Mr.T.P.Rathnayaka Mr.G.Nallaperuma Mr.K.Brahmana | |
| Senior Management | : Mr.P Jayasekara (Manager Finance & Marketing) Mr.T.W.M.S.P.Bandara (Manager /Administration & Human Resources) Mr. T.A.D.J.C.Thilakarathna(Manager/Kalubowitiyana Tea factory) Mr.Thusitha Siriwardana (Manager /Derangala Tea Factory*) Mr.L.A.D.D.I.Nandasiri (Ass. Manager/Hiniduma Hills Tea Factory) Mr.Jayalal Weerakoon (Manager /Manikdewela Tea Factory) | |
| Factories | : Kalubowitiyana CTC Factory Hiniduma Hills Tea Factory Abeywila, Kalubowitiyana, Jesmin Velly Junction,Thawalama Tel/ Fax. 0913 783020 Tel/ Fax. 041-7201222 E-Mail ktflk@sltnet.lk Derangala Tea Factory Manikdewela Tea Factory Kiriwelkelle, Pitabeddara Thismada Road,Manikdewela Tel/ Fax. 0913 783621 Tel/Fax:081-2069620/21 E-Mail dtfl@sltnet.lk | |

INTRODUCTION

Kalubowitiya Tea Factory Limited (KTFL) is a limited liability company incorporated under the Companies Act No; 17 of 1982 and re-registered under the new Companies Act No; 07 of 2007. The Company was established to produce Cut, Tear and Curl (CTC) Tea and commenced commercial operations on 1st August 1994, with an initial capital of Rs. 50 Million consisting of five million shares valued Rs.10 per share. The initial capital was provided under the Indian line of Credit. Our second tea factory at Derangala was established under the same line of credit and commenced its operations in March 2000. Our third Tea factory is the Hiniduma Hills Tea Factory, which was previously under the Tea Shakthi Fund, transferred to KTFL under a profit sharing agreement. The Company re-established this factory using its own funds and the Hiniduma Tea Factory commenced operations from 2012.

The latest addition to the Company is the Manikdiwela Factory which previously belonged to the Tea Shakthi Fund, Located at Manikdiwela Village, Yatinuwara Electorate in Kandy District. The Company used its own funds to re-establish this factory.

The Company produces approximately 2,000,000 Kgs, of very high quality teas per year using the selected green leaf purchased from the smallholders.

The Company's tea production is sent to the Colombo Tea Auction through brokers, while a small proportion is destined for the local market through sales centers at factories and the Head Office.

- The mandate of the company as per the Articles of Association is as follows:
 - To carry on the business of tearing, curing, preparing, processing and manufacturing tea leaf purchased from growers
 - To cultivate, grow, manage and superintend tea plantations.

Trade Names & Types of Teas

When it comes to quality, KTFL is the Number One CTC tea producer in the low grown area of the country.

- Kalubowitiyana CTC Tea traded in the market under the selling mark of "Kalubowitiyana Tea".
- Derangala Orthodox Tea traded in the market under the selling marks of "Derangala" and "Kiriwelkele" tea.
- Hiniduma Orthodox Tea traded in the market under the selling marks of "Hiniduma Hills" and "Thawalama Hills" tea.
- Manikdiwela Orthodox Tea traded in the market under the selling mark of "Manidiwela" tea.

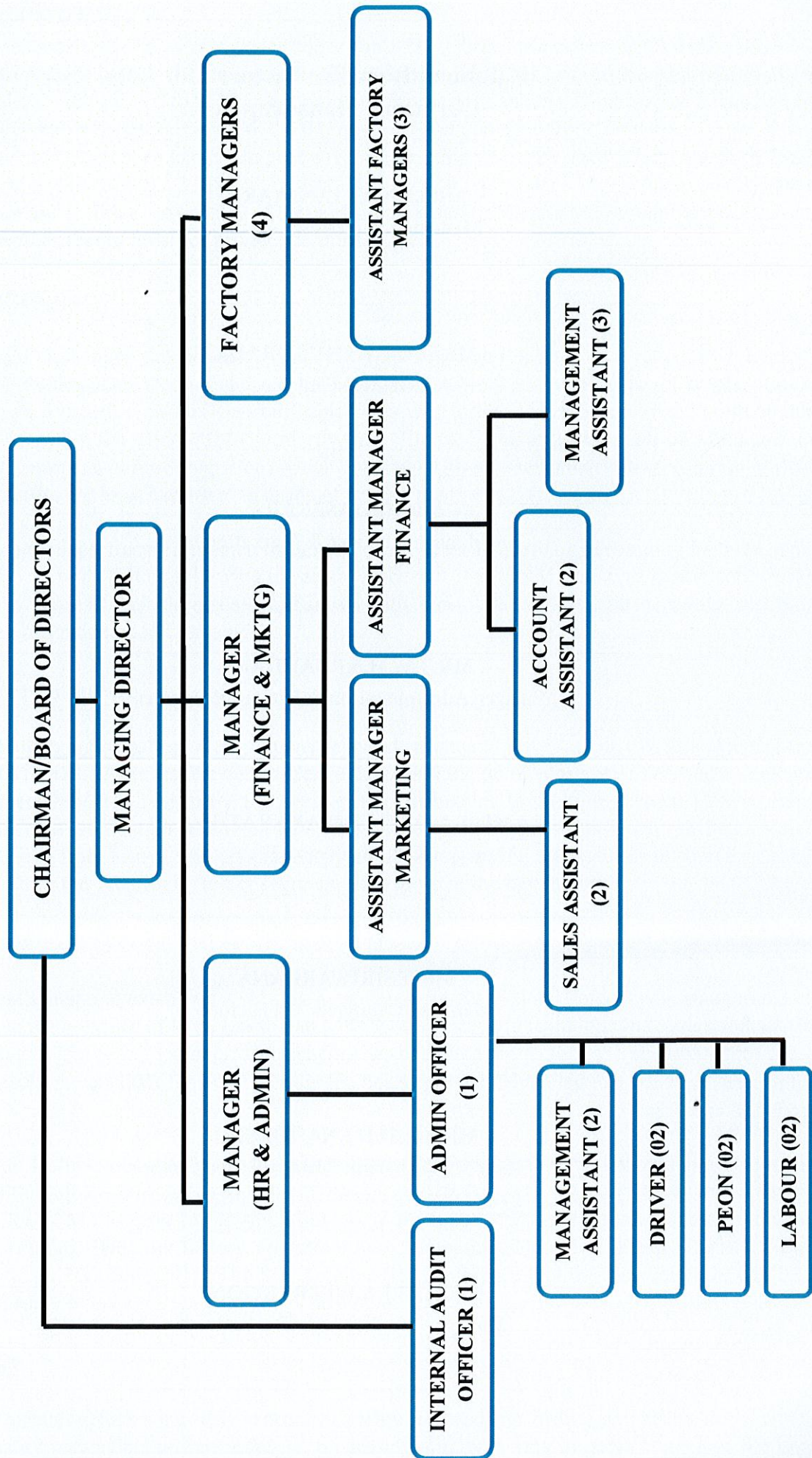
VISION

To be the most recognized model in manufacturing and marketing of best Sri Lankan CTC and Orthodox Tea.

MISSION

To manufacture superior quality, tasty and consumer friendly Sri Lankan Tea aiming at internal and external markets.

ORGANIZATIONA STRUCTURE



Kalubowitiyana Tea Factory Ltd.
Corporate Management

MRS.S.N.ATTANAYAKE
Managing Directress (Acting)

MR.A.U.C.ATHUKORALA
Executive Director

MR.P.JAYASEKARA
Manager/Finance & Marketing

MR.T.W.M.S.P.BANDARA
Manager/Administration & Human Resources

MR.T.A.D.J.C.THILAKARATHNA
Manager/Kalubowitiyana Tea Factory

MR.T.SIRIWARDANA
Manager/Derangala Tea Factory

MR.L.A.D.D.I.NANDASIRI
Assistant Manager/Hiniduma Hills Tea Factory

MR.H.M.J.A.WEERAKOON
Manager/Manikdewela Tea Factory

CHAIRMAN'S REVIEW

I am pleased to present before you the Annual Report for the Financial Year ended 31st March 2016. The period under review proved to be a challenging one for the Sri Lankan tea industry as it was beset by numerous unfavourable conditions on both the international and domestic front. However, the resilience of the sector led the nation's tea exports to post a record breaking year with a recorded volume of 288.7 Mn kilograms at a value of US 1.3 billion (Rs.184.7 Bn), which represents a 11.9% decrease in volume and 12.8% increase in price since 2013. This performance is attributable to favourable prices at all elevations as well as record levels of production during 2015.

Global Challenges

One of the major challenges was posed by economic contraction in Russia, which remains Sri Lanka's key buyer of orthodox teas, stemming from geopolitical instability and a drop in oil prices, further exerting downward pressure on the Russian Ruble. This was further exacerbated by the political and economic unrest within the Middle East primarily, Iran, Egypt, Syria, and Libya, all of which are tea buyers. US and European imposed sanctions which disallowed direct financial dealings with Iran, further created uncertainties for local exporters in terms of routing payments.

Despite these challenges, Russia remained the largest buyer of tea in 2015/16, accounting for 11% of Sri Lankan tea exports, with Turkey following in second place at 9.3%. The Middle East region comprising Iran, Iraq, UAE, Syria, Kuwait, Jordan and Lebanon jointly constituted 34%, while the European Union and African regions made up the remainder.

Company Performance

Against this challenging backdrop, the Company reported revenue of Rs. 775,730,199.81 and a post-tax profit of Rs. 9,815,528.12 Mn for the year under review, marking an increase of 3.28% and a decrease of 25.13% respectively. The reason for the decline was attributable to multiple factors. Unfavourable weather that affected crop output combined with a loss of several buyers in Russia who shifted towards procuring CTC teas from Kenya, and general heavy competition among tea factories to source as much tea as possible from the Tea Small Holder segment were some of the key factors.

Developments

The government scheme of extending a subsidy payment of Rs. 80 to small holders was inaugurated on 18 April 2015 in the presence of Hon. Lakshman Kiriella – Minister of Plantations Industries and amidst a large gathering of Tea Small Holders. This scheme has benefited the factories to secure quality green leaf and as a result, the quality of the end product too has improved, which led to a rise in prices August onwards.

During the year, Kalubowitiyana Tea Factory Ltd acquired the half-built Manikdiwela Tea Factory in Manikdiwela Pilimathalawa from Tea Shakthi in 9th April 2015. It was developed further with a capital investment of Rs.82 Mn to cater to the small holders in the areas of Pilimathalawa Kandy. Producing Mid Grown Orthodox Teas, the factory operations were inaugurated by Hon. Prime Minister Ranil Wickremasinghe on 26th June 2015. The Management has confidence that this new addition will be a viable unit and serve to enhance the company's profitability.

Our Strategy

Our key focus consists of following GMP to produce quality end products. In this context, the Management spearheads quality parameters on raw material, processing and marketing in order to achieve the final

goals of the company. From a strategic perspective, the Company intends to educate and upgrade the knowledge levels of the Tea Small Holder segment in relation to sound agricultural and manufacturing practices, in an effort to increase yields and add on a higher premium to the end product. The introduction of cooperative societies intends to establish a good relationship with the smallholder segment, while the introduction of a local brand is a probability going forward. As a means to expand awareness and understanding, Kalubowitiyana Tea Factory Ltd will conduct relevant training programmes for its executive staff and workers to further enhance knowledge growth and improve overall productivity. The Company continues to operate on strong fundamentals and considers its people to be its biggest asset.

Future Prospects

The outlook of the Sri Lankan tea industry seems to be a challenging one. The domestic and trading conditions within key buyer markets, of whom bulk are oil producing nations remain critical factors. The depreciating Ruble and declining oil prices will be closely watched. A positive factor is Russia's accession to the WTO in August 2014, which carries favourable tariff considerations. With the easing of tensions between Iran and the US, the former being Sri Lanka's second largest buyer prior to the sanctions, is expected to accrue benefits. General socio-economic unrest in the Middle East however will continue to be of concern.

On the local front, climatic conditions, labour wages and fertilizer subsidies continue to pose a challenge and need better management. Although the latter is provided at an attractive and fairly consistent rate throughout the year, one of the challenges faced by Tea small holders is the sourcing of quality fertilizer.

Appreciation

On behalf of the Board of Directors I would like to extend my appreciation to the Tea Smallholder sector on whom we remain dependent, as well as our staff at Kalubowitiyana, and the Management whose combined efforts continue to steer forward our operations successfully. Our appreciation extends to the Hon. Minister of Plantations, and the unstinted support of the Ministry of Plantation Industries. Although the year ahead poses challenges on many fronts, I draw confidence from the support and loyalty of our people, our stakeholders, and their strong partnerships, which give us determination in moving forward with confidence.



P.S. Samarakoon
Chairman

FINANCIAL REVIEW

Revenue Analysis

In the year under review, the Company reported a gross revenue of Rupees 775.7Mn in comparison to Rupees 751Mn recorded in the previous financial year, which reflects a 3.28% increase year on year. Some key challenges from the previous year prevailed during the year under consideration as well, such as unfavorable weather conditions that affected crop output; a loss of several buyers in Russia who shifted towards procuring CTC teas from Kenya; and severe competition among tea factories to source as much green leaf as possible from the Tea Small Holder segment. Of the revenue component, local sales comprising Rupees 26.02Mn witnessed a marginal increase of 33% year on year. This was attributable to increased local purchasing by Government Institutions and Welfare Societies.

Cost of Sales and Operating Expenses

The cost of sales amounting to Rupees 767.3Mn witnessed a 3.9% increase from the previous financial year. Although a similar quantity of tea was produced each year, the Company was able to lower its cost of production in terms of its leaf cost. This was enabled by way of installing a hot water generator at the Kalubowitiyana Tea Factory for better processing efficiencies. However, Gross Profit margins also declined as a result of a rapid decline in tea prices.

Administration expenses were declined to Rupees 30.5Mn in 2015/16 against Rupees 36Mn in the previous year, in line with an increase in multiple expenditure components. Personnel costs rose in line with an increase in the staff salary quantum, while Rupees 1Mn was paid for the services of a manufacturing consultant/advisor recruited to better the internal manufacturing efficiencies.

Other Operating Income

Consequently, with an increase in revenue and rise in overheads, operating Income increased to Rupees 3.6Mn. A component of Rupees 23.2 Mn reflected as other income represents the treasury grant which was subsequently written off this year.

Finance Cost

During the year, the Company opted to dispose of part of its Treasury bill investments, while developments within the general macroeconomic environment saw a decline in deposit interest rates. Accordingly, the Company earned a lower quantum of interest amounting to Rupees 11.99 Mn vis a vis Rupees 15Mn in the previous financial year. The Company loan to BCC Lanka in 2006 continued to remain on the balance sheet and generated an interest income to the Company.

As a prudent measure, funds generated by way of disposal of the Company investments above were channeled into settlement of the overdraft borrowings in full as a means to reduce interest expenditure going forward. The Company reported a net finance income of Rupees 3.5Mn vis a vis Rupees 12.2Mn in the previous financial year. Interest cover dipped to 1.6 from 3.9 previously.

Post taxation, the Company recorded a 25.3% dip in the bottom line to Rupees 9.81Mn vis a vis Rupees 13.13Mn in the financial year ended 2014/2015.

Financial Position and Liquidity

Non Current Assets

The non-current assets comprise 40% of the total asset base. During the financial year under review, the Company invested in developing the Manikdewela Tea Factory amounting to a cost of Rupees 76Mn during this year. The factory was acquired from Tea Shakthi Fund.

Loan – BCC Lanka Ltd

During the year, the company made several attempts to recover the loan of Rupees 10 Mn given to BCC Lanka Ltd., way back in 2004, together with accumulated interest of Rs. 34.70 Mn (totaling Rs. 44.70), however, none of the attempts were successful.

Working Capital

During the year, the Company's current assets rose to Rupees 349.16Mn from Rupees 346.74Mn in the previous year on account of a general decline in the market value of inventory as at balance sheet date and the partial disposal of the Company's Treasury Bill Investment. During this period, the Company increased the quantum of its distress loan to its staff as a result of internal policy, thereby decreasing the trade debtor component to Rupees 49.9 from Rupees 69.1Mn previously. The trade payables quantum increased to Rupees 69.1Mn from Rupees 53.9Mn in the previous year. The Company therefore managed to maintain its working capital cycle within satisfactory limits.

Capital Structure

Equity

The Company's issued ordinary share capital amounts to Rs. 46,375,070.00. Brought forward profits boosted the retained earnings and reserves for the financial year under review decreasing the net by 3.3% in the current financial year.

Borrowings

The Company did not have any long term borrowings during the year under review. The loan of Rs. 22.46 Mn received from the Sri Lanka Tea Board to acquire capital assets at the commencement of operations was written off by the later. All amounts spent of this funding have been capitalized as part of the fixed assets over a period of time.

DIRECTOR'S REPORT

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

Nature of the business

The principle activities of the Company are to carry on the business of treating, curing, preparing, rocessing and manufacturing tea leaf purchased from growers; and to cultivate, grow, manage and superintend tea plantations.

Performance of the Company

The review of the Company's business and its performance during the year which comments of the financial results are contained in the Financial Statements including the Auditors Report (attached herewith), which forms part of this Annual Report.

The accounting policies adopted in the preparation of the Financial Statements are given on pages 30 to 38 in the Notes to the Financial Statements.

Changes in the accounting policies

The accounting policies adopted by the Company have been consistently applied without any change from the previous years.

Entries made in the Interest Register

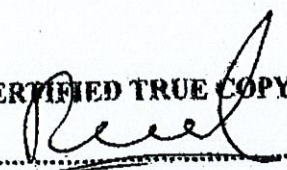
Entries made in the Interest Register are disclosed under the heading "Related Party Transactions" on page 47 in the Notes to the Financial Statements.

Remuneration and other benefits of Directors

The Directors' emoluments for the financial year ending 31st March 2016 is addressed in page 40 of the Notes to the Financial Statements.

Donations

The Company's total donations for the financial year ended 31st March 2016 was Rs.378,059.50 as shown in page 41 in the financial statements.

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Director
CORPORATE SERVICES (PRIVATE) LIMITED
Secretaries

Directors of the Company

The directors of the Company during the financial year ended 31st March 2016 are as follows:

Mr. P.S. Samarakoon – Chairman

Mrs. I. Sugathadasa

Mr. H.H. Kasthuriarachchi

Mr. P. Rasiah

Mr. T.P. Rathnayake

Mr. M.A.L.S.N.K. Manthrinayake

Mr. M.A.S.P. Palihawadana

Mr. A.U.C. Athukorale

Mr. D. Ambewela

Mr. G. Nallaperuma

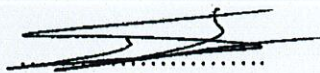
Mr. K. Brahmana

Auditor's fee

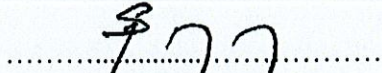
The auditor's fee has not been paid for the financial year under review.

Auditors interest in the Company other than as auditors

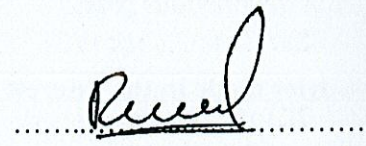
The Directors are satisfied that the auditors do not have any relationship or interest in the Company that would impair their independence.



P.S. Samarakoon
Chairman

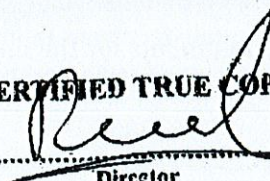


M.A.L.S.N.K. Manthrinayake
Director



Secretaries
Corporate Service (Pvt) Ltd.

On this 6th day of October 2017.

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Director
CORPORATE SERVICES (PRIVATE) LIMITED
Secretaries



විගණකාධිපති දෙපාර්තමේන්තුව
கணக்காய்வாளர் தலைமை அபிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT



මගේ අංකය
எனது இல.
My No.

PLA/B/KTF/01/15/16/01

ඔබේ අංකය
உமது இல.
Your No.

දිනය
திகதி
Date

17 July 2017

The Chairman
Kulubowitiyana Tea Factory Limited

Report of the Auditor General on the Financial Statements of the Kulubowitiyana Tea Factory Limited for the year ended 31 March 2016

The audit of financial statements of the Kulubowitiyana Tea Factory Limited for the year ended 31 March 2016 comprising the statement of financial position as at 31 March 2016 and the profits or losses and other comprehensive income statement, 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, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. My observations on the performance of the Company of the year under review, which I consider should be tabled in Parliament in terms of Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka, appear in this report.

1.2 Board of Directors' Responsibility for the Financial Statements

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

1.3 Auditor's Responsibility

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



An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements 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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

1.4 Establishment and Ownership of the Company

Kalubowitiyana Tea Factory Limited is a Limited Liability Company incorporated under the Companies Act, No.17 of 1982 and then re-registered under the new Companies Act, No.7 of 2007. This is a fully Government owned company and the sole shareholder of the Company is the Secretary to the Treasury.

1.5 Basis for qualified Opinion

My opinion is qualified based on the matters described in paragraph 2.2 of this report.

2. Financial Statements

2.1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of the Kalubowitiyana Tea Factory Limited as at 31 March 2016 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

2.2 Comments on Financial Statements

2.2.1 Sri Lanka Accounting Standards

The following observations are made.

(a) Sri Lanka Accounting Standard 16

The assets costing Rs.222,062,063 had been fully depreciated as the useful life of non-current assets had not been reviewed annually. However, they had still been in use. Accordingly, action had not been taken to revise the estimated error in terms of Sri Lanka Accounting Standard 8.

(b) Sri Lanka Accounting Standard 19

(i) Even though actuarial gains or losses recognized at the re-measurement of the Employee Benefits Liability should be shown under other comprehensive income, it had not been so done.

(ii) The Accounting Policy for recognition of actuarial gains and losses in respect Employee Benefits and matters such as discount rate, rate of return on plan assets and rate of salary increases which should be used as basic actuarial assumptions as at the end of the reporting period, had not been properly disclosed.

2.2.2 Accounting Deficiencies

The following observations are made.

(a) A sum of Rs.23,229,000 recorded in the financial statements as treasury grants received in preceding years had been written off in the year under review and shown as other income in the statement of comprehensive income. As such, the net loss of Rs.13,413,472 of the year had converted into a net profit of Rs.9,815,528.

(b) A total sum of Rs.6,194,940 spent for painting and repairing of buildings of the Hiniduma Hills Tea Factory obtained on lease basis in the year 2012/2013

22-TB
 23-Treasury



had been capitalized under buildings and a sum of Rs.1,238,988 had been written off against the profit as depreciation of the year under review.

- (c) Action had not been taken to eliminate the cost of the tea dryer of the Derangala Tea Factory, which was disposed of for Rs.1,000,000, in the year under review from accounts.
- (d) The deferred tax for the year under review had not been adjusted in the financial statements by the Company.

2.2.3 Unexplained Differences

The following differences were observed between the Ledger Accounts of the year under review and corresponding schedules presented.

| Description ----- | Balance according to the Ledger Account ----- | Balance according to the Schedule ----- | Difference ----- |
|-----------------------------|-----------------------------------------------------------|--------------------------------------------------|---------------------|
| | Rs. | Rs. | Rs. |
| Distress Loans | 10,477,937 | 10,641,513 | 163,576 |
| Sundry Creditors Balances - | | | |
| Derangala | 1,565,607 | 1,855,185 | 289,578 |
| Kalubowitiyana | 2,923,092 | 2,939,644 | 16,552 |

2.2.4 Lack of Evidence for Audit

Evidence indicated against the following items had not been made available to Audit.

| Item | Value | Evidence not made available |
|-------------------------------------------------|------------|-----------------------------------------------------------------------------------|
| ----- | ----- | ----- |
| | Rs. | |
| Painting Activities of the Hiniduma Tea Factory | 6,194,940 | Procurement File <i>A file</i> |
| Fertilizer Procurements | 21,911,343 | |
| Treasury Grants | 23,229,000 | Particulars on the objective for granting, the year and expenses incurred thereof |
| Debtors Balances | 266,835 | Detailed schedules |
| Pre-payments | 313,626 | |

2.2.5 Suspense Account

Balances of Suspense Accounts amounting to Rs.56,244 and 474,296 had been brought forward under Debtors and Creditors respectively over a period of 05 years without settling them.

All - cleared.

2.3 Accounts Receivable and Payable

The following observations are made.

All - done.

- A sum of Rs.1,317,107 or 24 per cent out of the receivable balance of Rs.5,551,518 of the Kalubowitiyana Tea Factory and a sum of Rs.1,454,517 or 32 per cent out of the receivable balance of Rs.4,554,872 of the Derangala Tea Factory as at the end of the year under review, had exceeded 5 years.
- A sum of Rs.1,687,078 out of the loan payable balance of Rs.31,197,181 of the Kalubowitiyana Tea Factory as at the end of the year under review and a



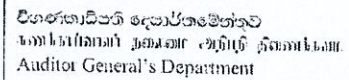
sum of Rs.2,841,646 or 26 per cent out of the payable balance of Rs.11,121,058 of the Derangala Tea Factory as at that date had exceeded 05 years.

- (c) Even though there was a methodology for making payments to fertilizer suppliers after recovery of the amount given to tea owners for fertilizer from the amount payable to the tea owners for supply of tea leaves by the Company, information on 4 fertilizer creditors balances valued at Rs.1,821,000 was not available with the Company. Moreover, 04 fertilizer creditors balances older than 03 years was being brought forward without settling them.

2.4 Non-compliance with Laws, Rules, Regulations and Management Decisions

The following instances of non-compliance with laws, rules, regulations, etc. were observed.

| Reference to Laws, Rules, Regulations, etc. | Non-compliances |
|------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Companies Act, No.07 of 2007 | |
| (a) Section 133 | Even though the Annual General Meeting should be held during a period not later than 6 months after the balance sheet date and not later than 15 months after the previous Annual General Meeting, a last Annual General Meeting had not been held after the year 2011/2012. |
| (b) Section 150 | Even though financial statements should be presented within six months or within such extended period as determined by the Registrar after the balance sheet date, action had not been so taken. |
| (c) Section 166 | Even though the Board of Directors should prepare an |



3. Financial Review

An analysis of financial results of the year under review and 04 preceding years revealed a continuous net profit. Nevertheless, deterioration in that profit was observed annually. However, taking into consideration the employees' remuneration, depreciation on the non-current assets and Government tax, the contribution of the Company had been a favourable value. Even though the contribution of the year 2012/2013 had decreased as compared with the year 2011/2012, subsequently, it had regularly improved, thus indicating an improvement of 11 per cent in the contribution of the year under review as compared with the preceding year.

The gross profit ratio of the year under review and the preceding year was 1.079 per cent and 1.74 per cent respectively. Even though the cost of sale of the preceding year had been 94 per cent from the income of sales, it had been 99 per cent in the year under review and this had been the main reason for the deterioration of this ratio. The net profit ratio of the year under review and the preceding year had been 1.26 per cent and 2.3 per cent respectively and the decrease in the net financial income by 71 per



cent of the year under review as compared with the preceding year had been the main reason therefor.

3.3 Legal Action Initiated Against / by the Company

The following observations are made.

- (a) A case had been filed in the Kotapala Labour Tribunal against the Company in the year 2007 by two employees in respect of dismissal from the service and it had not been finalized even by the end of the year under review.
- (b) A case had been filed in the Court of Appeal by the Department of Inland Revenue against the Company in respect of the judgement given by the Tax Appeals Commission stating that the basis of payment of income tax of the Company in the year 2010/2011 was correct.

4. Operating Review

4.1 Performance

The following observations are made.

(a) Tea Production

According to the information presented to Audit by the Company, the percentage of the production of made tea in 03 preceding years had been as follows.



Year

Tea Factory

| | Kalubowitiyana | | | Derangala | | | Hiniduma | | |
|---------|----------------|----------|--------------------------------------|------------|----------|------------------------|------------|----------|--------------------------------------|
| | Green Leaf | Made Tea | Percentage of Production of Made Tea | Green Leaf | Made Tea | Percentage of Made Tea | Green Leaf | Made Tea | Percentage of Production of Made Tea |
| | Kg | Kg | | Kg | Kg | | Kg | Kg | |
| 2015/16 | 4,774,872 | 994,540 | 20.83 | 2,249,785 | 460,860 | 20.48 | 1,095,511 | 219,765 | 20.06 |
| 2014/15 | 4,446,200 | 943,706 | 21.23 | 1,539,562 | 315,854 | 20.52 | 834,380 | 171,751 | 20.58 |
| 2013/14 | 4,638,578 | 995,844 | 21.47 | 1,386,298 | 281,666 | 20.32 | 731,251 | 146,031 | 19.97 |

According to the criteria of the Tea Board, out of 100 Kilogrammes of used green leaf, at least a production of 21.5 Kg of made tea should be maintained. However, the tea production of two Factories of Derangala and Hiniduma was not at an optimum level during the period of 03 preceding years as given above and an accumulated loss of Rs.35,741,599 had occurred on green leaf during 04 preceding years.

(b) Cost of Production and Net Sale Average Price

According to the information presented to Audit by the Company, the cost of production and the net sales average price of 04 Factories during 03 preceding years had been as follows.

| Name of the Factory | Cost of Production of Tea per 1 kg | | | Net Sales Average Price of Tea per 1 kg | | | Contribution of Tea per 1 kg | | |
|---------------------|------------------------------------|----------------|----------------|-----------------------------------------|----------------|----------------|------------------------------|----------------|----------------|
| | 2015/16 Rs. | 2014/15 Rs. | 2013/14 Rs. | 2015/16 Rs. | 2014/15 Rs. | 2013/14 Rs. | 2015/16 Rs. | 2014/15 Rs. | 2013/14 Rs. |
| Kalobowitiyana | 407.63 | 480.32 | 518.83 | 459.72 | 531.32 | 572.46 | 52.09 | 51.00 | 53.63 |
| Derangala | 430.72 | 503.67 | 525.53 | 413.50 | 470.60 | 516.14 | (17.22) | (33.07) | (9.39) |
| Hiniduma | 459.03 | 524.12 | 559.96 | 402.43 | 460.78 | 494.11 | (56.60) | (63.34) | (65.85) |
| Menikdiwela | 522.58 | - | - | 375.09 | - | - | (147.49) | - | - |



The following observations are made in this connection.

- (i) A cost over the net sales average price had been incurred for the production of 1 kg of tea in factories except the Kalubowitiyana Tea Factory during the period of 3 preceding years. As such, those factories had sustained losses continuously.
- (ii) As compared with the preceding year, the net sales average price of all factories had deteriorated.

(c) **Capacity Utilization /Targeted Tea Production**

According to the Action Plan for the year under review, targets had not been included for the production of tea for each factory and according to the budget of the Company, the targeted and actual tea production and plant utilization in factories are as follows.

| Factory | Targeted Tea Production according to the Budget | Actual Tea Production | Percentage of Variance | Production Capacity | Percentage of Underutilization |
|----------------|----------------------------------------------------------|--------------------------|---------------------------|------------------------|-----------------------------------|
| | kg | kg | | kg | |
| Kalubowitiyana | 1,092,588 | 994,540 | 9 | 1,350,000 | 26 |
| Derangala | 542,084 | 460,860 | 15 | 485,000 | 5 |
| Hiniduma | 263,263 | 219,765 | 16 | 485,000 | 55 |
| Menikdiwela | 141,627 | 117,017 | 17 | 450,000 | 74 |

It was observed that the Kalubowitiyana and Hiniduma factories were functioning under capacity due to failure in obtaining sufficient green leaf for utilizing the full capacity.

(d) **Tea Nursery**

A tea nursery attached to the Derangala Tea Factory had been initiated in the year 2015 with a view to supplying quality tea plants and spent a sum of Rs.1,201,075. The following observations are made in this connection.

- (i) Even though the capacity of this commercial twig nursery stands at 100,000 plants, the total number of tea plants in the nursery by the date of audit stood at 54,517. As such, it represented only 54.52 per cent of the total capacity.



- (ii) Out of the number of plants in the nursery, 13,208 plants had perished and it represented 14.99 per cent of the total number of plants.

4.2 Procurement Procedure

The following observations are made.

- (a) Even though a sum of Rs.55,112,792 had been spent for the development of the Menikdiwela Tea Factory obtained on lease basis, so as to use it for production activities, provisions in the Government Procurement Guidelines had not been followed therefor.
- (b) A sum of Rs.21,911,343 had been spent in the year under review for the purchase of fertilizer to be given to the suppliers of green leaf through the factories belonging to the Kalubowitiyana Tea Factory Limited without following the Government Procurement Guidelines.

4.3 Management Activities

The following observations are made.

- (a) Even though a sum of Rs. 50,000,000 had been paid as lease rent on 09 April 2015 for obtaining the Hiniduma Tea Shakthi Tea Factory and the Yatinuwara Tea Factory which was under construction, belonging to the Tea Shakthi Fund to the Company on 30 years' long term lease basis, the two parties had not entered into a formal agreement up to the date of the Audit Report.
- (b) According to the Notice of the Commissioner General of Lands, published in the Gazette Notification of the Democratic Socialist Republic of Sri Lanka dated 04 July 2014 in terms of Government Land Regulation No. 21(2) in respect of the land on which the Menikdiwela Tea Factory is located, it had been mentioned that sub leasing cannot be done before the lapse of a minimum period of 05 years from the date of leasing. Nevertheless, action had been taken to obtain this land to the Tea Shakthi Fund on lease basis mentioned above, before the lapse of 05 years of obtaining this land.



- (c) Even though quotations had been called for by publishing newspaper advertisements in 3 instances from the year 2015 to the year 2017 for the purchase of two Colour Separators for the Hiniduma and Menikdiwela factories, those bids had been cancelled and it had been decided to invite for bids for the fourth time as well. The oversight and inefficiencies occurred in the procurement process had been the main reasons for cancelling of bids.
- (d) An expenditure of Rs.1,897,386 had been incurred for the year under review and obtained a Colour Separator under Operating Lease Method to improve the quantity of tea produced in the Menikdiwela factory to a higher level and to obtain a higher price for tea based on that. However, a high price could not be obtained for tea as expected.
- (e) Even though payments of Rs.7,380,537 had been made in the year 2012 for repairs of the Tea Dryers of the Kalubowitiyana Tea Factory, a technical report on the repairs carried out by the service supplier had not been obtained. Those repairs had not been completed even by the end of the year under review and the amount paid had been brought to account as advances.
- (f) According to reports of the Landslide Studies and Services Division of the National Building Research Organization, it had been pointed out that the Menikdiwela Factory is located on a sharp sloped land with a valley, the upper part is unstable due to severe erosion and that cracks are observed on the walls in the buildings of the Factory. Attention had not been paid by the Company in this respect before investing funds thereon.

4.4 Personal Administration

The following observations are made.

- (a) An officer without educational or professional qualifications had been recruited on contract basis contrary to the approved Scheme of Recruitment for the post of Assistant Factory Officer of the Menikdiwela Tea Factory. Moreover, the



approval of the Ministry and the Department of Management Services had not been obtained therefor.

(b) Even though the approval of the Department of Management Services had been obtained for the recruitment of an officer for the post of the Menikdiwela Factory Manager in accordance with the approved Scheme of Recruitment in a proper and transparent manner, an officer who had not fulfilled the relevant educational qualifications, had been recruited for the post of Factory Manager on contract basis.

(c) Even though the approved cadre of Junior Assistant Factory Officers stood at 10 for all factories, the actual cadre had been 19 and as such, the excess cadre was 9.

5. Accountability and Good Governance

5.1 Presentation of Financial Statements

In terms of Section 6.5.1 of Public Enterprises Circular No. PED/12 of 2 June 2003, the financial statements should be presented to audit within 60 days after the closure of the financial year. However, the financial statements for the year under review had been presented to audit on 08 February 2017.

5.2 Unresolved Audit Paragraphs

It had been directed at the Committee on Public Enterprises held on 27 February 2013 to recover the following receivable balances.

(a) A loan amounting to Rs.10,000,000 had been granted in the year 2003 to BCC Lanka Limited on an interest rate of 22 per cent and on the basis of recovering it in 12 installments. The total sum recoverable as at the end of the year under review amounted to Rs.44,702,867 due to failure in the recovery of at least one installment.

(b) The sum of Rs.789,461 receivable in the year 2009 from a Broker Company had been unrecovered up to the end of the year under review.



5.3 Internal Audit

The following observations are made.

- (a) According to the Observation Report No. MPI/IA/01/SI/02-2015 dated 23 June 2015 of the Internal Auditor of the Ministry, it had been shown that payments of Rs.4,290,000 had been made from the year 2011 to the year 2014 exceeding the maximum monthly rental payable for hired motor vehicles mentioned in Public Finance Circular No.353(5). Nevertheless, action had not been taken in this connection.
- (b) Even though an Internal Auditor had been appointed since 04 April 2016, a staff had not been attached.

6. Systems and Controls

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Chairman of the Company from time to time. Special attention is needed in respect of the following areas of control.

Areas of Systems and Controls

Observations

- | | |
|-------------------------------------|---------------------------------------------------------------------|
| (a) Accounting | Delays in presentation of accounts. |
| (b) Procurement Activities | Non-compliance with the Government Procurement Guidelines. |
| (c) Balances Receivable and Payable | Failure in recovery for a long time and non-settlement of balances. |
| (d) Financial Control | Payment of a large amount of interest on the bank overdraft. |
| (e) Factory Operations | Losses sustained by factories. |



(f) Fixed Assets Management

Non-maintenance of a Register of Fixed Assets and unavailability of lease agreements for property obtained on lease basis.

H.M.Gamini Wijesinghe

Auditor General

Sgd./ H.M. GAMINI WIJESINGHE
Auditor General

KALUBOWITTIYANA TEA FACTORY LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST MARCH 2016

| | | 2016 | 2015 |
|-----------------------------------------------|------|----------------------|----------------------|
| <i>(All Amounts Are In Sri Lanka Rupees)</i> | | | |
| | Note | | |
| Revenue | 03 | 775,730,199.81 | 751,044,477.30 |
| Cost Of Sales | 04 | (767,358,578.70) | (737,909,957.50) |
| Gross Profit | | 8,371,621.11 | 13,134,519.80 |
| Other Operating Income | 05 | 31,471,116.31 | 27,808,810.97 |
| Profit Before Operating Expenses | | 39,842,737.42 | 40,943,330.77 |
| Administration Expenses | 06 | (30,507,913.27) | (35,940,919.86) |
| Selling & Distribution Expenses | 07 | (905,666.27) | (242,818.00) |
| Impairment Of Receivables | | | |
| Profit From Operating Activities | | 8,429,157.88 | 4,759,592.91 |
| Finance Income | 08.1 | 11,994,059.80 | 15,115,145.89 |
| Finance Expenses | 08.2 | (8,428,981.00) | (2,885,464.36) |
| Net Finance Income | | 3,565,078.80 | 12,229,681.53 |
| Net Profit Before Taxation | | 11,994,236.68 | 16,989,274.44 |
| Taxation | 09 | (2,178,708.56) | (3,851,962.19) |
| Net Profit After Taxation | | 9,815,528.12 | 13,137,312.25 |
| Earnings Per Share | 10.1 | 2.12 | 2.83 |
| Dividend Per Share | 10.2 | - | - |

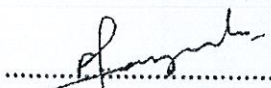
KALUBOWITTIYANA TEA FACTORY LIMITED
STATEMENT OF FINANCIAL POSITION

As At 31ST MARCH 2016

(All Amounts Are In Sri Lanka Rupees)


| | Note | 2016 | 2015 |
|----------------------------------------|------|-----------------------|-----------------------|
| Non Current Assets | | | |
| Property Plant & Equipment | 11 | 232,394,679.45 | 168,237,280.83 |
| Biological Assets | 12 | 2,981,298.74 | 2,937,798.74 |
| | | <u>235,375,978.19</u> | <u>171,175,079.57</u> |
| Current Assets | | | |
| Inventories | 13 | 92,385,495.72 | 84,912,959.25 |
| Loan Receivable From BCC Lanka Limited | | 44,702,867.29 | 41,966,954.83 |
| Financial Assets | 14 | 157,886,840.52 | 137,508,569.90 |
| Trade & Other Receivables | 15 | 49,907,231.12 | 69,121,808.49 |
| Commissioner General Of Inland Revenue | 23 | 533,258.32 | 958,925.19 |
| Cash & Cash Equivalents | 16 | 3,751,241.37 | 12,270,897.86 |
| Total | | <u>349,166,934.34</u> | <u>346,740,115.52</u> |
| Total Assets | | <u>584,542,912.80</u> | <u>517,915,195.09</u> |
| Equity & Liabilities | | | |
| Capital & Reserves | | | |
| Stated Capital | 17 | 46,375,070.00 | 46,375,070.00 |
| Reserves | 18 | 389,451,196.22 | 402,864,668.00 |
| Total | | <u>435,826,266.22</u> | <u>449,239,738.00</u> |
| Non Current Liabilities | | | |
| Retirement Benefit Obligation | 19 | 10,897,999.45 | 9,117,860.00 |
| Total | | <u>10,897,999.45</u> | <u>9,117,860.00</u> |
| Current Liabilities | | | |
| Creditors & Accrued Charges | 20 | 69,157,898.63 | 53,964,432.41 |
| Bank Overdrafts | 21 | 63,067,583.65 | - |
| Deferred Tax Liability/(Asset) | 22 | 5,593,164.85 | 5,593,164.85 |
| Total | | <u>137,818,647.13</u> | <u>59,557,597.26</u> |
| Total Equity & Liabilities | | <u>584,542,912.80</u> | <u>517,915,195.26</u> |


We certify that the Financial Statements have been prepared in accordance with the requirements of the Companies Act No.7 of 2007


Finance Manager

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.

Signed on behalf of the Board of Directors.


Director


Director

25th May 2017
Colombo.

KALUBOWITIYANA TEA FACTORY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST MARCH 2016
(All Amounts Are In Sri Lanka Rupees)

| | Stated Capital (Note 17) | General Treasury | Capital Reserves | Retained Profit | Total |
|-------------------------------------------|--------------------------------|---------------------|---------------------|--------------------|-----------------|
| Balance As At 01 st April 2014 | 46,375,070.00 | 23,229,000.00 | 600,000.00 | 365,898,355.85 | 436,102,425.85 |
| Net Profit For The Year | - | - | - | 13,137,312.25 | 13,137,312.25 |
| Balance As At 01 st April 2015 | 46,375,070.00 | 23,229,000.00 | 600,000.00 | 379,035,668.10 | 449,239,738.10 |
| Net Profit For The Year | - | - | - | 9,815,528.12 | 9,815,528.12 |
| Correction | | (23,229,000.00) | | | (23,229,000.00) |
| Balance As At 31 st March 2016 | 46,375,070.00 | - | 600,000.00 | 388,851,196.22 | 435,826,266.22 |

KALUBOWITTIYANA TEA FACTORY LIMITED
STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31ST MARCH 2016

(All Amounts Are In Sri Lanka Rupees)

| | 2016 | 2015 |
|-----------------------------------------------------------------|------------------------|----------------------|
| | Note | |
| Cash From Operating Activities | | |
| Net Profit/ (Loss) Before Taxation | 11,994,236.68 | 16,989,274.44 |
| Adjustments For: | | |
| Depreciation | 25,540,763.71 | 24,581,439.54 |
| Provision For Retirement Benefit Costs | 2,091,639.45 | 1,487,869.25 |
| Profit On Disposal Of Assets | (1,950,000.00) | (318,775.00) |
| Interest Income | (11,994,059.80) | (15,115,145.89) |
| General Treasury Grant Correction | (23,229,000.00) | |
| Sri Lanka Tea Board Loan Written Off | - | (22,465,416.00) |
| Operating Profit/(Loss) Before Working Capital Changes | 2,453,580.04 | 5,159,246.34 |
| (Increase) / Decrease In Inventory | (7,472,536.47) | 28,432,367.64 |
| (Increase) / Decrease In Trade & Other Receivables | 19,213,377.73 | (14,033,867.98) |
| Increase / (Decrease) In Trade & Other Payables | 15,193,466.22 | 4,313,242.00 |
| Cash Generated From/(Used In) Operations | 29,387,887.52 | 23,870,988.00 |
| Gratuity Paid | (311,500.00) | (292,810.00) |
| Tax Paid | (1,751,841.13) | (2,278,570.26) |
| Net Cash From / (Used In) Operating Activities | 27,324,546.39 | 21,299,607.74 |
| Cash Flows From/(Used in) Investing Activities | | |
| Acquisition Of Property, Plant & Equipment | (89,741,662.69) | (14,061,624.71) |
| Disposal Of Property, Plant & Equipment | 1,950,000.00 | 318,775.00 |
| Interest Received | 9,258,147.34 | 12,379,234.69 |
| Net Changes In Financial Assets | (20,378,270.62) | 20,698,050.19 |
| Net Cash From/(Used In) Investing Activities | (98,911,785.97) | 19,334,435.17 |
| Net Cash From / (Used In) Finance Activities | | |
| Dividends Paid | - | - |
| Net Cash Flows From / (Used In) Finance Activities | - | - |
| Net Increase / (Decrease) In Cash & Cash Equivalents | (71,587,239.58) | 40,634,042.91 |
| Cash & Cash Equivalents At The Beginning Of The Year | 12,270,899.18 | (28,363,143.73) |
| Cash & Cash Equivalents At The End Of The Year | (59,316,341.72) | 12,270,899.18 |

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KALUBOVITIYANA TEA FACTORY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2016

01. Reporting Entity

1.1 Corporate Information

Kalubowitiyana Tea Factory Limited is a Limited Liability Company incorporated on 30th September 1992 under the Companies Act No. 17 of 1982 and then re - registered under the new Companies Act No.7 of 2007, on 16th June 2009 and domiciled in Sri Lanka.

The registered office of the Company is located at No 556, Nagahamulla, Pelawatta, Thalangama South.

1.2 Principal Activities & the Nature of Operations

The principle activities of the Company are cultivation, manufacturing and sale of tea from tea leaf purchased from growers and from own estates.

1.3 Directors

The Directors present herewith the audited financial statements for the year ended 31st March 2016. The Directors are responsible for preparing and presenting these financial statements.

The Directors of the Company as at 31st March 2016 were,

Mr. P S Samarakoon.

Mr.M A L H N K Manthrinayake

Mrs. S N Attanayake.

Mr. Gamini Nallaperuma

Mr. A U C Athukorala

Mr. P Rasiah

Mrs. I Sugathadasa.

Mr Thusitha Rathnayake

Mr.Hemal Kasturiarachchi

Mr.K Brahmana

Mr.M A S P Palihawadana

Mr.Dammika Ambewela

1.4 Company Secretaries

Corporate Services (Pvt) Ltd,
No. 216, De Saram Place,
Colombo 05

1.5 Registered Office

No.556, Nagahamulla,
Pelawatte, Thalangama South.

1.6 Auditors

Auditor General.
Auditor General's Department
No, 306/72, Polduwa Road, Battaramulla.

(Contd...)

KALUBOVITIYANA TEA FACTORY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Contd...)
FOR THE YEAR ENDED 31ST MARCH 2016

02. General Policies

2.1 Basis of Preparation

The financial statements of Kalubowitiyana Tea Factory Ltd comprise the statement of financial position, statement of comprehensive income, statement of cash flows and statement of changes in equity, accounting policies and notes to the financial statements. These financial statements have been prepared in accordance with the Sri Lanka Accounting Standards (LKAS and SLFRS) laid down by the Institute of Chartered Accountants of Sri Lanka.

2.2 Basis of Measurement

The financial statements have been prepared on historical cost basis except where appropriate disclosures are made with regard to fair value under relevant notes. Assets and liabilities are grouped by nature and in an order that reflect their relative liquidity.

Information about significant areas of estimates, uncertainty and critical judgments in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements are included in notes to the financial statements.

2.3 Taxation

(a) Current Tax

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 subsequent amendments thereto.

(b) Deferred Tax

Deferred Tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for the financial reporting purpose and amounts used for tax purpose. Deferred tax is measured at the tax rate that is expected to apply to temporary differences when they are reversed, based on the laws that have been enacted by the reporting date.

Deferred tax assets are recognized to the extent that is probable that future taxable profits will be available against which such timing difference 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.

(Contd...)

KALUBOVITIYANA TEA FACTORY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Contd...)
FOR THE YEAR ENDED 31ST MARCH 2016

2.4 Valuation of Assets & Their Bases of Measurement

2.4.1 Property, Plant & Equipment

Property, plant and equipment are stated at cost or fair value accumulated depreciation and any accumulated impairment in value. The carrying values of property plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. All items of property, plant and equipment are initially recorded at cost. Where items of property, plant and equipment are subsequently revalued, the entire class of such assets is revalued at fair value. Revaluations are done with sufficient regularity. When an asset is revalued, any increase in the carrying amount is credited directly to a revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognized in the statement of comprehensive income, in which case the increase is recognized in the statement of comprehensive income. Any revaluation deficit that offsets a previous surplus in the same asset is directly offset against the surplus in the revaluation reserve and any excess recognized as an expense.

Upon disposal, any revaluation reserve relating to the asset sold is transferred to retained earnings. Items of property, plant and equipment are derecognized upon replacement, disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset is included in the statement of comprehensive income in the year the asset is derecognized.

(a) Depreciation

Provision for depreciation is calculated by using the straight-line method on the cost or valuation of all property, plant and equipment, other than freehold land, in order to write off such amounts over the estimated useful economic lives of such assets. The estimated useful lives of assets are as follows;

| Asset Category | Years |
|-----------------------|--------------|
| Buildings | 20 |
| Paintings | 5 |
| Water & Electricity | 20 |
| Motor Vehicles | 4 |
| Plant & Machinery | 8 |
| Equipment | 8 |
| Furniture & Fittings | 8 |
| Computer Software | 8 |
| Computer Equipment | 8 |
| Roads | 10 |
| Others | 8 |

(Contd...)

KALUBOVITIYANA TEA FACTORY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Contd...)
FOR THE YEAR ENDED 31ST MARCH 2016

Freehold land is not depreciated as it is deemed to have an indefinite life.

The useful life and residual value of assets are reviewed, and adjusted if required, at the end of each financial year.

(b) Restoration Cost

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

2.4.2 Biological Assets

The entity recognizes the biological assets when, on cost basis. Biological asset of the company comprise of the tea bushes in Kalubowitiyana & Derangala Factories. The Company recognizes Plants up to 3 years as immatured and bushes more than 3 years as matured.

2.4.3 Financial Assets (Non-derivative)

The Company initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

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 is 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.

The Company has the following financial assets (non-derivative):

- Loans and receivables
- Cash and cash equivalents

(Contd...)

KALUBOVITIYANA TEA FACTORY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Contd...)
FOR THE YEAR ENDED 31ST MARCH 2016

(a) Loans & Receivables

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

(c) Cash & Cash Equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a Component of cash and cash equivalents for the purpose of the statement of cash flows. Cash and cash equivalents comprise cash in hand and deposits at bank. Bank overdraft is included as a component of cash and cash equivalents for the purpose of the statement of cash flows, which has been prepared using the indirect method.

2.4.4 Impairment

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired.

A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

The Company considers evidence of impairment for receivables at collective level. All receivables with similar risk characteristics are grouped together and collectively assessed for any impairment that has been incurred but not yet identified.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the profit or loss.

(Contd...)

KALUBOVITIYANA TEA FACTORY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Contd...)
FOR THE YEAR ENDED 31ST MARCH 2016

2.4.5 Inventories

Inventories comprise processed, unprocessed and semi-processed agricultural produce, and other consumables. Processed, Unprocessed and semi-processed agricultural produce at the end of the financial period is considered as fully processed agricultural produce and is measured at net realizable value.

Other consumables are measured at lower of cost or net realizable value. When the inventories are sold, the Company recognizes the carrying amount of those inventories as an expense in the period in which the related revenue is recognized.

2.5 Liabilities & Provisions

Liabilities are recognized in the statement of financial position when there is a present obligation arising from past event, the settlement of which is expected to result in an outflow of resources embodying economic benefits. Obligations payable at the demand of the creditor or within one year of the financial position date are treated as current liabilities in the statement of financial position. Liabilities payable after one year from the financial position date are treated as non- current liabilities in the statement of financial position.

A provision is recognized in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits for which a reliable estimate could be made is required to settle the obligation.

2.5.1 Retirement Benefit Obligations

(a) Defined Benefit Plan – Gratuity

A full provision has been made on account of retiring gratuity from the first year of employment in conformity with the Sri Lanka Accounting Standard No.19- 'Retirement Benefits' according to the formula published by the Institute of Chartered Accountants of Sri Lanka. This provision is not actuarially valued.

(b) Defined Contribution Plan - Employees' Provident Fund & Employees' Trust Fund

Employees who are eligible for Employees' Provident Fund contributions and Employees' Trust Fund contributions in line with respective statutes and regulations.

(Contd...)

2.6 Statement of Comprehensive Income

2.6.1 Revenue Recognition

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

(a) Sale of Goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer with the Company retaining neither a continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

(b) Gains & Losses

Net gains and losses of a revenue nature arising from the disposal of property, plant and equipment and other non-current assets, including investments, are accounted for in the income statement, after deducting from the proceeds on disposal, the carrying amount of such assets and the related selling expenses. Gains and losses arising from activities incidental to the main revenue generating activities and those arising from a group of similar transactions which are not material, are aggregated, reported and presented on a net basis.

Any losses arising from guaranteed rentals are accounted for in the year of incurring the same. A provision is recognized if the best estimate indicates a loss.

(c) Interest Income

Interest income is recognized on accrual basis using effective interest method (EIR).

(d) Other Income

Other income is recognized on an accrual basis.

2.6.2 Expenditure Recognition

Expenses are recognized in the statement of comprehensive income on the basis of a direct association between the cost incurred and the earnings of specific items of income. All expenditure incurred in the running of the business and in maintaining the

(Contd...)

KALUBOVITIYANA TEA FACTORY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Contd...)
FOR THE YEAR ENDED 31ST MARCH 2016

property, plant and equipment in a state of efficiency have been charged to the statement of comprehensive income. For the purpose of presentation of the statement of comprehensive income, the “function of expenses” method has been adopted, on the basis that it presents fairly the elements of the Company’s performance.

2.7 Basic Earnings/ (Loss) Per Share

The Company presents Basic Earnings/ (Loss) Per Share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

2.8 Comparatives Information

Comparative information including quantitative, narrative and descriptive information is disclosed in respect of the previous period for all amounts reported in the financial statements in order to enhance the understanding of the financial statements of the current period and to improve the inter- period comparability. When the presentation or classifications of items in the financial statements have been amended, comparative amounts have also been reclassified to conform with the current year in order to provide a better presentation.

2.9 Events Occurring after the Reporting Date

All material post events of statement of financial position have been considered, and where appropriate adjustments or disclosures have been made in respective notes to the financial statements.

(Contd...)

NEW ACCOUNTING STANDARDS ISSUED BUT NOT EFFECTIVE AS AT THE REPORTING DATE

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

SLFRS 9 – Financial Instruments

SLFRS 9 - Financial Instruments, which replaces the provisions of LKAS 39 Financial Instruments, Recognition, Measurement and Classification of financial assets and requirements with respect to the classification and measurement of financial liabilities, the de-recognition of financial assets and financial liabilities and how to measure fair value were added to SLFRS 9.

The effective date SLFRS 09 has been deferred till January 1, 2018.

The following Accounting Standards are not expected to have an impact on the financial statements of the Company.

1. SLFRS 14 – Regulatory Deferral Accounts: effective date January 01, 2016.
2. SLFRS 15 – Revenue from Contracts with Customers: effective date January 01, 2017
3. Amendment LKAS 16 and LKAS 41 – Bearer Plants: effective date January 01, 2016

KALUBOWITTIYANA TEA FACTORY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2016
(All Amounts Are In Sri Lanka Rupees)

| | 2016 | 2015 |
|-----------------------------------------|-----------------------|-----------------------|
| Note | | |
| NOTE 03 - REVENUE | | |
| Gross Sales | 760,898,010.00 | 741,357,030.00 |
| Less: Brokerage & Sales Expenses | (11,193,314.81) | (9,818,461.45) |
| | 749,704,695.19 | 731,538,568.55 |
| Add: Local Sales | 26,025,504.62 | 19,505,908.75 |
| Total | 775,730,199.81 | 751,044,477.30 |
| NOTE 04 - COST OF SALES | | |
| Green Leaf Purchases | 548,934,577.47 | 514,234,223.49 |
| Production Cost | 154,405,500.09 | 139,246,644.22 |
| Production Overheads | 69,025,010.62 | 55,616,110.19 |
| Cost Of Manufacturing | 772,365,088.18 | 709,096,977.90 |
| Movement In Finished Goods | | |
| Balance As At The Beginning Of The Year | 66,409,164.12 | 95,222,143.72 |
| Balance As At The End Of The Year | (71,415,673.60) | (66,409,164.12) |
| Cost Of Sales | 767,358,578.70 | 737,909,957.50 |
| NOTE 05 - OTHER INCOME | | |
| Sundry Income | 6,292,116.31 | 5,021,269.97 |
| Unpresented Cheques Written Off | - | - |
| Profit On Disposal Of Assets | 1,950,000.00 | 318,775.00 |
| Sri Lanka Tea Board Loan Written Off | - | 22,465,416.00 |
| Creditor Balance Written Off | - | 3,350.00 |
| Treasury Grant Correction | 23,229,000.00 | - |
| Total | 31,471,116.31 | 27,808,810.97 |

(Contd...)

KALUBOWITTIYANA TEA FACTORY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2016

(All Amounts Are In Sri Lanka Rupees)

| | Note | 2016 | 2015 |
|-----------------------------------------------------------------------------|------|----------------------|----------------------|
| NOTE 06 - ADMINISTRATION EXPENSES | | | |
| Directors' Remuneration & Staff Cost | 6.1 | 14,823,259.62 | 13,174,859.63 |
| Travelling , Subsistence & Vehicle Hire | 6.2 | 1,504,401.56 | 3,464,499.75 |
| Maintenance Expenses - Equipment & Vehicles | 6.3 | 3,737,854.22 | 4,720,105.97 |
| Professional Fees | 6.4 | 368,313.00 | 1,736,152.97 |
| Insurance & License Fees | 6.5 | 894,182.29 | 700,762.80 |
| Printing Stationery & Postage | 6.6 | 607,637.41 | 428,273.52 |
| Other Administration Expenses | 6.7 | 8,572,265.17 | 11,716,265.22 |
| Total | | 30,507,913.27 | 35,940,919.86 |
| NOTE 06.1 - DIRECTORS' EMOLUMENTS & STAFF COST | | | |
| Staff Salaries | | 4,657,581.58 | 4,113,761.49 |
| Gratuity | | 346,168.15 | 883,994.25 |
| Allowances | | 6,895,111.04 | 5,754,772.70 |
| Overtime & Holiday Payments | | 655,831.07 | 525,933.02 |
| Employee's Provident Fund Contributions | | 561,764.11 | 457,435.42 |
| Employee's Trust Fund Contributions | | 143,352.48 | 105,118.83 |
| Bonus | | 394,500.00 | 616,000.00 |
| Board Fees | | 421,500.00 | 198,000.00 |
| Staff Welfare | | 747,451.19 | 519,843.92 |
| Total | | 14,823,259.62 | 13,174,859.63 |
| NOTE 06.2 - TRAVELING, SUBSISTENCE & VEHICLE HIRE | | | |
| Travelling & Subsistence | | 330,367.23 | 587,870.71 |
| Hire Charges | | 1,174,034.33 | 2,876,629.04 |
| Total | | 1,504,401.56 | 3,464,499.75 |
| NOTE 06.3 - MAINTENANCE OF OFFICE BUILDING, EQUIPMENT & VEHICLES | | | |
| Office Building Maintenance | | 25,500.00 | 15,238.00 |
| Office Equipment Maintenance | | 171,364.72 | 88,307.00 |
| Motor Vehicles Maintenance | | 1,480,298.27 | 1,007,789.00 |
| Vehicle Fuel Cost | | 2,060,691.23 | 3,607,421.97 |
| Tyre Repairs | | - | 1,350.00 |
| Total | | 3,737,854.22 | 4,720,105.97 |
| NOTE 06.4 - PROFESSIONAL FEES | | | |
| Other Fees | | 368,313.00 | 61,596.00 |
| Secretarial Fees | | - | 165,244.00 |
| Consultant Fees | | - | 1,060,410.97 |
| Audit Fees | | - | 182,300.00 |
| Tax Fees | | - | 41,250.00 |
| Under Provided Audit Fee | | - | 225,352.00 |
| Total | | 368,313.00 | 1,736,152.97 |
| NOTE 06.5 INSURANCE & LICENCE FEES | | | |
| Insurance & License Fees | | 172,227.81 | 232,742.14 |
| Staff Insurance | | 721,954.48 | 468,020.66 |
| Total | | 894,182.29 | 700,762.80 |
| NOTE 06.6 - PRINTING, STATIONERY & POSTAGE | | | |
| Printing | | 119,200.00 | 100,250.00 |
| Postage | | 19,515.00 | 10,240.00 |
| Computer Stationery | | - | - |
| Other Stationery | | 468,922.41 | 317,783.52 |
| Total | | 607,637.41 | 428,273.52 |

KALUBOWITIYANA TEA FACTORY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2016

(All Amounts Are In Sri Lanka Rupees)

Note

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NOTE 06.7 - OTHER ADMINISTRATION EXPENSES

| | | |
|----------------------------------|---------------------|----------------------|
| Legal Fees | 130,755.00 | 40,935.00 |
| Depreciation | 2,567,252.41 | 3,296,814.10 |
| Head Office Expenses | - | 528,271.90 |
| Donations | 378,059.50 | 3,852,690.09 |
| Telephone | 605,060.75 | 497,053.22 |
| Newspapers & Periodicals | 37,900.00 | 168,522.00 |
| Rent | 1,124,989.25 | 1,097,677.42 |
| Electricity | 608,570.34 | 538,970.67 |
| New Project Expenses | 2,353,740.60 | 977,989.40 |
| Other Utilities & Services | 673,254.69 | 490,897.84 |
| Supplies & Requisitions - Others | 50,882.63 | 8,743.58 |
| Staff Training | 41,800.00 | 217,700.00 |
| Festival Advances Written Off | - | - |
| Check Roll Debts Written Off | - | - |
| Surcharge | - | - |
| Total | 8,572,265.17 | 11,716,265.22 |

NOTE 07 - SELLING & DISTRIBUTION EXPENSES

| | | |
|-------------------------|-------------------|-------------------|
| Trade Fair & Exhibition | 58,750.00 | - |
| Entertainment | 283,325.29 | 21,875.00 |
| Registration Fees | 135,636.03 | 7,835.00 |
| Advertising | 427,954.95 | 213,108.00 |
| Total | 905,666.27 | 242,818.00 |

NOTE 08 - NET FINANCE INCOME

08.01 Finance Income

| | | |
|---------------------------------|----------------------|----------------------|
| Fixed Deposit Interest | 8,594,159.83 | 9,656,871.67 |
| Treasury Bill Interest | 289,090.86 | 2,261,631.42 |
| Staff Loan Interest | 318,971.69 | 409,414.29 |
| Savings Account Interest | 55,924.96 | 51,317.31 |
| BCC Lanka Limited Loan Interest | 2,735,912.46 | 2,735,911.20 |
| Total | 11,994,059.80 | 15,115,145.89 |

08.02 Finance Expenses

| | | |
|--------------------------|---------------------|----------------------|
| Bank Charges | 83,804.17 | 37,776.80 |
| Overdraft Interest | 8,256,771.50 | 2,847,687.56 |
| Short Term Loan Interest | 88,405.33 | - |
| Total | 8,428,981.00 | 2,885,464.36 |
| Net | 3,565,078.80 | 12,229,681.53 |

(Contd...)

KALUBOWITIYANA TEA FACTORY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2016

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(All Amounts Are In Sri Lanka Rupees)

Note

NOTE 09 - TAXATION

The Company in terms of section 48 (A) of the Inland Revenue Act No 10 of 2006 as amended by the amendment Act No 22 of 2011, profits & Income from agricultural undertaking referred to in section 16 of the Inland Revenue Act is liable at the rate of 10% as per the first schedule to this Act .Other profits are liable at normal rates.

9.1 Current Tax Expenses

| | | |
|--------------------------------------------------------|---------------------|---------------------|
| Current Year -(7,781,102 @ 28%) | 2,178,708.00 | 2,648,570.59 |
| Under/(Over) provisions of Income tax in previous year | - | - |
| | <u>2,178,708.00</u> | <u>2,648,570.59</u> |

9.2 Reconciliation between Accounting profit to Income Tax

| | | |
|-------------------------------------------|---------------------|---------------------|
| Accounting Profit /(loss) before Taxation | (11,239,588.85) | 16,989,274.00 |
| Income from other sources & exempt Income | (55,547,104.00) | (56,078,103.00) |
| Aggregate Disallowable Items | 27,368,536.00 | 30,824,471.00 |
| Adjusted Profit /(Loss) from the Business | (39,418,156.85) | (8,264,358.00) |
| Income from other sources | 11,970,926.00 | 14,552,586.00 |
| Total Statutory Income | | |
| Sec 32 Deductions | (4,189,824.00) | (5,093,405.00) |
| Qualifying payments | - | - |
| Taxable Income | 7,781,102.00 | 9,459,181.00 |
| Tax on Agricultural Activities 10% | - | - |
| Tax on Other Income 28% | 2,178,708.56 | 2,648,570.68 |
| Deferred Tax Expenses | | |
| Deferred Tax Charged / (Reversal) | - | 1,203,391.60 |
| Total Tax Expense | <u>2,178,708.56</u> | <u>3,851,962.28</u> |

NOTE 10 - EARNINGS PER SHARE/ DIVIDEND PER SHARE

10.1 Earnings Per Share

The basic earnings per share is based on profits attributable to the ordinary shareholders divided by the weighted average number of ordinary shares in issue during the year calculated as follows;

| | | |
|-----------------------------------|-------------|-------------|
| Net Profit For The Year | 9,815,528 | 13,137,312 |
| Weighted Average Number Of Shares | 4,637,507 | 4,637,507 |
| Basic Earnings Per Share | <u>2.12</u> | <u>2.83</u> |

10.2 Dividend Per Share

| | | |
|-----------------------|-----------|-----------|
| Dividend For The Year | - | - |
| Number Of Shares | 4,637,507 | 4,637,507 |
| Dividend Per Share | <u>-</u> | <u>-</u> |

(Contd...)

KALUBOWITIVANA TEA FACTORY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

As At 31st MARCH 2016

(All Amounts Are In Sri Lanka Rupees)

NOTE 11 - PROPERTY, PLANT & EQUIPMENT

| Co. | Free Hold Land | Buildings | Plant & Machinery | Factory Equipment | Computer Equipment | Office Equipment | Furniture & Fittings | Tools | Motor Vehicles | Other | Work in Progress | Total |
|-----------------------|----------------|----------------|-------------------|-------------------|--------------------|------------------|----------------------|------------|----------------|--------------|------------------|----------------|
| Cost As At 01.04.2015 | 4,605,690.64 | 199,309,652.08 | 212,994,283.08 | 7,243,798.79 | 6,139,698.57 | 2,542,961.03 | 6,339,106.90 | 685,762.90 | 27,621,632.02 | 2,117,529.42 | 669,117.43 | 469,600,116.03 |
| Additions | - | 59,998,455.68 | 24,732,556.64 | 2,197,572.95 | 711,252.60 | - | 629,784.50 | 153,088.90 | - | 606,334.59 | - | 89,698,162.69 |
| Disposals | - | - | - | - | - | - | - | - | 2,296,467.00 | - | - | 2,296,467.00 |
| Transfer | - | - | - | - | - | - | - | - | - | - | - | - |
| Cost As At 31.03.2016 | 4,605,690.64 | 259,308,108.36 | 237,726,839.72 | 9,441,371.74 | 6,850,950.57 | 2,542,961.03 | 6,968,891.40 | 838,851.80 | 25,325,165.02 | 2,723,864.01 | 669,117.43 | 557,061,811.72 |

| Accumulated Depreciation | Free Hold Land | Buildings | Plant & Machinery | Factory Equipment | Computer Equipment | Office Equipment | Furniture & Fittings | Tools | Motor Vehicles | Other | Work in Progress | Total |
|-------------------------------------------|----------------|----------------|-------------------|-------------------|--------------------|------------------|----------------------|------------|----------------|--------------|------------------|----------------|
| Accumulated Depreciation As At 01.04.2015 | - | 106,326,366.03 | 155,340,939.25 | 3,335,740.57 | 3,973,212.62 | 1,692,976.14 | 3,357,648.50 | 462,338.97 | 26,096,152.43 | 837,441.06 | - | 391,422,835.56 |
| Current Year Depreciation | - | 10,603,819.76 | 10,805,164.58 | 986,339.07 | 471,415.68 | 1,696,623.29 | 640,976.52 | 57,098.54 | 1,481,488.33 | 265,147.97 | - | 25,540,763.71 |
| Disposals | - | - | - | - | - | - | - | - | 2,296,467.00 | - | - | 2,296,467.00 |
| Accumulated Depreciation As At 31.03.2016 | - | 116,930,185.79 | 166,146,103.83 | 4,322,079.64 | 4,444,628.30 | 1,863,599.40 | 3,998,625.02 | 519,437.51 | 25,281,173.76 | 1,102,589.03 | - | 324,667,132.27 |
| Net Book Value As At 31.03.2016 | 4,605,690.64 | 142,378,232.57 | 71,580,735.89 | 5,119,292.10 | 2,406,322.27 | 680,361.64 | 2,970,266.38 | 319,394.30 | 43,991.26 | 1,621,274.98 | 669,117.43 | 232,394,679.45 |

Foot note: Above additions to building (Rs 59,998,455.68) for the year includes Civil Contractors carried out at the Manufacturing Unit Factory. Rs 40,267,213.91 carried value of Rs 55,629,691.00 has not been accounted till an independent certification is obtained from Construction Industry Development Authority

KALUBOWITTIYANA TEA FACTORY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

As At 31ST MARCH 2016

(All Amounts Are In Sri Lanka Rupees)

Note

2016

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NOTE 12 - BIOLOGICAL ASSETS

| | | |
|------------------------------|--------------|--------------|
| At The Beginning Of The Year | 2,937,798.74 | 2,937,798.74 |
| Additions | 43,500.00 | - |
| At The End Of The Year | 2,981,298.74 | 2,937,798.74 |

Recognize tea bushes in Kalubowititiana, Derangala factory premises. Matured bushes value of Rs.2,900,115.94 and Imatured bushes Rs.81,182.80

NOTE 13 - INVENTORIES

| | | |
|--------------------|----------------------|----------------------|
| Food & Beverages | 18,368,990.06 | 14,800,322.80 |
| Finished Goods | 71,415,673.60 | 66,409,164.12 |
| Consumables Stocks | 489,515.05 | 345,714.54 |
| General & Other | 2,111,317.01 | 3,357,757.79 |
| Total | 92,385,495.72 | 84,912,959.25 |

NOTE 14 - FINANCIAL ASSETS

| | | |
|----------------------------------------------|-----------------------|-----------------------|
| Treasury Bills | 261,401.64 | 17,403,224.56 |
| Fixed Deposits - People's Bank | 100,338,242.56 | |
| Fixed Deposits - People's Bank | 7,287,196.32 | 120,105,345.34 |
| Tea Shakthi Fund (Please see the foot note) | 50,000,000.00 | |
| Total | 157,886,840.52 | 137,508,569.90 |

NOTE 15 - TRADE & OTHER RECEIVABLES

| | | |
|-------------------------------|----------------------|----------------------|
| Trade Debtors | 16,826,239.19 | 30,503,476.52 |
| Staff Debtors | 11,191,987.95 | 11,286,880.41 |
| Deposits | 3,522,474.34 | 1,983,463.00 |
| Advances & Prepayments | 19,424,908.88 | 26,406,253.99 |
| Non Moving Balances | 1,719,210.34 | 1,719,324.15 |
| Other Debit Balances | 56,662.98 | 56,662.98 |
| | 52,741,483.68 | 71,956,061.05 |
| Less: Provision For Bad Debts | (2,834,252.56) | (2,834,252.56) |
| Total | 49,907,231.12 | 69,121,808.49 |

NOTE 16 - CASH & CASH EQUIVALENTS

| | | | |
|----------------------------------|---------------------------------------------|---------------------|----------------------|
| People's Bank | Account No. 20410 | - | 9,884,165.09 |
| People's Bank | Account No. 204100130084961 - Headquarters | 426,760.02 | 66,658.42 |
| People's Bank | Account No. 204100140084911 - Headquarters | 229,518.10 | 180,668.10 |
| People's Bank | Account No. 060100110000681 - Morawaka | 1,275,325.30 | 145,891.33 |
| People's Bank | Account No. 060100100000592 - Morawaka | 1,979.14 | 1,831.92 |
| Bank Of Ceylon | Account No. 0006065711 - Neluwa | 1,083.00 | 1,083.00 |
| Bank Of Ceylon | Account No. 75958665 - Pelawatta | 25,961.76 | 470,961.76 |
| Bank Of Ceylon | Account No. 205604 - Thawalama | 6,764.60 | 156,815.26 |
| People's Bank | Account No. 256100110021039 - Pilimathalawa | 40,441.17 | |
| Cash In Hand | | 199,835.84 | 19,147.81 |
| Cash In Transit | | 89,123.00 | - |
| Savings Accounts - People's Bank | | 1,454,449.44 | 1,343,675.17 |
| Total | | 3,751,241.37 | 12,270,897.86 |

Foot Note

This amount of Rs 50 Million given to Tea Shakthi Fund as a Loan/Lease relevant Agreement with the Tea Shakthi Fund has not been finalised.

(Contd...)

KALUBOWITTIYANA TEA FACTORY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

As At 31ST MARCH 2016

(All Amounts Are In Sri Lanka Rupees)

| | 2016 | 2015 |
|-----------------------------------------------------------------------|------------------------|-----------------------|
| | Note | |
| <u>Unfavourable Cash & Cash Equivalents</u> | | |
| Bank Overdraft | (63,067,583.65) | - |
| Total Cash & Cash Equivalents For The Purpose Of Cash Flow | (59,316,342.28) | 12,270,897.86 |
| NOTE 17 - STATED CAPITAL | | |
| <u>Issued & Fully Paid</u> | | |
| 4,637,507 Numbers Ordinary Shares | 46,375,070.00 | 46,375,070.00 |
| Total | 46,375,070.00 | 46,375,070.00 |
| NOTE 18 - RESERVES | | |
| Grant - General Treasury | - | 23,229,000.00 |
| Capital Reserves | 600,000.00 | 600,000.00 |
| Profit & Loss Account | 388,851,196.2 | 379,035,668.10 |
| Total | 389,451,196.22 | 402,864,668.10 |
| NOTE 19 - RETIREMENT BENEFIT OBLIGATION | | |
| Movement In The Present Value Of Defined Benefit Obligation | | |
| At The Beginning Of The Year | 9,117,860.00 | 7,922,800.75 |
| Current Service cost | | |
| Interest Cost | 826,761.95 | |
| Actuarial Gain/Loss | 122,194.08 | |
| Provision For The Year | 1,142,683.42 | 1,487,869.25 |
| Prior Year Adjustments | - | - |
| Payments During The Year | (311,500.00) | (292,810.00) |
| In Cash Payable | - | - |
| At the End Of The Year | 10,897,999.45 | 9,117,860.00 |
| NOTE 20 - CREDITORS & ACCRUED CHARGES | | |
| Bought Leaf Suppliers | 18,430,891.50 | 21,883,548.71 |
| Trade Creditors | 22,528,857.27 | 16,101,639.72 |
| Service Contractors | 2,065,194.73 | 1,751,778.23 |
| Staff Creditors | 2,083,550.91 | 1,782,880.05 |
| Accrued Expenses | 23,139,821.42 | 11,648,140.94 |
| Unclaimed Balances | 424,166.59 | 311,028.17 |
| Suspense & Other Credit Balances | 485,416.21 | 485,416.59 |
| Total | 69,157,898.63 | 53,964,432.41 |
| NOTE 21- BANK OVERDRAFTS | | |
| People's Bank Account No.204100140084885 | 63,067,583.65 | - |
| People's Bank Account No.204100130084961 | - | - |
| Total | 63,067,583.65 | - |
| NOTE 22 - DEFERRED TAX LIABILITY/(ASSET) | | |
| At The Beginning Of The Year | 5,593,164.85 | 4,389,773.25 |
| Transferred To / (From) Income Statement | - | 1,203,391.60 |
| At The End Of The Year | 5,593,164.85 | 5,593,164.85 |

(Contd...)

KALUBOWITTIYANA TEA FACTORY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

As At 31ST MARCH 2016

(All Amounts Are In Sri Lanka Rupees)

| | 2016 | 2015 |
|---------------------------------------------------------|---------------------|-----------------------|
| | Note | |
| NOTE 23 - COMMISSIONER GENERAL OF INLAND REVENUE | | |
| Balance As At The Beginning Of The Year | (960,125.19) | (1,328,925.52) |
| Provision For The Year | 2,178,708.00 | 2,648,570.59 |
| | <u>1,218,582.81</u> | <u>1,319,645.07</u> |
| Payments For The Previous Year | | |
| Payments For The Year | (894,000.00) | - |
| Gross | | <u>(1,209,425.00)</u> |
| | <u>324,582.81</u> | <u>110,220.07</u> |
| Tax Credits | | |
| Withholding Tax | (857,841.13) | (1,069,145.26) |
| Net Payable/(Refundable) | <u>(533,258.32)</u> | <u>(958,925.19)</u> |

NOTE 24 - CAPITAL EXPENDITURE & COMMITMENTS

| | | |
|----------------------|----------------------|----------------------|
| Land | - | 2,055,069.34 |
| Buildings | 59,998,455.68 | 4,715,708.61 |
| Plant & Machinery | 24,732,556.64 | 25,575,307.80 |
| Equipment | 2,908,824.95 | 175,763.94 |
| Furniture & Fittings | 629,784.50 | 510,530.00 |
| Tools | 153,088.90 | 589,986.00 |
| Motor Vehicles | - | 362,609.25 |
| Other | 606,334.59 | 46,350.00 |
| Work In Progress | 669,117.43 | 3,915,004.80 |
| Total | <u>89,698,162.69</u> | <u>37,946,329.74</u> |

NOTE 25 - CONTINGENCIES

Pending Legal Cases

i) A labour case has been filed (Case No. LT/KP/34/18/07) by Mr. G. Hemachandra at Kotapola Labour Tribunal against the Company pleading the courts to reinstate him at his duties stating his dismissal from the services is unfair.

ii) A labour case has been filed (Case No. LT/KP/34/19/07) by Mr. L.S. Wijayamanna at Kotapola Labour Tribunal against the Company pleading the courts to reinstate him stating his dismissal from the services is unfair.

iii) The Commissioner General of Inland Revenue has made an appeal to the court of appeal (Tax 08/2016) against the favourable decision given by the tax appeal commission pertaining to the payment of income tax for the year 2010/2011

iv) Company has made an appeal to the tax appeal commission against Income tax assesment issued by the the Commissioner General of Inland Revenue for the year of assesment 2011/2012 (TAC/IT 060-2016)

NOTE 26 - EVENTS AFTER THE REPORTING DATE

No material events have been taken place after the reporting date, that required adjustments to or disclosures in the financial statements.

(Contd...)

KALUBOWITIYANA TEA FACTORY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

As At 31ST MARCH 2016

(All Amounts Are In Sri Lanka Rupees)

NOTE 27 - RELATED PARTY DISCLOSURES

Transactions with the related parties in the ordinary course of business carried out on an arm's length basis.

27.1. Transactions With Key Management Personnel (KMP)

KMPs are persons who have authority and responsibility directly or indirectly for planning, directing and controlling the activities of the Company.

The KMP of the Company comprise of the Board of Directors of the Company.

27.1.1. The compensation of KMPs are disclosed in the note 6 to the accounts

27.1.2. No loans were given to KMPs during the Year.

27.1.3. The shareholdings of the KMPs together with their close family members - None

27.1.4. The names of the Directors of the Company, who are also directors of other companies:

Directress Mrs.Indrani Sugathadasa is the Chairperson of Insurance Board of Sri Lanka

27.2. Transactions with Close Family Members

Close family members are those who may be expected to influence or be influenced in their dealings with the Company.

There were no transactions with close family members during the year.

27.3. Dealing with Subsidiaries, Associates & Joint Ventures - None

(Contd...)

KALUBOWITIYANA TEA FACTORY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2016

(All Amounts Are In Sri Lanka Rupees)

NOTE 28 - FACTORY SEGMENTS

| 28.1 Sales | Head Office Rs | Kalubowitiyana Factory Rs | Derangala Factory Rs | Hiniduma Hills Factory Rs | Manikdiwela Factory Rs | Total Rs |
|---------------------------------|----------------------|---------------------------------|----------------------------|---------------------------------|------------------------------|-----------------------|
| Gross Sales | - | 449,493,455.00 | 187,813,560.00 | 91,716,230.00 | 31,874,765.00 | 760,898,010.00 |
| Less: Brokerage & Sales Expense | - | (5,544,780.13) | (3,377,429.43) | (1,672,907.46) | (598,197.79) | (11,193,314.81) |
| | - | 443,948,674.87 | 184,436,130.57 | 90,043,322.54 | 31,276,567.21 | 749,704,695.19 |
| Add: Local Sales | 10,015,270.00 | 11,742,155.62 | 3,272,400.00 | 314,422.00 | 680,916.00 | 26,025,504.62 |
| Total | 10,015,270.00 | 455,690,830.49 | 187,708,530.57 | 90,357,744.54 | 31,957,483.21 | 775,730,199.81 |
| 28.2 Cost Of Sales | | | | | | |
| Bought Leaf | - | 313,847,559.85 | 138,094,577.16 | 65,134,943.29 | 31,857,497.17 | 548,934,577.47 |
| Manufacturing Cost | | | | | | |
| Production Cost | 8,057,731.10 | 64,713,835.25 | 40,624,605.03 | 25,370,113.92 | 15,639,214.79 | 154,405,500.09 |
| General Charges | 669,731.78 | 27,058,065.87 | 19,693,296.72 | 10,303,691.95 | 11,300,224.30 | 69,025,010.62 |
| | 8,727,462.88 | 405,619,460.97 | 198,412,478.91 | 100,808,749.16 | 58,796,936.26 | 772,365,088.18 |
| Add: Opening Stock | 646,725.41 | 41,782,500.00 | 13,949,717.60 | 10,030,221.11 | | 66,409,164.12 |
| Less: Closing Stock | (610,599.03) | (34,175,254.05) | (17,075,813.81) | (8,219,841.74) | (11,334,164.97) | (71,415,673.60) |
| Total | 8,763,589.26 | 413,226,706.92 | 195,286,382.70 | 102,619,128.53 | 47,462,771.29 | 767,358,578.70 |

(Contd...)

KALUBOWITTIYANA TEA FACTORY LIMITED
DETAILED SCHEDULES TO THE FINANCIAL STATEMENTS

As At 31ST MARCH 2016

2016

2015

(All Amounts Are In Sri Lanka Rupees)

01. TRADE & OTHER RECEIVABLES

1.1 Trade Debtors

| | | |
|-----------------------------|----------------------|----------------------|
| Bought Leaf Supplier Debts | 1,383,597.15 | 2,079,994.92 |
| Bought Leaf Supplier Loans | 74,999.98 | 893,933.46 |
| Bought Leaf Transport Loans | 221,666.63 | 50,000.00 |
| Fertilizer Debtors | 1,828,812.05 | 1,433,590.39 |
| Trade Debtors | 13,317,163.38 | 26,045,957.75 |
| Sub Total | 16,826,239.19 | 30,503,476.52 |

1.2 Staff Debtors

| | | |
|-------------------|----------------------|----------------------|
| Checkroll Debts | 67,226.08 | 43,689.54 |
| Check Roll Loans | 11,825.06 | 17,825.06 |
| Distress Loans | 10,477,937.07 | 10,260,466.07 |
| Festival Advances | 634,999.74 | 964,899.74 |
| Sub Total | 11,191,987.95 | 11,286,880.41 |

1.3 Deposits

| | | |
|---------------------|---------------------|---------------------|
| Deposits Receivable | 3,174,474.34 | 1,983,463.00 |
| Bungalow Key Money | 348,000.00 | - |
| Sub Total | 3,522,474.34 | 1,983,463.00 |

1.4 Prepayments & Advances

| | | |
|-------------------------------|----------------------|----------------------|
| PAYE Tax Recoverable | 3,982.00 | 6,783.00 |
| Bought leaf Welfare Society | 13,660.00 | - |
| Chairman Bungalow | 81,633.93 | - |
| Emergency Advance | 25,000.00 | - |
| Hiniduma Hills Tea Factory | 83,976.70 | - |
| Labour Festival Advance 16/17 | 376,000.00 | - |
| M.P.C.S. Agalawatta | 249,435.65 | - |
| Manure Debt | 75,840.04 | - |
| Non recognize | - | - |
| New Cleanary Field | 171,000.00 | - |
| Pety Cash | 1,072.47 | - |
| Tea Shakthi Fund | - | - |
| Tea Nursury A/C 2 | 20,735.44 | - |
| Prepayments | 2,215,173.83 | 1,186,429.69 |
| Other Advances | 10,977,111.59 | 16,837,965.83 |
| Eastern Trading | 4,412.00 | 4,412.00 |
| Kotapola MPCs | 303,927.25 | 327,378.25 |
| Sundry Debtors | 341,162.32 | 351,003.02 |
| Lorry JJ - 1961 | 91,462.51 | 91,462.51 |
| WIMU Priyantha | 26,350.00 | 26,350.00 |
| Baur Fertilizers | - | - |
| CIC Fertilizer | - | - |
| Stamps | 3,265.35 | 1,095.35 |
| Tea Nursury | 8,820.00 | 8,820.00 |
| SAPDA | 451,547.30 | 451,547.30 |
| Tea Board Subsidy | 3,899,340.50 | 7,113,916.04 |
| Sub Total | 19,424,908.88 | 26,406,253.99 |

1.5 Non Moving Balances

| | | |
|----------------------------------------------|---------------------|---------------------|
| Lorry 226 - 1532 | 42,833.93 | 42,833.93 |
| Survey Department | 42,511.88 | 42,511.88 |
| Rice Supplier | 1,100.00 | 1,100.00 |
| Bank Loan Neluwa | 9,370.00 | 9,370.00 |
| Tea Small Holding Development Authority | 18,931.25 | 18,931.25 |
| T.G. Hemachandra | 27,258.70 | 27,258.70 |
| P.A. Ariyadasa | 5,828.00 | 8,114.00 |
| Sunil Trade Enterprises | 26,920.30 | 26,920.30 |
| Siripura Traders | 45,457.75 | 45,457.75 |
| Silk & Allied Products Development Authority | - | - |
| Lalitha Trade Center | 4,585.00 | 4,585.00 |
| Kandy Transport | - | - |
| Jayasekara Motors | 8,260.40 | 8,260.40 |
| Jayakody Filling Station | 984.38 | 984.38 |
| Iddamalgoda Commercial Company | 174,626.00 | 174,626.00 |
| Divisional Secretariat | 3,238.00 | 3,238.00 |
| Over Paid Insurance | 1,008.24 | 1,008.24 |
| Asha Agencies | 63,444.51 | 63,444.51 |
| Asia Siyaka Commodity Limited | 434,924.00 | 434,924.00 |
| Somerville & Company | 798,461.15 | 798,461.15 |
| Lent Labour | 1,128.46 | 1,128.46 |
| Staff Debts | 8,338.39 | 6,166.20 |
| Sub Total | 1,719,219.34 | 1,719,324.15 |

1.5 Other Debit Balances

| | | |
|------------------------------------|----------------------|----------------------|
| Suspense Account | 55,975.66 | 55,975.66 |
| Stock Purchases Suspense | 687.32 | 687.32 |
| Sub Total | 56,662.98 | 56,662.98 |
| Grand Total | 52,741,483.68 | 71,956,061.05 |
| Provision For Bad & Doubtful Debts | (2,834,252.56) | (2,834,252.56) |
| Net Total | 49,907,231.12 | 69,121,808.49 |

(Contd.)

KALUBOWITTIYANA TEA FACTORY LIMITED
DETAILED SCHEDULES TO THE FINANCIAL STATEMENTS

As At 31ST MARCH 2016

2016

2015

(All Amounts Are In Sri Lanka Rupees)

02. CREDITORS & ACCRUED CHARGES

2.1 Bought Leaf Creditors

| | | |
|-----------------------|----------------------|----------------------|
| Bought Leaf Suppliers | 18,430,891.50 | 21,883,548.71 |
| Sub Total | 18,430,891.50 | 21,883,548.71 |

2.2 Trade Creditors

| | | |
|--------------------------------|----------------------|----------------------|
| Abans Ltd | - | - |
| Allied Commercial | 252,800.00 | 252,800.00 |
| Agstar Fertilizer | 97,297.60 | 97,297.60 |
| Abyewickrama Stores | 440.00 | 440.00 |
| Baurs Fertilizer | 2,278,750.00 | 1,703,750.00 |
| CIC Fertilizer | 3,239,530.87 | 1,293,280.87 |
| CIC Poultry Farms | - | 16,150.40 |
| Ceylon Fertilizer | 1,101,950.00 | 753,200.00 |
| Chandana Engineering | 198,050.00 | 30,525.00 |
| Hayleys Agro | 4,123,000.00 | - |
| Eastera Trading Agency | - | - |
| Kotapola MPCs | - | - |
| Kotapola Hardware | 457.00 | 457.00 |
| Morawaka Hardware | 23,627.50 | 23,627.50 |
| P A Ariyadasa & Son | - | 32,761.00 |
| SLN Sangamaya | 2,020.00 | 2,260.00 |
| Singer Sri Lanka | 44,576.00 | 67,239.00 |
| Sundry Creditors | 6,999,368.12 | 6,739,478.23 |
| St Regis Packaging | 309,179.16 | 278,801.16 |
| Thanuja Hardware | 1,200.00 | 1,200.00 |
| A.W. Ranasinghe | - | - |
| Ariyasiri Hardware | 300.00 | 300.00 |
| Ceylon Paper Sacks | 97,902.64 | 97,902.64 |
| Ceylon Petroleum Company | 173,580.00 | 173,580.00 |
| Colombo Commercial Company | 18,657.40 | 18,657.40 |
| Colombo Agro Fertilizer | 10,233.10 | 10,233.10 |
| Eagle Traders | 36,860.62 | 36,860.62 |
| Falcon Enterprises | - | - |
| Hettiarachchi Hardware | 365.20 | 365.20 |
| Helix Engineering | 294,153.84 | 64,657.64 |
| Jayakody Filling Station | 74,569.19 | 74,569.19 |
| Jayasekara Motors | - | - |
| Kala Motors | - | - |
| Lanka Sathosa | 505,389.00 | 505,389.00 |
| Rent Payable To BCC Lanka | 750,000.00 | 750,000.00 |
| Southern Engineering Company | 3,257.00 | 7,100.00 |
| Firewood Contractors | 176,500.00 | 302,400.00 |
| Vithanage (Pvt) Ltd | - | - |
| Quikpack (Pvt) Ltd | 362,051.73 | 1,861.80 |
| Morawaka Stores | 531,504.50 | 147,462.00 |
| MPCS Agalawatha | 14,965.00 | 1,782,333.85 |
| A.W.Ranasighe Filling Satation | 13,200.00 | 171,055.00 |
| Accounts Payable | 369,790.84 | 234,991.34 |
| Bank Loan | 3,000.00 | 3,000.00 |
| CPPS Account | 11,963.38 | 8,960.60 |
| Eastern Trading | 26,792.58 | 252,382.58 |
| Firewood | 307,225.00 | 26,350.00 |
| Hightech Engineeres | 74,350.00 | 74,350.00 |
| Sandaru Products | - | 63,610.00 |
| Sub Total | 22,528,857.27 | 16,101,639.72 |

2.3 Service Contractor Payments

| | | |
|--------------------------------|---------------------|---------------------|
| Green Leaf Transport | 1,938,074.39 | 1,640,769.33 |
| Leaf Bag Unloading Contractors | 63,458.15 | 48,189.75 |
| Leaf Bag Loading Contractors | 36,182.19 | 35,339.15 |
| Sundry Contractors | 27,480.00 | 27,480.00 |
| Sub Total | 2,065,194.73 | 1,751,778.23 |

(Contd.)

KALUBOWITTIYANA TEA FACTORY LIMITED
DETAILED SCHEDULES TO THE FINANCIAL STATEMENTS

As At 31ST MARCH 2016

2016

2015

(All Amounts Are In Sri Lanka Rupees)

2.4 Staff Creditors

| | | |
|-----------------------------|---------------------|---------------------|
| Check Roll | 1,858,759.52 | 1,521,139.64 |
| Provision For Holiday Wages | 50,344.16 | 50,344.16 |
| Staff Overtime | 174,447.23 | 211,396.25 |
| Sub Total | 2,083,550.91 | 1,782,880.05 |

2.5 Accrued Expenses

| | | |
|------------------------------|----------------------|----------------------|
| Audit Fees | 182,300.00 | 348,060.00 |
| Cancelled Cheques | 517,496.63 | 500,032.11 |
| CESU | 200.00 | 500.00 |
| Ceylon Electricity Board | 2,918,302.79 | 2,933,475.77 |
| Co-Operative Society | 105,200.00 | - |
| Coconut Suppliers | 770.00 | 770.00 |
| Deposit Payable | 200,000.00 | 200,000.00 |
| Dialog Telecom | 22,635.71 | - |
| Diesel Purchases | 25,110.07 | 115,110.77 |
| Elka Rice Mill | 424,500.00 | - |
| Employees' Provident Fund | 969,058.63 | 752,530.86 |
| Employees' Trust Fund | 137,827.11 | 110,730.75 |
| Filling Station | 5,075.66 | 5,075.66 |
| G.W. Sriyaratne | 4,520.00 | 4,520.00 |
| General Engineering Services | 240,150.86 | 240,150.86 |
| Gratuity Payable | - | - |
| Holiday Payments | 572,758.30 | 155,597.66 |
| Insurance | 81,324.50 | 81,324.44 |
| Lalaln Engineering | 1,566,001.92 | 1,566,001.92 |
| Other Accrued Expenses | 4,853,837.29 | 3,875,554.39 |
| Outstanding Bill Head Office | 505,837.54 | - |
| PAYE Surcharge | 59,344.00 | 59,344.00 |
| PAYE Tax | 17,047.60 | 18,288.00 |
| Salaries Payable | 806,984.59 | 140,620.00 |
| Shantha Electricals | 21,530.00 | 41,276.00 |
| Shantha Estates | 12,512.50 | 12,512.50 |
| Sri Lanka Telecom | 36,801.63 | 13,259.31 |
| Stamp Duty | 4,306.00 | 6,406.00 |
| National Water Supply | 16,142.22 | - |
| Marketing Federation | 473,120.25 | - |
| Mark Trade Shop | 354,116.00 | - |
| Sanasa B'Leaf Supplier Loan | 150,900.00 | - |
| Sri Lanka CO operative | 688,418.00 | - |
| Stamps | 40.00 | - |
| Sundry Abetment | 68,385.79 | 68,285.79 |
| Sundry Transport | 210.75 | 210.75 |
| Sunil Trade Enterprises | 11,925.00 | 11,925.00 |
| Tax Fees | 176,250.00 | 176,250.00 |
| Tea Shakthi Fund | 2,069,134.82 | 133,500.00 |
| Unidil Paper Sacks | 7,498.40 | 7,498.40 |
| Fentons Ltd | 2,446,124.93 | - |
| Gamini Engineering | 700,850.99 | - |
| CCC Plantation | 1,515,500.94 | - |
| Welfare | - | - |
| Welfare Society | 65,000.00 | 66,130.00 |
| Welfare Society DTF | 104,770.00 | 3,200.00 |
| Sub Total | 23,139,821.42 | 11,648,140.94 |

2.6 Other Credits

| | | |
|----------------------|-------------------|-------------------|
| Suspense Account | 474,287.15 | 474,287.53 |
| Tea Short Deliveries | 11,129.06 | 11,129.06 |
| Sub Total | 485,416.21 | 485,416.59 |

2.7 Unclaimed Balances

| | | |
|-----------------------|----------------------|----------------------|
| Checkroll Wages | 40,707.17 | 29,436.15 |
| Insurance | 19,763.00 | 4,763.00 |
| Bought Leaf Suppliers | 196,524.07 | 196,524.07 |
| Salaries & Wages | 101,639.36 | 32,220.86 |
| Staff Salaries | 61,904.44 | 44,561.84 |
| Cheques | 3,522.25 | 3,522.25 |
| Unpaid Coins | 106.30 | - |
| Sub Total | 424,166.59 | 311,028.17 |
| Grand Total | 69,157,898.63 | 53,964,432.41 |

(Contd.)

FINANCIAL HIGHLIGHTS OF PRECEDING TEN YEARS

| | 2006/2007 | 2007/2008 | 2008/2009 | 2009/2010 | 2010/2011 | 2011/2012 | 2012/2013 | 2013/2014 | 2014/2015 | 2015/2016 |
|-----------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|------------------|------------------|
| Net Sales | 409,112,340 | 491,437,212 | 458,241,211 | 498,967,014 | 547,568,613 | 638,941,282 | 769,483,494 | 779,486,292 | 751,044,477.30 | 775,730,199.81 |
| Cost of Sales | (359,218,231) | (427,810,880) | (418,479,646) | (425,784,176) | (492,030,156) | (536,329,532) | (732,146,392) | (747,630,426) | (737,909,957.50) | (767,358,579.26) |
| Gross Profit | 49,894,109 | 63,626,332 | 39,761,565 | 73,182,838 | 55,538,457 | 102,611,750 | 37,337,103 | 31,855,865 | 13,134,519.80 | 8,371,620.55 |
| Other Income | 4,958,098 | 14,154,380 | 23,299,933 | 22,502,885 | 18,564,382 | 13,697,746 | 18,908,625 | 26,770,146 | 42,923,956.86 | 43,465,176.11 |
| Profit Before Operating Expenses | 54,852,207 | 77,780,712 | 63,061,499 | 95,685,723 | 74,102,839 | 116,309,496 | 56,245,728 | 58,626,011 | 56,058,476.66 | 51,836,796.66 |
| Administration & Establishment Expenses | | | | | | | | | | |
| Selling & Distribution & Other Expenses | (18,318,703) | (28,432,172) | (20,713,539) | (23,794,303) | (43,324,929) | (25,279,941) | (29,231,329) | (28,971,387) | (36,183,737.86) | (31,413,579.54) |
| Profit From Operating Activities | 36,533,504 | 49,348,540 | 42,347,960 | 71,891,420 | 30,777,909 | 91,029,555 | 27,014,399 | 29,654,625 | 19,874,738.80 | 20,423,217.12 |
| Finance Expenses | (249,512) | (246,743) | (190,273) | (234,404) | (238,321) | (585,337) | (107,679) | (2,105,842) | (2,885,464.36) | (8,428,981.00) |
| Net Profit Before Taxation | 36,283,992 | 49,101,797 | 42,157,687 | 71,657,016 | 30,539,589 | 90,444,218 | 26,906,720 | 27,548,782 | 16,989,274.44 | 11,994,236.12 |
| Income Tax | (12,096,366) | (21,119,935) | (15,857,050) | (6,485,203) | (5,128,363) | (11,182,452) | (5,112,710) | (8,213,713) | (3,851,962.00) | (2,178,708.00) |
| Net Profit After Taxation | 24,187,626 | 27,981,862 | 26,300,637 | 65,171,813 | 25,411,226 | 79,261,766 | 21,794,010 | 19,335,069 | 13,137,312.44 | 9,815,528.12 |

OPERATIONAL INFORMATION

Kalubowitiyana Tea Factory Ltd - Head Office

| | |
|-----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Address | : No.556, Nagahamulla,Pannipitiya Road, Palawatta,Thalangama South |
| Human Resources | : Managing Director 1 Manager Finance & Marketing 1 Manager /Administration & HR 1 Assistant Manager Finance 1 Management Assistant 10 Peon 3 Driver 2 |

Kalubowitiyana CTC Tea Factory

| | |
|--------------------|-------------------------------------------------------------------------------------|
| District | : Matara |
| Sub District | : Morawaka |
| Village | : Kalubowitiyana |
| Elevation | : Low Country |
| Trade Mark | : Kalubowitiyana |
| Type of Production | : CTC Teas |
| Human Resources | : Factory Manager 1 Asst.Factory Manager 1 Office Staff 11 Factory Staff 9 |

Derangala Tea Factory

| | |
|--------------------|-------------------------------------------------------------------------------------|
| District | : Matara |
| Sub District | : Morawaka |
| Village | : Kiriwelkelle |
| Elevation | : Low Country |
| Trade Mark | : Derangala / Kiriwelkelle |
| Type of Production | : Orthodox Teas |
| Human Resources | : Factory Manager 1 Asst.Factory Manager 1 Office Staff 3 Factory Staff 13 |

Hiniduma Hills Tea Factory

| | |
|--------------------|----------------------------------------------------------------|
| District | : Galle |
| Sub District | : Thawalama |
| Village | : Jasmine valley |
| Elevation | : Low Country |
| Trade Mark | : Hiniduma Hills / Thawalama Hills |
| Type of Production | : Orthodox Teas |
| Human Resources | : Asst.Factory Manager 1 Office Staff 3 Factory Staff 12 |

Manikdewela Tea Factory

| | |
|--------------------|----------------------------------------------------------|
| District | : Kandy |
| Sub District | : Yatinuwara |
| Village | : Manikdewela |
| Elevation | : Western Medium |
| Trade Mark | : Manikdewela |
| Type of Production | : Orthodox Teas |
| Human Resources | : Factory Manager 1 Office Staff 4 Factory Staff 6 |

FACTORYWISE PROFIT / (LOSS) - 2015/2016

| Sales | Kalubowitiyana | Derangala | Hiniduma Hills | Manikdewela |
|----------------------------------|-----------------------|-----------------------|------------------------|------------------------|
| Gross Sales (Auction Sale) | 449,493,455.00 | 187,813,560.00 | 91,716,230.00 | 31,874,765.00 |
| Less: Brokerage & Sales Expenses | (5,544,780.13) | (3,377,429.43) | (1,672,907.46) | (598,197.79) |
| | 443,948,674.87 | 184,436,130.57 | 90,043,322.54 | 31,276,567.21 |
| Add: Local Sales | 11,742,155.62 | 3,272,400.00 | 314,422.00 | 680,916.00 |
| | 455,690,830.49 | 187,708,530.57 | 90,357,744.54 | 31,957,483.21 |
| Bought leaf | 313,847,559.85 | 138,094,577.16 | 65,134,943.29 | 31,857,497.17 |
| Manufacturing Cost | | | | |
| Production Cost | 64,713,835.25 | 40,624,605.03 | 25,370,113.92 | 15,639,214.79 |
| General Charges (Overheads) | 27,058,066.43 | 19,693,296.72 | 10,303,691.95 | 11,300,224.30 |
| Cost Of Production | 405,619,461.53 | 198,412,478.91 | 100,808,749.16 | 58,796,936.26 |
| Add: Opening Stock (01.04.2015) | 41,782,500.00 | 13,949,717.60 | 10,030,221.11 | - |
| Less: Closing Stock (31.03.2016) | (34,175,254.05) | (17,075,813.81) | (8,219,841.74) | (11,334,164.97) |
| Cost Of Sales | 413,226,707.48 | 195,286,382.70 | 102,619,128.53 | 47,462,771.29 |
| Profit/(Loss) | 42,464,123.01 | (7,577,852.13) | (12,261,383.99) | (15,505,288.08) |

Kalubowitiyana Tea Factory

During the financial year of 2015/16, Kalubowitiyana Tea Factory secured a crop of 4,774,872 kgs which recorded as 90.9% of the estimated crop of 5,250,000 kgs, in spite of unfavourable weather conditions prevailing in the region. There was heavy competition among the factories for procuring Green Leaf which was inevitable as the prices were falling due to unexpected downturn in global market conditions. Kalubowitiyana continued to obtain good leaf, thereby improving the end product, as a result of which the factory maintained a reasonable N.S.A of 432.54.

Kalubowitiyana Tea Factory recorded a profit of Rs. 42,464,123.01 during the financial year, which is remarkable. One area which was focused on during the year was to ensure that the Cost of Production remained within acceptable levels.

Kalubowitiyana Tea Factory continued to support the Tea Small Holders by way of improving their income and living standards, by paying a reasonable price for Green Leaf supplied by them.

Derangala Tea Factory

Derangala Tea Factory secured 2,249,785 Kgs as against the estimated crop of 2,238,000 Kgs, which is commendable despite competition among the factories in the area. Although the Derangala Factory focused on Good Quality Green Leaf, due to unfavourable marketing conditions, N.S.A realized was far below the expectations which resulted in the factory recording a loss during the year. The management has indentified process improvements by way of automation. The rolling operation in the factory will be undertaken during the year 2015/2016.

Hiniduma Tea Factory

Due to unfavourable climatic conditions, the factory recorded 1,095,511 kg green leaf which is 69% only of the estimated crop. During the year, management attempted to introduce new bought leaf lines which would ensure increase in crop intakes in the ensuing period. Cost of production of Rs 393.04 is considered above expected levels, as a result of not achieving the estimated crop for the season. The focus of the factory was to accept only good quality leaf in order to produce a better end product to achieve a NSA above the Elevation Average during the year 2015/16.

Manikdewela Tea Factory

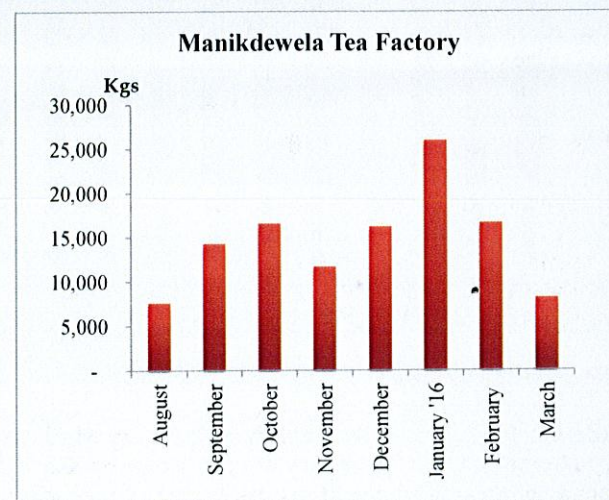
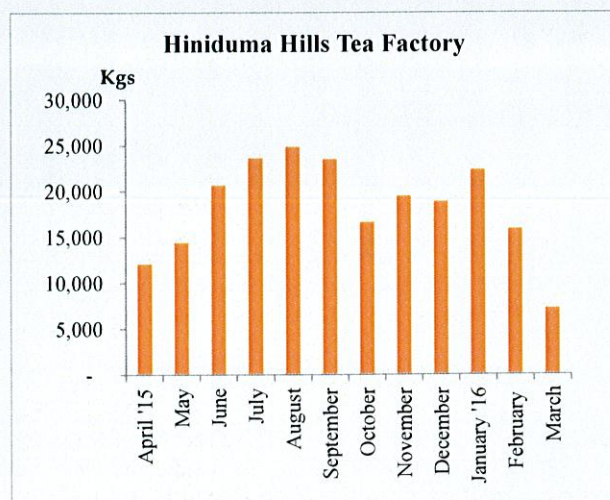
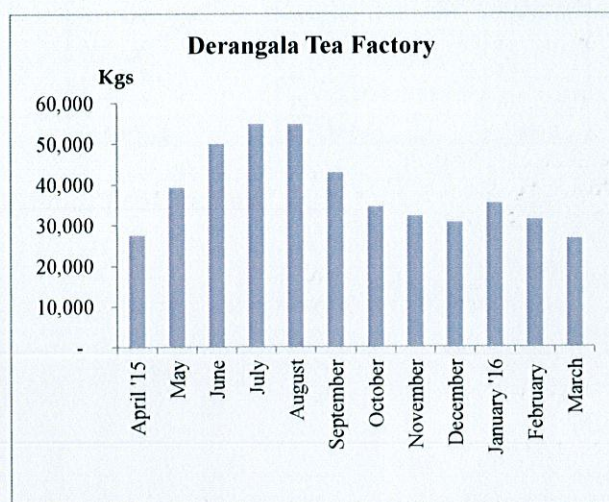
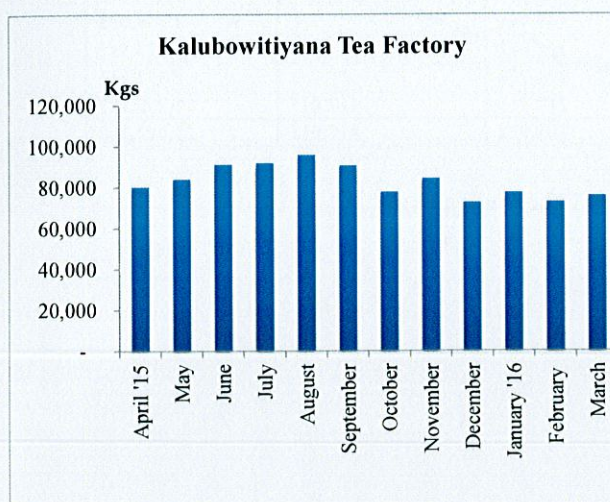
Manikdewela Tea Factory was a partially built factory which was owned by Tea Shakthi Fund on the direction of Ministry of Plantation Industries. This factory was taken over by Kalubowitiyana Tea Factory Ltd in April 2015, Under the 100 days programme of the government, the construction of the factory was completed, and ceremonially opened by Hon. Prime minister. Ranil Wickramasinghe on the invitation of Minister of Plantation Industries - Hon. Lakshman Kiriella.

Thereafter, the factory commenced processing Green Leaf. Initially, it was a challenge to secure leaf from small holders due to low intake recorded during the year. Therefore, the factory made losses which amounted to Rs.15.5 Mn, however, the Teas produced by Manikdewela Tea Factory fetched high prices and maintained a reasonable NSA in the western medium category. The management has taken steps to improve the quantity of Green Leaf and maintain high NSA levels in order to turnaround the financial status of the factory.

MONTHLY PRODUCTION OF TEA - 2015/16

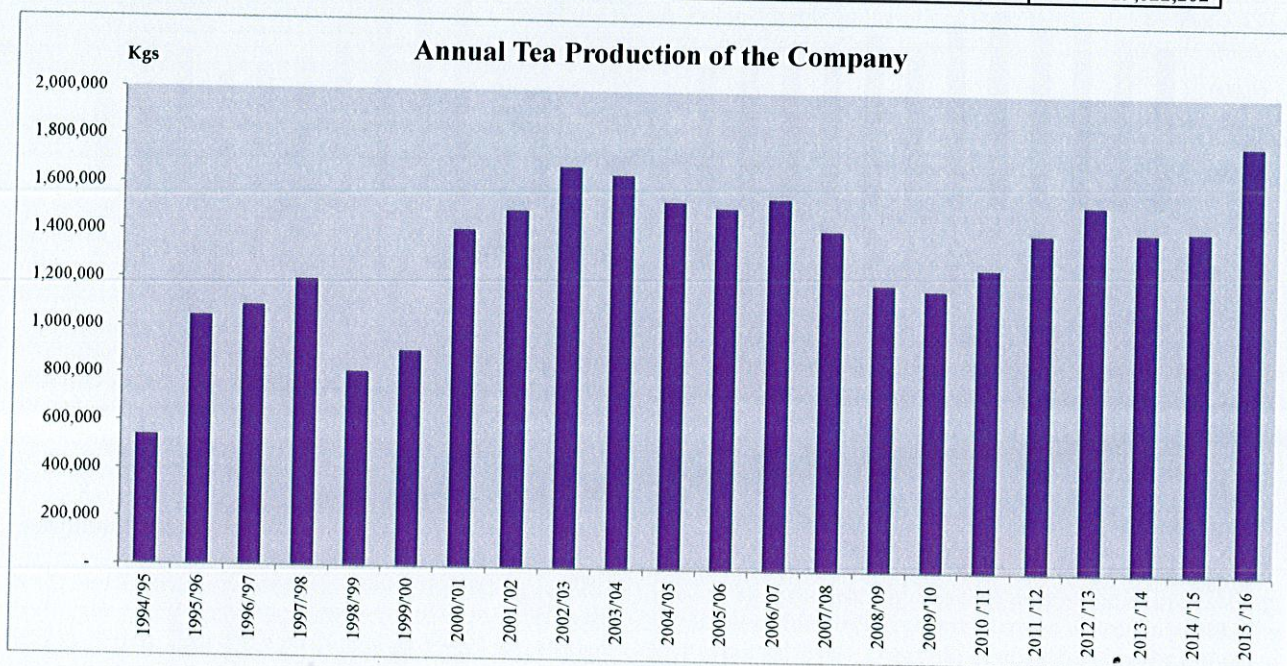
| Month | Kalubowitiyana Tea Factory Kg. | Derangala Tea Factory Kg. | Hiniduma Hills Tea Factory Kg. | Manikdewela Tea Factory Kg. | Total Kg. |
|--------------|--------------------------------------|---------------------------------|--------------------------------------|-----------------------------------|------------------|
| April '15 | 80,242 | 27,678 | 12,100 | - | 120,020 |
| May | 83,929 | 39,404 | 14,450 | - | 137,783 |
| June | 91,130 | 50,008 | 20,691 | - | 161,829 |
| July | 91,887 | 54,887 | 23,650 | - | 170,424 |
| August | 95,802 | 54,760 | 24,870 | 7,568 | 183,000 |
| September | 90,768 | 42,939 | 23,522 | 14,254 | 171,483 |
| October | 77,771 | 34,548 | 16,663 | 16,558 | 145,540 |
| November | 84,296 | 32,310 | 19,506 | 11,700 | 147,812 |
| December | 72,567 | 30,769 | 18,905 | 16,186 | 138,427 |
| January '16 | 77,475 | 35,416 | 22,320 | 25,947 | 161,158 |
| February | 72,838 | 31,419 | 15,860 | 16,633 | 136,750 |
| March | 75,836 | 26,722 | 7,228 | 8,171 | 117,957 |
| Total | 994,541 | 460,860 | 219,765 | 117,017 | 1,792,183 |

Monthly Made Tea Production 2015 /16



DETAILS OF ANNUAL PRODUCTION OF TEA

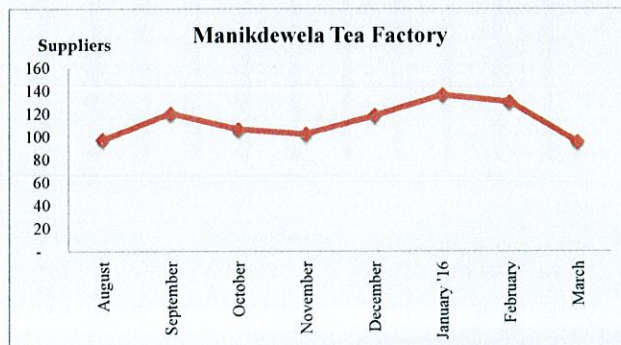
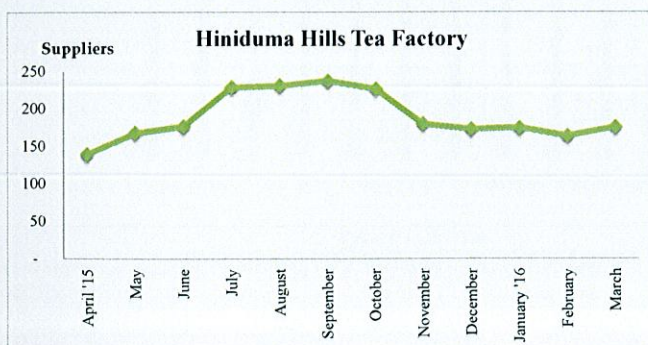
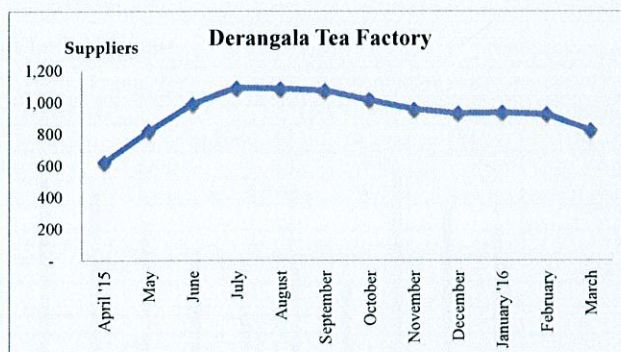
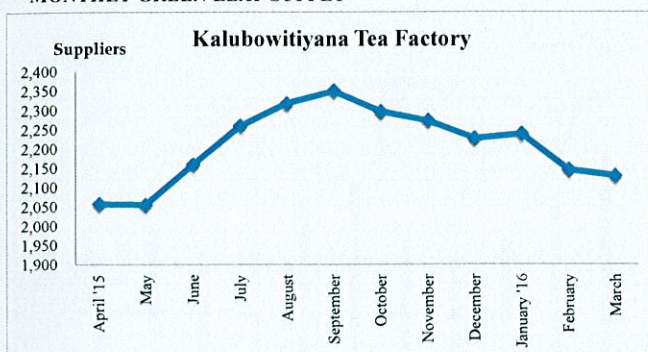
| Year | Kalubowitiyana Tea Factory Kg | Derangala Tea Factory Kg | Hiniduma Hills Tea Factory Kg | Manikdewela Tea Factory Kg | Total Kg |
|--------------|-------------------------------------|--------------------------------|-------------------------------------|----------------------------------|-------------------|
| 1994/95 | 536,780 | - | - | - | 536,780 |
| 1995/96 | 1,038,739 | - | - | - | 1,038,739 |
| 1996/97 | 1,082,973 | - | - | - | 1,082,973 |
| 1997/98 | 1,194,418 | - | - | - | 1,194,418 |
| 1998/99 | 809,741 | - | - | - | 809,741 |
| 1999/00 | 884,197 | 14,584 | - | - | 898,781 |
| 2000/01 | 914,433 | 494,894 | - | - | 1,409,327 |
| 2001/02 | 954,905 | 536,601 | - | - | 1,491,506 |
| 2002/03 | 1,039,447 | 636,762 | - | - | 1,676,209 |
| 2003/04 | 1,154,969 | 488,915 | - | - | 1,643,884 |
| 2004/05 | 1,173,659 | 361,154 | - | - | 1,534,813 |
| 2005/06 | 1,161,031 | 348,651 | - | - | 1,509,682 |
| 2006/07 | 1,272,903 | 278,828 | - | - | 1,551,731 |
| 2007/08 | 1,097,681 | 320,512 | - | - | 1,418,193 |
| 2008/09 | 967,631 | 227,617 | - | - | 1,195,248 |
| 2009/10 | 950,347 | 222,824 | - | - | 1,173,171 |
| 2010/11 | 994,746 | 269,314 | - | - | 1,264,060 |
| 2011/12 | 1,170,972 | 240,901 | - | - | 1,411,873 |
| 2012/13 | 1,110,907 | 254,706 | 168,425 | - | 1,534,038 |
| 2013/14 | 995,844 | 281,666 | 146,031 | - | 1,423,541 |
| 2014/15 | 943,706 | 315,854 | 171,751 | - | 1,431,311 |
| 2015/16 | 994,541 | 460,860 | 219,765 | 117,017 | 1,792,183 |
| Total | 22,444,570 | 5,754,643 | 705,972 | 117,017 | 29,022,202 |



DETAILS OF MONTHLY GREEN LEAF INTAKES 2015/16

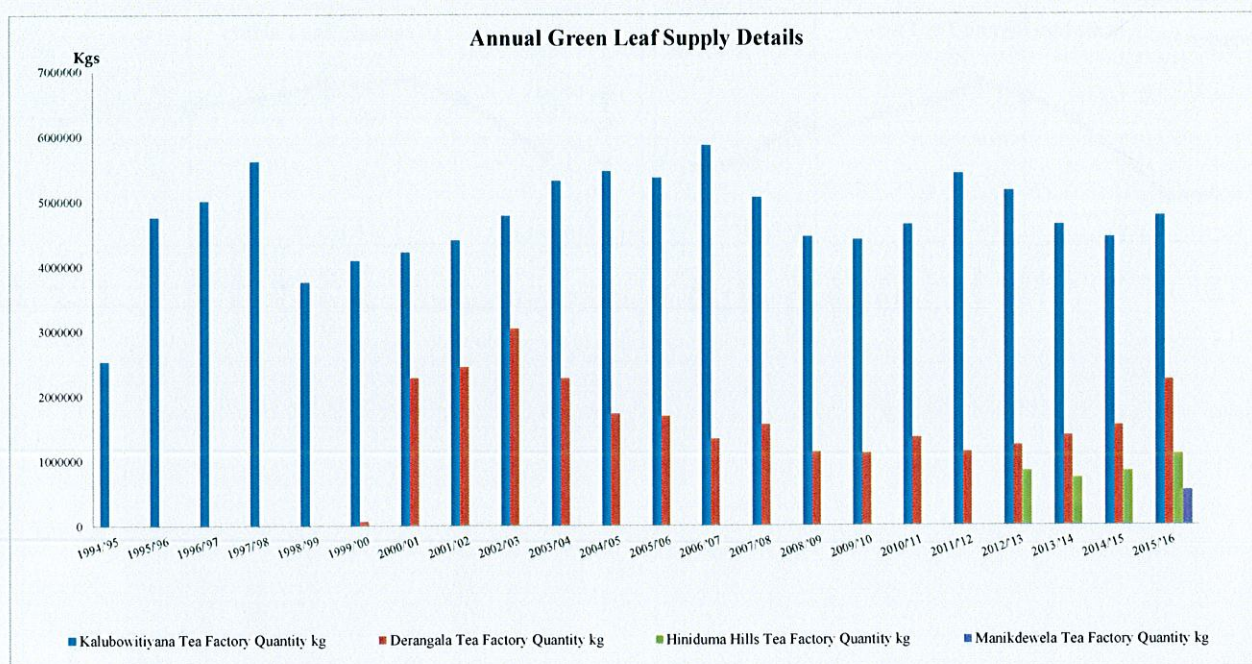
| Month | Kalubowitiyana Tea Factory | | Derangala Tea Factory | | Hiniduma Hills Tea Factory | | Manikdewela Tea Factory | | Total | |
|--------------|----------------------------|-------------------|-----------------------|-------------------|----------------------------|-------------------|-------------------------|-------------------|------------------|-------------------|
| | No. of Suppliers | Qty - supplied kg | No. of Suppliers | Qty - supplied kg | No. of Suppliers | Qty - supplied kg | No. of Suppliers | Qty - supplied kg | No. of Suppliers | Qty - supplied kg |
| April '15 | 2,057 | 372,524 | 619 | 134,358 | 139 | 59,198 | - | - | 2,815 | 566,080 |
| May | 2,056 | 390,369 | 817 | 190,356 | 167 | 69,206 | - | - | 3,040 | 649,931 |
| June | 2,159 | 429,861 | 991 | 241,586 | 176 | 96,267 | - | - | 3,326 | 767,714 |
| July | 2,259 | 448,016 | 1,093 | 267,090 | 228 | 114,382 | - | - | 3,580 | 829,488 |
| August | 2,318 | 462,921 | 1,087 | 266,857 | 230 | 121,288 | 97 | 36,091 | 3,732 | 887,157 |
| September | 2,349 | 446,704 | 1,075 | 212,567 | 237 | 114,739 | 120 | 66,203 | 3,781 | 840,213 |
| October | 2,297 | 373,899 | 1,014 | 171,880 | 226 | 81,148 | 106 | 76,908 | 3,643 | 703,835 |
| November | 2,273 | 407,130 | 957 | 159,947 | 179 | 94,972 | 102 | 54,387 | 3,511 | 716,436 |
| December | 2,227 | 362,468 | 931 | 151,570 | 172 | 93,628 | 118 | 75,921 | 3,448 | 683,587 |
| January '16 | 2,238 | 367,183 | 936 | 172,757 | 174 | 107,543 | 136 | 120,012 | 3,484 | 767,495 |
| February | 2,146 | 357,750 | 926 | 152,519 | 163 | 78,780 | 130 | 77,287 | 3,365 | 666,336 |
| March | 2,130 | 356,047 | 824 | 128,298 | 175 | 64,360 | 95 | 35,297 | 3,224 | 584,002 |
| Total | | 4,774,872 | | 2,249,785 | | 1,095,511 | | 542,106 | | 8,662,274 |

MONTHLY GREEN LEAF SUPPLY



DETAILS OF ANNUAL GREEN LEAF INTAKES

| Year | Kalubowitiyana Tea Factory | | | Derangala Tea Factory | | | Hiniduma Hills Tea Factory | | | Manikdewela Tea Factory | | |
|---------|----------------------------|----------|-----------------|-----------------------|----------|-----------------|----------------------------|----------|-----------------|-------------------------|----------|-----------------|
| | Quantity kg | Rate Rs. | Amount Paid Rs. | Quantity kg | Rate Rs. | Amount Paid Rs. | Quantity kg | Rate Rs. | Amount Paid Rs. | Quantity kg | Rate Rs. | Amount Paid Rs. |
| 1994/95 | 2,539,978 | 11.65 | 29,587,982.13 | - | - | - | - | - | - | - | - | - |
| 1995/96 | 4,758,850 | 13.50 | 64,251,776.63 | - | - | - | - | - | - | - | - | - |
| 1996/97 | 5,011,298 | 16.76 | 83,946,849.41 | - | - | - | - | - | - | - | - | - |
| 1997/98 | 5,619,161 | 21.49 | 120,746,103.55 | - | - | - | - | - | - | - | - | - |
| 1998/99 | 3,764,498 | 20.99 | 79,009,251.87 | - | - | - | - | - | - | - | - | - |
| 1999/00 | 4,092,958 | 20.54 | 84,059,716.54 | 68,377 | 21.00 | 1,435,917.00 | - | - | - | - | - | - |
| 2000/01 | 4,225,019 | 24.73 | 104,493,119.37 | 2,283,999 | 23.21 | 53,001,315.79 | - | - | - | - | - | - |
| 2001/02 | 4,406,549 | 25.76 | 113,531,489.13 | 2,452,187 | 23.33 | 57,224,296.34 | - | - | - | - | - | - |
| 2002/03 | 4,779,581 | 27.06 | 129,321,153.69 | 3,042,878 | 22.67 | 68,985,911.36 | - | - | - | - | - | - |
| 2003/04 | 5,316,428 | 29.28 | 155,642,831.99 | 2,274,012 | 23.82 | 54,158,850.23 | - | - | - | - | - | - |
| 2004/05 | 5,464,753 | 34.08 | 186,241,089.52 | 1,727,312 | 27.70 | 47,847,765.77 | - | - | - | - | - | - |
| 2005/06 | 5,362,732 | 36.30 | 194,683,064.10 | 1,688,298 | 29.11 | 49,302,770.60 | - | - | - | - | - | - |
| 2006/07 | 5,859,734 | 38.43 | 225,182,103.24 | 1,339,562 | 32.28 | 43,239,914.14 | - | - | - | - | - | - |
| 2007/08 | 5,061,084 | 51.08 | 258,498,237.53 | 1,559,138 | 46.93 | 73,165,311.51 | - | - | - | - | - | - |
| 2008/09 | 4,455,756 | 53.57 | 238,716,305.27 | 1,129,629 | 46.22 | 52,214,017.57 | - | - | - | - | - | - |
| 2009/10 | 4,406,749 | 62.57 | 275,722,181.37 | 1,114,004 | 57.22 | 63,746,050.83 | - | - | - | - | - | - |
| 2010/11 | 4,634,137 | 66.28 | 307,172,293.98 | 1,359,341 | 59.29 | 80,593,192.05 | - | - | - | - | - | - |
| 2011/12 | 5,421,437 | 69.59 | 377,269,886.08 | 1,136,937 | 58.20 | 64,713,552.59 | - | - | - | - | - | - |
| 2012/13 | 5,161,301 | 71.16 | 367,260,153.59 | 1,243,421 | 64.55 | 80,264,641.77 | 838,887 | 65.05 | 54,569,118.77 | - | - | - |
| 2013/14 | 4,638,578 | 80.13 | 374,733,726.05 | 1,386,298 | 74.78 | 103,673,719.50 | 731,251 | 75.77 | 55,409,906.20 | - | - | - |
| 2014/15 | 4,446,200 | 76.98 | 342,285,327.53 | 1,539,561 | 72.58 | 111,742,927.78 | 834,380 | 72.16 | 60,205,968.18 | - | - | - |
| 2015/16 | 4,774,872 | 65.73 | 313,847,559.85 | 2,249,785 | 61.38 | 138,094,577.16 | 1,095,511 | 59.46 | 65,134,943.29 | 542,106 | 58.77 | 31,857,497.17 |



COMPARISON DETAILS - PRODUCTION

Contribution to Low Grown and National CTC Production

| Month | CTC | | Production of KTF * | Contribution to the production | |
|--------------|---------------|---------------|---------------------|--------------------------------|-------------|
| | Low Grown | National | | Low Grown | National |
| | kg 000, | kg 000, | kg 000, | % | % |
| April '15 | 716 | 1,726 | 80.24 | 11.21 | 4.65 |
| May | 799 | 1,771 | 83.93 | 10.50 | 4.74 |
| June | 669 | 1,488 | 91.13 | 13.62 | 6.12 |
| July | 977 | 1,512 | 91.89 | 9.41 | 6.08 |
| August | 1,049 | 1,652 | 95.80 | 9.13 | 5.80 |
| September | 1,066 | 1,798 | 90.77 | 8.51 | 5.05 |
| October | 950 | 1,792 | 77.77 | 8.19 | 4.34 |
| November | 847 | 1,533 | 84.30 | 9.95 | 5.50 |
| December | 761 | 1,364 | 72.57 | 9.54 | 5.32 |
| January '16 | 687 | 1,377 | 77.48 | 11.28 | 5.63 |
| February | 817 | 1,454 | 72.84 | 8.92 | 5.01 |
| March | 887 | 1,462 | 75.84 | 8.55 | 5.19 |
| Total | 10,225 | 18,929 | 994.54 | 9.73 | 5.25 |

* Kalubowitiyana Tea Factory

Contribution to Low Grown, Medium Orthodox and National Production

| Month | Orthodox Production | | | Production | | Contribution to the production | | |
|--------------|---------------------|---------------|----------------|--------------|--------------|--------------------------------|-------------|-------------|
| | Low Grown | Medium | National | DTF, HHTF | MTF | Low Grown | Medium | National |
| | kg 000, | kg 000, | kg 000, | kg 000, | kg 000, | % | % | % |
| April '15 | 16,913 | 4,687 | 29,634 | 39.8 | - | 0.24 | - | 0.13 |
| May | 18,064 | 4,464 | 30,438 | 53.9 | - | 0.30 | - | 0.18 |
| June | 16,430 | 4,035 | 27,838 | 70.7 | - | 0.43 | - | 0.25 |
| July | 16,398 | 3,243 | 24,573 | 78.5 | - | 0.48 | - | 0.32 |
| August | 17,066 | 2,937 | 24,579 | 79.6 | 7.6 | 0.47 | 0.26 | 0.35 |
| September | 16,229 | 3,303 | 25,189 | 66.5 | 14.3 | 0.41 | 0.43 | 0.32 |
| October | 15,433 | 3,438 | 24,817 | 51.2 | 16.6 | 0.33 | 0.48 | 0.27 |
| November | 14,820 | 3,047 | 23,602 | 51.8 | 11.7 | 0.35 | 0.38 | 0.27 |
| December | 14,172 | 2,656 | 22,062 | 49.7 | 16.2 | 0.35 | 0.61 | 0.30 |
| January '16 | 15,218 | 2,969 | 23,490 | 57.7 | 25.9 | 0.38 | 0.87 | 0.36 |
| February | 13,217 | 2,889 | 21,259 | 47.3 | 16.6 | 0.36 | 0.58 | 0.30 |
| March | 12,398 | 2,960 | 20,426 | 33.9 | 8.2 | 0.27 | 0.28 | 0.21 |
| Total | 186,358 | 40,628 | 297,907 | 680.6 | 117.0 | 0.37 | 0.29 | 0.27 |

* Derangala, Hiniduma Hills & Manikdewela Tea Factories

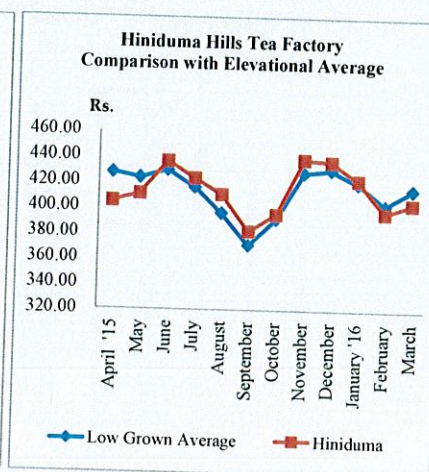
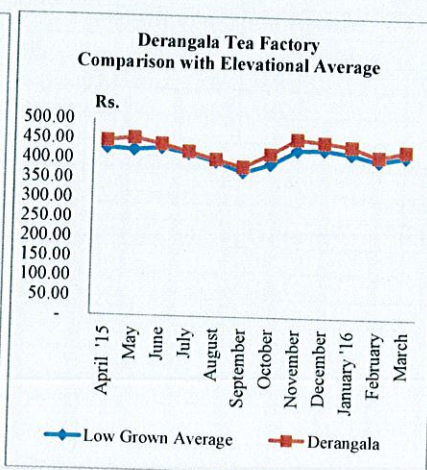
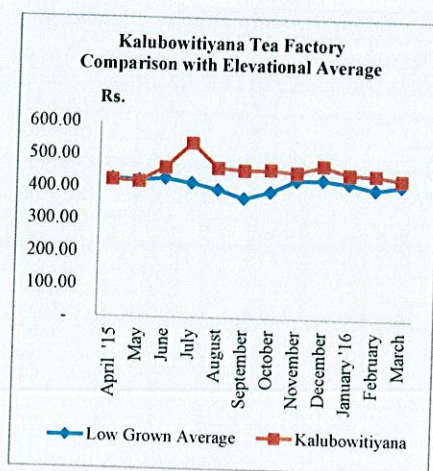
Contribution to Low Grown, Medium Tea and CTC Production & National Tea Production by the Company

| Month | Total Production | | | Total Production Company | Contribution to the production | | |
|--------------|------------------|---------------|----------------|--------------------------|--------------------------------|--------------|-------------|
| | Low Grown | Medium | National | | Low Grown | Medium | National |
| | kg 000, | kg 000, | kg 000, | | % | % | % |
| April '15 | 17,629 | 4,687 | 31,360 | 120.0 | 0.68 | - | 0.38 |
| May | 18,863 | 4,464 | 32,209 | 137.8 | 0.73 | - | 0.43 |
| June | 17,099 | 4,035 | 29,326 | 161.8 | 0.95 | - | 0.55 |
| July | 17,375 | 3,243 | 26,085 | 170.4 | 0.98 | - | 0.65 |
| August | 18,115 | 2,937 | 26,231 | 183.0 | 0.97 | 0.003 | 0.70 |
| September | 17,295 | 3,303 | 26,987 | 171.5 | 0.91 | 0.004 | 0.64 |
| October | 16,383 | 3,438 | 26,609 | 145.5 | 0.79 | 0.005 | 0.55 |
| November | 15,667 | 3,047 | 25,135 | 147.8 | 0.87 | 0.004 | 0.59 |
| December | 14,933 | 2,656 | 23,426 | 138.4 | 0.82 | 0.006 | 0.59 |
| January '16 | 15,905 | 2,969 | 24,867 | 161.2 | 0.85 | 0.009 | 0.65 |
| February | 14,034 | 2,889 | 22,713 | 136.8 | 0.86 | 0.006 | 0.60 |
| March | 13,285 | 2,960 | 21,888 | 118.0 | 0.83 | 0.003 | 0.54 |
| Total | 196,583 | 40,628 | 316,836 | 1,792.2 | 0.85 | 0.003 | 0.57 |

COMPARISON OF SALES AVERAGES WITH ELEVATIONAL

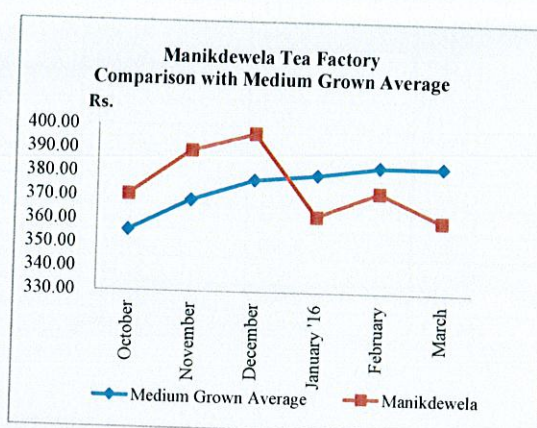
COMPARISON WITH LOW GROWN ELEVATIONAL AVERAGE

| Month | Low Grown Average Rs. | Monthly Average | | | | | |
|-------------|-----------------------|--------------------|----------|---------------|----------|--------------|----------|
| | | Kalubowitiyana Rs. | Variance | Derangala Rs. | Variance | Hiniduma Rs. | Variance |
| April '15 | 427.31 | 423.27 | (4.04) | 446.03 | 18.72 | 404.78 | (22.53) |
| May | 423.28 | 418.19 | (5.09) | 453.21 | 29.93 | 410.65 | (12.63) |
| June | 429.36 | 461.47 | 32.11 | 439.56 | 10.20 | 436.19 | 6.83 |
| July | 415.99 | 538.40 | 122.41 | 420.59 | 4.60 | 423.04 | 7.05 |
| August | 396.07 | 462.24 | 66.17 | 401.48 | 5.41 | 410.40 | 14.33 |
| September | 370.87 | 455.88 | 85.01 | 383.81 | 12.94 | 381.68 | 10.81 |
| October | 391.58 | 458.20 | 66.62 | 416.66 | 25.08 | 395.22 | 3.64 |
| November | 427.75 | 451.47 | 23.72 | 455.63 | 27.88 | 438.21 | 10.46 |
| December | 430.44 | 473.15 | 42.71 | 448.45 | 18.01 | 436.75 | 6.31 |
| January '16 | 419.97 | 447.21 | 27.24 | 438.72 | 18.75 | 422.31 | 2.34 |
| February | 403.13 | 445.92 | 42.79 | 414.32 | 11.19 | 396.80 | (6.33) |
| March | 415.57 | 432.51 | 16.94 | 428.68 | 13.11 | 404.04 | (11.53) |



COMPARISON WITH MEDIUM GROWN ELEVATIONAL AVERAGE

| Month | Medium Grown Average Rs. | Monthly Average | |
|-------------|--------------------------|-----------------|----------|
| | | Manikdewela Rs. | Variance |
| April '15 | - | - | - |
| May | - | - | - |
| June | - | - | - |
| July | - | - | - |
| August | - | - | - |
| September | - | - | - |
| October | 355.67 | 370.73 | 15.06 |
| November | 368.64 | 389.36 | 20.72 |
| December | 377.22 | 396.67 | 19.45 |
| January '16 | 379.54 | 362.06 | (17.48) |
| February | 383.17 | 372.26 | (10.91) |
| March | 383.23 | 360.38 | (22.85) |



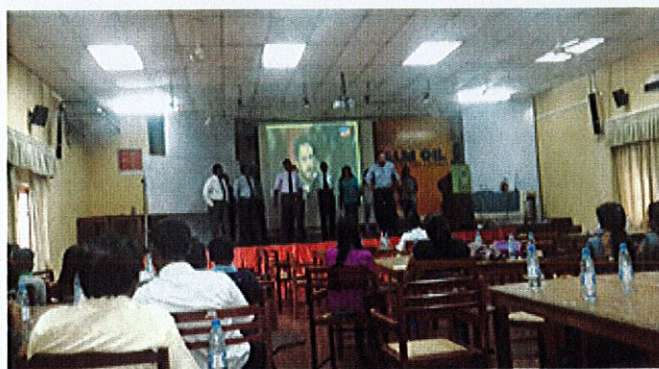
Training & Development

Training and development forms a cornerstone of our efforts to build our human capital. The management continually assesses skill gaps and the Training & Development requirement is then driven by the results of the skill assessments to ensure staff is unskilled at regular intervals. During the year under review, the Company provided diverse training opportunities to employees in order to enhance their professional and technical skills.

On-the-job training is one of the key methods followed for training and development of our employees. Further, we have cross-trained our staff in order to empower them to operate in multiple divisions of the Company. Such development procedures have enhanced the flexibility of the Company and enabled it to leverage on skill utilisation and maximisation. In return, our employees have been given several opportunities for mobility across the Company and prominence has been given to career development prospects.

Training Programmes for Executives/ Staff/ Workers during the year:

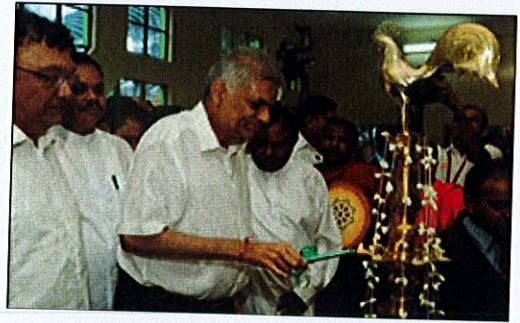
- A Food Safety Management System Training programme by Sri Lanka Standards Institution (SLSI) to ensure stringent hygiene is maintained and that staff comply with all standards mandated by SLSI
- Rain Forest Alliance Training Programme for staff to adhere to sustainable practices
- UTZ Certification Training Programme to learn better, Health & Safety Measures implementation in the factories.
- Motivation Programme (NIPM) to enhance employee engagement in the systems and processes required in the tea industry
- ISO 22000 Internal Audit Training for Q/ Officer, conducted by SLSI



Capital Investments

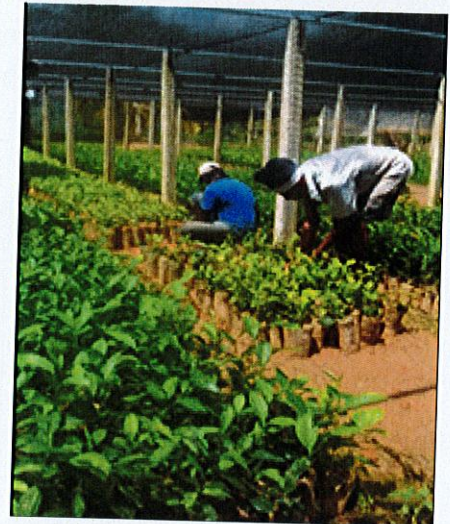
The Company periodically undertakes capacity enhancements in systems, processes and infrastructure to maintain its competitiveness. During the period under review, several projects were embarked on:

- The company went ahead with its plans to instal a new CTC Line and built a new Firewood Shed at the Kalubowitiyana Tea Factory.
- Embarked on the Tea Plant Nursery Project wherein 200,000 plants were distributed at the Derangala Tea Factory.
- Development of Manikdewela Tea Factory to further improve the facilities and capacity of the factory to position it to meet expansion plans of the Company in the future.



CSR Activities

The Company considers Tea small Holders, Staff & Workers to be its key stakeholders and ensures that it remains closely engaged with these valued stakeholders. Its strong stakeholder engagement means that the Company understands the challenges faced by them and in turn has conducted a host of Corporate Social Responsibility (CSR) projects to benefit the stakeholders and uplift them:



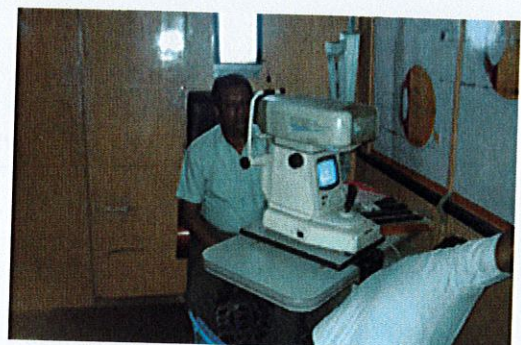
Healthcare

The health and well-being of the Company's stakeholders is a pivotal concern and several projects are carried out every year to benefit them, such as:

Providing spectacles and conducting an Eye Clinic for Small Holders, Staff & Workers to enhance their lives.



The company conducted Blood Donation Campaign for Small Holders, Staff & Workers. In its pursuit to ensure an optimal work-life balance for staff, the Company encourages staff to participate in Inter Company Cricket/Sports activities to enhance team work and offer recreation. In order to promote camaraderie and cooperation, the Company supports all social activities of the Tea Small Holders.



Educational & Religious projects

As a knowledge-based Company, it gives us pride to help underprivileged students to sustain their education without worrying about financial hardship. During the year, we provided scholarships for children of Tea Growing families & Staff.

The Randalu Welfare Society has been formed for the improvement of quality standards for the welfare of all stakeholders. The Company organizes periodic educational trips for staff.

Inauguration of Rs.80.00 Subsidy payment for Small Holders was undertaken which helps them to channel their focus on growth and expansion secure in the knowledge that the Company values them and will always support their efforts to improve their livelihoods. An Awareness Programme on Tea Cultivation Holders was also held. The Company has proactively promoted a propaganda programme to the Leaf Suppliers to encourage cooperation with the Tea Small Holding Development Authority at Gannoruwa.

Keeping in mind the religious nature of our local communities, the Company understands that religion occupies an important part of its stakeholders' lives and therefore it facilitates this by organizing pilgrimages for Staff & workers. During the year, a 'SIL' was observed along with almsgiving. Moreover, a shramadana programme was also carried out.



TOP PRICES ACHIEVEMENTS 2015/'16

| Date | Grade | | | | | Broker |
|-------------|------------|------------|--------|-------------|-----------|----------|
| | KTF | | | | DTF/ HHTF | |
| | BP1 RS. | PF1 RS. | P.DUST | PFGS RS. | RS. | |
| 5-May-2015 | | | 490.00 | | | ASIA |
| 5-May-2015 | | | 490.00 | | | ASIA |
| 26-May-2015 | 415.00' | | | | | F/W |
| 26-May-2015 | 415.00 | | | | | F/W |
| 14-Jul-2015 | | 695.00 | | | | F/W |
| 11-Sep-2015 | | 500.00 | | | | MBSL |
| 11-Sep-2015 | | 500.00 | | | | MBSL |
| 16-Sep-2015 | | 490.00 | | | | F/W |
| 11-Nov-2015 | | 510.00 | | | | LCBL |
| 9-Dec-2015 | | 540.00 | | | | BARTLEET |
| 15-Dec-2015 | | 520.00 | | | | LCBL |
| 26-Jan-2016 | | 500.00 | | | | MBSL |

ASIA : Asia Siyaka Commodities (Pvt) Ltd

FW : Forbes & Workers Tea Brokers (Pvt) Limited

LCBL : Lanka Commerdity Brokers

MBSL : Mercantile Produce Brokers